“Bridging the ‘gap’ between Migrants and the Banking System: An innovative Business Model promoting financial integration, financial stability, and profitability”

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CONTENTS

ABSTRACT

The thesis probes a specific area—the banking system and the business niche concerned with migrants' remittances—and considers the flows of these people and their money in today's global economy (over 3% of the world's population). It argues that the banking system has failed to understand the changing "paradigm" of the migrant market and thus has not updated its business plan or business model for this business segment in response.

In failing to harness the liquidity of the migrant market, the author argues, the banking industry is missing out on a potentially profitable business segment that could create financial stability within the industry and the world's economies. Furthermore, by ignoring the "gap" that exists between the financial products on offer to the migrant sector and their needs in this respect in both the host and origin countries—providing a service at "both ends of the corridor"—the industry is also in danger of losing site of its commitment to social responsibility and the financial integration of migrants.

At the heart of the argument for financial stability and financial integration is the proposition that there is a lack of communication among stakeholders, namely academic and financial institutions, governments, Diaspora associations and other decision makers. As an insider, the author is well placed to probe further into the minds of the "elite"; the decision makers within banks, Diaspora associations and government, employing qualitative research to reveal the extent to which the landscape of the migrant business segment has changed (i.e. requiring a more sophisticated product that meets the needs of migrants throughout their entire life-cycle) and highlighting that the necessary adjustments to the migrant business plan and business model have been ignored because of poor communication and a lack of understanding of the current global circumstances concerning the remittances of migrants.

As the thesis points out, despite considerable evidence that migrants and their associated monetary flows is a central and enduring feature of globalization resilient to financial crisis, remarkably, scant attention is paid to it in the academic literature. The thesis addresses this "gap" by employing exploratory research in order to design an innovative business model and business plan for the migrant market, the benefits of which will be realised globally among migrants, the financial industry and, ultimately, in the development of a sustainable world economy.

NOTTINGHAM BUSINESS SCHOOL

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Acknowledgements

I hesitated if I should write a section on Acknowledgements at this stage of the DBA. However, I decided to do it, as I should recognize publicly the guidance and availability I benefited from three Professors of the Nottingham Business School.

For someone like me, that have been out of direct contact with School for several years, it took some time to see what had to be done to produce Document 1.

I would like to thank my Supervisors Professors Alistair Mutch and Paul Barnes, as well as to Professor Colin Fisher, for the outstanding guidance and support, as well as for the availability of the three Professors have provided me for the preparation and development of Document 1.

To be fully honest it was a great surprise to me the support I obtained and for which I am very grateful. It was a fantastic incentive to do things better and look forward to continue working with their support during the DBA.

Thank you very much.

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Overview

1 Introduction

The objective of this section of the document is to identify the project, the reasons that support my choice and the general planning for its development.

1.1 Introduction to the DBA and Project Identification

The reason for choosing a "Migrants Topic", relates to an invitation I got a year ago to deliver a speech at a banking seminar, on the importance of banking remittances for the banking industry. The dimension of the migrant flows surprised me, as well as the volumes of money and potential business for the banking industry this population segment could bring. In addition, the potential impact in the economic and social development seemed to me to be under-explored.

At that time, I suspected the banks were not taking full advantage of this potential business niche. On the other hand, I found that the banks were not concerned or focused on the corporate social responsibility this business has attached and to the potential it has for human progress.

From that point on and without any structured plan, I started paying attention to articles published in newspapers, generic literature and basic statistics on migration. At the same time, I realised the interest and attention that the migrants' financial flows were getting from the financial industry, as well as from non-financial enterprises (e.g., telecommunication, health, energy, etc.).

I thought it would be worthwhile to perform a deeper research and analysis on the migrants' financial business, but honestly, I did not prepare or think about a plan.

This is when the DBA comes into the equation, and I was asked to choose a topic for the development of the work. I listed three topics and, having discussed them with people familiar with the DBA Program, I decided for the one on the Migrants, as the one where I may be able to contribute for the academic and for the banking industry.

My strategic question is:

- "What should the banking industry do, through the migrant business segment, to increase financial stability in the future?"

In summary, the three particular focuses that will drive the research to answer the Strategic Question, will be structured from a macro to a micro perspective, based on the following:

- The relevance of current migration flows, as well as the forecast in the future (demographic and social macroeconomics environment).

- The corporate social responsibility of banks in the social and financial integration of migrants, as well in the environment and economic development. This should include both the impact in the origin and host countries (organisational and managerial context).

- The financial and market system needs, as well as the clients' needs and best model to serve them profitably (managerial, marketing and operational structure strategy).

At the end of the DBA, I would like to conclude what business model the banking sector should adopt that could influence and create a truly improvement in the following areas:

- Financial stability of the banks and of the global financial system through a “coordinated” global network.
- Migrants’ financial inclusion and social inclusion through a banking social responsibility and consistent commercial policy.
- Migrants’ contribution for economic development with the support of an adequate banking offer.

As a last note, I would like to mention that I was a Portuguese emigrant (Angola and United States of America), an expatriate (Spain, Greece and Turkey) and a national-migrant in Portugal (Lisbon, Porto and Funchal). On the top of this, my family has been a family of migrants since century 18th. I believe that these different experiences will be of value for me during the development of the DBA, as I lived them myself.

1.2 Planning

The work will be developed from a general framework to a micro-implementation plan, as follows:

- Explain and reflect the current situation of migration in a global world, actually each time more global in terms of labour movements.
- Discuss and analyse the banking industry approach to the migrants' market segment, considering what business model the banking sector should develop, incorporating the corporate social responsibility towards financial and social inclusion of migrants, as well as human progress.
- Conclusion on the measures and the marketing approach the banking industry should have to increase profitability and financial stability of the system.

In Chapter 4 – Research Questions and Objectives, I will include and detail the research questions that I believe will provide a framework and an answer to the three inter-linking themes/strategic questions.

At this stage, I am not sure about the "geographic delimitation" of Document 5. I can say that Focus 1, on Migration Flows, will be analysed at the global level and conclusions should be focused in European Union ("EU"), particularly in the Portuguese and may be the Spanish markets and the main countries that relate to these in terms of migration flows. Professor Alistair Mutch suggested the idea of 2 overlapping triangles to describe the approach to the topic, i.e., starting at the global context, then focus on the European Union and, at the end of the process, focus in Portugal or Portugal and Spanish markets.

Figure 1 - Mutch Overlapping Triangles

As indicated in the first paragraph of this Section, the work will be developed from a macroeconomic plan to a micro–implementation model. I can anticipate that, very likely, I will concentrate in the model the Portuguese banks could choose to address profitably and responsibly the migrants' business segment, in the several traditional dedicated networks (mass market, affluent market, private banking and business banking). I should stress that, based on my current knowledge of the business models adequate to deal with this issue, I anticipate that the research will have to investigate the banking models currently used in other countries and the results they are producing.

These business models may vary depending on factors like the immigrants' origin countries, the existence of high concentration of migrants from a particular country or a region and the situation of the economies at the origin countries (because of corporate social responsibility considerations). The same concepts would apply to the emigrants in a particular country and region of this country.

Portugal has a high concentration of emigrants in South Africa, Venezuela, France and the United States of America, while there is a high concentration of immigrants from former Portuguese colonies (Brazil, Angola and Cape Verde), as well as most recently from Eastern Europe countries (Ukraine and Romania).

Only after the analysis of the results of the research, I will be able to define definitively the final scope of the Document 5, but the considerations above will help determine it.

Organization & Context

2 Statistics, Organization and Managerial context

2.1 Migrants' statistics overview

I prepared this section to address the migrants' statistics overview. I believe that it is important to become familiar with the volumes and related issues that involve the migrants. In this Section, I will summarize the main statistics, relating to migrants flows and remittances volumes with the objective of familiarizing my Supervisors and other Readers of the Document 1 about the sizable flows of people and money, as well as the potential business this type of clients can bring to the financial system.

Migrants represent approximately 2.9% of the world populations.

Starting at the migrants' flows, the chart below shows the migrant population by continent, which amounts approximately to 190 million people in the world, based on the last available data (United Nations, 2005). It varies between 1.2% and 15.2% of the percentage of the areas' population. The largest concentrations are in the United States, Oceania and Europe, respectively, 15.2%, 13.5% and 8.8%.

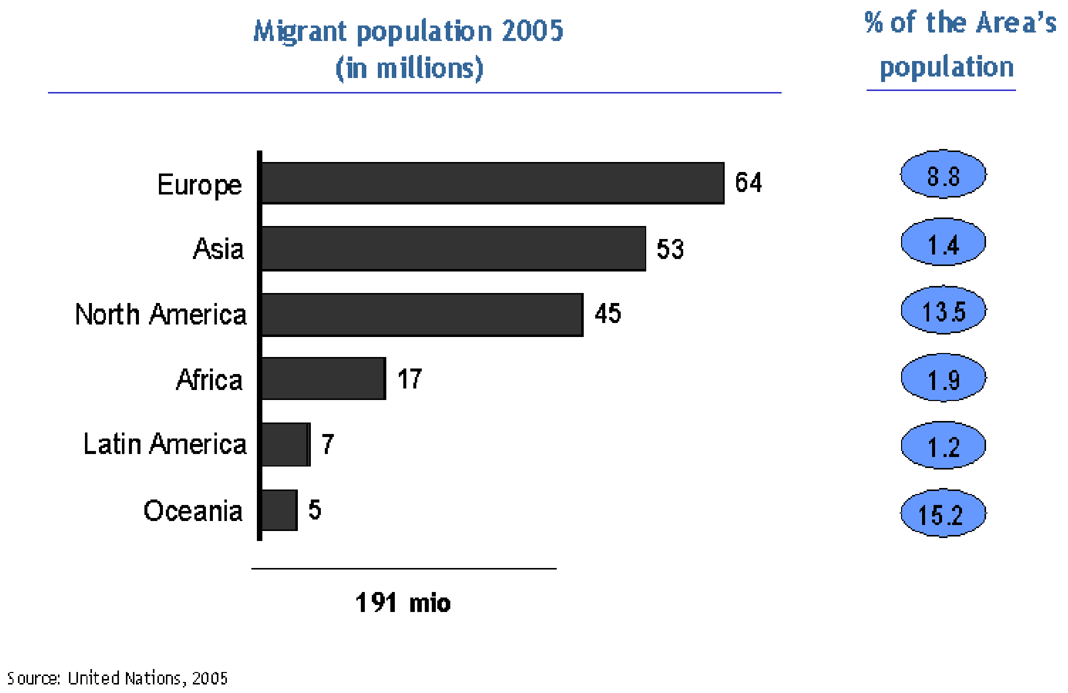

Figure 2 - Migrant population 2005 vs. % of the Area's population

As it relates to the migrants volumes of remittances and potential business for the banking industry, I will use the information prepared by Eurostat, as the response to the increasing demand for data on remittances, which is as follows: "In 2006, the total reported outflow of remittances from the European Union to third countries amounted to €19.1 billion. Over the same period, flows to other Member States reached €7.0 billion. The results show that, in 2006, the EU as a whole remitted more than double the amount it received from third countries (€19.1 billion sent compared to €8.5 billion received)" (Eurostat, 2007)

The growing importance of remittances is clear. According to the World Bank, "recorded remittances sent home by migrants from developing countries reached US$199 billion in 2006, up from US$188 billion in 2005 and more than double the level in 2000 (see World Bank, 2006b). Worldwide flows of remittances, including those to high-income countries, are estimated to have grown to US$268 billion in 2006 (World Bank, 2006a).

"Results of the [outbound remittance flows] ad hoc survey show that recorded remittances sent from the EU by non-EU migrants to their home countries reached €19.1 billion in 2006, up from €17.0 billion in 2005 (an increase of more than 12%)" (Eurostat, 2007).

"Considering that officially recorded remittances register double digit annual growth in the past few years to reach an estimated $308 billion in 2008, an outright fall in the level of the remittances flows projected (5% to 8% fall in 2009) now will cause hardship in many poor countries. Despite the prospect of a sharper decline in remittances inflows than anticipated earlier, these flows will remain more resilient compared to many other types of resources flows, such as private debt and equity flows and foreign direct investment, which are expected to decline or become negative" (World Bank, 2009).

On the other hand, there is the issue of the unrecorded remittances, which are estimated to be one and a half times the size of recorded remittances.

2.2 Organization

The importance of providing the key definitions I will use in the Documents became clear. The two main reasons for that are, on one hand, to make the Supervisors and other Readers familiar with the definitions and, on the other hand, to limit the research and the field of research to the essential to be able to answer the strategic question.

These definitions mainly relate to migrants, immigrants, emigrants, remittances, banking system, credit and risk management, corporate social responsibility and regulatory issues. The scope of them is very broad and includes realities and components that will be excluded from the research. They may be relevant and important within each definition, but not to answer the strategic question.

Therefore, one of the criteria that I plan to follow very strictly is to make sure that any research or part of the definitions in that research is relevant for the final objective of Document 5.

As indicated in the previous Section on the Planning, another area of concern is the geographic delimitation of the research. At this stage, I would not like to limit it (I will treat in more detail this subject in Section 4 - Research Questions, Objectives, Plan and Methods). I may end up covering only Portugal or Portugal and Spain or selected countries in European Union, that impact these markets. I would say at this stage that the considerations included in the previous section on the Planning would be determinant to the delimitation of the geography for the Document 5. My best guess is to cover Portugal, although it will be dependent on the conclusions I reach.

2.3 Managerial Context – Core Definitions

2.3.1 Migrants, immigrants and emigrants

“Migrants are persons who move to a country other than that of their usual residence for a period of at least a year, so that the country of destination effectively becomes their new country of usual residence” (World Bank, 2008).

I will also quote the definition of immigration and emigration: “Movement of people from one country to another. Immigration is movement to a country; emigration is movement from a country” (Farlex, 2009).

The qualification of immigrant and emigrant is applied to the same person. This person is an immigrant at the Host country (country of residence) and an emigrant at his Origin country (country of birth). That is one of the reasons why the expression used is “migrant”, which covers both qualities of one person.

Although the definition of migrant can vary from one organization to another, I choose the following two that I believe define it for the scope of thesis work:

- “…The term migrant can be understood as "any person who lives temporarily or permanently in a country where he or she was not born, and has acquired some significant social ties to this country. ... The term 'migrant' should be understood as covering all cases where the decision to migrate is taken freely by the individual concerned, for reasons of 'personal convenience' and without intervention of an external compelling factor. …" (UNESCO, 2009).

- “… This definition indicates that migrant does not refer to refugees, displaced or others forced or compelled to leave their homes. Migrants are people who make

> choices about when to leave and where to go, even though these choices are sometimes extremely constrained. …. From the country of origin perspective the migrant is called an Emigrant. From the host country perspective he is considered an Immigrant. Emigrant is someone who leaves one country to settle in another and Immigrant, a person who comes to a country where they were not born in order to settle there" (UNESCO, 2009).

Therefore, based on the definitions above, the word "migrant" can be used with the same meaning of the word "immigrant" or "emigrant". However for the purpose of the work and to be clear I will use the words with the following meaning:

- Migrant: To cover both qualities of a person that does not live in the country where he/she was born, i.e., emigrant and immigrant, from the perspective of the country of origin or destination, respectively.
    - Point of view of origin country: Emigrant: A person that lives in a country, that is not the country of birth, seen from the perspective of the country where he/she was born.
    - Point of view of host country: Immigrant: A person that lives in a country that it is not the country of birth, independently of having the nationality of the country where he/she lives.

Even though definitions may be vague and vary somewhat, emigration/immigration should not be confused with the phenomenon of involuntary migration, such as population transfer or ethnic cleansing. Any type of forced migrants, tourists, students (only become migrants if they decide to stay at the country where they are studying), diplomats and short-term expatriates (long-term expatriates, i.e., over a year of residence in other country are considered in the statistics, although, not specified), as well as national-migrants within a country, will not be in the scope of the work.

An important component of the definition of the migrant concept is the “residence stability”, which is usually considered by the banking sector that should be over one year. Also, on the opposite side, after a long period of residence, the migrant may become naturally a new-resident (or a “new-citizen” through a legal naturalization process) and the statistics may have difficulties in identifying this population segment.

The “intention” to return home can also be a factor to consider in the definition of a migrant. The intension of returning home varies substantially from culture to culture and also the destination country, very often, limits or restricts this intention. As an example, it is general knowledge that Portuguese emigrants in South Africa and United States tend not to return home (because of distance, standards of living, second generation that does not recognizes the country of their parents). On the other hand, Portuguese emigrants in France and Luxemburg tend to return as soon as they retire (usually they maintained more intense links to Portugal because of distance). Therefore, although there is the intension of returning it only happens in the long term and, consequently, the intension in this situation is not very relevant for the definition. But definitively, the intension of a long-term stay should be “there”.

2.3.2 Remittance

Remittance is basically a transfer of money from one country to another by migrants [(E)+(Im) migrants].

Sofia Biller, from the University of Iowa defines remittances in this way: “A “remittance transfer” refers to the transfer of money from an individual, usually a person who has emigrated from her city or country of origin, to another individual, usually a relative who remains at home. Remittance transfers are typically person-to-person payments and of low monetary value. … An international remittance transfer involves an immigrant in a new country sending funds to his country of origin, or to individuals (usually family) in a third country. … Remittance transfers include *neither* the international sale and transfer of goods *nor* the cross-border transfer of funds between businesses. For the purposes of this brief, a remittance transfer will refer only to international remittances" (Biller, 2007).

Another example, is the one of The World Bank: "...Remittance transfers may be domestic or international. However, the focus of this report is on international remittance transfers, … defined as cross-border person-to-person payments of relatively low value. In practice, the transfers are typically recurrent payments by migrant workers" (Bank for International Settlements and World Bank, 2007).

I should say that a Remittance is only the "tip of the iceberg" of the potential business the migrants can bring to the financial system. It is a key definition to understand the link to the economic development in the origin country, as well as to limit the concept of remittances to the international remittances from migrants (emigrants and immigrants). For countries' statistical purposes and Eurostat, the statistics identify these types of remittances. It is also a key definition to understand the "global banking network system".

The objective of the work is to look beyond this particular banking service –Remittances- and to study the potential of a deeper relationship based on the knowledge of the customer, following the customer, as well as the customers' family through the offering of a range of products and services adjusted to their needs at the host and origin countries. This objective is explained in more detail in this document.

2.3.3 Banking System

Banking system is a “network of commercial, savings, and specialized banks that provide financial services, including accepting deposits and providing loans and credit, money transmission and investment facilities” (BNET, 2009). I would add that, this network of banks, interact among them in a fashion that no other business can do.

A bank is a financial institution whose primary activity is to act as a payment agent for customers and to borrow and lend money. It is an institution for receiving, keeping and lending money. Non-banks that provide payment services such as remittances companies are not normally considered an adequate substitute for having a banking account (Sullivan, 2003). In this work I will focus on the retail banks, i.e., banks with a network and able to provide a number of services and products to a range a clients.

Most banks treat their clients differently, as some products are not offer to all clients. The “value offer” usually is determined based on the wealth (amount of “PFA-personal financial assets” maintained at the bank). The wealth of a client usually determines the business segment of the bank where the client is allocated. For example a retail bank has individual clients in the mass-market network (regular client without minimum PFA), in the affluent market network (PFA over 100 m€) and at the private banking (PFA over 500 m€). Obviously, this segmentation is indicative.

As an example, a client of the Mass-Market does not have an account manager, a client of the Affluent Market has an Account Manager and a client of the Private Banking has a Private Banker. The product offer is very conservative at the first business segment and fairly extensive and sophisticated for private banking clients. Branches are also decorated in a different fashion.

Depending on his/her wealth, a migrant can be client of different networks. In the work, I will focus manly at the mass-market and affluent market segments. This type of business can be seen as a “business volume”. At private banking, migrants are treated at a sophisticated level, and therefore are not regarded as clients contributing to a volume's business, that is the scope of this work.

Until very recently, the banking system has been a passive and "reactive" agent, as well as a kind of a "black box" (Mutch, 2009a), having an "unilateral host/origin country view" to the financial needs of migrants, limiting their products basically to "remittances". In many instances, we may say there is a kind of "apartheid of migrants" client base from the banks' client base.

The banking system is one of the most important (and one of a few) with a world network and an infrastructure with the capacity of moving money and information around in a safe, secure and trustable fashion.

"The reality is clear: Migration ties sending, transit, and receiving countries –as well as immigrants, their families, and their employers- into often reinforced intricate systems of complex interdependence. It takes the cooperation of virtually all these actors –plus smart policy decisions, thoughtful regulation, and sustained enforcement- to make real progress in limiting the effects of migration's challenges enough so as to draw out even more of its benefits" (Papademetriou, 2006).

The financial system also has its capacity in place for many years, meaning that it "ties sending, transit, and receiving countries" for financial purposes and flows.

The reason why the banking system, as well as the telecommunications system, is very important for migrants is that the banking system is the very first vehicle through which the migrants are able to keep the contact with their home countries when migrating.

2.3.4 “Bankarization” (a neologism)

The financial inclusion of migrants in a correct banking way is definitive and determinant to minimize the negative impact of migration flows in both countries. “Bankarization” (a neologism) is synonym of financial inclusion and one corner stone for the social inclusion of migrants.

“Bankarization” is a concept that implies the inclusion of a migrant in the financial system, having a bank relationship, of which a bank account is the basic and first requirement for the access to financial and non-financial products and services. This will also ensure that the migrant does not have relationships with illegal and unsupervised individuals and/or entities that can be used to substitute the banks in their activity. This is particular important for illegal immigrants that may be tempted to satisfy their financial basic needs utilizing illegal financial circuits. More difficult situation is the one of undocumented immigrants.

These savings can represent an important and stable “liquidity basis” in terms of cash in both the origin and host countries. Also at the origin countries, the “bankarization” of the family can be an important contribution that the banking system can give to the development of the country and the inclusion of these people into the banking system. In regions like Africa, Asia and South America, there are countries where, less than 10% of the population has a bank account.

The banking system and supervision authorities should take into consideration these issues and be prepared to attract, without penalizing the illegal/undocumented immigrants, to allow them to have a bank account, as the mean to protect them from the illegal networks and capture their monies to the legal financial system.

The chart that follows shows the impact of remittances in 2007, in the GDP of selected developing countries. It can vary from 0.2% to 9.0%.

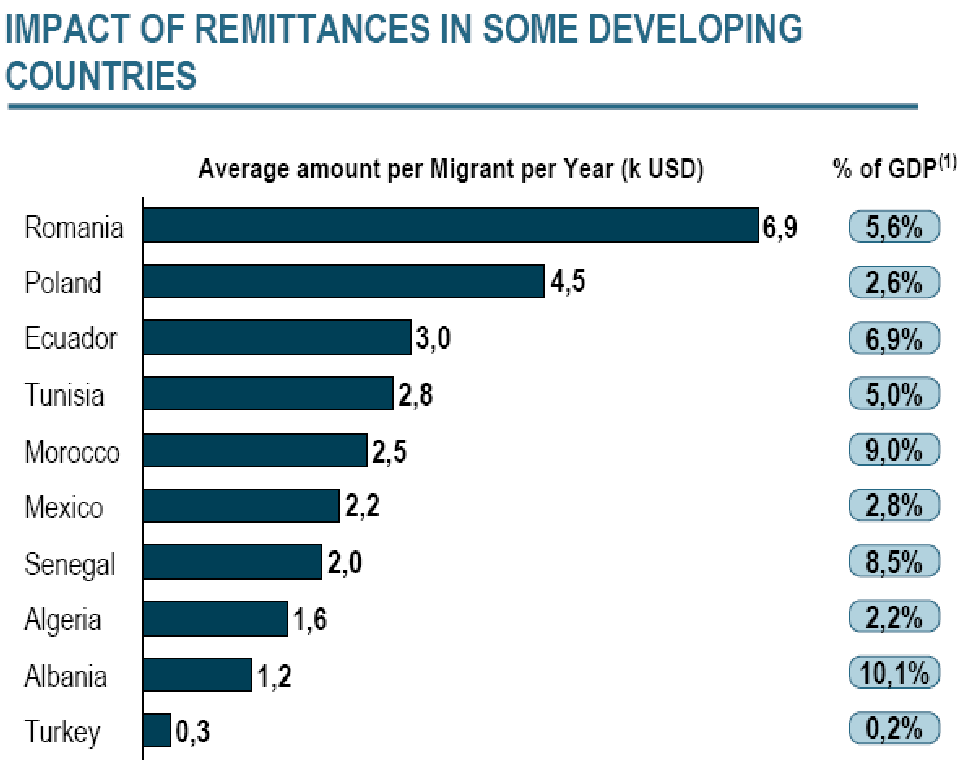

Figure 3 - Impact of Remittances in Some Developing Countries

(1) Share of migrants' remittances in the countries of origin's GDP
Source: SALVI, S., 2009

"The true size of remittances is larger than foreign direct investment flows and more than twice as large as official aid received by developing countries. Remittances are the largest source of external financing in many developing countries" (Eurostat, 2007)

The Banking system has the ability to promote focused and developed sustainable investments and generation of richness around the world, especially in migrants business, promoting and leading project finance-lending and investment of migrants' deposits in both ends, i.e., host and origin country. It should take into account the ability of the migrants to accumulate savings and the resistance to easy consumption is very high or, at least, above average. These savings can be either channeled to their origin countries or stay at the banking system at the host countries.

2.3.5 Credit and risk management

Credit risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit (either the principal or interest or both). Credit is the most important asset of a bank and, therefore, has to be managed very carefully.

The credit decision process should consider the migrants, which need financing for mortgages, consumer credit and their businesses at the beginning of their stay at the host country. This brings up the issue of what the banks should do in relation to the credit appraisal of migrants, namely if the rules and credit policy should be less strict, taking into consideration the risk differentiation between a national and a migrant.

Another issue has to do with the well-known process of KYC-Know Your Customer and AML-Anti Money Laundry Rules that the supervision authorities impose on the financial system. We can discuss if an illegal migrant can have a bank account. Most banks open bank account, providing the migrant has, at least, a passport.

This process and the way banks manage the credit risk and management risk in general, are determinant to integrate and "bankarize" the migrants. If a migrant is "bankarized" he/she will be more protected from existing illegal networks that capture their remittances and savings. Illegal networks will not be within the scope of the work.

2.3.6 Corporate Social Responsibility ("CSR")

Focus 2 will include the CSR part of the work; I found two definitions that I believe cover the concept in the fashion I believe the financial system should consider applying to the migrants' business segment.

The definition of European Union for CSR is the following: "A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis **(**European Union, 2009).

Another definition is given by Industry Canada as follows: "While CSR does not have a universal definition, many see it as the private sector's way of integrating the economic, social, and environmental imperatives of their activities. As such, CSR closely resembles the business pursuit of sustainable development and the triple bottom line" (Industry Canada, 2009).

I always questioned myself how to apply these concepts and its efficiency in a profitable and "material fashion" in a market economy, as CSR, in short term, affects directly the profits of a company and therefore "subtract" from the shareholders. However, the view that can also be considered is the "future return" of the amount "subtracted", meaning that the companies would adopt it to make even more profits. Others would say that CSR is a concept that enterprises barely apply (and only) when its image may publicly benefit from it and/or be more protected from public criticism.

However, on the other hand, there are enterprises that voluntarily and genuinely adopt the CSR consider its policy as a respectable manner (self respect, respect for others, respect for environment and being respectable) towards the society in the way they run their profitable business. May be a respectful manner of managing the migrants' money and financial needs is that the banks –through CSR- contribute proactively to the social integration and financial inclusion of migrants.

Also, teaching the migrants managing their financial needs and the financial needs of their families at the origin countries, is certainly an important contribution the banking system can give to migrants, which can be included as part of the banks' corporate social responsibility program.

I choose this human value ("respect"), as is a key element of human nature within a wide range of world cultures and a powerful tool to implement naturally CSR in a banking organization (this will be part of the research in Document 3).

A final topic in the corporate social area relates to the issue of the health system in the migrants' integration. The "healthcare issue" is outside the scope of the work, therefore being relevant but not important, as it is a subject that should be dealt almost totally outside of the financial system.

However, taking into considerations that the public integration policies, in the healthcare field, face new problems (new infectious diseases, new demands on health care, cultural and linguistic differences for healthcare providers, etc.), as well as the important contribution that the healthcare sector can have in the social cohesion in EU and for the full integrations of immigrants in host countries, we will review literature on this subject, and finally determine if the banking system should or not pay attention to the health issue (either in the corporate social responsibility area and/or in the product and services offer).

Also the origin countries can benefit from remittances as it relates to health issues. "…children in remittance recipient households [at the origin countries] have higher birth weights and better health indicators than others" (World Bank, 2007).

This item will be covered in Document 3 and the results will, very likely, be considered in the preparation of Document 5. This review will cover the product and services offer the banks can have for the migrants' business segment, namely on the insurance side of the business (namely offering health insurance), as well as the contribution that some banks (in Portugal there are 3 large banks that own hospitals) can give in this specific field, as part of their corporate social responsibility in integrating migrants.

Preliminary Literature Review

3 Topic, Problem and Issue Description and Overview of literature

3.1 Topic

As indicated in the previous sections, the Topic I choose relates to the impact and influence, the financial business generated by Migrants, can have in the future stability of the financial system, both at the host and the origin countries.

Also, in the analysis of this issue, we should consider the corporate social responsibility of the banks in the social integrations of migrants.

In the next Section of Document One, I will layout the problem, the issues description and the reasons for the strategic and research questions.

3.2 Problem and Issue Description

As I have a particular interest in the financial industry, I identified the following Main Strategic Question:

> *"What should the banking industry do, through the migrant business segment, to increase financial stability?"*

The reasons to choose this Topic, the problem and issue description, as well as the justification for the academic and business field are outlined in the following paragraphs.

The first, relates to Migrant Flows and the general knowledge of the significant increase in migration flows in the world. The financial business (important and stable base of "liquidity", remittances commissions, capture remittances as deposits at the destination country, mortgages, consumer credit, insurance, business banking products, credit cards, non-financial products, etc.) the migrants bring (or can bring if the business model is properly designed) to the financial system can be very relevant or not, for both the origin and host countries. I have the empiric thought that it should be relevant, although that should be confirmed as a conclusion of the research.

Financial stability is an element that relates to various issues, of which, one of the utmost importance is "cash". In the current financial crisis we could see how liquidity took many banks to a bankrupt situation or close to it. Deposits from migrants are very stable, i.e., they are the bank for long periods and usually without extraordinary demands (in terms of interest rates) from the clients. Therefore, these deposits are an important element in the stability of the deposit base. There are banks that have a significant percentage of their deposits from the migrants.

Therefore, if we conclude that the migration flows are significant and increasing steadily, the first question arises, within Focus 1- Migrants' Flows - Demographic and Social Macroeconomic Environment, which I draft as follows:

- *"What strategic decisions should banks make about how to meet profitably the financial needs of migrants?"*

The second problem relates to the banking system corporate social responsibility in the social integration of migrants. Working in the financial system and having intense contacts with many major retail banks of the world, I do not see or perceive that Senior Management, in many major financial institutions, realizes the potential of approaching the migrants' financial needs in a structured fashion.

This topic encompasses the possibility of serving the migrants' needs at the origin and host countries, with financial and non-financial products, in a corporate social responsible manner, namely in their social integration and helping to channel the savings and financing to the development of the countries' economies.

Based on this issue and within the Focus 2 – Corporate Social Responsibility ("CSR")/social integration & environmental impact - Organisational and Managerial Context, I developed the following question:

- *A business banking strategy, for migrants' business segment, based on corporate social responsibility/social integration and corporate sustainability: a business advantage or a business constraint?*

The third issue will deal with the contribution that migrants can make to the financial system and to financial stability, if we conclude that the volumes and flows are relevant and tend to increase.

This will require the analysis of the profiles of migrants, countries of origin, their financial and non-financial products needs and the most efficient way/model the banks should approach profitably this particular market niche, if we conclude there is one.

In Focus 3 - Financial System Offer and Migrants Financial Needs – Managerial, Marketing and Operational Strategy, I plan to address this issue, mainly looking under the managerial, marketing and operational side of the financial business. To answer this issue I prepared the following question:

> *How to increase profitability and financial stability in an increasing competitive market (from banks and non-banks financial intermediaries) relating to migrant business?*

I believe that the research of this topic and the conclusions we will draw from it, can contribute to the awareness of the banking industry to this business segment. I also think it can contribute to the way this segment can be approached profitably, contributing to the social integration of migrants and the development of the origin and host countries.

3.3 Overview of literature and data sources

I performed an initial review of literature and data sources that indicated to me important material to be reviewed in detail when preparing Document 2. Below is the map of relevant literature summarizing the main subjects to be reviewed in the 3 Focus interlinking themes/strategic questions, as follows:

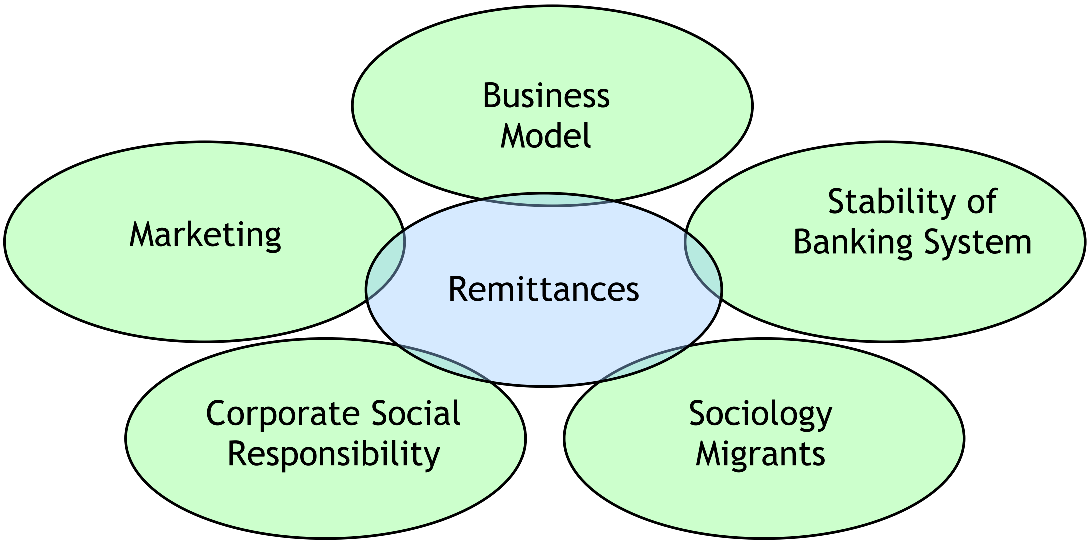

Figure 4 – Ellipses Relevant Literature

In summary, the literature review will include the review of the migrants' flows and remittances volumes, on the corporate social responsibility will cover literature on the contribution of the banking system for the development and social integration of migrants, as well as the sociology of migrants in both the origin and host countries, the factors that can contribute for the financial stability of the financial system, and the marketing and business model approach that banks could adopt to serve profitably the migrants' banking segment.

Below, I detail for each focus, the relevant literature that I identified at this stage. I consider that in the development of Document 2, I will identify more sources that, if relevant, will also be considered.

Focus 1 - I have performed a limited research on the topic in terms of the overview of literature that will be considered.

However, I already identified that, for statistical purposes, namely for the analysis of Migrants' Flows, included in Focus 1, several organizations have available very detailed information on statistics. They include namely:

- Eurostat
- The World Bank
- IMF-International Monetary Fund
- Central Banks' Statistics
- National Institutes of Statistics
- IOM-International Organization for Migration
- UNESCO
- Centro de Estudos Geográficos da Universidade de Lisboa ("Center of Geographic Studies – University of Lisbon")
- Harvard Business Review
- Reports produced by consulting firms (McKinsey, Roland Berger, Boston Consulting Group, Cap Gemini)

For Focus 2 – Corporate Social Responsibility on the social integration of migrants, I plan to do namely the following:

- Interviews with civil leaders involved in migrants associations (on the side of migrants), namely the High Commissioner for the Immigration Integration, the High Commission for the Immigration and Intercultural Dialogue and CLAII – Local Immigrant Integration Support Centers.
- Review of several publications from the Portuguese Immigration Observatory and GATAI-Technical Support Office for Immigrant Association.
- Review of several publications namely, from WHO-World Health Organization, Health and consumer protection, European Commission and International Center for Migration and Health.
- Focus group with banking managers that deals with migrants' business segment.
- Consider the analysis of case studies of migrants' associations, if available.
- Interviews and/or analyze case studies of Banks that cover the approach and view this particular market segment.

I will also try to attend conferences and seminars on the subject and analyze statistics and annual reports from selected banks on the concerns, objectives and achievements in this field. I will also identify corporate social responsibility literature to review, as well as statistics for "origin countries" that allow for the analysis of the role of financial institutions in the development of countries, having as basis the remittances and other financial products offered in both sides of the chain, i.e., origin and host countries.

I believe that Focus 3 - Financial System Offer and Migrants Financial Needs – Managerial, Marketing and Operational Strategy will require quantitative research (Question 3.1), probably using public domain data sets or data available within the banks, as well as a good deal of qualitative research (question 3.2), as we will be dealing with areas of defining a business model and defining a marketing strategy.

The sources of information for the quantitative research will be basically the same referred above for Focus 1. For the qualitative research, the research will be based on case studies of banks or countries, interviews and questionnaires.

3.4 Justification of Academic and Business Fields

I gave deep though to the choice of the topic. I discussed it with two friends, one of whom is currently a student of a DBA Program, and then I had the opportunity, at the first session at NBS, of briefly discussing it with the Professors. In addition, my Supervisors agreed that the topic is interesting and of academic and business interest, although challenging, mainly for the need to, at a point in time, concentrate and focus on the Research Question 3.2. - What options do the banks have in meeting this market's needs, what do the potential customers want, what is the evaluation of different banking models to address profitably the migrants' needs?

As regards the contribution to the academic and business fields, I believe that the research to be performed and the results of the final document, will allow for an analytical conclusion on the importance for the financial stability of the financial system, conducted in a profitable fashion, of an integrated approach to the migrant business segment. I also intend to give a structured view of both sides of the equation, i.e., at the host and origin countries, through theoretical concepts and its potential impact in the financial business.

The Banks are frequently considered as "non-transparent", which is a strong basis for its business in general. Professor Alistair Mutch, one of my Supervisors for the DBA, gave me his feedback in our discussions (Mutch, 2009b) writing:

"There does seem to be a gap about what banks do. That is, from a brief scan the literature seems to be about either flows at a national level and their implications for development or about the migrants and their finance options. Banks enter into this but as "black boxes" –that is, their role is noted and assumed but why they carry out their roles and how they choose to do so seems a little opaque. This then gives you a very good gap in our knowledge to seek to fill".

As recommended, I pointed out these distinctions at the beginning of Document 1 - Organisational and Managerial Context, in the sub-section Managerial Context – Core Definitions and will use this as an important part of the agenda for Document 2, where I will explore the subject will be in detail. The remaining topics, I will address in this Section and in Section 1.3.

Methodology

4 Research Questions, Objectives, Plan and Methods

In this section, I will outline the research questions and objectives established to allow an answer and conclusion to inter-linking themes/strategic questions.

For Focus 1 – Migration Flows, there is one strategic question:

- *What strategic decisions should banks make about how to meet profitably the financial needs of migrants?*

The strategic decisions that banks should make are dependent on the size of business and profits the migrants' market niche could bring. Therefore, it is critical in the decision process to have a view and a conclusion about the demographic trends.

These trends should include an analysis of the last five to ten years, as well as a forecast of the next 7, may be 10 years (probably too long).

The first part will have the objective of reaching a conclusion on the size of an effective potential market already available to banks and, the second part, will allow for a conclusion on the growth potential for the next 7/10 years.

This second part is relevant to conclude on the amount of investment and resources to allocate to the migrants' business segment and to analyse and evaluate the return on the investment.

Having in mind these objectives and the strategic question to answer, two Research Questions arouse:

1.1. What demographic trends or changes are happening?

1.2. Which impact will demographic trends and changes have on the banking industry?

At the host-developed countries, the demographic trends and changes' analysis should include a brief evaluation of the impact of the birth growth rate (increase/decrease) combined with the aging of the population. This will allow evaluating the importance of the migrants in the host countries, as the ones that will contribute to cover the potential population gap, as well the impact they can have in the economy if the aging pyramid is not compensated by young immigrants.

The following chart shows the percentage of migrants, in selected Developed countries, which varies between 4% and 13% of the total population of each of those countries.

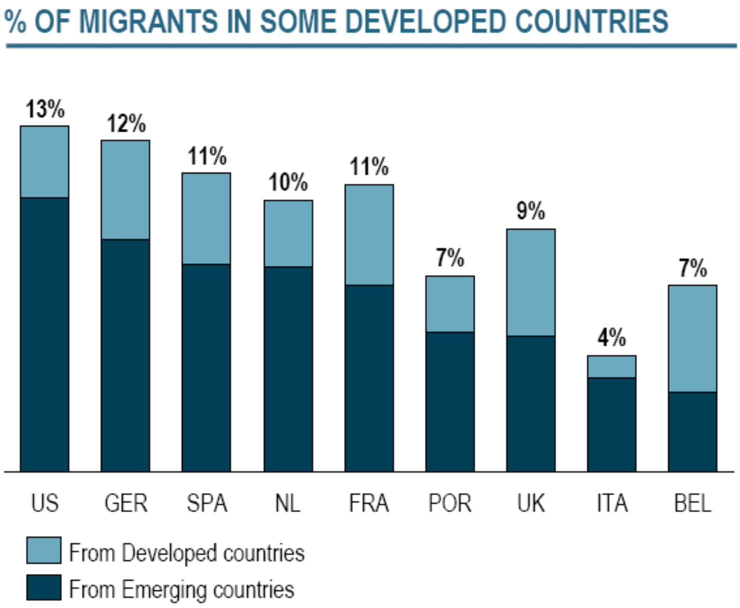

Figure 5 - % of migrants in some Developed Countries

Sources: SALVI, S., 2009

This chart shows the importance that the migrant part of the population represents and, therefore, the potential to be serviced properly and profitably by the banking system.

The objective of the second Research Question is to evaluate the impact in the banking industry that these trends and changes will bring.

The impact could be analyzed, probably, using a SWOT analysis, indicating business opportunities and threats (from the market side), as well as weaknesses and strengths (from the banks' side). The impact in the country itself should only be analysed in a summary fashion and as a macroeconomic factor in the decision process, having in mind the objective of this research question.

The analysis to be performed, should also consider the migrants that set up their own businesses in the host countries. Therefore, within this research question, an analysis of the migrants' businesses should be performed to conclude on the influence and impact they have in the financial markets, in which way and how deeply that influence can be, mainly at the level of small and medium enterprises.

Another side of the impact in the financial system has to do with the possible "high concentration" of migrants from a particular country in a particular or several cities or regions at the host country.

The other component of this analysis will be to determine if the banks keep track of the migrants in their databases and the way these databases are monitored. This analysis will allow for an evaluation of the potential of migrant clients that a particular bank has already in its retail and commercial banking networks.

Now, we will analyse the second inter-linking theme/strategic question, Focus 2 – Corporate Social Responsibility/social integration and Corporate Sustainability/environmental impact and analyse the research questions and objectives established, which are as follows:

- *A business banking strategy for migrants' business segment, based on corporate social responsibility/social integration and corporate sustainability: business leverage or a business constraint?*

The focus of the strategic question is, on one hand, on the role of retail and commercial banks and, on the other hand, on stakeholders that can contribute to the social integration of migrants that the banks should or could support.

To have a strategy for migrants based on corporate social responsibility, requires a number of measures, which may include donations, marketing strategy and an effort to contribute to both sides of the migration, i.e., host country for the migrant and origin country to the family and the country development.

Having in mind this objective and the strategic question, two Research Questions arise:

2.1. Should banks address proactively both ends (Origin and Host Countries) of the migrant needs in a social responsibly manner and promote sustainability?

2.2. What priority and importance, do the various stakeholders involved give to these issues?

Starting at research question 2.1, the objective will be to conclude if the banks should be concerned with the corporate social responsibility concept and consider it in their product offer. This will also include the analysis of the role banks should have in the migrants' social integration and developing a plan to promote sustainability. These issues should be addressed on both sides, i.e., at the origin country and at the host country.

At the end, we should conclude if corporate social responsibility is simply the latest and fancy managerial trend or if it must be at the heart of banks' business, culture and image, taking into consideration that this business segment should be profitable (Boudet, 2008).

Sustainable development is an approach that rests on three pillars: economical, social and environmental. The decision to finance friendly environment projects can influence the sustainability, at both host and origin countries. Another aspect can be the development of cultural and scientific skills of migrants and their families.

We should conclude if banks should play a central role in promoting sustainable development.

On the opposite side, it will be relevant to conclude what would be the impact (positive, neutral or negative) in the economy, in the financial system, in the banks themselves and in the social environment if the banking strategy builds a business strategy not considering these factors.

There are several stakeholders involved in the migrants' financial business segment, namely the migrants themselves, their families and businesses at the origin country, the financial institutions, non-financial institutions (post offices, telecom companies, etc.), money transfer firms, supervision authorities, as well as on another plan, not-for-profit institutions, migrants' associations, governments (at Host and Origin countries) and others.

The objective of this question should be to conclude if the different stakeholders value that the banks have this concern, as well as the degree of importance they attribute to it. Based on this, we should be able to define how deep the product offer should consider this issue.

Finally, we will analyse the third inter-linking theme/strategic question, Focus 3 – Financial /market System Needs, Client Needs - Managerial Operational Strategy, for which there is one strategic question:

- *How to increase profitability and financial stability in an increasingly competitive market (from banks and non-banks financial intermediaries) relating to migrant business?*

Having in mind and consideration the conclusions drawn from the previous strategic and research questions, we should design a plan to address the migrants' business segment in a profitable manner, as well as increase the financial stability of the system. The plan should also take into account a publicly known increase in the competition, from banks and non-banks intermediaries.

The two research questions considered to help answering this strategic question are the following:

- 3.1. What are the problems concerning financial stability at the bank level (liquidity, credit and non-financial products) and at the economic level, namely the balance of payments and investment projects?

- 3.2. What options do the banks have in meeting this market's needs, what do the potential customers want, what is the evaluation of different banking models to address profitably the migrants' needs?

As it relates to the Research Question 3.1, the financial stability of the financial system depends on a number of factors, namely the "liquidity" issue in the monetary markets. Liquidity can affect strongly the financial stability and economic development.

The old saying, "That there are not banks without deposits" (by the way, very true in our days, being one important reason for the current financial difficulties of many financial institutions) can have a positive contribution from the migrants' deposits base.

To determine the volumes and "where is" the migrants' liquidity, as well as the liquidity flows generated by them, is a key point to understand how this business segment can contribute to financial stability. On this issue, we should also conclude on the influence on the balance of payments.

On the other side of the banks' balance sheets, the credit volumes generated by migrants (investment projects, micro-credit, mortgages and small and medium size enterprises lending, consumer credit), as well as off-balance sheet non-financial products, can contribute to the financial stability of the system.

The Research Question 3.2 relates to the decision on the business model to serve the migrants' business segment.

This will take into consideration the answers and conclusions to all previous Research Questions, namely the relevance of the migrant flows, the banks' corporate social responsibility in the migrants social integration and the way its importance is viewed by the different stakeholders. In addition, the conclusions on the volumes and "remittances corridors" will help concluding on their contribution to financial stability.

At this point, we should be able to identify the clients' needs and the best model to target profitably the migrants' market segment, considering in the model, the relevant conclusions of migrant flows and the banks' corporate social responsibility.

The design of the "service model" may vary, from country to country, as migrants, in terms of client needs, cannot be considered as a "single group".

One of the items will be the choice of the migrant target group profile, in terms of long-term profitability. This should consider several segments of clients, including the mass market, the affluent market and the private banking, as well as the small and medium size enterprises. Each one of these segments has different financial needs and, therefore, should be serviced differently.

Another factor to consider is the definition of the targeted segments. We will have to consider, namely, the first generation that arrives to the country, qualified workers and professionals, non-qualified workers, expatriates, retired people, university students, second generation. We should determine and combine these different types of migrants with the different business segment referred in the previous paragraph.

The third component will be to conclude on the importance of integrating and keeping as clients the young generations that grew in the host countries. Should this be a concern or should they be considered simply as national citizens at the host country?

On the product side, it will be necessary to determine what should be the value-offer chain. This should take into consideration if the banks should offer a solution to cover migrants' needs at each moment (e.g., value added services, namely, language, cultural traditions) and have available, at the host country, different products and services from local clients.

We should conclude if it makes sense for banks to have "integrated products' portfolios", including remittances, savings, micro-credit, mortgage banking, consumer credit and SME financing, as well as "near to" financial services portfolio like, life and non-life insurance, pension funds, health insurance and others. Also consideration should be given to Non-Financial Services, like health services, residential financial real estate, legal advice and consultancy.

In conclusion, do “emotional products” and strong support attract migrants’ financial business and do migrants value them?

Or, alternatively, migrants might prefer to be serviced as the tourist sector is: same service and product for all clients, segmented by type of client (mass market, affluent and private banking). This can be a particularly interesting matter when targeting first generation or second generation.

From the preliminary research performed, we should also determine the impact, in the financial system, of a regional “high concentration” of a particular group of migrants and conclude how the financial system can better and profitably respond to this. For example, in Spain, North Africa migrants concentrate in the Mediterranean area and in Madrid; in UK, Polish migrants concentrate also in particular regions. Portuguese emigrants for example, concentrate in Paris, USA East Coast, Johannesburg and Venezuela.

The following chart analysis, illustrates the described in the previous paragraph, showing examples of dominant countries of origin and examples of several equally represented countries.

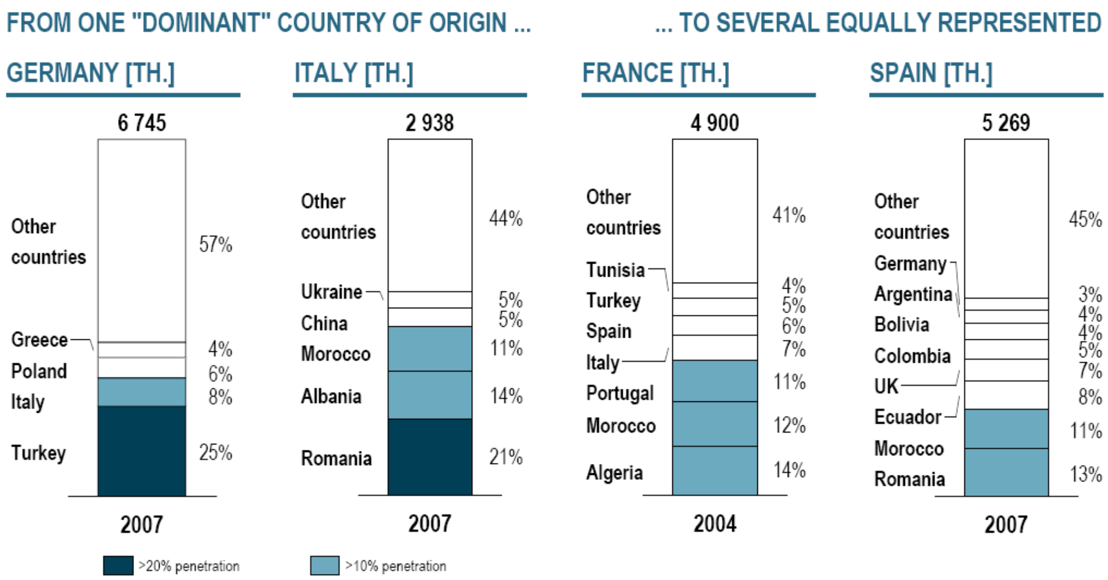

Figure 6 - Migrant population structure differs from one country to another

Sources: SALVI, S., 2009

This type of situation can influence very much the decision on the network and product model to use. Also, we should consider if it makes sense that banks based in emerging countries, take the migrants opportunity as the basis for future expansion of their operations in developed countries.

5 Research Questions & Objectives

In this section of the Document, I will include the plan to carry in relation to the allocation of the research questions between Documents 3, 4 and 5.

I prepared the schedule included in the next page, for the Reader to have an overview of the strategic and research questions. In addition, it will allow for the identification of the document in which they will be included, as well as the reason for them.

5.1 Divided up between documents 3, 4 and 5 and logic linking all 6 documents

INTER-LINKING THEMES/STRATEGIC QUESTIONS	FROM THESE A NUMBER OF RESEARCH QUESTIONS AND OBJECTIVES ARISE	DOCUMENT STRUCTURE (3 - 4 - 5)	Research Plan and Method
	S		
Focus 1 Migrant Flows - Demographic and Social - macro economics Environment			
1 · What strategic decisions should bank make about how to meet profitably the financial needs of migrants?	**1.1 What demographic trends or changes are happening**	**4**	**Can be answered by Quantitative Research, probably using public domain data sets or data available within the bank(s) e.g., World**
	1.2 Which impact will demographic trends and changes have on the banking industry?	**3 e 4**	**Quantitative and qualitative research**
Focus 2 CSR/ social integration & CS/environmental impact - Organizational and Managerial Context			
2. · A business banking strategy for migrants' business segment, based on corporate social responsibility/social integration and corporate sustainability: business leverage or a business constraint?	**2.1 Should banks address proactively both ends (Origin and Host Countries) of the migrant needs in a social responsible manner and promote sustainability?**	**3**	**Can be answered by qualitative research, i.e., interviews, focus group, case studies and others.**
	2.2 What priority and importance, do the various stakeholders involved give to these issues?	**3**	**Can be answered by qualitative research, i.e., interviews, focus group, case studies and others.**
Focus 3 Financial /market System Needs, Client Needs - Managerial Operational Strategy			
3 · How to increase profitability and financial stability in an increasingly competitive market (from banks and non-banks financial intermediaries) relating to migrant business?	**3.1 What are the problems concerning financial stability at the bank level (liquidity, credit and non-financial products) and at the economic level, namely the balance of payments and investment projects?**	**4**	**Can be answered by Quantitative Research, probably using public domain data sets or data available within the bank(s).**
	3. What options do the banks have in meeting this market's needs, what do the potential customers want, what is the evaluation of different banking models to address profitably the migrants' needs?	**3**	**The BIG question. Should be the focus of DOC 5. This might involve qualitative research and based on case studies of banks or countries**

5.2 Document 3

The research question 1.2 – Which impact will demographic trends and changes have in the banking industry will be analysed in Documents 3 and 4, as I plan to perform qualitative and limited quantitative analysis. The answer to this question will also be based on the conclusions reached in the research questions 1.1 – What demographic trends and changes are happening?

From current knowledge on migrants' flows, we will probably conclude that they are significant and, therefore, we will analyse the impact they will have in the Banking Industry.

Document 3 will also include both research questions of Focus 2 – Corporate Social Responsibility in the social integration & environmental impact, which I plan to develop under a qualitative research method, through interviews, focus group, case studies and others. There are several stakeholders involved in the migrants' financial business segment. I will mention the migrants themselves, their families, the financial institutions, non-financial institutions (e.g., post office), money transfer firms, supervision authorities, as well as on another plan, not-for-profit institutions, migrants' associations, governments and others.

I choose a human value ("respect"), as a key element of human nature within a wide range of world cultures and a powerful tool to implement naturally CSR in a banking organization. This will be also part of the research in Document 3).

The objective of the research is to conclude how the different stakeholders (not all that I mentioned before, but the ones I will select, mainly on the side of the migrants' communities) value that the banks have this concern, as well as the degree of importance they attribute to it.

These will use as its basis, the conclusions on the impact in the banking industry of the migration flows and trends and will allow for a conclusion on the way the banking system should consider corporate social responsibility in the social integration of migrants, at host and origin countries, as well as in the field of sustainability. In addition, it will be possible to conclude on the importance that the selected relevant stakeholders give to the concern or non-concern of the banks about the corporate social responsibility in integrating socially the migrants and, therefore, the relevance of this in the banks products and services offer.

Part of the research will also focus on the policy that a bank should adopt, even if the conclusion is that the stakeholders involved do not attribute a relevant importance to the CSR policy of a Bank.

Research Question 3.2, part of Focus 3 - Financial System Offer and Migrants Financial Needs – Managerial, Marketing and Operational Strategy will be the last question to be included in Document 3 (but also in Document 4, as it may require a degree of qualitative research and/or qualitative research, including case studies, focus groups and interviews). For the time being, I consider the Research Question 3.2 the most relevant question and, consequently, the focus of Document 5.

5.3 Document 4

In Document 4, the analysis of demographic trends and changes in migration flows (research question 1.1) will be carried out using public domain data, data available from the banks, The World Bank, International Monetary Fund, Eurostat and other statistical institutions.

I think to include in this research, the review of the forecast for the next 7/10 years, expected trends and flows, to be able to conclude on the potential impact in the financial business. Probably it will be adequate to apply the “Delphi Technique” for scenario building, as recommended by Professor Colin Fisher. In addition, I plan to perform this research through interviewing bank managers that are knowledgeable of the migrant business segment.

One matter that should also be considered is the potential impact of the current financial crisis on migration flows. If the financial crisis deepens and becomes an economic crisis (affecting namely, the employment, ability to repay mortgages and support the children at school), as well as the possibility, that some analysts alert for, of the potential for a social crisis that can degenerate into a political crisis, then these factors may influence the migrants’ flows. It is still early to reach conclusions on these (mainly for the lack of statistical information and determination of the real effect of the crisis), but there is a public feeling and some evidence that, the most recent immigrants may consider returning home, if the crisis affects their income and living standards or threatens their assets and integrity. The conclusion on this issue, although not important at this stage, will be included also in Document 5, depending on the way this concern evolves and the conclusions we reach.

A conclusion on this research question will be fundamental to analyse the impact in the banking industry of the above-mentioned trends and flows. I will have already some conclusions drawn from the analysis performed in Document 3 (research question 1.1.) that allow a conclusion on the macroeconomic environment.

Document 4 will also include the research to question 3.1., relating to the problems concerning financial stability at the bank level, specifically for liquidity, credit and non-financial products and at the economic level, namely for the balance of payments and investment projects.

I believe that a small part of the research to be developed in Document 4, relates to question 3.2. ("The BIG Question!"). I would like to leave this open, as the inclusion of part of this question in Document 4, will depend on the conclusions I will be able to draw from the other parts of the work.

5.4 Document 5

Document 5 should focus on the conclusions reached in Documents 3 and 4, from which I will select the relevant conclusions to prepare it. Document 5 will also consider the conclusions on the demographic trends and changes, as well as the conclusions reached on the banks corporate social responsibility area, both of which are explained in detail in previous sections.

If the conclusions on the research question 3.1 to be performed in Document 4, using public domain data sets or data available within the banks, on the problems concerning the financial stability at the banks level and at the economies, then, the Document 5 will have to deal with the options that the banking system has in meeting this market's needs, what do the potential customers want and what is the evaluation of different banking models to address profitably the migrants' needs.

This is an indicative plan, may be the “best plan” I can prepare at this point. Certainly, it will have to be adjusted during the preparation of Documents 2, 3 and 4, because of the guidance of my Supervisors and the conclusions of the research.

5.5 The logic linking all 6 docs explained

I believe that in the previous section I explain the logic linking the several documents, with exception of Document 6. If I understand correctly the objective of this document, it should be a reflective review, which will be prepared and compiled along the preparation of the 5 documents.

At the end of each document, I will prepare the summary of the difficulties I faced, the benefits of the support and advise I got from the Supervisors, as well as the adjustments and changes I made to the way I used to approach projects and thoughts. I believe also that the method and the way I used to research will certainly change for better.

As soon as I get the feedback from my Supervisors, I will prepare the first section of Document 6.

6 Research ethical issues and organizational political issues

I must inform that I am an employee of a retail and commercial bank, with the position of Managing Director of the International Division, being also a Member of the Corporate and Commercial Banking Committee.

My responsibilities do not include the direct involvement and management of the “migrant business” of the bank. I also do not intend with my Document to provide any formal feedback to my Organisation. I am planning to share the document and my conclusions with the Member of the Board of Directors to whom I report and depending on his interest, then I will make the final decision on what to do.

I made the decision of supporting the costs of the DBA myself and only at the end of the DBA, I will inform the Member of the Board of Directors of the Bank to whom I report, if I am able to conclude it successfully.

I have to avoid that my decision of taking the DBA has a negative impact on my professional career (that is the only source of my income), by my superiors thinking that I am less committed to my daily duties. Obviously, this will not happen, but I have to be careful, as the “unwritten philosophy” of the Bank is not to encourage the Staff to develop their academic skills.

Therefore, if I consult any statistics or interview any of my Colleagues, I will follow the Rules established by the University for these situations.

Having in mind that this work will be on migrants, I would like also to mention that in the research process, I would not use any sort of negative discrimination in terms of religion, ethnic group, community or any other discriminatory factor to perform my research.

7 Outcomes

I will break this section into two areas: personal and organizational and managerial.

7.1 Personal

I expect that the DBA will allow me to develop and improve my personal skills, namely the following:

- Planning ability, execution and critique feedback to others and myself.
- Better knowledge of sources of information and its inter-linking to be more productive.
- Learning of new concepts, research techniques and consequently be able to plan better and consider different angles of the situations.

Still, under the personal development, because if its specificity and personal interest, I am sure it will be a big challenge for me. I believe that the result will leave me better prepared to deal with matters that are more complex and will develop the following values:

- Synthesis capacity: develop the ability of integrating ideas from different angles into a global and coherent perspective and be able to communicate that knowledge to the people that work with me.
- Development of creativity ability: capacity to discover new solutions and innovative skills
- Respect: obtain a better conscience and understanding of different people and cultures.

- Ethics: although this has always been one of my concerns, both in my personal and professional life, I believe I will find new ways of identifying, approaching and solve ethical concerns.

7.2 Organizational and Managerial Context

As it relates to the organisations and managerial context, I will divide it in the contribution for the Academic field and the contribution for the professional practice, as follows:

- Having worked for the industry for a long time, I believe I have had over my career, exposure to models and ways to approach the banking business that I will analyse and research to provide the Academic World a more structured knowledge of the migrants business.

  I believe that I can open the "black box" (Mutch, 2009c) of the migrants' banking business segment. Because of the business banks are involved in, usually, only within the industry itself, banks discuss their data and business models. On the other hand, the literature assumes what the banks do, not what they really do. In addition, the banks use different models and solutions among themselves or simply do not have a structured view of this business segment.

  At the end of the work, we will find what is the reality, i.e., what is in practice the way the banks approach the migrants' business segment.

- As it relates to the professional practice, I have the objective of preparing a sustainable and profitable business model, for the migrants' business segment, which can contribute to the health and stability of the financial banking system.

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NOTTINGHAM BUSINESS SCHOOL

Doctor of Business Administration

DOCUMENT 2

CRITICAL LITERATURE REVIEW

8 JANUARY 2010

Leading Supervisor

Professor Alistair Mutch

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To my Leading Supervisor, Professor Alistair Mutch, I would like to thank for his support, advice, availability and setting demanding objectives for Document 2.

List of Figures

Abbreviations

AfDB – African Development Bank

ATM - Automatic Teller Machine

BCBS - Basel Committee on Banking Supervision

BdP - Banco de Portugal

BIS – Bank of International Settlements

CEC - Commission of the European Communities

CEO – Chief Executive Officer

CPSS - Committee on Payment and Settlement Systems

CSP - Corporate Social Performance

CSR – Corporate Social Responsibility

EC - European Commission

ECB – European Central Bank

EU – European Union

FDI – Foreign Direct Investment

GDP – Gross Domestic Product

IAD – Inter-American Dialogue

IADB – Inter-American Development Bank

IBRD - International Bank for Reconstruction and Development

IFAD - International Fund for Agricultural Development

IFC – International Finance Corporation

IMF – International Monetary Fund

ISO – International Organization for Standardization

ITSR – International Transactions Reporting System

MIF - Multilateral Investment Fund

MS – Member State(s)

MTF – Money Transfer Firms

MTO – Money Transfer Operators

NGO – Non-Governmental Organizations

ODA – Other Development Aid

PDPE – Private Debt Portfolio Equity

PSP – Payment Service Provider

RR – Recorded Remittances

RSP - Remittance Service Provider

SEPA - Single Euro Payments Area

SSA - Sub-Saharan Africa

STP - Straight Through Processing

UN – United Nations

UNCTAD – United Nations Conference on Trade and Development

WB – The World Bank

Table of Contents

1 DBA Global frame

1.1 Introduction

Papademetriou (2007; 20) considers that the world is in the "Age of Mobility". The future migration trend is that immigration will continue to grow for economic factors, as industries want to access a global labour pool and, global firms, want to relocate expatriates with minimum disruption. On the other side, it is expected that workers, at all skill levels, will seek to migrate and would stay for a life that shows perspectives of opportunities.

The theme of remittances and migrants seems relevant, both for the academia and the business world, as it is linked to flows of people and money and both have shown a consistent increase over the years. As a result, migration affects the society and one of the stakeholders -the financial system- that is involved, as a result of migration, in the process of "moving money" around the world. The way the financial system should relate to this potential business segment raises a number of possibilities:

- Supporting the economic development.
- Contributing to the financial stability of the banking system.
- Help integrating financially the migrants.
- Serving them at both the origin and the host countries.

This Document will present the performance of the literature critical review and the conceptual framework, which will cover:

1. The review of the migrants' flows and remittances volumes.

2. The contribution of remittances and migrants' business segment for the financial stability of the financial system.

3. On the corporate social responsibility section we will review literature on the contribution of the banking system for the development and financial integration of migrants, at both the origin and host countries.

4. And, in the business model section, the marketing and business approach that banks could adopt to serve profitably the migrants' banking segment, at both the host and the origin countries.

1.2 Summary of strategic and research questions

As described in Document 1, the strategic questions and subsequent detailed research questions are divided into three inter-linking themes/strategic questions, from which a number of research questions and objectives arise, which are as follows:

INTER-LINKING THEMES/STRATEGIC QUESTIONS	FROM THESE A NUMBER OF RESEARCH QUESTIONS AND OBJECTIVES ARISE
Focus 1 Migrant Flows - Demographic and Social - macro economics Environment	
1. What strategic decisions should bank make about how to meet profitably the financial needs of migrants?	1.1 What demographic trends or changes are happening? 1.2 Which impact will demographic trends and changes have on the banking industry?
Focus 2 CSR/ financial integration & CS/environmental impact - Organizational and Managerial Context	
2. A business banking strategy for migrants' business segment, based on corporate social responsibility/financial integration and sustainability: business leverage or a business constraint?	2.1 Should banks address proactively both ends (Origin and Host Countries) of the migrant needs in a social responsible manner and promote sustainability? 2.2 What priority and importance do the various stakeholders involved give to these issues?
Focus 3 Financial /market System Needs, Client Needs - Managerial Operational Strategy	
3. How to increase profitability and financial stability in an increasingly competitive market relating to migrant business?	3.1 What are the problems concerning financial stability at the banking level liquidity and at the economic level? 3.2 What options do the banks have in meeting this market's needs, what do the potential customers want, what is the evaluation of different banking models to address profitably the migrants' needs?

Figure 1 - Summary of strategic and research questions

From these strategic and research questions, we defined the academic and business literature to review and developed the conceptual framework.

2 Relevant academic and business fields appropriate to the research questions

In this section, I will summarize the relevant academic fields to be analysed in the critical literature review and conceptual development. The three particular focuses that will drive the critical literature research to answer the strategic questions, will be structured from a macro to a micro perspective, based on the following three major academic and business areas:

- The relevance of current migration flows, its forecast (demographic and social environment), as well as the impact that the current financial crisis can have in the migrants' remittances flows. In the Figure 2 -Ellipses' Relevant Literature included below it will cover the demographic and remittances' flows, the macroeconomic environment and the impact of "liquidity" on the stability of the banking system .
- The CSR of banks in the financial integration of migrants, as well as in the environment and economic development, which will include both the impact in the origin and host countries (organisational and managerial context). In the Figure 2 - Ellipses' Relevant Literature included below it will cover the CSR, which includes sustainability.
- The financial and market system needs, as well as the clients' needs and best model to serve them profitably (managerial, marketing and operational structure strategy) will cover the marketing and banking business model.

In the following Figure, we summarize the main literature fields to be analyzed around the "anchor" theme of Migrants.

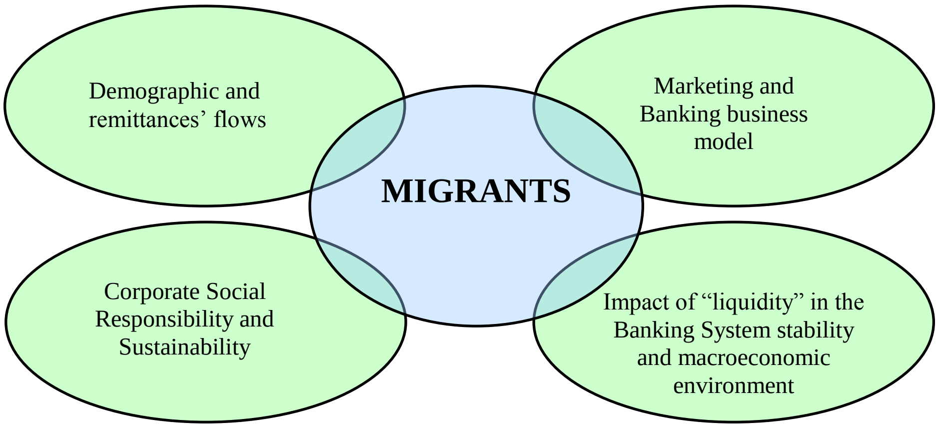


Figure 2 – Ellipses' Relevant Literature

Below are the different areas of the relevant literature identified in the academic and non-academic fields, which are as follows:

Demographics and remittances flows: The statistics' review is important and relevant because it will show that this thesis can have an impact in a large segment of the world working force and, financially, gathers a significant volume of money, which is considered important for the "liquidity" available in the countries, as well as for the banking system. Although the DBA will be supported and based on the existing information obtained from formal remittance channels, this work will also include references to informal channels, through the recognition of its existence and importance, as well as in the discussion of different ideas, that have in mind to benefit the migrant community in its financial integration, both at host and origin countries, through capturing and shifting of informal remittances flows to the formal financial system.

After the initial review, we concluded that there are areas, included in the 3 focus interlinking themes/strategic questions, where the existence of academic literature is reduced or non-existent, namely on the demographics and remittances' flows, where basically the existing information is provided by international organizations.

Impact of "liquidity" in the banking system stability and macroeconomic environment: The retail banking system is of an important economic significance because it performs an important service to all sectors of economy, by facilitating the pooling of savings and making them available for economical and social purposes. The pooled funds are made available to businesses that can use them for the productive capacity and the consumers (Reed, 1989; 3-4). Migrant remittances to developing countries represented 50% of the total net private capital inflows to those countries, amounting to USD 707 billions in 2008 (WB, 2009c; 8). As a result, migrants' savings are crucial to generate liquidity for the financial system. The literature review will focus on the same sources of demographics and remittances flows, reason why this review is performed together with the above-mentioned field of literature, and for the financial stability the reports from the ECB and BdP, which contain relevant information for research.

Appendix 3 lists the international organizations that sponsor papers, books and other publications on migration that will be reviewed in the performance of the literature review.

Corporate Social Responsibility and sustainability: Banks have been under pressure from international, governmental organizations and central banks as an instrument to control, prevent and avoid money laundry and bad business practices. If CSR is adopted in the banking daily activities, it would be a natural and proactive way of preventing migrants to be used as money launders, as well as it would help the financial integration at the host country, provoking an increase in the *bankarization* rate at the origin countries. The banking lending policies are crucial to sustainable economic development. In these areas we will review definitions for CSR of international institutions, academic papers, journals (e.g., Scandinavian

Journal of Management, Journal of Business and Ethics) focused on business, CSP and ethics, policies adopted by financial institutions and not-for profit organizations and several books.

The preliminary research of the sites of the Universities included in Appendix 4-Universities researched for literature on migration, showed the existence of several centers for studies that research migrants. The research of these Universities is mainly focused on the social area, social integration, namely on the education, health, employment, legalization refugees and forced migration. As we suspected at the beginning, we could not find papers, journals and books covering specifically the migrants' business segment, i.e., linking the facts that have to do with migrants' business segment to the way the banks approach this business segment.

Marketing and Business Banking model: this part will result from the previous focus; if they are relevant, then the banking business approach has to be adjusted to answer these needs. The current banking business approaches are based on relatively recent management theories, although mainly people from the financial industry have access to it, and therefore the banks business models are frequently considered as "non-transparent". We will review presentations delivered at the several conferences. These conferences had a mixture of speakers covering the views of international organizations and of the banking system and are listed in Appendix 6. Mutch (2009a), writes that this is a strong basis for its business in general, writing the following:

> *"There does seem to be a gap about what banks do. That is, from a brief scan the literature seems to be about either flows at a national level and their implications for development or about the migrants and their finance options. Banks enter into this but as "black boxes" –that is, their role is noted and assumed but why they carry out their roles and how they choose to do so seems a little opaque. This then gives you a very good gap in our knowledge to seek to fill".*

A summary of the methodology that will be followed is provided in the following paragraphs, and the approaches choose have to do with the characteristics and complexity of the 3 focus interlinking themes/strategic questions. Mutch (2009b) identifies another sub-element that is the dimensions that critique should have, namely relating to the depth of the theory presented, the ability to select the relevant concepts, the criteria to evaluate the evidence for what is stated and the ability to challenge critically the assumptions.

Following Mutch (2009b) “guideline” in crafting a critical argument, we will make an effort to reduce the description and thematic treatment of the material under critical review and link the argument or arguments among the 3 Focus interlinking themes/strategic questions. However, it should be stressed that it may occur, in a particular important and relevant subject, the need to expand a little bit more on the description of a particular angle of the subject under critical review, as this will facilitate the explanation and understanding of the issue. Fisher (2009; 33) writes that the development of a radical critique is based on challenging assumptions and conventional ways of doing things. That is what we will attempt to do.

The topic of the DBA has the strategic questions and the research questions, of which we would like to stress the importance of the research question 3.2., which relates to “*What options do the banks have in meeting this market’s needs, what do the potential customers want, what is the evaluation of different banking models to address the migrants’ needs?*”. One should challenge the common sense views (Samra-Fredericks, 2009), which is what we will attempt to do and conclude on as it relates to the current approaches, practices and treatment of the migrants business segment followed by the financial institutions.

Giddens (1990; 38) writes that the reflexivity of modern life consists in the fact that social practices are constantly examined and reformed in the light of incoming information about those very practices (Mutch, 2009b). In the critical review performed in this document, we could say that this covers social practices but could also be extrapolated to other areas, namely the “business world”, as at the end, it delivers a message about the constant attitude one should take towards “change”. In the migrants world that is what seems to be happening, namely in the way the financial institutions are approaching or -“not approaching”- this market, which we will conclude if it is in a very focused and narrow fashion, i.e., not considering the full positive impact the banks could or should have in the stakeholders around their business and, consequently, the profits banks are able to generate not having into consideration, namely issues of CSR, as the integration and development of countries and people -clients and potential clients- at both ends of this business segment.

The critical literature review will start with the analysis of the migrant demographic’ flows, as well as the volumes of remittances and potential business for the banking industry, that this population segment could bring. In addition, the potential impact in the economic development seems to be under-explored. It would be important to conclude whether or not the banks and society are fully aware of the migrants’ economic and social relevance of this potential business niche. On the other hand, banks may not be concerned or focused on the CSR this business has attached and to the potential it could have for human progress.

The literature review produces a number of relevant literature that should be organised in a fashion that gathers it into sections and sub-sections that are related and inter-linked with the objectives of enabling the connection among ideas that are identified in the material reviewed and will be evaluated later on, which will allow for the chosen connections among authors and researchers (Hart, 2008; 143). Following this methodology, the topics under the critical literature review for the anchor topic “Migrants”, were grouped into four main academic and business areas identified in the Figure 2 -Ellipses’ Relevant Literature. This includes in the first section, the demographic and remittances flow, the macroeconomic environment and the impact of liquidity in the banking system stability; the second section includes the areas of the CSR and sustainability; and the third section includes the marketing and banking business area.

3 A critical review and evaluation of the literature

3.1 Relevance of current and forecasted migration flows in the demographic and macroeconomic environment and impact of liquidity in the banking system stability

In this section, we will perform the critical review of the literature relating to the definitions of migrant, immigrant, emigrant and remittance, as well as the relevance of current migration flows, including the forecast for both the demographic and social macroeconomics environment and the impact that the current financial crisis can have in the migrants' and remittances flows. The research will cover the flows (demographic and remittances volumes), the macroeconomic environment and the impact of "liquidity" in the banking system stability. The reason to group the two ellipses in Figure 2 is that they are related and overlap in several issues and matters, as well as the sources of literature selected for research are the same or similar subjects.

3.1.1 Relevant definitions, demographics and remittances' flows

3.1.1.1 Relevant definitions

To frame the literature review of the demographics and remittances flows, we will start by reviewing the definitions of migrant, immigrant, emigrant and remittance.

There are several criteria for the concept and definition of a migrant. The key criteria for the definition is the "country of residence", i.e., a person that lives in a country other than the one of his/her nationality for a stable period of time (UN, 1998; 61 and WB, 2008), while others place the emphasis on the concept of the "movement of people", defining immigration as the movement into a country and emigration the movement from a country (Farlex, 2009) or, even considering as additional criteria that a migrant to be classified as such, should have "some significant ties" to the country of destination, as well as that the decision of migrating was taken freely and for reasons of personal convenience; therefore, excluding any movements of people resulting from those that were displaced or forced to leave home for political reasons, war, catastrophes or other unwanted motives (UNESCO, 2009).

One can say that the qualification of immigrant and emigrant is applied to the same person. This person is an immigrant at the host country (country of residence) and an emigrant at his origin country (country of birth). That is one of the reasons why the expression used is "migrant", which covers both qualities of one person.

A relevant component of the definition of migrant is the concept of "residence stability", which usually is considered by the banking sector that should be over one year. Also, on the opposite side, after a long period of residence, the migrant may become naturally a "new-resident" (or a "new-citizen" through a legal naturalization process) and the statistics may have difficulties in identifying of the population segment. Even though definitions can be said to be incomplete and/or focused on factors that may not be relevant for the purpose under definition, we will consider that for the purpose of this critical literature review, emigration/immigration should not be confused with the phenomenon of involuntary migration.

Any type of forced migrants, tourists, students, diplomats and expatriates, as well as national-migrants within a country, will not be within the scope of the work. The UN (2006; 68) says that the "intention" to return home -also defined as "return migration"- happens when emigrants reestablish themselves at the origin countries; this can also be a factor to consider in the definition of a migrant, as it impacts the statistics on flows of people and remittances. As we can conclude, the definition of migrant varies among organizations, stressing different factors for its definition. As a result of this, in the next paragraphs, we will define the concept that frames better and with precision the one chosen for the DBA.

Based on the definitions above, the word "migrant" can be used with the same meaning of the word "immigrant" or "emigrant". However for the purpose of the work and to be clear we will use the words with the following meaning: the word “migrant” covers both qualities of a person that does not live in the country where he/she was born, i.e., emigrant and immigrant, from the perspective of the country of origin or destination, respectively. From the point of view of origin country an “emigrant” is a person that lives in a country, which is not the country of birth, seen from the perspective of the country where he/she was born. From the point of view of the host country, an “immigrant” is a person that lives in a country that it is not the country of birth, independently of having the nationality of the country where he/she lives.

Focusing now on the definition of remittance, the BIS (2007; 54) defines an “international remittance transfer”, also denominated “remittance transfer”, as a cross-border, individual-to-individual, transfer of money originated by a migrant, while Biller (2007; 1-2) distinguishes between “remittance transfer” as the ones made within a particular country -by internal migrants- and ”international remittance transfer” to the ones that are cross-border -host country to the country of origin-. The latter also requires within the concept that a remittance is made to the family at the origin country. Both BIS (2007; 54) and Biller (2007; 2) indicate that for purposes of analyzing the flows from migrants, the definition should only include the “international remittances”. However, the definition of Biller (2007) includes factors that do not seem relevant for it, as for example that the remittance usually is made to the family. May be a significant part of the remittances is made to the family, but it is also possible that remittances go for savings, to buy houses, to run small businesses the immigrant owns at the origin country or for other purposes. If the remittances were only to be sent back to the families, then the reasons that drive the decision to migrate, namely, to have a better quality of life and live in a safer country would not play a relevant role in the decision of migrating.

For statistical purposes, remittance transfers are not differentiated from other low-value cross-border transfers -including small payments to and from businesses-, because the remittances firms would be unable to identify that they are person-to-person (BIS, 2007; 6) or even are willing to do so, as it would not add any value in business terms. Also, it is not likely that the authorities, central banks and financial institutions go down to the detail of finding, when processing the remittances, the final purpose of the transfer. Therefore, the definition of remittance should include all the transfers from the host to the origin countries, independently of the destination of them, being basically a transfer of money from one country to another by migrants [(E)+(Im) migrants].

For the banking system, a remittance is an operational process divided in two transactions: the “funding transaction” and the “payment transaction” (Khdiri, 2009). The recorded remittances made through the formal financial channels are money transfers made through banks, PSP and MTO. The difference among these types of institutions is that the first two hold bank accounts of the individuals and withdraw money from their bank accounts to make the remittance, while an MTO does not have individual bank accounts and therefore handles the cash to perform the transfer (BIS, 2007; 54).

The definition of remittance was developed to reflect the payment system aspects of remittances (BIS, 2007; 6) and is a key factor to accumulate data on migration, as it impacts the way they are reflected (or not) in the statistical data. It is also important to understand the link to the economic development in the origin country, as well as to limit the concept of remittances to the “international remittances” that are the ones reflected in the countries' statistics. Although a remittance is only the “tip of the iceberg” (Ballard, 2004) and the “body of the iceberg” is the potential business the migrants could bring to the financial system, keeping reliable data on the financial flows generated by cross-border is the basis for the understanding of a phenomenon that shows increasing importance for the developing and developed countries, as well as the basis for analytical research on the potential this business could have for the financial system.

In the next paragraphs we will perform the review of current and forecasted migration flows in the demographic and social macroeconomics' environment.

3.1.1.2 Demographics and remittances' flows

Remittances represent significant cash flows and involve approximately 200 million migrants (3.0% of the world population). Remittances totaled USD 75, 188 and 397 billion, respectively in 2000, 2005 and 2008 (Ratha, 2009c; 4, WB, 2006 and 2009). Since 2000, remittances to developing countries have increased, on average 15% in annual terms and represent approximately twice the amount of official assistance to developing countries received. In 2005 and 2008, USD 167 and 305 billion, respectively, were sent to developing countries (WB, 2006 and 2009). Additionally, such flows are underreported, as there is evidence that remittances through informal channels could represent, at least, another 50% of the recorded formal flows (WB, 2006). In spite of the current financial crisis, the amount of remittances for 2009 are forecasted to achieve between USD 353 and 369 billion and that the current migration flows are positive and will increase the number of migrants (Ratha, 2009a; 5 and 2009c; 4).

As it relates to EU in 2006, the total reported outflow of remittances to third countries amounted to €19.1 billion and flows to other MS reached €7.0 billion. Spain, UK, Italy, Germany and France are the prime remitting countries representing more than 85% of total EU remittances. In 2006, the EU remitted more than double the amount received, i.e., €19.1 billion sent compared to €8.5 billion received (EUROSTAT, 2007; 3).

The money received is an important source of families and national income, representing in some cases a relevant percentage of the GDP of the receiving countries. The country-corridors flow from 14 major remittance-sending countries to 72 receiving countries; represent approximately 60% of total remittances to developing countries (WB, 2009e). The Figure below compares the volumes of four important indicators between 1990 and 2008, specifically the FDI, the RR, ODA and PDPE (Ratha, 2009c; 4). From this chart, we can conclude that the recorded remittances represent a relevant percentage of the inflows of money when compared to FDI and ODA, as well as they show strong resilience, even during periods of crisis.

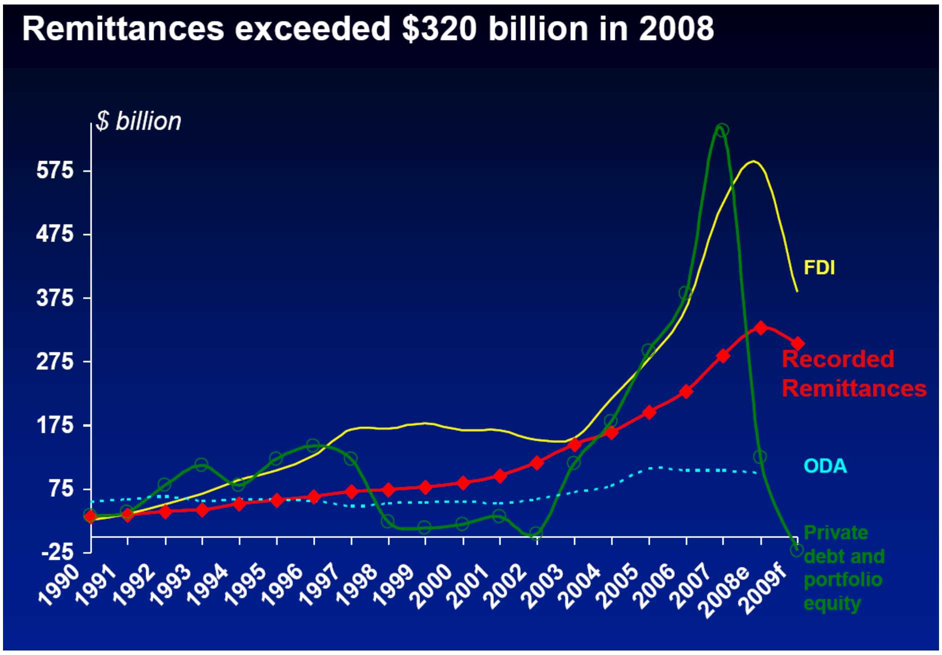


Figure 3 – Comparison among Remittances/FDI/ODA and PDPE between 1990-2009f

One serious issue related to the statistics is the confidence one can have in its accuracy. Papademetriou (2007; 11) identifies four problems that influence negatively the accurate estimate of migrant flows, including who to include in the migrants definition, how to count them, the flows of illegal migrants and the intra-less-developed world (South-South) movements.

International institutions are involved in initiatives to improve the knowledge of migrant populations and the functioning of the markets used to channel remittances to origin countries. Statistics on migrants and remittances are far from perfect, although the measures taken at the level of international institutions will very likely improve them in the next few years (Comini, 2008; 31). The impact of migration at destination countries is very difficult to determine, mainly because it is an area where the lack of data seriously constrains analysis (Shaw, 2007; 1). In the EU, the objective of freedom of movement and work is stated in the

Schengen Agreement (establishes the removal of systematic border controls between the participating countries) adopted by twenty-two Member States (UK and Ireland did not sign it) (Migrationsverket, 2009; 1-2), which can impact negatively the accuracy of the statistics.

There are countries, like the USA, where the statistics may reflect better the situation. This is an area where improvements could be made (namely in the consistency of the criteria to be followed), if it would be possible to control better the migration movements, an action that is becoming each time more difficult due to a mitigated control over the EU citizens that move within MS.

As it relates to the movement of people, there are different realities: while in the USA the authorities have a strict control over immigrants (both in and out-bound), in EU, the citizens nationals of countries that signed the Schengen Agreement, only have to register with the authorities of the destination country to be able to get a job; but when leaving the countries, often they do not cancel their immigrant status, which very likely will have a relevant impact in the statistics; however, this risk is mitigated by the need of cancelling the individual's tax registration. However, the concern of the local authorities and international institutions in keeping accurate and updated records is high. On the other hand, considering migration outside the Schengen Agreement zone there is a stronger control over migration, basically due to the fact that immigrants have to register when crossing the borders and when requiring a residence visa.

It is widely admitted that official data underestimate the size of remittances, one reason being the utilization of informal channels (Shaw, 2007; 3). Because of the lack of data, the total value of remittances to developing countries is very likely under-estimating, thus being important that they improve the statistical tools to measure remittances accurately (de Luna Martinez, 2005; 30). Comini (2008; 17) writes that there are the different sources in collecting data. The receiving country sometimes has better statistics than the sending country, especially if the government keeps control in countries with strong exchange rate controls; but even in these countries, informal exchange markets will escape, as well as the foreign currency, not counting on the fact that some receiving countries do not have a very developed statistical system (Comini, 2008; 17). Although the statistics in EU seem to be more accurate concerning the movements of people, it seems that there is a less rigorous control over the migrants' financial flows.

"People move, statistics lag behind"; statistics on migration are a big challenge, as a significant number of countries' data on migration and remittances are missing or of low quality. The other side of this argument is that anything is better than zero, i.e., better data of low quality than no data and that the increased awareness about its importance will result into efforts to improve its collection (Comini, 2008; 3). This concern of Comini is in line with the concern and commitment of international organizations on this matter. Immigrants are an inbound flow of people that generates an outbound flow of money. In this situation, authorities are more concerned in controlling the flows of people in, than the flows of their money out. Emigrants are an outbound flow of people that generates an in-bound flow of money. In this situation the authorities are more concerned in controlling the flow of the money in, than the flows of people out. Statistically, we observe that the same person has a different treatment when seen from the side of the host country (control over flows of immigrants) or from the side of the origin country (control over flows of money).

Although the informal channels are outside the scope of the DBA, they are important as, in the literature review we concluded that the volumes of remittances transferred through them could represent approximately 50% of the amounts remitted through the formal channels, which represent approximately another USD150 billion of remittances a year. Therefore, we included in Appendix 1-Literature review of informal remittances channel; the result of the critical literature review of this matter.

A survey relating to data collection practices, revealed problems with remittance data collection methodology. On the top of this, most central banks use remittance data reported by commercial banks, but leave out flows through money transfer operators, non-financial institutions entities and informal channels (de Luna Martinez, 2005; 30-1), which results in measurement uncertainties and inconsistencies, and therefore the unknown extent of unrecorded flows, through formal and informal channels, may be much higher, being credible that they can reach perhaps 50 percent or more (Aiyar, 2006; 85).

Additionally to the conclusions of this survey, one could also say that the commercial banks do not follow the same high standards and criteria to collect and report data on migrants' remittances and very often do not distinguish remittances from a commercial payment or from a wire credit transfer; for instance, a teller or a back-office bank employee does not collect the data with rigor to reflect the type of transfer that he/she is treating. This also impacts negatively the accuracy of statistics reported to central banks and ultimately by central statistics organizations like the IMF or the EUROSTAT. If the international governmental organizations persist in not involving the commercial banks in this process, it will be very difficult to have accurate statistics.

In Appendix 2 - Measures to improve migrants and remittances' statistics, we include the critical literature review related to the measures the official institutions are taking to ensure the improvement of the statistics.

The lack of standards to ensure the accuracy of the information is commonly assumed in the literature covering the main geographical regions, although there is evidence of an increasing awareness of its importance by governments and G-8 Meetings and supranational organizations. The information and conclusions about formal channels and the estimates about informal channels seem to demonstrate the relevance of the impact of migration in the global society. The current and next steps to improve statistical information seem to be identified and also recognized as an important matter among the current participants in the discussion, which have been identified in the research performed.

But is this the answer to what is needed? Is not the existing information sufficient to start something specific towards an important goal that is the migrant financial integration at the host countries, assuming a multicultural society and the economic development of origin countries? Improving statistical criteria and gathering more accurate data under the directives of institutions like IMF and G-8, would be enough to achieve globally the goal of having better information to manage economic and social macro policies? These institutions represent the developed countries. We wonder if the efforts being made for almost a decade have reached and identified the real awareness of the stakeholders involved namely, the retail banking system? Are all the stakeholders involving the migrants interested in reviewing and utilizing this data to help change the society? Shouldn't microeconomic stakeholders, namely diasporas, banks, MTO, informal channels, employers be deeply involved in the discussions?

Taking into consideration the strategic question and having in mind that this may be a complex matter, it seems that there is a basis to deal with this complex environment. The banking system does not need to wait for perfect statistics and data, but could start planning and executing a process based on the available information to start doing something, in a consistent fashion, for the migrants business segment that would have a positive impact the quality of their daily life. On the other hand, it seems that the source of information relies mainly on the banking system, and therefore, the improvement of this information depends also on retail the banks' willingness to do so.

No organization or institution has the power to be accepted by everyone as "truth owner" (e.g., IMF, WB, UN, G-8). It seems to be a good way of "getting down to the basics" to stimulate the focus of each country in its main corridors, getting the macro and microeconomic stakeholders together and obtaining their compromise for the goals to be achieved in the near future.

Existing international correspondent banking proved to be a way of getting some results in day-to-day life. This business area, within the retail banks, just needs to be reshaped concerning recognizing the characteristics of a multicultural society. Also the banking system, historically has given more attention to the emigrants and their inflows of money than to immigrants, which is a relatively new phenomenon for the banking system, but most banks did not identify yet the potential for developing this new business segment niche.

3.1.2 Impact of liquidity in the banking system stability

This section of Document 2 respects to the third inter-linking theme/strategic question, included in Focus 3-Financial/market System Needs, Client Needs-Managerial Operational Strategy, for which there is the following strategic question: “How to increase profitability and financial stability in an increasingly competitive market relating to migrant business?”, being the first research question (3.1.) as follows: What are the problems concerning financial stability at the bank level and at the economic level?

We should mention that the reason for opting to group the research of this theme -financial stability- with the migrants and remittances’ flows and the macroeconomic environment was because of its similarities of sources, as well as because are areas of the same nature.

We will research and analyze the importance of the impact of liquidity for the stability of banking systems, and the role that the migrants could play as a source of liquidity, as well as research the attention that the supervision authorities pay on monitoring this matter after the 2008 financial crisis. BdP (2009; 101), discloses that the main source of financing of the Portuguese banks are the deposits from clients. These deposits include the remittances and deposits of migrants. Although their weight for an EU country like Portugal or Spain may not represent a high percentage when compared with that of the developing countries, statistics show that they could represent an interesting percentage of the deposit base and consequently a “liquidity basis” in terms of cash, at both the origin and host countries.

The same situation occurs in the EU banking system, as we can see in the figure below for the Banking System Financing Sources (BdP, 2009; 102).

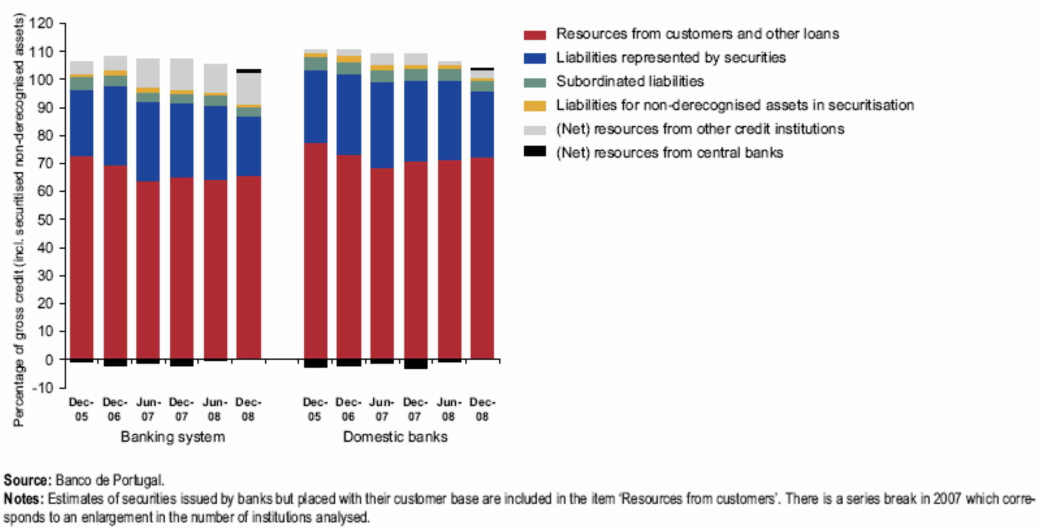


Figure 4 – Banking System Financing Sources

As this section contains specific technical financial and economic language, we will start by indicating that the most important financial system liquidity instruments are: deposits, capital, loans and securitization portfolios, that the sources of liquidity are the customers, the wholesale markets and inter-banking lending, shareholders and capital markets, as well as central banks. On the other hand, as we will research in this section, the financial stability depends on the confidence and credibility of counter-parties, as they are sources of liquidity. The dangers and threats to financial stability are the credit risk, funding, mismatching between funding and lending terms and pricing. The advantages of financial stability are the ability of financing private and public investments, households and the banking system development, at a lower cost.

Also, for a better framing of the literature review that will be performed, we would say that credit risk is the risk of loss due to a debtor's non-payment of a loan or other line of credit (either the principal or interest or both). Credit is the most important asset of a bank and, therefore, has to be managed on a conservative fashion. On the other side of the balance sheet we also have the liquidity and funding, another two key elements of banking activity.

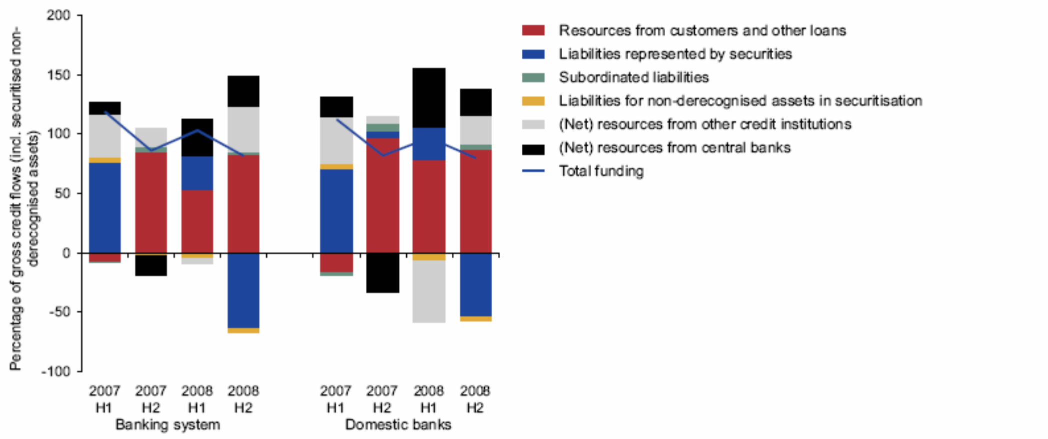
A successful credit portfolio depends on the credit risk management and the ability to detect, anticipate and measure the risk of default. The credit risk policy of a bank determines an aggressive or conservative portfolio and the attitude towards the way the credit operations are approved. This policy has a direct impact in liquidity, funding and capital required for a bank to carry its commercial activity. Riskier the credit granted, higher is the probability and effective rate of default and, as a result, increased needs of liquidity, funding and capital.

BdP (2009; 112) stresses the need for continuing improvement of prudential supervision over the component of liquidity risk and Fernandez-Bollo (2009; 11-2) addresses the need to improve the liquidity risk framework using the principles issued by the BCBS (a forum for cooperation on banking supervisory matters), namely on the monitoring of liquidity positions and risks to meet payment and compensation obligations. This will require the development of a common set of liquidity metrics and eventually quantitative benchmarks.

In its Global Financial Stability Report, the IMF (2009c; 13) states that banks with strong capital and funding profiles will be able to lend as credit demand revives, while the ones lacking those sources of capital will not participate the economic recovery while the BdP (2009; 102) says that banks are also adopting more competitive strategies to capture deposits, a view that is shared and complemented by IMF (2009c; 41) indicating that the domestic authorities should ensure that its own banking system have sufficient capital and liquidity to answer the local commitments. Again, when researching documents and papers prepared by entities with responsibility for the supervision and maintenance of the financial stability of the banking system, we end up talking about the importance of liquidity at the economic level. Although the inflow of money from migrants is recorded in the balance of payments of each country, no one refers what both developed and developing countries can obtain from the migrants' remittances and savings, to which the banking system, as an overall, did not identified as a potential business niche.

An alternative source of financing is "securitization" which plays an important role in the banking system wholesale funding and credit extension, when done prudently (IMF, 2009c; 30). Although the financing through the expected future of cash flows cannot be qualified technically as "securitization", it represents a different source of financing and access to international financial markets from which the countries can take advantage. The financial stability of the banking system has to do with the adequate management of assets and liabilities or, in a narrower fashion, between deposits and credit. This is where the remittances can play an important role as a product that attracts liquidity, as well as is an asset that can be securitized to leverage liquidity to a bank and therefore to the financial system. Mainly in the developing countries, the banks are not devoting enough attention to the migrants' business segment to increase the remittances and the savings the migrants could provide to the financial system.

The figure below summarizes the Banking System Financing Flows (BdP, 2009; 102), and shows the impact in the banking system of the lack of liquidity, as well as the need for the intervention of the BdP. This situation happened all over the world.



Source: Banco de Portugal.
Notes: Estimates of securities issued by banks but placed with their customer base are included in the item 'Resources from customers'. There is a series break in June 2007 which corresponds to an enlargement in the number of institutions analysed.

Figure 5 - Banking System Financing Flows

The 2008 financial crisis, at its peak in the third quarter of 2008, showed an unseen loss of confidence among the banks themselves, creating serious fears about their solvency in the world and putting their robustness under strong scrutiny (BdP, 2009; 88-92). During the peak of the crisis, domestic banks requested central banks for financing, instead of borrowing from the interbank money market and other wholesale financial markets that were almost closed, due to the lack of confidence among counter-parties. This shift in the financing sources influenced the coverage ratio of interbank liabilities by highly liquid assets (BdP, 2009; 107-109).

This put the central banks under pressure and it was when the importance of the financial stability came on play, something that before was not a priority of the central banks. The central banks were pushed to act as the safest banks and manage directly the liquidity to ensure the stability of the financial system. The most liquid banks deposited their liquidity at the central banks, avoiding their usual counter-parties and, less liquid banks, were borrowing from central banks creating an abnormal situation in the functioning of the money markets. This situation occurred mainly in the developed countries where banks were unable to retain the liquidity of migrants to fill their liquidity gap in a difficult moment.

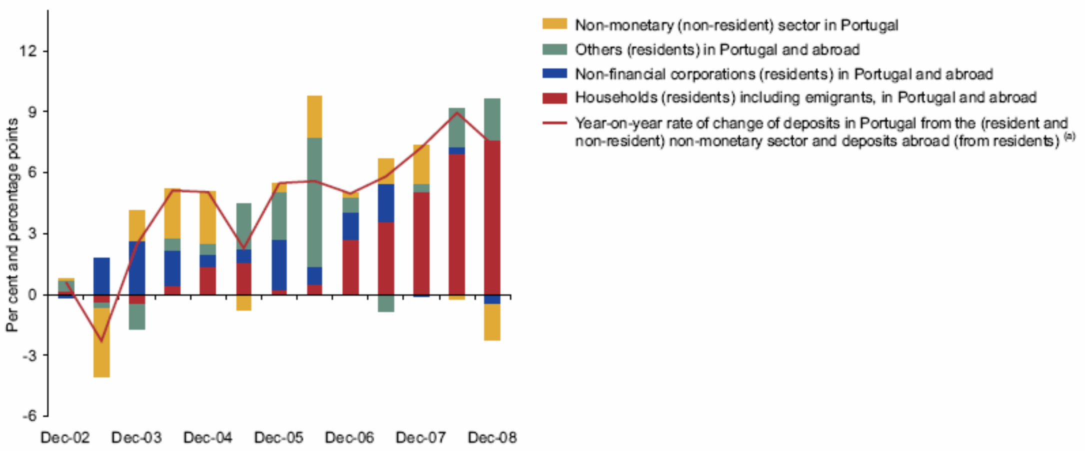
This financial crisis showed that banks exposed to wholesale market were very vulnerable (BdP, 2009; 87). This is one reason why the retail banks proved to be more resilient in terms of liquidity, as they have access to the money deposited daily in their retail branches' networks, while the wholesale banks had to borrow money from the retail banks or the capital markets. Here is an important contribution that migrants' remittance flows can have to the financial stability of the banking system. If the banks identify and define a strategy to capture the migrants as a business segment, exploring its full potential as clients and helping integrating them financially at the origin and host countries.

The "liquidity support measures" resulted from the lack of confidence among counter-parties and the knowledge that central banks would provide the needed liquidity translated into a non-significant announcement (IMF, 2009c; 141-2). However, the central banks become concerned about the relaxed way many banks and the markets viewed this fact, reason why the concern on liquidity management is now on the top of the agenda at central banks, while before this was not an area of concern, as Fernandez-Bollo (2009; 11) says we cannot find any EU Directive on this matter, what is expected to happen only at the end of the first semester of 2010.

Remittances have registered double digit growth, although the economic crisis may affect it in 2009 and challenge its counter-cyclical nature and the historical migrants' ability to cope with adverse shocks, although the nature of remittances -namely the obligations towards their families- make remittances' flows more robust than other flows (Meins; 2009; 7). Despite the prospect of a decline in remittances due to economic downturns in host countries, there are several reasons for its resilience. One is that migrants that have been living for a long time at the host countries are the main remitters; newcomers represent a small percentage of migrants’ remittances. Another factor relates to the implementation of tighter border controls that appear to increase the duration of migration and, those staying are likely to continue sending remittances. If on the other side, migrants return to their origin countries, they are likely to take along accumulated savings or, an economic downturn at the host country can provoke more remittances, influenced by the “safe-haven” factor or “home-bias” (Ratha, 2009a; 4).

A study co-sponsored by the MIF and IAD shows that immigrants are extremely able to deal with adversity, following strategies that include spending less money with themselves, moving job to sectors less affected by the crisis, moving within the country to other regions, working more hours or having multiple jobs or even dipping into their savings, and therefore facing the return to the origin country as the last option. Migrants also look at remittances as a family obligation and therefore they make an effort to comply with it (Meins, 2009; 4-5).

Below we can see that, since 2002, the deposits from the non-monetary sector, compared on a year-on-year rate of change and respective contributions have increased particularly in the households’ residents, including emigrants and immigrants (BdP; 2009; 104).



Source: Banco de Portugal (Monetary and Financial Statistics; International Investment Position).
Note: (a) Excluding liabilities recorded as a counterpart for non-derecognised securitisation operations, recorded as deposit (and deposit-like instruments) of other financial intermediaries and auxiliaries.

Figure 6 - Non-monetary deposits

As we can see, Portugal is an example of what Ratha (2009a; 4) and Meins (2009; 4-5) say about the resilience of remittances in times of financial and economic crisis, which we summarized in the paragraph before the previous figure. In the figure below we can also see the resilience ability of remittances when comparing them between 1996 and September 2009.

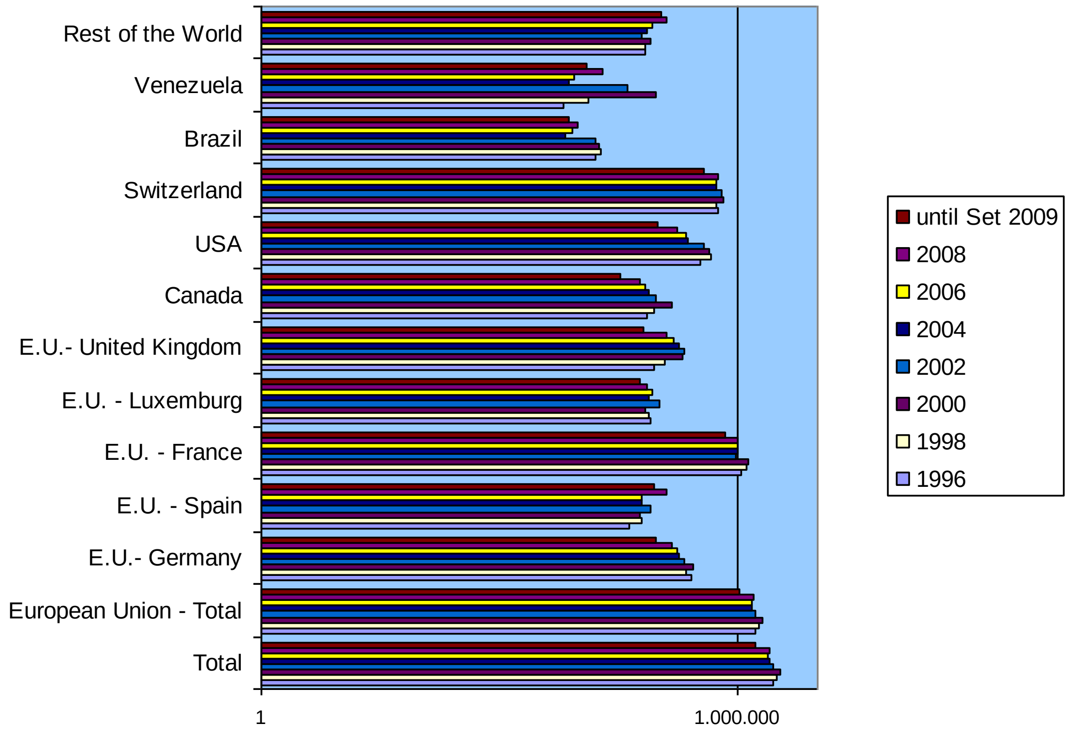


Figure 7 – Resilience of remittances

Sending remittances through formal channels to developing countries can strengthen financial systems, avoid its use for illicit purposes and increase the financial options for the recipients (G8 Action Plan, 2004), while Comini (2008; 30) says that the utilization of formal channels can be an important tool to strengthen the financial systems in the receiving country and allow the banks to have additional funds available for lending.

Statistics show that the increase in workers' remittances has been steady and consistent. This is reflected in the increase from $58 to $96 billion between 1996 and 2003, which represents over 5% of the GDP in 2003 for a selected group of 25 developing countries. If this trend is maintained, the importance of these money flows will become even more relevant for developing countries (Luna Martinez, 2005; 30), which is also defended by Ratha (2009c; 21) that the comment revealed to be correct, as we can see in the table below that the money flows, in absolute terms, more than triplicate in the same number of years to USD 328 billion in 2008. The statistics presented do not include the impact of the foreign exchange rates applied to the amounts transferred and therefore empirically, taking into consideration the devaluation of the USD and other developing countries currencies the amount of remittances may not have decrease, as shown in the statistics included in the table below (Ratha, 2009c; 21).

Outlook for remittance flows for 2009

$ billion	2006	2007	2008e	2009f Base case	2009f Low case
Developing countries	**228**	**285**	**328**	**304**	**295**
East Asia and Pacific	53	65	78	74	71
Europe and Central Asia	37	51	57	49	47
Latin America and Caribbean	59	63	64	60	58
Middle-East and North Africa	26	32	34	32	31
South Asia	40	55	74	71	69
Sub-Saharan Africa	13	19	20	18	18
Growth rate (%)					
Developing countries	***17%***	***25%***	***15%***	***-7.3%***	***-10.1%***
East Asia and Pacific	*13%*	*23%*	*20%*	*-5.7%*	*-8.8%*
Europe and Central Asia	*24%*	*37%*	*12%*	*-14.9%*	*-17.2%*
Latin America and Caribbean	*18%*	*7%*	*2%*	*-6.9%*	*-9.4%*
Middle-East and North Africa	*5%*	*21%*	*9%*	*-6.2%*	*-9.8%*
South Asia	*20%*	*40%*	*33%*	*-3.6%*	*-6.4%*
Sub-Saharan Africa	*35%*	*47%*	*7%*	*-8.3%*	*-11.6%*

Figure 8 – Outlook for remittance flows for 2009

Based on this table and in spite of the lack of accuracy of some statistics on migration and on remittances' flows that we have researched and critiqued, one should recognize the fact that these volumes have been increasing steadily and consistently over the last two decades, both in number of migrants and in the volume of remittances. This tendency shows why in the last few years, the financial institutions are drawing their attention to the migrants' business segment. The recent financial crisis revealed a lack of liquidity in the financial system, mainly in the developed countries, generated an increased appetite of banks to capture the liquidity generated by remittances. Gupta (2007; 3) advocates that the particularity of the stability of these inflows allows for lower borrowing costs by attracting continuously flows of remittances instead of borrowing in international capital markets. Also, the impact of remittances in the exchange rate appreciation is reduced, because remittance receipts are widely dispersed.

Remittances are a stable source of external finance, as they remain steady in periods of crisis due to the altruism of emigrants and to the fact that the remitter is located in a less depressed country than the beneficiary, as well as that the amount of money remitted increases during periods of crisis (Biller, 2007; 6). Although one could agree in general with the statements made by Biller, the Paper does not support the statement on statistics or analytical work. Biller speaks of feelings and tendencies generally known and admitted. However, in the research performed by other authors, namely Gupta (2007; 3) who wrote before the current financial crisis, that remittances were perceived as being a stable flow and that migrants send more money home in times of economic distress, as well as that, remittances may be counter-cyclical. Ratha (2009a; 4) says that this phenomenon happened in 2009, for example in the India's corridors, as migrants remitted more money home, as they regard it as a "safe-heaven" than the host countries. As Gupta and Ratha performed an analytical study, we ended up reaching the conclusion that the Biller's comment was correct and, interestingly, made before the 2008 financial crisis.

The WB produced in July 2009 a Revised Outlook for Remittance Flows for the period of 2009-2011, estimating that remittances were expected to fall by -7 to -10% in 2009 from an earlier forecast of -5 to -8%. There are many factors at play, this is uncharted territory and is difficult to predict the outcome, but undoubtedly, the 2008 financial crisis may have an impact on flows (Ratha, 2009a and 2009b; 1-4). These forecasts are based on the macroeconomic revisions of the WB, but it would be interesting to have the feedback from financial institutions on their experience and how the business is doing in the current environment, as well as which factors are affecting the business the most relating the remittances' issue. Ratha (2009b; 1) says that last data reports that flows reached USD 328 billion in 2008 (up 15% from USD 285 billion in 2007), which are higher than previous estimates of USD 305 billion for 2008. We also can say that in spite of the drop in the amounts remitted, they are in line with the figures of 2007, which means that the volumes are still relevant enough for the banks to dedicate attention to this potential business segment.

Aiyar (2006; 85) says that in developing countries, remittances emerged as an important source of external financing and that the officially recorded flows are not treated consistently among the countries. In spite of this, EUROSTAT (2007; 6) has the view that remittances are the largest source of external financing in developing countries, while Comini (2008; 30) indicates remittances as the second largest source of external funding for developing countries, behind foreign direct investment and states that remittances can help to maximize the development. Although there is an inconsistency between EUROSTAT and Comini (an EUROSTAT Statistics Manager) in classifying remittances as the largest and the second largest, respectively, source of external finance, we can say that the inconsistency does not affect the significance of the flows and may be that the two different sources were referring to different areas of the world.

Remittances are an instrument that have been used in the process of securitization of future remittance flows of foreign exchange, that have given these countries access to international financial markets (Comini, 2008; 30). This financial instrument -securitization of remittances- allowed the raising of a larger sum of hard currency financing, for a longer maturity and at a lower interest rate, when compared to what it could have been done through uncollateralized borrowing (UNCTAD, 2006; 3-9), as well as the banks are able to negotiate cheaper and long-term financing (WB, 2006; 101). Ketkar (2005; 1) says that securitization can be a source of external financing during a crisis and that the potential for securitization is several times the volumes of remittances, even with a low or non-existent investment rating.

From the research of this area we can see that the authors defend the view that remittances represent a significant contribution to developing countries and that there are financial instruments that can allow the increase of the potential of remittances. We think that, again in this subject, it seems that there is a “gap” resulting from the lack of a joint strategy between the monetary supervisory authorities and banks in developing countries. The securitization deals should be channeled to productive investment purposes and not to consumer, as the securitization will block future liquidity in foreign currency in the developing countries, so that the liquidity obtained from this capital markets’ instrument should be managed conservatively. Again, in each corridor, if in the sending and remitting countries, the banks cooperate they could leverage the full potential of remittances by managing liquidity and securitization at the countries at the “extremes of the corridors”, as they would benefit from the circulation of liquidity, avoiding that third banks, operating in the capital markets, take advantage of this securitization if they do not operate in these countries.

Due to the contraction in GDP, unemployment increased in 2009 and the extent and duration of the international economic and financial crisis, the strength of the banking system to resist an ever-growing credit risk is a major challenge, which was pushed by the influence of the financial crisis into the economic crisis, increasing the potential for the increase of losses (BdP, 2009; 113). Also, Ratha (2009a; 1) says that in spite of the crisis, the persistence of the migrant stock will contribute to the resilience of remittance flows. However, there are risks to this forecast, including the depth and duration of the crisis, the movements in exchange rates that are difficult to predict in this environment, and the political temptation to strength immigration controls. In many developing countries, remittances will become even more important as a source of external financing.

The research question for the area of the financial stability is: “What are the problems concerning financial stability at the bank level and at the economic level?” Based on the research performed it was possible to conclude that liquidity is a key element in the financial stability of the banking system and at the economic level, namely at the country risk side which can be strongly influenced by the strengths of the financial institutions. As said before and it may be relevant to mention that at the time the research questions were prepared, the subject of liquidity was not a major concern of the supervision authorities and central banks. As a confirmation of this fact and as referred before, only after the crisis was installed in 2008, the central banks started considering seriously and methodologically the implementation of a control to monitor liquidity management. Before this, it was not an area of concern and, repeating Fernandez-Bollo (2009; 11) we cannot find any EU Directive on this matter, what is expected to happen only at the end of the first semester of 2010.

How did the remittances impact the 2008 financial and economic crisis? They were consistent and resilient in terms of the flows sent through formal channels from the host countries to the origin countries. The host countries are mainly the developed ones and they had to transfer this liquidity in the middle of the crisis to developing countries, being unable to retain them.

In the origin countries the inflow of liquidity helped the developing economies to avoid the worst impact of the system financial crisis, i.e., the systemic risk of collapsing and, after this, the ratings' agencies lowered the country risk ratings. On the other hand the banks of the developing countries also stopped lending to developing countries.

Additionally, 50% of the total remittances' flows continued to be sent through informal channels. Neither the host nor the origin countries financial systems were able to benefit fully from these liquidity flows to improve their liquidity situation and rebalance the lack of liquidity. During the financial crisis, the total remittances at the host countries could be considered a factor of financial instability and, consequently affected the GDP of those countries, as this liquidity was not invested in the economy of the host country. We may say that the opposite situation occurred in the origin country, as remittances during this period played a role providing financial stability and in some situations allowed the GDP of developing countries to continue growing. Neither government or central banks nor commercial banks were coordinated to leverage this source of liquidity -remittances-, implementing measures to capture volumes that are currently processed through the informal channels.

3.1.3 Macroeconomic environment

The economic contribution of remittances at the host and origin countries was disregarded as significant until MIF published in 2008 a study showing the vastness of those flows (Meins, 2009; 5). Better data on remittances is an important element for the preparation of macroeconomic policies, as remittance flows can affect the level of savings, investment and consumption. Also, accurate data on remittances constitutes a tool to monitor cross-border flows and detect money-laundering activities that may undermine the integrity of financial systems (de Luna Martinez, 2005; 30).

The CPSS stresses that the implementation of "The General Principles and related roles" published by BIS and WB will require the involvement of both public authorities and the RSP (BIS, 2007; 5). An RSP is an entity operating as a business that provides remittance services for a price to end users, either directly or through agents (BIS, 2007; 54). Also the G8 Action Plan (G8, 2004a), supports the dialogue among governments, civil society and private sector to discuss infrastructure and regulatory barriers, namely to ensure non-discriminatory access to payment systems, to implement supervisory standards and modernize the financial infrastructure, while Gupta (2007; 1) says that formalizing the migrants flows represent an effective access point for *unbanked* individuals.

As included in another critical comment in this document on the "gap" resulting from the lack of coordination between the international institutions and the private financial sector entities, which in reality are the ones that have the formal networks to transmit remittances, we would say that the above referred implementation would also require the direct involvement of banks and other financial entities, like MTO and non-financial entities not supervised by the financial system authorities (e.g., telecoms), although this is a matter of doubt due to the conflicting business interest among them, as some non-financial institutions are performing tasks that traditionally belong to financial institutions, managing and allowing for the movement of money.

Another point of view that could be raised would be to consider if those non-financial entities were not performing the task of transmitting remittances that the financial institutions were supposed to do, how would the "*unbanked*" receive the remittance that would contribute to the development of this countries and the consequent fight against poverty?

The implementation or changes to the current regulatory regime should recognize that such systems are specialist inter-currency funds transmission agencies and not deposit-holding banks. These systems will operate effectively if they fit the specifics of the process they regulate and acknowledge the socio-cultural character of the beneficiary (Ballard, 2004; 11).

In this context, the G8 countries have agreed to support national policies and programs that promote effective private sector-led development, ensure multilateral assistance to mobilize capital and expertise, with the objective of accelerating growth and generating resources for its productive use by developing countries, complementing the efforts that these countries are undertaking to reduce poverty (G8, 2004a).

The *bankarization* of migrants and their families allow for a better management of money, access to products and financial services that protect assets and health, improve the education descendents, investments in projects that reproduce the money and save and plan their retirement in both the origin and host countries. This has an obvious impact in these economies. Financial education is a way of helping these beneficiaries managing their financial flows in their best interests.

To show the importance of remittances at a macro-economic level, the figure below shows that remittances are larger as a share of GDP and that growth has been faster in low income countries (Ratha, 2009c; 6), which confirms the fact that remittances are much higher than the official assistance to the developing world and are very beneficial for the economic development (Ballard, 2003; 1).

Remittances are larger as a share of GDP – and growth has been faster – in low-income countries

	2006	2007	2008e
Low-income ($ bn)	$20	$25	$31
% of GDP	*6.0%*	*6.1%*	*5.5%*
Growth %	*24%*	*23%*	*25%*
Middle-income ($ bn)	$208	$261	$297
% of GDP	*1.9%*	*1.9%*	*1.9%*
Growth %	*17%*	*25%*	*14%*

Figure 9 – Remittances vs. GDP in low-income countries

The idea of the importance of this macro economic impact was discussed at the Sea Island Summit in 2004, where the G-8 Heads of State requested improved coherence and coordination of organizations to enhance remittance services and heighten the developmental impact of remittances (WB, 2006; 110). The G8 Finance Ministers Meeting (2004b; 1) is concerned and committed to help ensuring that the impact of remittances in the developing countries is used to support families and finance small businesses, make a significant contribution to the economic growth and poverty reduction.

The following Figure, which source is the Global Development Finance 2005, shows the remittances as a percentage of GDP (Page, 2005; 65). Although the available data relates to 2003, we could conclude on the importance of remittances for both the developing and developed countries. As the figure shows data since 1990, we can see that remittances, as a share of the world's GDP, vary between 0.5% and 3.5% for Europe & Central Asia and South Asia, respectively. If we consider that the growth of remittances since 2002 has grown at a double-digit figure (except for 2009 that the volumes were basically flat), we can anticipate that the importance of remittances is for the world economy.

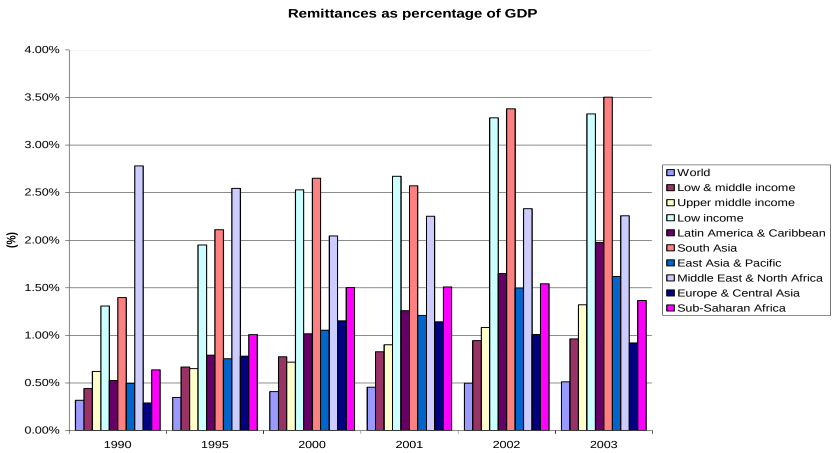


Figure 10 - Remittances as percentage of GDP

In 2008, seven countries received from emigrants more than 12% of the GDP and that remittances are as indispensable to their economic health and to the families that receive them, as well as that the importance of these flows will increase as a result of the forecasted reduction of foreign direct investment and revenues from exports and tourism (Meins, 2009; 7). It is clear that migrants remit important flows of money and goods to developing countries, but there is not a consensus on the welfare results of the flows, as well as on the overall impact on labour exporting countries and migrant producing communities (Page, 2005; 18).

About the growing importance of remittances, de Luna Martinez (2005; 30) writes that the workers' remittances sent to origin countries -usually developing countries- represent a growing importance for poor families and are key for the improvement of their quality of life. If this trend is maintained, the importance of these money flows will become even more relevant for developing countries. Shaw (2007; 3) complements these conclusions saying that econometric analyses have shown that remittances contribute significantly to reducing poverty and there is also some evidence that remittances may reduce work effort in countries with massive emigration. Migration represents a basic lifeline for large numbers for many households in developing countries (Papademetriou, 2007; 3-4), as studies indicate that remittances play an important role in reducing poverty and also contribute to smoothing consumption of the poor (Shaw, 2007; 2), but Comini (2008; 30) alerts that remittances should not be used only for consumption, but also for financing productive investment and start-ups.

On other hand, one issue that can be of relevance is the relationship and mutual impact between remittances and growth and the interaction with the development of the local financial sector. Borrowing is not wide available in developing countries. An alternative is that remittances substitute for the lack of financial development and promote growth. A research developed by IMF concluded that remittances could promote growth in less financially developed countries (Giuliano, 2005; 1).

Remittances are growing rapidly and facilitating them can help families and small businesses, as they are key for private-sector development efforts, as well as enabling families to receive capital for education, housing and start-ups, thus financing the development of origin countries (G8, 2004d). Gupta (2007; 1) assessed the impact of steadily growing remittance flows to Sub-Saharan Africa, concluding that remittances are stable and mitigate the effect of poverty and promote financial development. Giuliano (2005; 30) concludes on this matter that remittances can help diminishing credit constraints on the poor, replacing the lack of a financial developed sector that does not meet the credit needs, improving the allocation of capital and, therefore, promote economic growth.

Periods of economic growth attract migrants to developing countries, where salaries are several times the ones they could earn at home. On the other hand, during crisis' periods and as a result of unemployment, their income diminishes and the flow of migration reduces. Fundamentally, migration is the result of developmental imbalance: people move when the expected future benefits outweigh the financial costs and personal sacrifices associated with migration. Remittances make an important contribution to alleviating the developmental imbalances that lie at the heart of the reason why millions seek a better life abroad. As long as developed economies need migrant labor, immigrants will continue to migrate. As a result, when the global economy recovers, remittance flows will do the same (Meins, 2009; 3-7). On the other hand, if developed countries did not have access to migrant labour, very likely they would have to move their plants to developing countries, because it is foreseen that the population of developed countries is not growing at a rate required by the economic development, not considering that the levels of education in developed countries do not attract nationals to work in the industry.

Studies reveal that remittances are primarily used for construction of homes and consumption, which impacts at the household level and at the economy as a whole, affecting macro-economic management, labour force participation, income distribution and the household expenditure patterns. Also, if a country receives large and consistent flows of remittances, like other sources of foreign exchange as foreign aid, its own currency tends to appreciate what can impact negatively its exports and make low cost manufacturing unprofitable (Page, 2005; 18). Other areas we could say are impacted result from the trade, the exchange of knowledge, education and health issues between the origin and host countries. Migrants are also a source of foreign trade as they send, from developed to developing countries, more sophisticated products and services, namely in the health area and new technologies and import products that culturally are necessary for the migrant communities to keep their cultural identity.

Migrants and their families are important for their home economies, as they create an important cross-border economic activity, namely in five sectors: tourism, transportation, nostalgic-trade, telecommunications and remittances (Meins, 2009; 5). This statement supports the idea that high volumes of migrants have an important impact in some economic sectors, as consumers and/or entrepreneurs. The banking, education and health sectors are not yet taking advantage of these flows. On the other hand, Page (2005; 18) says that in 1996, for each tranche of USD2.0 billion in remittances received by Mexico, there was over USD6.5 billion production increase in agricultural, manufacturing and services. Although we could not find updated statistics on this analysis, it is interesting to note that the countries with large emigrated communities have been more stable in their growth than others.

The banking system has the ability to promote focused and developed sustainable investments and generation of richness around the world, especially in migrants' business, promoting and leading project finance-lending and investment of migrants' deposits at both ends (host and origin countries). It should be taken into account the ability of migrants to accumulate savings, as well as the resistance to easy consumption is very high or, at least, above average.

These savings can be either channeled to their origin countries or stay at the banking system at the host countries.

Concluding on the relevance of current and forecasted migration flows in the demographic and macro-economic environment and the impact of liquidity in the banking system stability, we may say that, based on the research performed, the migrants and remittances have a relevant impact, both in developed and developing countries, in the context of the monetary policies, in the management of the financial systems and in the reproductive development of the economy. We could not find any literature dedicated exclusively and analyzing deeply the subject that study, inter-connect and relate consistently this new phenomenon that aroused in the last decade.

We could find literature on liquidity, macro economy, demographics, flows, banking system, but could not find the migrants topic treated and analyzed in the literature in a fashion that researches the area deeply. We also found a “gap” in the lack of communication among the stakeholders, being visible a divorce of findings, statistics, international institutions and private institutions, namely the banks. This seems to be an area of research that remains largely unexplored.

3.2 Banks' corporate social responsibility in the integration of migrants and economic sustainable development impact in the origin and host countries

3.2.1 The corporate social responsibility and sustainability

In this section, we will perform the critical review of the literature relating to the relevance of the CSR of banks in the financial integration of migrants, as well as in the environment and economic development, which will include both the impact at the origin and host countries.

The financial integration of immigrants poses several challenges, namely because immigrants are well behind the natives in educational achievement, access to opportunities and in economic benchmarks, like employment rates, labour participation rates, earnings and quality of housing dependency, as well as in social and political engagement support. These cumulative disadvantages do not help the integration in the destination countries, as they increase the degrees of economic, social, and political marginalization (Papademetriou, 2007; 19). This is the point of view of a developed country, historically the ones that represent the host countries in the south-north corridors, and therefore not covering a recent trend of south-south migration, where the tendency is that the most educated migrate to a neighbor country.

The ISO (2008; v) indicates that organizations and their stakeholders are becoming aware of the need for socially responsible behavior, which translates into the contribution to sustainable development. This is a critical part of measuring its overall performance and its ability to continue operating effectively. Also, organizations are subject to greater scrutiny by their stakeholders, including customers, workers, trade unions, community, non-governmental organizations and other entities.

There is an interesting point raised by Matten (2003; 1) related to the power that the corporate world is gaining or, at least, overlapping with government power and even sovereignty, as the latter is losing it and, consequently, projecting the corporate world into “citizenship”, transforming “corporate citizens” into more than fellow members of the same community. Matten concludes that behind this innocuous mask, the real face of the corporate citizenship role needs to be reappraised, conceptualizing a political role for the corporate world in society. Halme (2009; 7) recognizes the same point saying that corporate responsibility is increasingly being look up for solutions, as matters like climate and poverty have increased over the years, as the politicians, the community and international institutions hope that corporations will contribute to the solution of these problems.

The impact that the WB and IMF can have in the development and recognition of the remittances as only “the tip of the iceberg” for a migrants’ business segment is an area that has been ignored by these institutions, as they have played in this particular field a passive attitude. To support this point of view, we will mention the discussions, during the G-8 2004 Sea Island Summit, on the strategic review of the WB and IMF to ensure the promotion of economic and financial stability, raise economic growth and fight poverty in developing countries. Several reforms have been implemented, but it was recognized that, due to the depth of change in the world economy, further reforms, namely in the areas of accountability and good governance, transparency, clarity of objectives and responsibility, and effectively working with markets, have to be carried to allow these institutions to achieve the objective for which they were created (G-8, 2004b; 1).

Although we could recognize that both the WB and the IMF have been working and publishing literature, papers, analysis and other documentation relating to migration and remittances, to us it seems clear the existence of a “gap” revealed by the lack of coordination of international institutions with the private and public financial system, to ensure that the results of that research are utilized and recognized by the financial system, mainly the banks, as a business segment that should be addressed proactively and in a structured fashion. The recommendations of the G-8 show that the management of those institutions has not been proactive in adjusting to the new trends alerting the financial institutions for this relatively new reality which impacts the migrants’ world. This measure is not referred in the above documents, and we think it is a relevant “gap”.

There are several business areas where corporations are challenged to behave in a social responsible manner. When it comes to define what this behavior means, one cannot find a definition, both in the academic and corporate world, which covers the matter as a whole, although there are many definitions. Dahlsrud (2006; 1) concludes that the definitions are usually biased towards the interest that a particular corporate wants to justify, while Friedman (1970) says that the issue is not on the definition, but about the elements that constitute the social responsibility of business, although Dahlsrud (2006; 6-8) disagrees saying that Friedman does not give guidance on how to resolve it and says that the complexity of the problem is on the way the enterprises apply the concept when developing their business strategies in a particular context and not in defining CSR.

CEC (2003) considers CSR the accountability of a company towards all its stakeholders, through its permanent commitment to a fair and responsible behavior and contribution to economic development, while improving the quality of life of the workers, their families, the local community and society. Then Dahlsrud (2006; 9) defines CSR as the basic behavior of a company in the societies it operates, that, although making profits, define their policies taking into consideration the positive and negative environmental, social and economic impacts, not considering them as optional add-on or philanthropic gesture, while Verheugen (2009; 3) complements this concept by saying that profitability is obviously the driver of any business, but it should be complemented by practices to achieve it in a sustainable fashion and also help to achieve the interests of the society, namely contributing to the environment and the community. Dahlsrud (2006; 8) puts it in a different way, saying that enterprises that are socially responsible, consider the impact of their decisions on communities and environment, balancing the needs of stakeholders with the need to make a profit.

We found two definitions that seem to cover the concept in a fashion the financial system could consider applying to the migrants' business segment. Frederick (1992; 11) focus his definition on the particularity that CSR should be led voluntarily and beyond any legal obligation by the private sector, as well as making it accountable for the impact they provoke in the community and in the environment, while for EU (2009) CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. Enterprises that integrate CSR into their business strategy and purpose, beyond the regulation and consumers' demands and in close relation with external and internal stakeholders, will be rewarded in the long term. Community should be aware of those adopting CSR policies only having in mind the public relations appearance; they should be seen as non-trustable organizations. Enterprises are key players in the search of prosperity, social cohesion and a higher quality of life.

We can question ourselves how to apply these concepts and its efficiency in a profitable and "material fashion" in a market economy, as CSR, in the short term, affects directly the profits of a company and, therefore, "subtract" from the shareholders. However, the view that can also be considered is the "future return" of the amount "subtracted", meaning that the companies would adopt it even to make more profits. Others would say that CSR is a concept that enterprises barely apply (and only) when its image may publicly benefit from it and/or be more protected from public criticism. One way that could lead enterprises to adopt voluntarily and genuinely CSR is to consider its policy as a respectable manner (self respect, respect for others, respect for environment and being respectable) towards the society, in the way they run their business profitably. May be a respectful manner of managing the migrants' money and financial needs is that the banks -through CSR- could contribute proactively to the financial inclusion of migrants.

CSR will play an important role in helping enterprises to overcome the recession, if one considers that the cooperation with stakeholders will have a positive impact in developing new products and open new markets. An example is the microcredit product created for the poor and financially excluded, that some responsible banks launched as part of their portfolio (Verheugen, 2009; 3). Voluntary business initiatives, in the form of CSR practices, can play a key role in contributing to sustainable development while enhancing Europe's innovative potential and competitiveness (Barroso, 2005).

Bird (2007; 1) says that corporate management is not balancing the decisions on CSR, as they either follow the neo-classical theory considering only the interests of the shareholders or follow strictly the stakeholder theory considering in their decisions the interests of an excessive number of stakeholders, while Verheugen (2006; 4-7) presents the argument that as part of a global innovation process, the implementation and improvement of these practices is through the development of a dialogue that considers the stakeholders' opinion in the strategic decisions. Therefore, CSR can help the achievement of the growth, helping companies to be more competitive. As in many other areas of management, namely in those where decision making relating to strategies can generate conflicting views among stakeholders, these authors defend one or another extreme that result from the main two opposed theories. Dialogue is the way to solve this type of conflicting interest.

Management should consider starting the dialogue in-house with the stockholders, which are the people or institutions that in the first instance created or support the corporations, by defining clearly a balanced argument showing the value added to the enterprise of a policy adopted in the CSR area (Bird, 2009; 1). One can say that this is the "process" and that the authors are concerned with the "principles"; however, one could say that in a relatively new subject like CSR in many countries, this issue requires more than just discussion about theories, but it seems there is an urgent need for the implementation of policies, daily action and achieving results.

One aspect that could be taken into consideration when deciding the CSR policies to adopt, has to do with cultural differences that result namely from globalization. When we consider the "diversity factor" in an enterprise, in terms of shareholders from countries with different cultures, with distinct objectives, political systems and local directives and rules it is difficult to harmonize a so large spectrum of interests and objectives. May be a way to solve it is not by writing definitions of CSR, as most of them are biased towards the objective of the entity providing the definition, not considering a wider view but manage CSR and the cultural diversity with mutual respect for its multiple angles.

Corporate responsibility has the objective of placing at the same level, the importance of social, environmental and economic responsibilities of enterprises (Roome, 2004; 3), although the implications of the neo-classical view is that management should seek to maximize the owner wealth, and this will encourage meeting the legal requirements and community standards of CSR activities. On the other hand, in areas where the public sector has responsibilities, like the environment, it is not necessary to be proactive, being enough to comply with the regulations (Bird, 2007; 16). Another angle of this matter is presented by Halme (2009; 4) saying that CSR is still far away from being considered (or even of people being aware of it) in developing countries or countries with weak institutional environments, insecurity of property rights and corruption practices.

According to Bird (2007; 16) the interests of stakeholders can be taken into account without compromising the wealth of company; stockholders of companies that deal with interests of other stakeholders will benefit, while companies that do not meet regulatory and social norms are likely to suffer, while McElhaney (2009; 31) presents the view that companies can take financial benefits in human resources, reputation, branding and operational cost and Chakraborty (2004; 4) advocates that CSR results are a bonus to an organization in terms of staff motivation and loyalty, which is reverted into higher productivity, quality, openness to change and innovation.

Having the previous ideas in mind, who should be responsible in an organization to ensure that CSR is absorbed by the culture of an organization? McElhaney (2009; 32) advocates that CSR should report to a top level executive and the board of directors should also have it as a priority at the same level of operational and support areas, as generally the higher CSR reports in a company, the more closely linked it is to generate value. According to Carroll (1991; 11) thinking in CSR terms brings an additional complexity to the decision-making process and increases the time spent including this item into the equation. This idea can be utilized at the beginning of the establishment of a CSR policy and can be considered important to start the practice. But we would say that if the top level management wants to make a difference and impact in the organization, the CSR has to be passed down the ranks to the employees at the bottom of the structure and this may require a strong change in the culture of an organization, as they are one of the stakeholders.

The perception of the organizations’ CSR performance can influence its reputation, the ability to attract and retain workers, customers, the maintenance of employees' morale, commitment and productivity, the view of investors, sponsors and the financial community, the relationship with companies, government, media, suppliers, peers, as well as the community in which it operates (ISO, 2008; v), although Jamali (2007; 5) points out that companies do not feel permanently the pressure of the media, the government and the civil society.

We reviewed a wide range of literature to research specifically for CSR practices that would be focused in the banking industry. We concluded that there are few academics and business authors focusing specifically on the banking industry. Two Papers that were researched cover the link between CSR and banking customers' satisfaction and another one links CSR with banking governance, although none of them refers specifically to the migrants' business segment.

Many academics and consultants researched and published papers (and other documents) in areas related to the banking industry, namely development, environment, financial literacy, microcredit and poverty reduction. However, when an author or international organization researches the migrants' area in the CSR arena, the references are very light, may be accidental or vague, which may lead us to conclude that there is a "gap" related to the lack of attention to a problematic that is real but, in spite of the volumes of people and money that flow and circulate, not only the banking system does not pay attention to it –both for CSR and business purposes- but also the Researchers.

Additionally, the international supranational institutions -namely, WB, IMF, UN, UNESCO, IFAD- that publish a wide range of papers, books and other documents do not touch in a structured and focused fashion the subject of CSR in the banking industry. Their claims and recommendations basically are related to the costs and efficiency of transactions processed by the banking system and other operators, but very seldom in the CSR area. Others touch the subject of financial integration and financial literacy, but in a very poor and superficial way and usually not linked to the banking system.

In the next section, we will review in more detail the CSR policies of banks and conclude on the attention that the banks also devote to the CSR area, as well as the awareness to the subject and how a bank could serve the migrants' business segment in a profitable fashion using CSR values.

3.2.2 CSR and sustainability applied to financial industry

The experience of America in migration gives the country a leading position in the world, but even more important than the numbers is the integration of migrants into society and economy (Drucker, 2001). Migrants and their families can be considered a potential excluded group, which is defined as a group of individuals that share a common characteristic that is the basis for adverse social, economic, cultural and political circumstances, and that causes them not achieving their rights or enjoying equal opportunities (ISO, 2008; 27). Although this can be considered a relevant reference to migrants in ISO, including migrants in the group of people that is classified as potential excluded group of people, but practically nothing is said about what would be the best practices of the banking system to help protect a group of individuals classified as such.

Boudet (2008; 42-3) questions the approach that financial institutions take towards CSR, if it is simply the latest and fancy managerial trend or if it must be at the heart of banks' business, culture and image, taking into consideration that this business segment should be profitable, while HSBC (2008; 4) one of the banks that show awareness of CSR, states that the global financial crisis stressed the importance of running a sustainable business, which means generating profits for the shareholders, under good governance, long-lasting customer relationships and committed staff delivering the corporate strategy and managing the social and environmental impact of the business. This practice will benefit the shareholders, the economy, the environment and society.

According to Luo (2006; 12), the relation between CSR and satisfaction is not always straightforward and the banks' CSR strategies are only marginally understood, while McDonald (2008; 174) suggests that customer centric initiatives may achieve better results than CSR initiatives and Pomering (2006) concluded in a study that customers prefer initiatives that benefit themselves rather than the community.

The UN (2004; v) says that the contribution to sustainable development and the mutual understanding of stakeholders will improve trust in the financial institutions and, consequently, will develop more resilient financial markets, while five years later and after the start of the current financial crisis, Thomé (2009; 2) advocates that it was the result of a crisis of responsibility that only can be repaired by rebuilding the trust among companies, especially those in the financial sector, a fact that may represent an open door for CSR as key to maintain a balance of confidence and responsibility.

The efforts of the financial institutions in better disclosure and transparency, as well as its integration in the investment value-chain will contribute to a correct CSR policy (UN, 2004; 21). Business leaders must become involved in socio-political debate, not only because their companies have so much to add, but also because they should have a strategic interest in it. Social and political forces can change strategic landscape; they can torpedo the reputation of businesses that have been caught unaware, as well as they can create valuable market opportunities by highlighting unmet social needs and new consumer preferences (McKinsey, 2006).

Since 2004 that UN (2004; ii-iii) recommend financial institutions to integrate environmental, social and governance systematically in research and investment processes, requesting the commitment of senior management for this process, namely in the establishment of long-term goals, the introduction of learning and change processes, training and in the incentive systems. Some members of the financial industry become conscientious of the recommendations and engaged in a series of initiatives to improve the management processes, namely in managing environmental risks and social aspects in their lending, while others improved accountability and governance. This recommendation of UN was published five years ago.

Researching the CSR policies of leading banks listed in the Appendix 5, one can conclude that very few banks adopted genuinely the measures or did not at all. Even the request for the involvement of top management, is difficult to see that was followed. Top management usually demonstrates the ability of following up on the matters on which they decided and it is difficult to admit that so many aspects of the recommendations were not addressed. This brings up another “gap” that is the ability -or lack of ability- to communicate between the international institutions and the private sector, and the fact that the recommendations should be adopted voluntarily.

It is a complex process to articulate a corporation’s economic orientation with its social orientation. To help establishing this balance, one conceptualization of CSR encompasses the idea that a corporation has economic and legal obligations, as well as ethical and discretionary (philanthropic) responsibilities. This provides a framework for understanding the nature of a corporate economic, legal, ethical and philanthropic performance and its implementation may vary depending upon namely, the size, management's philosophy, strategy, industry characteristics and the economy (Carroll, 1991; 3-18).

Maloney (2009; 6-7) says that Westpac takes a more strategic stakeholder approach to CSR. As examples of this new approach, Westpac adopted a new corporate slogan: “every generation should live better than the last”, saying that the best decisions are not only the ones that work towards a sound financial future, but also towards a responsible future for the community and the environment, an idea also defended by Turker (2009; 7) referring that an important dimension of CSR are the rights of future generations, which is related to the idea that development should meet the needs of the present, without compromising future generations’ ability to meet their future needs.

HSBC (2008; 14) has a long term commitment to communities where it operates, many of which are in developing countries, making contributions through tax, to local people and businesses (namely, employment, training, purchasing and investment), as well as through community investments activity. Although from the research conducted we concluded that HSBC shows in its website details of specific policies for the financing of environmental projects, it is interesting to see several type of activities or actions HSBC that considers as contributions to CSR (e.g., contributions through taxes, which is a compulsory item; the bank pays taxes as everyone else and not because is thinking in contributing to CSR) or the employees' training (another basic workers' right to be able to perform the job and progress in their careers). This brings up the issue of the mixture of concepts that one of the banks more aware of CSR can make; one could extrapolate these "misunderstandings and confusions" to the ones that are not even aware of what CSR means and how it could impact the businesses they run.

As a consequence of the dialogue with groups of interest La Caixa (2008; 5) identified other matters that are important in the relationship with customers, employees, society and environment, namely the transparency, financial inclusion, new collective needs, contribution for the knowledge and a purchase policy that takes into consideration environment requirements. In the CSR area the commitment of La Caixa is with customers, employees and society, which are supported by the values of confidence, social commitment and excellent service that form the guidelines of the bank.

HSBC (2008; 8-9) identifies as stakeholders the employees, customers, shareholders, community representatives, charity partners, non-governmental organizations, campaign groups and trade associations, regulators and governments. Commerzbank (2007) reports that economy, environment, employees and society are the bank's CSR focus and responsibility, being its objective to ensure responsible conduct in the bank at all levels -for benefit of clients, investors, employees and environment- as well as to improve the competitiveness, while BBVA (2009; 16) identifies as stakeholders the shareholders (create greater value in a sustainable manner over time), regulators (proceed with integrity and comply with legislation), suppliers, customers and employees and society. Deutsche Bank (2008; 2) states that sustainability constitutes an integral part of the core business and beyond, including responsibility to shareholders, clients, employees, society and environment. As we can conclude from this part of the research, these four leading banks, although all of them refer specifically to clients or customers, none of them makes a reference to migrants, which could lead us to think that the migrants business segment is not included as a priority in their CSR policies.

McElhaney (2009; 32-3) defends that in developing a CSR strategy, top management must determine the specific business objectives it will support, as this is a more difficult task than may seem, as well as it should be built into the appraisal system for employees to embrace it, which is complemented by Turker (2009; 14) stating that the development of measures for CSR activities that address social performance is a major challenge, while Dentchev (2004; 4) advocates that the process of implementation of CSP is very relevant and should be complementary to the strategic importance of stakeholders.

An example of a CSR strategy implementation is MicroBank. MicroBank (2009) is a microcredit bank, which acts as the "social bank" of La Caixa (2008; 3-4) offering products and services to individuals, small business, and entrepreneurs that cannot access the traditional credit system, as well as to low-income families. The objective of this is to increase the productive capacity, employment and personal and familiar development, having in mind the contribution this process can do to social cohesion.

MicroBank (2009) vision is to be a reference in Europe through a model of social banking sustained in its activity, dedicated to financing individuals and small entrepreneurs, as well as the family reunion, and mortgages at the origin countries of new-residents (migrants). MicroBank has few references to migrants, calling them "new-residents", including a product to extend mortgages at the origin countries, which can be, in principle, considered an innovative product. However, the bank does not give details on the characteristics of the product, which is a detail that would allow understanding the commitment level of this social bank (e.g., guarantees and collaterals, level of applicable interest rates) to serve migrants as part of their customers' portfolio. On the other hand, nothing is said about a specific offer of products and services to the migrants at the host country.

Also McKinsey (2006; 1) complements these ideas with the results of a survey having concluded that senior executives think the role of corporations should go beyond the responsibilities towards shareholders, that sociopolitical issues, namely environmental concerns, represent significant risks and should be handled by the CEO, corporations do not anticipate proactively the sociopolitical concerns that may affect their business and that the tactics of handling these concerns with lobbying and public relations are not the most effective. Chakraborty (2004; 99) says that, while making profits, corporations must conduct themselves righteously and keep in mind the well being of all their stakeholders.

Being CSR recognized as a complex process, we may say at this stage that in the literature research of the banks' CSR practices, we found several banks, namely Commerzbank (2008;

81), Citi (2008; 16), Deutsche Bank (2008; 108) and Millennium bcp (2008; 108) that hired consultants to prepare their annual CSR reports or sustainability reports. This is the evidence of the “gap” that senior management is not committed to CSR -only aware enough to hire consultants to perform a job that should be delivered internally by their staff-, not applying it in daily practices and in the strategic plans and activities, as well as not having the CSR practices adopted genuinely in the culture of their financial institutions. Another evidence for this last point is supported by the fact that Millennium bcp published a printed version of its 2007 and 2008 Sustainability Reports (as part of the annual report) and their website only has available the 2006 Sustainability Report; the same occurs with Commerzbank (2007) and Santander (2006). This seems symptomatic of the lack of involvement of senior management and could also demonstrate the lack of attention of middle management to this issue.

According to Fagen (2009; 1) remittances have recently drawn the attention of governments, donors and researchers, although research that explores the contribution of migrant groups to community well-being, income generation and social service is unsystematic; although those contributions are relevant to assess development impacts, an idea that is shared by the UN (2006; 22) declaring that migrants are often complementary to native workers, as migrants free up native workers to perform usually more productive jobs.

The migrants face educational challenges and an economic hardship that impacts their family’s well being, as well as the difficulty of living between two different cultures (Birjandian, 2005; 28) and the educational success depends on a wide range of social policies (Ungerleider, 2005; 33). According to Wrigley (2005; 40) learning the language of the host country is the golden key to open the “door of the paradise”, as the migrant can communicate comfortably and being respected at the host country, a problem that extends to the younger members of a migrant’s family that, according to Gershberg (2005; 19-20) face several challenges, namely the familiarization with the school, involvement, legal issues and stigmatization.

Teaching the migrants and their families at the origin countries managing their financial needs, can be considered an important contribution the banking system could give to migrants, which can be included as part of the banks’ CSR program. The human value “respect”, can be a key element of human nature within a wide range of world cultures, and a powerful tool to implement smoothly and effectively CSR in the banking industry.

Besides, Papademetriou (2007; 4, 18) thinks that the trends preparing the immigration policies usually do not reflect the immigrants' world reality advocating interventions at the local, regional and international levels with the objective of increasing the benefits of receiving and sending communities and families and migrants, while Ratha (2009; 5) alerts that the increase of the immigration controls, may be attractive in the short run, but may impact negatively the business labour needs. Comini (2008; 30) advocates that this is where the financial system could play a key role, influencing the development impact of remittances, through increasing the *bankarization* of individual, encouraging more savings and possibly productive investment. The financial inclusion of migrants can be considered determinant to minimize the negative impact of migration flows in both countries. *Bankarization* is synonym of financial inclusion and a corner stone for the improvement of migrants' financial inclusion.

Bankarization applied to the migrants' business segment is a concept that implies the inclusion of a migrant in the financial system, having a bank relationship, of which a bank account is the basic and first requirement for the access to financial and non-financial products and services. The process of *bankarization* requires minimum financial education, to which the banks could contribute.

There are countries where the contribution of migrants is central to their overall growth; also, its size, widened origins and dispersion justifies a regular assessment of governance and makes integration an urgent matter, namely in relation to economic integration. This would give migrants a fair treatment for their human capital and get their contribution faster to the community's economic life (Papademetriou, 2005; 1-2). The banking system and supervision authorities could take into consideration these issues and be prepared to attract the migrants as banking clients, without penalizing the illegal immigrants, to allow them to have a bank account, as the mean to integrate them financially, protect them from illegal networks and capture their money to the formal financial system. Also at the origin countries, the *bankarization* of the family can be an important contribution that the banking system could give to the development of the country and the inclusion of these people into the banking system. The reality of the migrants' world and the contribution they can give to destination countries is very often ignored by governments and authorities, namely the financial system's supervision which imposes requirements that are not adequate to help *bankarize* the migrants.

Then, the settlement and integration of migrants should involve the community. The wide variety of specialized services and programs are designed primarily to aid and enhance the integration process for adults (Birjandian, 2005; 24). The banks could be considered as part of the "community". Very few authors searched include a reflection on the financial integration of migrants. The focus is usually social and religious integration, language skills, social security and health care. About financial integration we could find only very brief references. It seems that the institutions, policy makers and other actors in the migration field do not pay attention to this issue, representing an important "gap" in the literature or, at least, a matter of unsystematic research.

Because of a slow-down in the economic growth, La Caixa (2008; 6) made efforts with the objective of contributing to collective groups (youngsters, elderly people, unemployed, new-residents) in difficulties to access basic banking products and other channels for the financial integration of groups in risk of financial exclusion. While BBVA (2009; 26) states that financial inclusion is an important contribution for new segments of the population to access financial services, which is one of the more genuine expression of a financial institution's corporate responsibility.

As a result of the 2008 financial crisis, HSBC (2008; 9) established priorities in the customer relationship area, as the countries where the bank has operations were affected by recession. These resulted in the review of customers' business needs and when necessary and viable, restructure their loans, as well as run financial education programs to help retail customers plan their finances. La Caixa (2008; 8) designed products for New Residents (*Nuevos Residentes*), including international transfer cards, short term financing, repatriation insurance, microcredit and other actions to allow for an easy flow into other banking channels, as well as activities focused on the *bankarization* to increase the financial literacy, teaching customers about banking products, financial system and products and services available. Also, HSBC (2008; 14) has as policy to focus on that educational support of disadvantaged children, financial and business literacy and environmental education and understanding, complemented by environmental support focused on climate change, freshwater and biodiversity habitats and BES (2009) has a financial literacy program with the aim of placing financial know-how at the service of sustainable development, including three initiatives, none of which dedicated to migrants.

The main drive of these policies and ideas are related to the environment and to the customers. The decision of financing friendly environment projects can influence the sustainability; however, this idea shows a “gap” of not covering or be focused on its applicability to both host and origin countries. As Boudet (2008; 42-3) writes, sustainable development is an approach that rests on three pillars: environmental, economical and social, but the researcher does not cover in this idea both ends of the migrants business segment.

On what relates to education and financial literacy, we found papers and statements in the research that did not have in mind the migrants’ business segment. In the situation of La Caixa, it makes a very brief reference to products that can be used by migrants, but nothing substantial and particularly focused on that business segment. In this area, that can be considered important for the financial integration of migrants, we could identify another “gap” that is that these policies do not take into consideration both the host and the origin countries; they are either focused on the host or on the origin country. Another aspect could be the development of cultural and scientific skills of migrants and their families, but the banks seem to be far from that concept.

The advantages of CSR for companies are well documented (namely, profits, customer loyalty, trust, impact in branding), reason why McDonald (2008; 170) explored the relationship between CSR and customer satisfaction, which would place the customer as the pivot of the stakeholders and would allow management to best decide on the allocation of resources and increase the proportion of satisfied customers and therefore increase profits and market share. It seems that the more banks talk about CSR, the less the customers attribute to it any value. Do shareholders invest more in a bank because it has a green policy or gives donatives? Customers seem to give value to what is centered in them. May be it should be designed to address the specific needs of that industry stakeholders, being more focused on some of them. It looks that CSR policies are vague and arid and are not adopted by the organization’s culture and, therefore customers do not have a perception of them in the daily deals and contacts with the bank.

Although banks are investing strongly into different kinds of CSR strategies with the objective of strengthening their reputation and relationships with stakeholders, including customers (McDonald, 2008; 172), as well as large sums of money are invested on branding and messaging their institutional reputation and products/services, but do not link the ways in which they contribute to improve the world (McElhaney, 2009; 34). The ISO (2008; v) provides guidance on the principles, core subjects and issues pertaining to social responsibility, on ways to integrate socially responsible behavior into organizational strategies, practices and processes, as well as stresses the importance of results and improvements in performance.

Westpac and La Caixa are two banks (below 20 worldwide) that adopted the Equator Principles, a framework to ensure that financing is only provided to whom develops projects in a socially responsible manner (Maloney, 2009; 6 and La Caixa 2008; 3-4). Westpac has been rewarded for their CSR efforts by being named the number one global bank in the Dow Jones Sustainability Index for the last five years. This award confirms that Westpac is integrating CSR in their strategy and consequently building a sustainable competitive advantage (Maloney, 2009; 7). The financing of projects following the Equator Principles is an important step. However, we hope that the banks following this as a CSR policy, do not look only at the end of the year to the projects that were financed and by coincidence, comply with the Equator Principles and include them in the report as if a proactive decision was taken to analyze and finance them.

A research analyzing the link between CSR and customer satisfaction suggests practices to avoid that many banks adopt CSR policies as a result of being deemed by the general public, which implies the allocation of funds towards CSR activities at a moment when the dissatisfaction of customers increases (McDonald, 2008; 170), being dissatisfaction one of the most important reasons why a customer changes bank (Manrai, 2007; 209) and consequently, the allocation of resources to CSR when dissatisfaction is high may not have return, as satisfaction influences strongly the “share of wallet” of a client (McDonald, 2008; 171).

Westpac engages in philanthropic sponsorships, in cause-related marketing (e.g., through discounts on energy-friendly products, electronic statements) and incentives the staff to volunteer work to benefit community organizations (Maloney, 2009; 7) and Deutsche Bank

(2008; 60-70) stimulates corporate volunteering translated into committing the bank's employees and social investments reflecting the creation of opportunities.

Deutsche Bank, (2008; 110) established that the 2009 goals include the introduction of a sustainability management system, climate-friendly activities, expand educational initiatives for intercultural understanding, with the aim of increasing equality of opportunity and promoting integration, helping children and AIDS orphans, extend paid leave from work for volunteer work, lend greater support to artists, intensify the dialog with NGO, rating agencies and regulators, focus on projects in which the core competencies of the bank and its employees are particularly useful and communicate CSR activities within the bank and to the public, while for BES (2009; 25) the challenges for 2009 include the development of retail products for customers with difficult access to banking services.

Wells Fargo (2008; 1-5) in its five page report, reveals that its CSR policies is in the areas of investing in their communities, serving customers responsibly, supporting homeownership, volunteering to make a difference, sharing knowledge, protecting the environment, embracing diversity and creating a culture of inclusion and providing a great place to work, while Citi (2009) commits to global citizenship by ensuring a sustainable environment for future generations, built on fair and ethical business practices, governance, community and environment. This part of the research is revealing of the "gap" that the CSR represents for American leading banks; it is difficult to understand that banks like Wells Fargo (the bank with the largest retail network in the US through which several billions of remittances flow through) and Citi, both banks of reference, have the CSR policies identified in the literature review. In the situation of Wells Fargo and Citi, five and nine page CSR reports, respectively, covering the areas mentioned above are certainly not enough to show interest in it and be committed, as they really seem very superficial, at least.

There are programs of corporate volunteering, social investments to create opportunities for people and communities and helping them overcome unemployment and poverty and shape their own futures. Art and training are other two areas included in the CSR (Deutsche Bank, 2008; 2). We could conclude that philanthropy and corporate volunteering although may be considered as rewarding activities and nice to have, they could be considered as complementary but outside the core banking activities.

The banking system can be seen as a “world” that often is behind other areas and business in adopting new practices and even being innovative identifying new markets niches. A priority for the financial system is the adoption of rules imposed by the regulators, supervisors and other authorities, as the banking system depends on these rules to operate and maintain their licenses; we would call this area the one that the banking system has to adopt and follow. The banks researched in this section were selected among global, regional and local leading banks, in several geographies. We did not include references to other banks that do not have relevant references to CSR in their websites or annual reports. Also, we searched for papers and other publications about the financial system that would address specifically CSR in financial area.

When researching literature produced by international institutions (e.g., WB, IMF, G-8, UN), a large proportion of it was written by Academics; it seems that the banking system does not feel responsible for adopting any suggestion or even having an internal system that, systematically, analyses it and makes a decision on the advantages and disadvantages of being innovative and use CSR as a competitive advantage. We could see also that, in spite of the large literature available on CSR, very few explore the banking side and when researching, it covers very superficially the specific area of the migrants or even when referring to it, only covers one side of the equation: the host or the origin country. This represents the “gap” we are referring to in the research of the CSR area.

One may ask whose fault is -international institutions or banking system?- This “gap”, i.e., in the lack of coordination and communication between the international institutions and the private (and public) banking sector. We will share an example of this situation that is symptomatic of this “gap”.

We reviewed the case-studies and presentations of the three conferences listed in Appendix 6, one of which was organized by the IFAD, an international institution, and another two by banking system consultants (EFMA and ICBI). When performing a research of the attendees’ lists of these three seminars, we could see that at the first over 95% of the attendees belonged to international institutions, NGO and other governmental organizations, while in the ones organized by the consultants, over 95% of the attendees belonged to the financial system. This seems to demonstrate that both institutions -international institutions and the banking system- simply communicate at a level below the expected one. Or otherwise, the papers produced by the international institutions on the importance of migration are simply worthless for the financial system, an idea that it is difficult to accept, as the facts resulting from the research on the migrant flows, macroeconomic impact and financial stability literature research showed, demonstrate an opposite view and the banks do not have established a process of reviewing the published information and research papers on this subject, although as we may say is of interest to them, due to the volumes of business that is being processed, as well as the potential business it represents.

A different view could be that the banks have the objective of being profitable and if they cannot see a return on the investments on a new product line of a business segment, like the niche of migrants' business segment, the banks simply do not invest money in it. However, the matter in this respect seems to be different, as most of the banking system is not even aware of the existence of the literature and the research mentioned before. That is the reason why the "gap" identified on the lack of coordination and communication between these institutions could improve significantly, namely on CSR, assumed by all parties, i.e., government, supervision authorities, regulators and financial institutions.

In the section of the Introduction of this Document are included the strategic questions: *A business banking strategy for migrants' business segment, based on corporate social responsibility/financial integration and corporate sustainability: business leverage or a business constraint?* And the two research questions: *What priority and importance do the various stakeholders involved give to these issues? And, could banks address proactively both ends (Origin and Host Countries) of the migrants' needs in a social responsibly manner and promote sustainability?*

If the conclusion is that migrants contribute to the development of developed countries, why shouldn't the developed countries also contribute to the development of developing countries, having an impact in the improvement of the life of the migrants' families at the origin countries? And what is the role that the financial institutions should play in this global game, if the migrants contribute to their business? Or analyzed from another angle, why the financial institutions do not build a business model focused on the migrants' business segment to improve profitability, and make a contribution to society? It seems contradictory, but companies that adopt a proactive and serious CSR approach into their culture and the way they act, increase their profits and the satisfaction of stakeholders and the same does not happen in the banking system?

On the opposite side, it would be relevant to conclude what would be the impact (positive, neutral or negative) in the economy, in the financial system, in the banks themselves and in the social environment if the banking strategy builds a business strategy not considering these factors? During the research performed in this section of Document 2, we identified several "gaps" which were identified along the document, i.e., we could not find a deep, consistent and attentive research, both in the academic and business worlds to the research questions.

3.3 A model to serve migrants' financial integration and banks' profitability at both origin and host countries

This section researches part of the third inter-linking theme/strategic question, included in Focus 3-Financial/market System Needs, Client Needs-Managerial Operational Strategy, for which the strategic question is: "How to increase profitability and financial stability in an increasingly competitive market (from banks and non-banks financial intermediaries) relating to migrant business?" being the first research question (3.1.) "What are the problems concerning financial stability at the bank level and at the economic level?"

At this point, we should mention that we opted for grouping the research of this theme -financial stability- with the migrants and remittances' flows and the macroeconomic environment, as it has similarities of sources and references, as well as are themes of the same nature. In that section we researched and analyze the importance of the impact of liquidity for the stability of banking system, and the role that the migrants can play as a "source of liquidity". BdP (2009; 101), discloses that the main source of financing of the Portuguese banks are the deposits from clients and, as a result of the research, we may say that these deposits include the remittances and deposits of migrants and their families, both at the origin and host countries. Consequently, the results and conclusions from the first research questions should be taken into consideration when reviewing this section.

This section will focus on researching the second research question (3.2.), which is: "What options do the banks have in meeting this market's needs, what do the potential customers want, what is the evaluation of different banking models to address the migrants' needs?"

3.3.1 Managerial, marketing and operational structured strategy

We will perform the critical literature review of the marketing theory and practice, the role that the “relationship” with customers plays in the product offer, as well as the market demand for a specific product offer to migrants.

3.3.1.1 Marketing and relationship theories

Europe saw significant changes in the banking industry, as a result of a new financial environment, deregulation, technological change and internationalization of the economies, which “pushed” banks to modify their competitive strategies to products and markets. One important component of this was the choice of a certain specialization in production or product mix (Gardener, 2001; 139), an idea that is also defended by Stevens (2004; 54) saying that internationalization, mergers and acquisitions and new technologies have a big impact in banking, increasing competition, pressing profitability and increasing the need for differentiation, making many banks move to a market oriented approach. In such an environment, banks have to adjust permanently their product and services to the needs of the clients and be more efficient and innovative.

The other attribute relates to managing the experience and not just the account, as many banks fail to deliver the promises included in their products and services, which is one of the main reasons for customers to change bank. Additionally, the banking industry is justly known for its lack of innovation, using the argument that products are easily replicated by competition. However, some banks are leading in innovation by packaging basic banking products and services in a fashion that appeals the preferences of discrete customer segments, such as senior citizens or affinity groups (Wisskirchen, 2006; 16-7), where the migrants could be included.

Recent surveys of the banking industry revealed that most innovative banks are able to be more profitable in the long term (Stevens, 2004; 54). Considering that the launch of a portfolio of products and services could be regarded as innovative, setting up an offer for the migrants' business segment could be an opportunity for banks that have a portfolio of customers within this population segment.

Gardener (2001; 1) states that as a result of regulation, internationalization and technology, change has impacted the financial industry and more strongly the retail banking sector. This impact may vary among countries, but banks everywhere are defining strategies and tactics to secure their franchises for the long term, while Gounaris (2005; 22) advocates that the most important factor that differentiates financial institutions is supported by a "people-based process", which includes elements as customer orientation, advice, excellent service, flexibility and efficiency. An integrated strategy, combining customer functional values (e.g., competitiveness, size and advice) and exceeding customer expectations would provide an institution a superior brand experience.

The ''Three Ds' theory" -design, deliver and develop- when applied to a bank can change it into an organization led by the customers. In summary, "design" identifies market segments and creates products and services that delight the customers; "deliver" of these propositions demands the involvement and commitment of the full organization -from the board to the front desk- emphasizing cross-functional collaboration and "Develop" means pleasing customers permanently by planning, training in product development, analyzing feedback from customers and creating a system of accountability for ongoing improvement (Wisskirchen, 2006; 13). This is a "gap" that was not yet identified by the banks relating to the migrants business segment, as the financial institutions are basically focusing their efforts in processing "mechanically" one product -remittances-. Most financial institutions are not following Wisskirchen theory in its full length, as this market niche was not identified yet or, at least, considered in a structured fashion and analytical way. In the research of the banks we identified the "gap" that the banks either do not have a structured offer, or if they do, it does not cover the host and the origin countries.

Bain & Co. identified six factors considered imperative to win customers, deepen relationships and reinforce the perception that they receive superior value. These includes the appeal to hearts and capture minds, targeting prospects with precision, win over new customers, manage the experience not just the account, dare to be different and let customers do the talk (Wisskirchen, 2006; 13-8).

Langford (2006; 21-5) developed a theory named ‘‘3-D customer insight’’ that generates customer insights to improve the ability to drive profitable, customer-focused growth. This idea integrates customer attitudes and behaviors, addressing segments to focus, how to differentiate from competition and marketing initiatives with the objective of having a cost-effective differentiation of products and services as a key driver of their strategy. A link between "attitudes and behaviors" supports the identification of customer needs and preferences; they are also powerful enough to motivate customers to action.

This theory is followed by ISO (2008; 28) stating that organizations should respect the rights of migrants and their families and contribute to promote an environment of respect for the rights, a principle that goes towards a theory proposed by Wisskirchen (2006; 13-8) defending that "customer-led banks" design products and services that are captivating in the value proposition and generate customer enthusiasm; they deal with customers at an emotional level and align them with rational qualities (appeal to hearts and capture minds), and understand and communicate with precision to capture the right ones (targeting with precision). This view is not shared by Gounaris (2005; 22) that advocates that financial institutions to connect with customers do not need to use emotional messages or emotional brand values, basically due to the relevance of functional brand values. Consequently, it is recommended that financial institutions produce advertising targeted at consumers' functional values.

Do "emotional products" and strong support attract migrants' financial business and do migrants value them? Or, alternatively, migrants might prefer to be serviced as the tourist sector is: same service and product for all clients, segmented by type of client (mass market, affluent and private banking). This can be a particularly interesting matter when targeting first generation or second generation. However, it seems that the migrants' business segment could follow a strategy and obtain a quick return by designing products and services that would answer the needs of this segment. We should also say that a bank probably should not attempt to cover every segment of migrants, but focus on the main "corridors" of the countries where they operate and design specific solutions for the migrants considering factors linked to their culture and their life cycle.

ISO (2008; 15) includes a statement saying that individuals or groups that are affected by the activities and decisions of an organization are considered stakeholders and that understanding how those individuals or groups are affected by an organization will allow for the establishment of a relationship between them, a view that is also contradictory with Gounaris (2005; 21) perspective that defends that branding is determinant for consumer to evaluate finance, decision-making and behavior, as well as that competitiveness, dimension and advice are perceived to be more relevant than emotional values in customers' decision-making. Critically reviewing these opposed views, we could say that the view of Gounaris does not seem to consider the characteristics of all the stakeholders involved with a bank, namely the migrants. Although we could see that his perspective could be right as a general theory, Gounaris did not go deeper in assessing other factors in certain customers' niches -like the migrants- to whom the "emotional element" may be considered, by a large majority of the migrant business segment, namely the first generations and the mass market business segment. We could agree that the criteria Gounaris presents includes key factors, but we could consider complementing them by an "emotional" factors component.

Duncan (2005; 53) thinks that for the success of immigrants' integration and development of social capital it is important their involvement and of their organizations with governmental bodies, rather than having the government delivering the services directly. This system delivers better services and help building stronger links between immigrants and the host countries, an idea that is in line with Fagen (2009; 1), by concluding that the role of migrants and diasporas groups in supporting educational services in their home countries is critical to promote human development. These ideas are also shared by ISO (2008; 6) stating that the impact of an organization's activities can be affected by its relationships with other organizations and it may need to work with others to address its responsibilities, which can include any organization within its sphere of influence.

The banking system could consider doing the same, by establishing relations with associations of the diasporas, as well as with other banks at the origin countries to understand the needs of the migrants' business segment, as well as being able to prepare a product offer to answer them.

In the following paragraphs we will review the customers' relationship, the impact it has in developing a value proposition and criticizing the way the banks could use it to develop a business segment for migrants.

Information on attitude is the basis of most segmentation structures; the ''3-D customer insight'' approach requires segmentation based on an integrated view of customers. This reveals true cause-effect and how changes in products and services' offer (and/or communications) lead to changes in customer behavior, as well as the impact these have on profitability (Langford, 2006; 27). An organization should identify its stakeholders, be conscious and respect the interests and needs of its stakeholders and respond to their concerns (ISO, 2008; 10); this idea of "coordinated segmentation" supported by what Lindgreen (2005; 139) names marketing tools used to retain customers, may provide a competitive advantage, namely in product and service differentiation and create barriers for customers switching to other products and services, reason why the relationship marketing is called *customer relationship managemen*t, when it emphasizes the customers' market.

The integrated view of customers and the customer relationship management have as a final result an approach that advocates the segmentation and relationship as key factors to attract, retain and develop business with customers. This could be the case of the migrants' business segment. If a bank follows these theories it would identify and learn the financial needs of migrants and recognize the potential of this business if a structured product offer is developed.

Wisskirchen (2006; 10) reviews a study of Bain & Co. revealing that banks recognize they have a problem in building strong customer relationships, although they think this is one of the most important elements to succeed. Additionally, the banks able to manage best the customer relationship, obtained the highest marks across the entire spectrum. This includes the design of good selling propositions, effective delivery on their promises and customer-focused strategy, as well as the ability to deliver these attributes consistently. Banks that perform on these dimensions reduce customer turnover and increase their profits. McDonald (2008; 175) adds another element by saying that customer satisfaction results from comparing pre-purchase expectations *versus* the performance actually received. These conclusions are theorized by Zineldin (2005; 332) defending that a company able to develop an effective process for establishing and maintaining the relationship with key customers should renew and improve its strategic management and marketing of products and support services in a systematic fashion. Companies with the deepest and strongest customer relationships will have a better chance of gaining the customer's business.

Wisskirchen (2006; 18) proposes that banks should let customers do the talking, as many have a culture for data, trying to measure everything (e.g., market share, customer satisfaction, financial oversight). In spite of this conclusion, the study of Bain & Co. shows that even satisfied customer change bank and they do not reflect the wish to purchase additional products or upgrade to new ones or making customer referrals. Another angle related to customer satisfaction which is pointed out by McDonald (2008; 171) is in relation to CSR, by saying that increasing banking spending in this area is not reducing or changing the tendency in customer dissatisfaction. A way banks could achieve competitive customer edge through incorporating these concepts in product development, could be following a customer-centric approach and monitoring this against other marketing initiatives.

Zineldin (2005; 331) says that unlike manufacturing and some service industries, banks do not sell only products and services; they sell their organization reputation with every "customer relationship", which requires the marketer to create, establish and develop a quality package, with the objective of maintaining and enhancing the relationship intact. Lindgreen (2005; 149) elaborates on it and advocates that after ensuring the fluidity of the information, an organization should built a framework, hire and train the right people and implemented the relationships, which are basic factors for any organization to permanently upgrade the data and then, train people in making efficient use of the precious information gathered.

This approach to deal with the information as the basis to build a relationship with customers could be applicable to the migrants' business segment. The banks that have in their databases migrants and that do not offer them a specific product and service offer or the knowledge about their origin country and its economic and social culture, have shown that, very likely, have not been not able to identify this business segment as a potential standalone business niche. On the top of it, Lindgreen raises an important point, that is what to do, in terms of banking offer, if a bank identifies migrants that have developed and require new products and services, as well as for the migrants second generation or for well-educated migrants vs. migrants with lower literacy.

3.3.1.2 Market demand and banking offer

Another topic of this section is the migrants' market demand and the banking offer. The literature review will look at market demand from the point of view of international institutions, the point of view of authors linked to migrants' international institutions and the view of marketers. Following the identification of the financial needs of migrants, the banking offer will cover the segmentation, the distribution channels and the pricing.

The UN (2006; 13) concluded that the source of international migrants is usually the middle-income households and Papademetriou (2005; 3) advocates that as result of this, governments should be the enforcers of inclusiveness, fairness and equality and should elect education as a mean of speeding immigrants' contribution at the host countries. Another view is the one defended by Barr (2001; 176-7) saying that banks should consider designing products and services to meet the financial needs, namely of migrants, as indeed, we rarely asked low-income customers which financial services they want. Financial access is related to the customer and, when we think about the improvement of financial access, the question could be asked in terms of which are the customers' needs that have to be serviced by the financial industry.

Accordingly to Chamie (2005; 34), integration is a concept where migrants become citizens at the host country and function within a cultural, political and economic system, while Papademetriou (2005; 4) advocates that managing integration well, begins with the recognition that most migrants contribute for a long time to the communities where they establish themselves. Migration is a phenomenon that cannot be stopped and, therefore energies should concentrate in helping newcomers to integrate into the host countries communities.

We have in the two previous paragraphs the summary of points of view and ideas defended by the different authors that can be grouped in two main lines of thought: one presented by Papademetriou leaving the financial integration to the governments and another one defended by Barr where the financial institutions should play an active role in it.

It seems that the first view is typical of someone that works for an international institution (IOM). It identifies the existence of a “market demand” -migrants- but does not consider the need for a “tool” to integrate financially a migrant and that, one of those tools could be the financial system. Also, Papademetriou does not consider that there are no rules (or very few similar exceptions are known) to impose on the financial institutions to work with a particular business segment of the population. As Barr (2001; 176-7) says, there may be a need for a specific product portfolio designed for migrants. It seems that this is a step that requires the banks talking to migrants, which is often a difficult step to take, as most banks usually do not follow this process and work alone without consulting the end users about their product and service proposal.

Another factor relates to the length of years a migrant stays abroad and the best way the host and the origin country would benefit from this. The UN (2006; 69) refers that when migrants stay abroad for a period over 5 years, the return is likely to be more beneficial, as usually they have saved money to support the insertion at the home country. Return migration can also contribute to development if, in the destination country, the social and economic environment developed them with higher personal and professional skills, and allowed them to have savings that will be invested back home. Very often, the economic conditions in the origin country are also a factor in the return decision process. When analyzing this, we could conclude that, in terms of the market demand, for the financial institutions, this statement of UN is key to understand the advantages of developing a product offer to migrants, covering a broad spectrum of their financial needs.

Microfinance should include a full range of financial products, to allow households to receive income, deposit and savings accounts, make payments, as well as allow for access to credit, insurance and other banking services. Most microfinance institutions specialize in providing one form of microfinance, i.e., microcredit and/or microcredit collateralized by savings; others are starting to offer a broader range of financial products and services to meet the needs of customers (Barr, 2001; 178), an idea complemented by LoVoi (2009) stating that, from the side of the migrant, it is important to cover the asset protection, the access to credit, the savings for education, the cross-border needs for investment and the local community needs.

On the product side segmentation, it would be necessary to determine what should be the value-offer chain. This should take into consideration if the banks should offer a solution to cover migrants' needs at each moment (e.g., value added services, language, cultural traditions) and have available, at the host country, different products and services from local clients. We should conclude if it makes sense for banks to have "integrated products' portfolios", including remittances, savings, micro-credit, mortgage banking, consumer credit and SME financing, as well as "near to" financial services portfolio like, life and non-life insurance, pension funds, health insurance and others. Also consideration should be given to non-financial services, like health services, residential financial real estate, legal, tax advice and consultancy.

Papademetriou (2005; 2) says that the results of research of the socio-cultural integration of migrants into the destination country concluded that migrants do best in socially and politically supportive environments than those that are left to adjust by themselves, while Chamie (2005; 34) complement it by saying that other elements are needed due to the fact that the meaning of "integration" and "assimilation" varies and has different interpretations among languages and groups, as well as the existence of important financial and political constraints in areas like education and immigrant integration. The point of view of Papademetriou is general; Chamie complements it fine tuning the concepts or definitions, which is a relevant comment that should not be overlooked by banks when developing the value proposition. The impact of Chamie comment is that different migrant communities may have to be approached by different product offer, as the "market demand" would vary depending on the different interpretation of these definitions.

As an example of this and looking from another perspective is what Wrigley (2005; 42) says by stating the fact that in the US one quarter immigrants have a university degree, and the system is trying to serve, with the same approach, professionals and people that did not attend school, which does not have good results, as they have different goals an idea complemented by Desai (2005; 45) advocating that one of the most important issues in defining adult literacy and the integration of immigrants is how to use concept of adult literacy in the context of highly educated immigrants. This paragraph combined with the previous one, may led us to consider that the banking system could use these different angles when developing the marketing strategy to answer to the migrants market demand, considering the different profiles of the communities and, within the communities, the different profiles of migrants' customers within each business area (mass market, affluent market, private banking, SME, etc.).

In the following paragraphs, we will cover the importance of customer segmentation, the distribution channels and the pricing, as these three matters are linked in terms of profiling the customers, having a structured and efficient channel to attract and reach them and price the products adequately.

To apply customer segmentation to the migrants' business segment, we need to understand that the life cycle of a migrant usually includes three stages. Alonso (2008; 15) summarizes it by saying that the first occurs during the first two years, when the immigrant needs includes sending money home, finding a job, legalizing the residence and communicate with family back at the origin country. The second stage (between two and five years) includes sending money, consolidating the job, renting a house and increase private consumption. And, the third stage (over five years) includes buying a car, a house, educate children in private schools and be concerned with long-term savings, both at the host and origin countries.

(Lindgreen, 2005; 149) advocates that the key idea to succeed is having an identity card per client, to be able to fully serve, satisfy and retain them. To do this it is essential to integrate information across all the distribution channels, where all parties involved should be part of the evolution, reason why a bank when restructuring a department should have one thing in mind: the client. Although Lindgreen focus his theory in "restructuring", it could also be extended to a wider area of activity, namely the one relating to building or restructuring a migrants' business segment. Actually, this theory has a positive point that relates to the fact that, as Lindgreen (2005; 149) calls, the "identity card" per client, which would have resulted from integrated information across all distribution channels, which does not exist in most situations. This may be one reason why most banks did not identify yet the full potential of the migrants' business segment, or if they identified some potential, they are not taking a structured approach to it and not covering it in both at the host and origin countries. It also seems that far away from their thoughts are the financial stability and CSR concepts, as well as the competitive advantage the banks could bring to the banking system.

Zineldin (2005; 332) says that many companies select key markets and concentrate on serving better the customers than competition, while Barr (2001; 180) considers that the portfolio of basic products should include electronic tools, namely, international remittances sent through automated clearinghouse systems, dual-ATM cards, debit-card-only access to accounts (to lower transactions' cost and reduce overdrafts). Banks are moving toward electronic accounts. Wisskirchen (2006; 15) says that an important attribute relates to the capacity of cross selling in the months after opening a bank account (win over new customers), as banks that do not do it lose the customers.

Taking a critical review of this strategy, one could say that the proposed system will cover basically the remittances process. As pointed in the research and the critique done in previous sections, this could represent a "gap" between the banking system and the market, which Barr does not cover. In reality, the point is that migrants should have access to a product and service offer, both at the origin and host countries, and not only the access to tools that would allow them to remit cash, so that they can be better served and financially integrated and the banks can benefit and profit from the business the migrants segment can generate if properly approached. Considering Wisskirchen point of view, one can say that a structured offer must be ready to be sold when a migrant opens a bank account and the offer should cover both the migrant and their families, as well as consider the needs of the second generation. This argument is certainly a good one when starting a new relationship with a customer. It can be considered a "golden moment" to establish the beginning of the relationship with a customer, which could be considered a corner stone of the future involvement with the bank.

Another matter that was reviewed before relates to the link between CSR and customer satisfaction, which we decided to recall briefly again here. According to Luo (2006; 12), the relation between CSR and satisfaction is not always straightforward and the banks strategies are marginally understood, while McDonald (2008; 174) suggests that customer centric initiatives may achieve better results than those initiatives, while Pomering (2006) concluded that customers prefer initiatives that benefit themselves rather than the community. Another angle is the point of view of Giuliano (2005; 5) that says that the financial sector of developed countries should be concerned with the relationship between remittances and financial development of a country, an idea complemented by Wyner (2006; 6) saying that philanthropy translates from giving donations to not-for-profit organizations; philanthropic sponsorships and marketing related can generally link a corporate donation to product sales.

When trying to conclude on the literature review of these perspectives, one may place a question mark here, i.e., to see when and where the concepts of CSR should come into play, even when the customers do not understand or pay attention to them *versus* the decision of a bank to implement a strategy that considers it as a matter of principle and independently of the impact on the customer satisfaction. An attempt to answer this, is suggested by Wymer (2006; 8) saying that multinationals that take a compliance or forced perspective of CSR, will have a less sustainable competitive advantage, when compared to those that have it incorporated in their strategy, which should combine philanthropic, donations and cause related marketing.

A systematic "extra-financial" evaluation of corporate governance, environmental and social responsibility allows for a better investment and risk management (Lespinard, 2004; 27), while Bushnell (2004; 27) says that as part of the risk analysis it should include environmental and related social issues and, Albrecht (2004; 21) says that material social and environmental issues are part of the current work of analysts, both because it makes sense from the risk point of view, but also because institutional clients ask for it. We should stress that bankers made these three comments. In spite of the statements, it seems that the message did not reach the marketing areas of their banks, or, at least, a structured approach was not followed to ensure that these ideas are applied throughout their banks.

Deposits are less stable than loans and customers can change banks easily; consequently, banks should not have available only one of few products -e.g., current accounts, deposits and loans- but diversify into different areas. This leads us to think that banks must adjust to changes in the external environment to survive (Zineldin, 2005; 336). As an example of this, the changes occurred in the USA-Mexico Remittance Corridor, which were characterized by a strong informal component in remittances, suffered a radical change over the last years, as the result of the banking system adjustments to the need to formalize remittances, being now an example of a competitive reliable offer, including fast remitting options at lower cost (Hernández-Coss, 2005; 37). Although this could be considered a good example, we identified this “gap”, as the banks could go much further than develop only one product: remittances.

The design of the “service model” may vary, from country to country, as migrants, in terms of client needs, cannot be considered as a “single group”. One of the items will be the choice of the migrant target group profile, in terms of long-term profitability. This should consider several segments of clients, including the mass market, the affluent market and the private banking, as well as the small and medium size enterprises. Each one of these segments has different financial needs and, therefore, should be serviced differently. Another factor to consider is the definition of the targeted segments. We will have to consider, namely, the first generation that arrives to the country, qualified workers and professionals, non-qualified workers, retired people and second generation. The banks could determine and combine these different types of migrants with the different business segment referred in the previous paragraph. The third component would be to cover the integration and keeping as clients the second generation that grew within the culture of the host and, to some extent, of the origin countries.

As it relates to distribution channels, surveys concluded that in retail banking “location convenience” is a primary choice determinant to open a bank account (Zineldin, 2005; 340) and some banks are establishing branches near migrant communities, as well as designing them to have a migrants’ atmosphere, operating during convenient hours, having bilingual staff and developing products and services tailored to migrant workers (Hernández-Coss, 2005; 38). In the research performed, we concluded that it should also be considered the impact in the financial system channel distribution of a particular regional “high concentration” of a particular group or regional source of migrants and define how the financial system could better and profitably respond to this, through the distribution channel to use. For example, in Spain, North Africa migrants concentrate in the Mediterranean area and in Madrid; in UK, Polish migrants concentrate also in particular regions. Portuguese emigrants for example, concentrate in Paris, US East Coast, Johannesburg and Venezuela. This type of situation can influence very much the decision on the network distribution channel. Also, one could ask if it makes sense that banks based in emerging countries, take the migrants opportunity as the basis for future expansion of their operations in those countries.

Also, to have a strategy for migrants based on CSR requires a number of measures, which may include donations, marketing strategy and an effort to contribute to both sides of the migration, i.e., host country for the migrant and origin country to the family and the country development, as well as to promote an investment culture and collective investments in both countries (host and origin), to incentive development, technology exchange, foreign trade and educated and knowledge exchange.

As it relates to pricing Zineldin (2005; 339) says that many banking services are not price sensitive, as higher quality products can justify higher pricing. In banking there are services that have a marginal rate of return -namely, deposits- and others highly profitable and price insensitive. Banks are compared in rankings usually considering the size of deposits and loans, although Hernandez-Coss (2005; 38) says that many migrants are equally concerned with reliability and price, and they prefer channels culturally familiar to them or operated based on personal contacts, even if, in these situations, they are more expensive.

It is imperative for businesses to structure their marketing activities to different but often equally important markets, building relationships, networks and interactions with each one. Those markets include the customer and the referral markets (customers referred to the business by word-of-mouth), as well as the supplier market, namely the influencer market (individuals and institutions that directly or indirectly impact on the business). Although all these are important, the customer market is the key one, as only when a business creates excellent customer value, it will succeed in creating shareholder value (Lindgreen, 2005; 139). The proposed way to look at the several areas an organization should analyze at the market, involves several players that are reflected in this statement. The structure presented touches several areas of a migrants business segment, namely the customer (migrants at both the host and origin countries), the relationships (e.g., migrants, banks, diaspora), the distribution channel (banks or financial institutions networks at both ends of a migrants life, i.e., at both the origin and the host countries), and the international institutions (WB, IMF, IFAD, UNESCO, etc.) with impact in the business and the return to shareholders.

3.3.2 Banking Business model

In reviewing the literature in this area, we could find very little covering it, as both academics and business have very little material published on the banking models applicable to the migrants' business segment. To be possible to achieve this objective, we reviewed case studies presented at conferences where banking representatives delivered presentations and speeches on the banking model they use to approach this market segment. We will cover several banking models: banks that focus on immigrants, on emigrants and on emigrants and immigrants, as well as banks that focus either at the host or at the origin countries.

We also reviewed the Internet sites with specific offers for the migrants' business segment and the annual reports of several banks to research for information covering the banking model applied to address the business segment under critical review. In both situations, we reviewed case studies of major retail banks in countries and continents that have a large migrants' population, both immigrants and emigrants, and banks that are recognized as leading banks in the world, their region or country. This selection also resulted from the initial selection of the conferences' organizers, as naturally they have elected as speakers banks considered leading banks in this market segment.

We would like to stress that a review of the annual reports of leading banks was also performed in the section that covers the corporate social responsibility area (Appendix 5), and therefore we will not repeat it here. The same should be considered for the literature review covering the financial stability area and the contribution the migrants' deposits could make for it. We also opted for keeping an "isolated" review of each bank, with the objective of facilitating the review of the banking offer of the leading banks.

Having this objective in mind and to facilitate the review of this section of the document, we prepared Appendix 7 – "Banking Business Model: Critical literature review of banks' case studies" that includes the review of the banking business models and are considered an integrant part of this section.

3.3.3 Radical critique summary

In the critical literature review performed in this section, we could say that although most banks tend to reflect the marketing concepts reviewed, we summarize in the following paragraphs the approach the banks seem to take (or do not take) and its effective application towards the migrant business segment in terms of *bankarization*, organizational structure, marketing strategy, product offer, pricing, geographical coverage at the host and at the origin countries and the consideration of the financial contribution for the financial stability of a bank, as well as the inclusion of CSR concepts in the strategy and product design for this potential business segment.

Most banks do not identify and address the specific needs of the different migrant communities, as the offer is the same for the customers in general and, therefore, very similar to residents. There is a consistent effort in basic communication and advertising using the language of the origin countries (we reviewed case-studies with brochures in the origin country language), which could help the *bankarization* and financial education, but this effort does not bridge cultures, traditions and, in most situations, emotions of the different communities. This represents a significant "gap" in the way a particular bank designs and develops the strategy for this business segment.

As it relates to the organizational structure of the case studies reviewed, we could not find a "first line" managing director or general manager dedicated exclusively to the migrants' business segment, while we could see that this is the case for other business segments with less or equal importance in terms of potential business, as for SME, private banking, affluent and mass market. Based on this, it seems that there is some lack of commitment or the business segment was not yet identified (only very broadly and by middle management and lower levels) at a senior management level. This represents another "gap" in the banks, as the communication within each network seems to be low or inexistent and, as referred in other sections of the literature review, there is also a lack of communication between the international institutions and the private financial system, mainly the banks, as the information produced on demographics, development and money flows is abundant and of academic quality.

Within the marketing divisions we could not identify a department or division for products and services fully dedicated to migrants. In general, in the product teams there is a sub-product for migrants (e.g., the product denominated “payment transfers” includes remittances). This results in the lack of a global vision of the products adjusted to the financial needs of these customers, broken down by migrant community. The vision is isolated within it and therefore is not inter-linked among them. It seems that there is a “divorce” in developing the product offer and therefore there is no one with the global vision for the product portfolio.

Additionally, another significant “gap” is that the product portfolio does not follow the migrant life cycle, being focused in the first phase of the migrants’ life, which occurs when the migrant arrives to a country and usually during the first two years. Because of this, the database of migrants’ treatment and monitoring is dispersed in the banks and as a result, the client relationship management does not treat this business segment. Most banks, for this particular segment, have a view of “one product” instead of the view of the “customer”. Also, the migrants market segmentation does not distinguish among the migrants’ profile, namely academic education, profession, age or income level. With this approach, it seems that the “migrant will be a migrant forever”, meaning that we could not find evidence that the banks follow the development of the migrant integration and professional career, in the various situations of the literature and case studies reviewed.

As it relates to the product offer it is cleared focused on remittances (primarily and seems the main focus), cards and bank accounts with a few exceptions that include also mortgages and a very restricted kind of insurance, representing basic plain vanilla banking products offered to a regular customer. The offer does not include any interaction with other stakeholders of the migrants´ community (e.g., diplomats, diaspora, economic and social agreements between countries).

The geographical offer covers only the domestic side, i.e., the host country, even when the bank is multimarket (with presence in several countries) offering a product portfolio that seems inconsistent, not interlinked and uncoordinated. As a result, the banks do not leverage the opportunity for business between countries in which the migrants could be privileged actors and this is an important “gap”, as we could not identify any bank that plans to have a structured product offer at both the host and the origin countries.

As it respects to pricing, the literature review of the case studies showed that the pricing is fairly standard and aligned with the pricing of similar products charged to other individual customers. The distribution channels are made up of domestic retail branches network, Internet, representation offices support and free-lancers paid on a commission basis for remittances and deposits captured.

As it relates to CSR concepts that could be included in the product offer, on the top of a few philanthropic initiatives, it is absent from the design of the product and therefore the macroeconomic impact is disbursed, as well as the impact on the development of developing countries is reduced, as the banks at the origin country do not have a program to capture this business segment with the objective of leveraging the remittances’ impact in the economic development.

We should also consider that the financial inclusion of migrants should be a central concern of banks and the literature review identified a few situations where the expression “financial integration” is used, but with a meaning that seems far from covering the CSR concept of financial inclusion. This is another “gap” in the marketing strategy and the product offer strategy.

4 Identification of the conceptual theme, conceptual framework matrix and explanation of the conceptual framework

4.1 Introduction

Migration is an old phenomenon that always has impacted the financial world, as most migrants remit relevant sums of money to their origin country through the financial system. Only relatively recently the financial system started drawing its attention to this business, although most banks treat the migrants business segment as a mono-product denominated “remittances”.

The international institutions (e.g., EUROSTAT, WB, IMF, IFAD) have been producing statistics on migration and money flows, some political institutions (e.g., G-8 and UN) have developed orientations to deal with migration and the academia prepared papers basically covering the social side of migration. On the other side, the banks remit and receive remittances without exploring the full potential of this business, without introducing a corporate social responsibility policy to deal with this business segment and not realizing the contribution this business segment could do to the financial stability of the system.

4.2 Identification of the conceptual theme

International migration affects almost all countries; migration is one of the few social phenomena in human history that is of civilizational consequences. Consequently, very few countries are immune to its effects (Papademetriou, 2007; 1). Although the effects mentioned by Papademetriou can be various and impacting a wide variety of academic and business fields, the main focus of the DBA is on what we can add.

Globalization can be considered as reflecting the increasing ability of people, merchandising and money to flow easier among countries. This happened due to a more flexible regulation of the migration's policies and rules, a more flexible financial system to face the growth needs and economic development. The developed economies face restrictions of raw materials and labour and have excessive production capacity and liquidity, while the developing economies face restrictions on the availability of liquidity and production means and excessive availability of labour that they are unable to use and employ. The exchange and unbalance between developed and developing countries results in the need for the movement of people, which is a tendency that has been increasing consistently along the years and, is believed that it would continue.

The banking system is one of the most important (and one of a few) with a world network and an infrastructure with the capacity of moving money and information around in a safe, secure and trustable fashion and, as a result an important engine for the development.

Migrations link countries –origin, transit and destination- as well as migrants, families and employers, throughout a complex and intricate network that becomes very strong. The cooperation among these stakeholders is key to make adequate political decisions, regulation and sustainability to draw benefits from migration (Papademetriou, 2006; xxxvi). The financial system has its capacity installed for a long time, meaning that it ties sending, transit and receiving countries for financial purposes and flows. The reason why the banking system, as well as the telecommunications system, is very important for migrants is that the banking system is one of the first vehicles through which the migrants are able to keep the contact with their home countries when migrating and the one that helps migrants to help their families at the origin countries.

Document 1 identified remittances as the broad conceptual theme and as the "anchor theme" for the DBA. Based on the preliminary review of the literature, we identified that there is a large potential beyond "remittances", reason why the anchor theme was adjusted in Document 2 to "Migrants". This will allow looking beyond a particular banking service -Remittances- and research the potential of a deeper relationship based on the knowledge about the "Migrant as a Customer".

A Remittance is the tip of the iceberg because it is a basic concept to understand the following:

- It is one of the few historical data available in the balance of payments of the countries that correlates directly to the economic development in the origin country.
- For international organizations and countries, the remittances' statistics are historically the ones that are officially recorded and maintained.
- The "global banking network system", as the banking core business is money and a remittance is a cash transaction.

Remittances could be considered just "one anchor product", although its importance for the financial system is high, as they are the product that allows banks to identify clearly the migrants' business segment market. In reality it is what sets apart a remittance from a regular bank transfer. Following this thought, the next step will be to analyze how the financial industry should follow the customer and the customers' family, through the offering of a range of products and services adjusted to their needs at the host and origin countries. This objective was taken into consideration along Document 2.

The Mutch Overlapping Triangles (Mutch, 2009a) describe the approach to the topic, i.e., starting at the global context, then focus on the EU and, at the end of the process, focus in Portugal.

Figure 11 - Mutch Overlapping Triangles

The dark blue triangle covers the "geographic delimitation", to be analysed at the global level. Migrants prioritize the choice of the country to migrate based on the ones that are geographically closer, the ones that historically have links to the origin country (e.g., language, former colonies, countries they attended school) or to the ones they believe offer the best opportunities in terms of their careers or employment. Each country has a clear knowledge of the relevance of the migrant communities that live there, namely the number of immigrants, as well as the volumes of remittances sent out to the origin countries. These two facts are the basis to identify what is defined as a "corridor". The corridors vary from country to country and they will be the basis for the geographic delimitation of a particular country.

The light blue triangle covers the "managerial context", which will be developed from a macroeconomic plan to a micro-implementation model and will be concentrated in the business model banks could choose to address profitably and responsibly the migrants' business segment, in the several traditional dedicated networks (mass market, affluent market, private banking and business banking). Based on our current knowledge of the business models adequate to deal with this issue, the critical literature review was focused on the banking models followed. These business models vary depending on factors like the migrants’ origin countries, the existence of high concentration of migrants from a particular country or a region and the situation of the economy at the origin countries.

At the conclusion of the DBA, we should be able to have several alternatives for the business model the banking sector could adopt to influence and create a truly improvement in the areas of the financial stability of the banks, mainly focused on liquidity and in the servicing of the migrants, of the global financial system through a “coordinated” global network, on the migrants’ financial inclusion through a banking social responsibility and consistent commercial policy and on the migrants’ contribution for the economic development with the support of an adequate banking offer at both the origin and the host countries.

4.3 Conceptual Framework Matrix

The matrix below summarizes the conceptual framework:

	Focus 1	Focus 2	Focus 3
	MIGRATION FLOWS AND MACRO ECONOMICS	CORPORATE SOCIAL RESPONSIBILITY; ORGANISATIONAL AND MANAGERIAL CONTEXT	FINANCIAL AND MARKET SYSTEM NEEDS; MANAGERIAL OPERATIONAL STRATEGY
Migrants	-Analyze demographic trends and changes -Business potential for the banking industry of the migrants' flows and trends -Impact of financial crisis	-Addressing migrants' needs at both ends (Origin and Host countries) -Banking system's CSR, financial integration responsibility -Impact of remittances in the economic development in the country of origin -Priorities and importance of the stakeholders involved	-Financial stability at the bank level liquidity and at economic level -Meeting migrants' market needs (financial and non-financial products) -Leveraging the banks' networks at origin countries and abroad, negotiating agreements with other institutions to serve migrants at origin and host countries and/or leveraging a structure of representation offices -Evaluation of banking models to address profitably the migrants' needs in an increasingly competitive market segment

Figure 12 - Conceptual Framework Matrix

4.4 Explanation of the conceptual framework

We will start the explanation of the conceptual framework indicating that the particular interest in the financial industry led us to identify as the main strategic question: "What should the banking industry do, through the migrant business segment, to increase financial stability?" The research and analysis on the migrant flows was the basis for the conclusion on the impact these flows of people and money have or can have in the financial world and in the host and origin countries. The financial industry needs "liquidity" as the basis for its core business, which the migrants can increase or bring if the business model is properly designed in both the origin and host countries. The result of the preliminary research led us to conclude that these flows are very important and growing significantly over the years, in spite of the financial crisis that the world has faced over the last two years. Financial stability is an element that relates to several issues, one of which is “cash”, which is significant in the remittances’ flows. In the current financial crisis we could see how liquidity took many banks to a bankrupt situation or close to it. Deposits from migrants are very stable, as they are left at the banks for long periods and consequently, are an important element in the stability of the deposit base; there are banks that have a significant percentage of their deposits from the migrants.

In the critical literature review we concluded that the migration flows are significant and increasing steadily; the first question within Focus 1- Migrants’ Flows - Demographic and Social Macroeconomic Environment is “What strategic decisions should banks make about how to meet profitably the financial needs of migrants?” The second issue relates to the banking system’s corporate social responsibility in the financial integration of migrants. On this issue, the result of the critical literature review shows that many major financial institutions do not realize or identify the potential of approaching the migrants’ financial needs in a structured fashion. This matter encompasses the possibility of serving the migrants’ needs at the origin and host countries, with financial and non-financial products, in a corporate social responsible manner, namely in their financial integration and helping to channel the savings and financing to the development of the countries’ economies.

Based on the lack of awareness and the “gaps” identified and within the Focus 2 – Corporate Social Responsibility/integration & environmental impact - Organisational and Managerial Context, we developed the following question: “A business banking strategy, for migrants’ business segment, based on corporate social responsibility/financial integration and corporate sustainability is: a business advantage or a business constraint?” The critical literature review shows that there is a third issue, which deals with the contribution that migrants can make to the financial system stability, as the volumes and flows of people and money are relevant and tend to increase.

To conclude on the approach that banks could make to the migrants' market business segment, the Focus 3 - Financial System Offer and Migrants Financial Needs – Managerial, Marketing and Operational Strategy, addresses the theme, mainly focused on the managerial, marketing and operational side of the financial business, where we concluded on the measures the financial system could take and implement to determine "How to increase profitability and financial stability in an increasing competitive market relating to migrant business?" The conclusions we drawn from it, could contribute to the awareness of the banking industry to this business segment and to the way it could be approached profitably, contributing to the financial integration of migrants and the development of the origin and host countries.

The DBA could also contribute to "open the black box" (Mutch, 2009a) of what "Migrants" can represent to the financial industry and also conclude if there is room for improvement in the way the banking system could service profitably and under a concept of social responsibility, as well as the contribution that the migrants' flows and migrants financial education could contribute to the financial stability of the banks and the financial system. At the end of the DBA, we would like to conclude what business model the banking sector could follow to influence and create a truly improvement in the following areas:

- Financial stability of the banks mainly focused on liquidity, and of the global financial system through a "coordinated" global network.
- Migrants' financial inclusion through a banking social responsibility and consistent commercial policy.
- Migrants' contribution for economic development with the support of an adequate banking offer in both the origin and the host countries.

We will conclude this section saying that is interesting to notice the recent interest and attention that the migrants' financial flows are getting from the financial industry, as well as from non-financial enterprises (e.g., telecommunication). As a result, we drafted the following strategic question: “What should the banking industry do, through the migrant business segment, to increase financial stability in the future?”

5 Appendixes

5.1 Appendix 1 – Literature review on informal remittances' channels

The transfer of remittances can be made through formal and informal channels. The formal channels are the banking channel and credit unions, which institutions usually provide a wider range of financial services, and the postal network and MTO. The informal channels, include the telecommunications companies (via mobile phones) and transport and courier companies, as well as the "more informal", which are "community based" channels (e.g., Hawala) and the physical transfer of cash, e.g., travelling relatives or friends and the migrant himself (Comini, 2008; 21), while Shaw (2007; 3) adds that remittances are transferred using banks or other financial intermediaries (e.g., post offices, MTO), carrying cash by hand, which is done personally or through an agent, cell phones, bringing goods, bundling remittances through informal networks (to reduce transactions costs), and delivering goods or services to the origin countries.

Ballard (2004; 158) says that the migrants' remittances to the origin countries via informal channels are not reflected in the formal banking statistics. Shaw (2007; 22) states that empirical researches did not conclude on the importance of the different remittances channels although there is consistency in the conclusion that the split between formal and informal channels varies considerably across countries. It is important to say that the migrants have very often to use the informal channels, basically due to the inexistence of financial services offer to remit and deliver the money, because there are no banking networks or MTO (formal channel) that are able to reach the beneficiaries.

On other hand, in some communities the cultural aspects play an important role in the choice of the informal channels. The remittances in the formal channels are reported in statistical terms, while in the informal remittances channels are not, because of one issue not referred by the authors that is the fact that the informal channels are not subject to the regulations and supervision of the financial system authorities. The legal immigrants have access and generally use both formal and informal remittances channels. The illegal tend to use informal channels or MTO, as they are they are afraid of being caught by authorities and, in most situations the banks do not allow illegal immigrants to open a bank account. As mentioned before, the informal channels will not be object of research.

The money transmission through informal channels was developed for the following reasons: the high commissions charged by banks, the delays experimented in the funds transmission and the difficulties the beneficiaries experienced in receiving the funds (Ballard, 2004; 7). Other issue related to this was raised by Bourenane (2009) saying that financial advice and financial literacy have become important tools enhancing financial intermediation and access for people receiving remittances; if a client does not understand the product or the service, we do not need to spent time with regulation and other related issues, as the product will never be used. Linked to these matters and the lack of experience of beneficiaries is the passivity of banks in contributing in a structured fashion for the financial education of the clients or potential clients, as well as to a commercial policy and effort to capture them as clients. One other serious matter relates to the regional coverage of banks that do not have presence in remote places where the beneficiaries live.

The transaction costs and modalities of remittance services vary depending on the channel used. Formal channels typically include banks, post offices, and money transfer operators (e.g., Western Union and Moneygram). Informal channels may involve bringing money home by hand; bringing goods rather than cash; sending cash with friends, relatives, or other carriers (Shaw, 2007; 21). In Africa, some courier and overland bus companies provide money transfer services (Maimbo, 2005; 67); and depositing money with unregulated individuals in destination countries.

Another issue has to deal with governments and authorities' policies and procedures that "push" migrants away from the use of formal channels (Shaw, 2007; 23). For example in South Africa money transfer agencies should operate under a banking license, have sophisticated exchange control systems, as well as have to certify the origin of the funds and that the immigrant or sender has a working permit. These demands end-up limiting competition and raising fees and encourages them to turn to informal networks; additionally, the money transfer operators refuse to serve low-income individuals whose bona-fides may be difficult to verify (Genesis, 2003; v).

Ballard (2004; 7) thinks that Hawala, which is an informal remittance transfer system- may be facing strong threats, as a result of the implementation of Anti-Money Laundering and Control of Finance for Terrorism policies and procedures to control all types of financial transfers; these controls are imposed on the financial institutions and MTO to perform the "KYC-know your customer". In the research performed, we could not identify articles or statistics that show the impact of these procedures and policies in the flows of remittances, but very likely the easy way these transfers were done in the past are not in line with reality today. It is difficult to access the way the authorities can reach this type of informal organizations, like Hawala, as they operate in a kind of a “clandestine fashion” parallel to the supervised financial system. Although the focus of the research leaves outside its objective the informal channels, it should be noted that channels like Hawala have an important role in reaching the poor in countries and town where the financial institutions do not have a presence.

Page (2005; 11) writes that there are some countries, mainly in Africa, where the central banks assumed that more than 60% of total remittances receipts go through informal channels. We may say that beyond cultural reasons there are banking history in these countries of serving only the affluent community and also the level of *bankarization*) is low.

Also Ballard (2004; 3) says about the unbanked migrants that "informal" development aid - defining “informal” as the remittances sent through informal channels- involves larger amounts than those made available by international agencies. Balard justifies as the reason for the choice of the informal channels that the remittances are delivered with no strings attached and no involvement of external debt and capital. Ballard says that this practice is advantageous as remittances go directly to members of poor rural communities throughout the developing world, where the peasant farmers lack access to investment capital. Analyzing the comments on the volumes of informal remittances and because it seems to exist unanimity on the fact that they represent a large amount –which WB estimates can reach 50% of the remittances' sent through formal channels- one may accept the statement. Where we do not think that Ballard can support the conclusion he reaches is that the decision of choosing informal channels is linked to the reasons presented. It is very difficult that migrants sending money back to their families think or consider the external debt or the capital issues that Ballard refers to. Very liked the impact is that those remittances, at the end, reach the poor peasants in rural areas that do not have access to capital for investment, but the decision process followed to remit would very difficultly be based on the arguments presented.

5.2 Appendix 2 – Measures to improve migrants and remittances' statistics

The concern to improve the statistics on migration was addressed by the EC, putting pressure on MS to improve the availability and quality of data on remittances, materialized with the publication of the Regulation (EC) n. 862/2007, dated 11 July 2007 (OJ L199), which provides clearer definitions and requires MS to supply to the EC data on the flows of immigrants moving to the territory of the MS (by country of birth and citizenship, age and sex), stocks, persons having their usual residence in the territory of the Member State (by country of birth and citizenship, age and sex), as well as data about asylum seekers (subject that is outside the scope of the research) and residence permits issued to third country residents.

This regulation does not cover estimates of the number of persons illegally resident in the MS, but requires data on the number of illegal migrants who have left the territory of a MS following an administrative or judicial decision. This new layout has the limitation of having 2008 the first reference year and therefore, only from December 2009 onwards more complete data can be expected.

At request of the G-8 (2004c), in June 2004, the WB, IMF and the UN constituted a working group named "Luxembourg Group" to study the measures to be implemented to improve the quality of the statistics in relation to personal remittances, total remittances and total remittances and transfers to not-for-profit institutions to be added to the Balance of Payments Manual (WB, 2008; xii). The importance of producing accurate data on remittances also led to the decision of the G-8 to require the dialogue between the G-8 countries, WB, IMF and other institutions with the objective of developing standards in both sending and receiving countries (WB, 2006; 110).

As part of this process, the IMF launched in 2008 "The New IMF Guide" (IMF 2008 and 2009a) addressing the "International Transactions in Remittances: Guide for compilers and users of data on remittances", which shows the concern for the preparation of accurate and consistent statistics on migration' flows. The IMF guide requests information on the following: channels' transactions, data sources, country examples and identification of approaches to improve data on remittances.

These decisions can be regarded as good steps in this process, but clearly lack to include in this process the financial institutions and other MTO that, every day, process millions of these transactions and can contribute for the significant improvement of data and statistics. Also the diasporas could be involved in this process, being demanding on the way the remittances are reported when using the formal channels, to its importance, as the statistics can benefit them and their families. Although the criteria is not homogenous among countries to produce and update statistics on demographics, we choose these sources of literature, because they are the most credible being used by governments and state organizations to define economic and social strategies and political agreements among countries in what concerns migration issues. Because of their volume and their potential to reduce poverty, remittances are attracting growing attention from policymakers at the highest levels in both developed and developing countries (Aiyar, 2006; 85).

Economic contributions to host and origin countries were thought to be of minor economic significance, an idea that was changed as a result of studies performed by the MIF (2001-2008); as a result, the central banks in Central and South America started controlling the flows of remittances. However, these controls are still far from producing accurate statistics, as there are significant flows of money (and goods) due to the utilization of informal channels or of financial unsupervised entities. As a result of this conclusion, the MIF, the Center for Latin American Monetary Studies and the central banks initiated a project to better report the remittances flows. (Meins, 2009; 6). As we can conclude, this problem is common to the world.

Within this framework and with the objective of capturing a higher share of remittances, as well as reforming their banking system, the EC granted in 2008, €1.7 million to the WB and the African Union to set up the "African Institute on Remittances", to advise African governments on these matters (Brunsden, 2008). Although Meins (2009; 5) recognizes an improvement in recording these flows, he thinks that their characteristics make them difficult to track, reason why the Latin American and Caribbean central banks, have also initiated a joint project that aims to facilitate central bank measurement of remittance flows.

5.3 Appendix 3 - International organizations that sponsor Papers, books and other publications

ADB-Asian Development Bank

AfDB-African Development Bank

Banco de Portugal

BIS-Bank of International Settlements

Center for Latin American Monetary Studies (CEMLA) - Regional Association for Latin America and Caribbean Central Banks

DFID-Department for International Development

ECB-European Central Bank

EUROSTAT

G-20 Meetings

G-8 Meetings

IADB-Inter-American Development Bank

IFAD-International Fund for Agricultural Development

IMF-International Monetary Fund

IOM-International Organization for Migration

UNCTAD-UN Conference on Trade and Development

UNESCO

UN-United Nations

WB-The World Bank

5.4 Appendix 4 – List of Universities researched for literature

Georgetown University: Institute for the Study of International Migration
Harvard University: Center for International Development
Indiana State University
Instituto Universitário de Lisboa
KU Leuven: HIVA-Higher Institute of Labour Studies
Norwegian University of Science and Technology
Nottingham Trent University
Oxford University
Princeton University: Center for Migration and Development
Princeton University: MMP-The Mexican Migration Project
Social Science Education
Stanford University: Inter-Ethnic Relations
The Centre for Applied South Asian Studies
Universidade Nova de Lisboa
University of Amsterdam: Center for Latin American Research and Documentation
University of Iowa - Center for International Finance and Development
University of Manchester: CASAS: Centre for Applied South Asian Studies
University of Navarra/IESE
University of Utrecht: ERCOMER-European Research Centre on Migration and Ethnic Relations
University of Warwich
University of Wisconsin, Madison

Note: The sites of these Universities are included in the References

5.5 Appendix 5 – List of leading banks researched in the CSR section

Banco do Brasil

Barclays

BBVA Group

BCP – Banco Comercial Português (Millennium bcp)

BES – Banco Espírito Santo

BPI – Banco Português de Investimentos (Banco BPI)

Citi

Commerzbank

Deutsche Bank

HSBC

La Caixa

Lloyds

Nordea

Santander Group

SEB

Wells Fargo

Westpac

Note: The sites of these banks are included in the References

5.6 Appendix 6 – List of leading banks and other organizations that delivered presentations at conferences on remittances and migration business

Growth Opportunities on the Migrants Market

EFMA Conference, Paris, 10-11 February 2009

AWBE – Attijariwafa bank Europe

Banque Postale

Caixa Geral Depósitos (France)

CardOps

CNCE –Caisse d'Épargne

Deutsche Bank

EBRD – European Bank for Reconstruction and Development

EUROSTAT – European Commission

Flouss.com

ICCREA

Intesa Sanpaolo

La Caixa

LatinoEnvios Santander

MECSEF – Mutuelle d'Epargne et de Crédit des Sénégalais de France

PKO Bank Polski

Postefinances

Roland Berger

UniCredit

International Money Transfer & Migrant Remittances Summit

Conference organized by ICBI. Rome, 2-3 July 2009.

Bancomer BBVA

Centre for Applied South Asian Studies

Citi

Clifford Chance

Deutsche Bank

DMA – Developing Markets Associates

Erste Bank

Eurogiro

European Savings Banks Group

ICICI Bank

ILO - International Labor Organization

IMF – International Monetary Fund

Inter-American Dialogue

International Association of Money Transfer Networks

MI-PAY

Moneygram International Limited

Net Solving

Royal Bank of Scotland

RusslavBank

SWIFT

The Financial Services Club

The World Bank

UNCTAD – United Nations Conference on Trade And Development

Unistream

VISA

Wells Fargo

Global forum on Remittances; Remittances as a development tool in Africa

Conference organized by IFAD. Tunis, 22-23 October 2009

BEPA - Bureau of European Policy Advisers

GTZ - Deutsche Gesellschaft für Technische Zusammenarbeit

IAD - Inter-American Dialogue

IFAD - International Fund for Agricultural Development

MFC - Microfinance Centre

MFIC - Microfinance International Corporation

OECD - Organization for Economic Co-operation and Development

Payment Systems Development Group, The World Bank

USAID - U.S. Agency for International Development

WOCCU - World Council of Credit Unions

Note: The literature review that covers these banks and institutions is included in the References

5.7 Appendix 7 – Banking Business Model: critical literature review of banks' case-studies

Bank	Forensic Critique	Radical Critique
Australia and New Zealand		
Westpac	Westpac is a leading bank in Australia and New Zealand, considered an example of a bank that addresses the migrants' business segment. Westpac has a page in their site including advice to emigrants. It includes very basic advice: shows the advantages of opening a bank account at the origin country (Australia and New Zealand), legal requirements (in UK and/or origin countries), and mentions higher interest rates (without specifying), tax benefits available and information on fees of basic transactions. The banking practice in Australia and New Zealand is to charge for transactions out and in an account. Westpac offers a monthly flat rate for unlimited transactions, which is also applicable when customers maintain minimum balances at the deposits accounts. This practice although available to all customers, can be particularly advantageous for migrants. Additionally, most banks charge the use of ATM, charge for international transfers and use currency rates above market when transferring funds, as well as if a customer uses other network the charges can be very high. Westpac has a migrant banking team in London, Singapore, Mumbai, Hong Kong, Shanghai and Beijing to assist in account opening and other banking enquiries (Westpac, 2009).	This product offer is very limited and it is easy to conclude from the literature review of the Internet site that is focused on remittances and mortgages. One office in London to cover UK seems to provide a limited offer of banking services to customers and has very low level of transparency in the information available at the Internet site. Also, this offer covers the emigrants and the site does not say anything about immigrants.

Bank	Forensic Critique	Radical Critique
Ireland		
Bank of Ireland	Bank of Ireland identified immigrants as a business opportunity and consider researching and listening to immigrants' financial needs. The bank selected in 2007 a pilot branch and developed a package including a bank account, ATM access, consumer credit, insurance and product holdings, as well as hired bilingual staff and produces brochures in migrants' language (Byrne, 2007; 5-17).	Bank of Ireland has a business model focused on immigrants. Ireland is a country where the immigrants (450 thousand in 2007) represent 10% of the total population, being 72% from the EU. It is forecasted that this community will grow in 2013 to 1 million people, representing approximately 20% of the population. The offer of Bank of Ireland is very limited, as Ireland, being a country of emigrants, the business model of Bank of Ireland only covers the immigrants' business segment at the host country.

Bank	Forensic Critique	Radical Critique
Portugal		
Millennium bcp	Millennium bcp (Banco Comercial Português) is the largest listed Portuguese bank (950 branches), having six representation offices (Venezuela, South Africa, Germany, UK, Switzerland, and Brazil) and retail subsidiaries in Poland, Mozambique, Greece, Angola, USA and Romania, as well as private banking operations in Switzerland and Turkey (de Castro, 2008). The 2008 Annual Report or the Internet site states that the products offer to emigrants are: deposit accounts, cards and mortgages (Millennium bcp, 2009).	It seems there is a plain vanilla product package, but there is no commercial awareness, commitment and priority in addressing this business segment. The bank could leverage its presence in the former colonies and Poland and Romania (corridors with an important number of immigrants in Portugal), but it seems Millennium Group does not have any dedicated product offer to them; it seems that in the countries where Millennium bcp has subsidiaries, it would have a strong competitive advantage. It also seems that there is no coordination at the level of headquarters and subsidiaries on the migration business segment leveraging their retail networks. This may be the evidence that Millennium does not address proactively this business segment.

Bank	Forensic Critique	Radical Critique
CGD	CGD is a state-owned and the largest Portuguese bank (approximately 750 branches), having branches and representation offices abroad (Germany, France, Belgium, Brazil, Switzerland, UK, Venezuela, Mexico, India and Shanghai), as well as three retail banks in Cape Verde, Angola and Mozambique (former Portuguese colonies). CGD is focused on the Portuguese emigrants business segment (named "Residents Abroad"). Deposits represent €3.6 billion, equivalent to 32% of market share. Savings accounts, deposits, structured products (a kind of a savings account), consumer credit and mortgages (€767 million) constitute the portfolio of CGD for emigrants. CGD has a call center in Portugal with a free-of-charge call from abroad (CGD, 2008; 43-4). CGD provides customers with an increasingly personalized, efficient and high quality service. CGD refers that can also service Cape Verde's emigrants through its subsidiary in Cape Verde (CGD, 2008; 62-3).	For the Portuguese market we reviewed the business model of the four largest Portuguese banks (5 banks cover approximately 90% of the market). Portugal is a country with a population of 10 million, having an additional 5 million emigrants and approximately 700 thousand immigrants. The main corridors are USA (1.4 million), France (1.0 million), Brazil (700 thousand), Venezuela (400 thousand), UK (400 thousand) and South Africa (400 thousand). In 2008 the legalized immigrants were approximately 425 thousand. However, it is estimated that the total immigrant population in Portugal is currently over 700 thousand (representing 7% of the population). The main corridors are: Brazil (24%), Cape Verde (12%), Ukraine (12%), Angola, Guinea-Bissau, Romania and Moldavia (6% each). The product offer is fairly limited, although the deposits volume is relevant for the Portuguese market. Also, there are references to services to immigrants in Portugal and CGD does not specify the product offer to achieve what is stated in the annual report. The offer seems "full of intentions" as in practice the offer is limited. CGD has subsidiaries in former colonies and does not leverage its presence to capture proactively the emigrants and immigrants business segment, servicing them at both the host and the origin countries.

Bank	Forensic Critique	Radical Critique
Banco BPI	Banco BPI is the fifth Portuguese largest bank (550 branches in Portugal) and representation offices in Germany, France, UK, Switzerland, Luxembourg, Canada, USA, Venezuela and South Africa. These offices are directed at Portuguese emigrants and the customers have access to savings' accounts, investment and credit solutions (BPI, 2008; 23).	There is a very basic reference at the Internet site and at the annual report to the possibility of an emigrant having a savings account and credit solutions, benefiting from some tax advantages, without indicating any details of any of these statements. Banco BPI does not make any reference to the immigrants' business segment.
Poland		
PKO	PKO is the largest Polish retail bank, 51% state owned, with the largest network and the largest market share in Poland. PKO, is a Polish bank servicing only the Polish emigrants in UK. (Polańska, 2009; 4-5). There is a high retail banking concentration in the UK with 80% of customers serviced by the five largest banks. It is difficult for local banks to acquire new customers (new business comes from switching) and the Polish migrants (1 million) constitute an attractive target. However, local banks' response to this growing market is focused on opening a bank account, remittances services and have available basic information in Polish in the sites, and hiring Polish staff in UK. (Polańska, 2009; 11-4). PKO identifies as emigrants' product the following: money transfers, mortgages in Poland and bank accounts in the UK and Poland. PKO also identified the three main problems with UK banks, which are the lack of proof of address when opening a bank account, the lack of credit history and the language barrier. On the other hand, Polish migrants have strong financial links with the origin country and require in Poland daily banking services, as in UK. (Polańska, 2009; 10-1).	In 2007 the main corridors of Poland are with UK (690 thousand), Germany (490 thousand) and Ireland (200 thousand). In EU 27 there are approximately 2 million emigrants. In the UK the average income of 70% of the migrants is above 12,000 GBP and over 25% earn more than 25,000 GBP. Approximately 44% have university degrees most performing task below their capabilities (Polańska, 2009; 5-7). The product offer is limited, covering bank accounts, remittances and mortgages in Poland. Additionally, as we could see Poland maintains very important corridors with several countries in EU, but PKO does not address any other markets. Also, PKO does not consider the immigrants' business segment in its business model.

Bank	Forensic Critique	Radical Critique
Poland		
PKO	The PKO business model has the following key assumptions: need to address the most important banking needs of Polish migrants, focus on Polish customers targeting UK clients also, develop a product offer complementary to UK, provide Polish products and establish a strategic alliance to sell UK products (Polańska, 2009; 16-7).	When reviewing this case study, we concluded that in the offer of this strategic partner, we see that the product portfolio includes a bank and a money transfer account and a debit and money transfer card, as well as some brochures are available in Polish, which is a competitive advantage that helps communication. PKO complements this offer with online banking, mortgage at the origin country, as well as a call center.

Bank	Forensic Critique	Radical Critique
Germany		
Bankamiz - Deutsche Bank	Germany has a Turkish community over 3 million immigrants, (over 19% of the immigrants in Germany) which is followed by Polish, Russian, Croatians and Serbians communities (20%). These communities are concentrated in regional clusters, ensuring good accessibility and strong word-of-mouth. Based on this, Deutsche Bank decided to set-up a bank named “Bankamiz” dedicated to the Turkish immigrants, considered a particularly attractive target group (Laucks, 2009; 3-4). The mission of Bankamiz is to be aligned with the needs of the Turkish community through 50 branches, serviced by Turkish staff, design products with an “emotional” touch (current accounts, savings, consumer credit and credit cards). The product strategy is based on Deutsche Bank standard products with minor adjustments to incorporate a Turkish style. Deutsche Bank has the objective of acquiring new customers, increase profits, diversify and support the integration (Laucks, 2009; 7-12).	Deutsche Bank in Germany set up a business model through a specific brand denominated *Bankamiz* with 50 branches, a small network when compared to the dimension of its network in Germany and specifically focused on the Turkish immigrants and at the host country, with a product offer mainly focused on remittances and other basic products. In the *Bankamiz's* case study, Deutsche Bank adjusted a few standard products to include emotional marketing. This banking model differs from a regular retail banking model, having a format of a dedicated network. When reviewing carefully this case study, namely the way the model is built in terms of innovation, product strategy and integration of immigrants, it seems that the model fails to address these components. The product design strategy is based on the standard products of Deutsche Bank. And on the other hand, the integration would be difficult as the immigrant is served through a separate network; the model does not address the three cycles of the life of an immigrant and it seems insufficient that, placing a picture of Istanbul in a credit card, will help integrate financially a migrant. Additionally, this specific banking model to serve the Turkish immigrant community in Germany, does not address the migrants financial needs at their origin country.

<table>
<tr><th>Bank</th><th>Forensic Critique</th><th>Radical Critique</th></tr>
<tr><td colspan="3">Italy</td></tr>
<tr><td>Agenzia tu
Unicredito</td><td>Unicredit, the largest retail banking group in Italy, with retail subsidiaries across Europe, followed a strategy of establishing in Italy a dedicated 12 branches network in Italy for immigrants through a brand named Agenzia tu (“Your Agency”) (Tamburini, 2009; 4-10).

The business model is based on products and services to satisfy customer needs and help customers to get financially integrated, presenting a value proposition of trust, transparency and simplicity based on services and products that include a bank account, an ATM card, checks and money transfers, having in mind encouraging foreigners to integrate socially and economically. Agenzia tu is focused on customers’ needs understanding, sharing the same language and culture and reaching needs’ satisfaction with simple products (Tamburini, 2009; 4-10).</td><td>Unicredit in Italia set up a business model with a brand named Agenzia tu, comprising a small network (12 branches) when compared to the dimension of their networks and specifically focused on immigrants at the host country. Its product offer is mainly focused on remittances, although in the case study of Agenzia Tu we concluded that it is not focused on a specific migrants’ community.
The model of Agenzia tu mixes staff from several origins, speaking different languages and therefore, has different cultures at the same branch.
Because of this, the business model seems to try to cover “under the same umbrella” anyone that is an immigrant, not differentiating among immigrants from Latin America, Asia or Europe, i.e., migrants with different cultures and different financial needs.

At the end, it seems that the objective goes back to the treatment of remittances, as the products offered are the basic ones.

Also the model does not incorporate anything related to CSR, namely a genuine financial integration, and does not cover the migrants’ financial needs at the origin country.</td></tr>
</table>

Bank	Forensic Critique	Radical Critique
United States of America		
Wells Fargo	Wells Fargo is a leading US bank with the largest retail network in US (9000 branches), focused on the immigrants' market segment. Ayala (2009; 3-6) says that the US immigrants' population has its origin in Latin America (43%, of which 12% from Mexico), Asia (25%) and EU (14%), holding approximately 33.5 million bank accounts. The Hispanic population reached 45.5 million in 2008 up from 35.7 million in 2000. Ayala (2009; 9-18) indicates as key elements of a successful retail bank the cultural references, language capability, product knowledge, understanding of remittances, adequate sales incentives and training, as well as treating and managing remittances like any other product line. Wells Fargo plans to leverage their well recognized remittance brand, support the growth and retention of ethnic households and maintain a dominant bank player position in the remittance business through the promotion of *Wells Fargo Express Send Service*, with which the beneficiaries can easily access their money (Ayala, 2009; 17-8).	Wells Fargo is a retail bank with 9,000 branches in the US (Wells Fargo network practically duplicated as a resulted of the acquisition of Wachovia in 2009), with a very large number of bank accounts belonging to immigrants and dedicates its attention to this banking segment focusing only in immigrants (particularly from Latin America) and in remittances. Based on the literature review of Wells Fargo case-study, we concluded that their only focus is on remittances, where Wells Fargo has the aim of being of the market leader. However, Wells Fargo did not identify that this product is only the "tip of the iceberg" and a product with a low margins, due to the competition that the remittances market has experienced with the entry of MTO and other non-financial institutions (e.g., telecoms and other non-supervised firms) in the market. Remittances is a "volume business" that could be used as an anchor product to serve the migrants business niche, providing value added products with high margins. In summary, the critique that one could make to Wells Fargo business model is that the bank is only focused at the host country and even there, it only covers the remittances product.

Bank	Forensic Critique	Radical Critique
Spain		
La Caixa	La Caixa is the leading savings bank in Spain and the third largest bank, with a large network (5.500 branches), having as clients more than 860 thousand immigrants (“new-residents”) that remit through La Caixa annually, approximately €680 million. La Caixa has the objective of working with immigrants and neutralize their distrust and suspicion to the financial system, by knowing their economic, cultural, social and family structures to adapt products and services to their financial needs (Faus, 2009; 2-5). Faus (2009; 7-8) advocates the establishment of partnerships with financial institutions in the countries of destination of remittances to ensure their timely arrival, as well as to introduce migrants in the origin countries banking system, having developed a specific service of remittances (“*Caixagiros*”) based on bilateral agreements with leading banks. La Caixa offers international transfer cards to allow for deposits and bank statements consultation, as well as to make international transfers using ATM (Faus, 2009; 19).	In the Spanish market we review the three largest banks (La Caixa, Santander and BBVA) that are also considered leading banks that have some focus in the migrants’ business. Immigrants in Spain have grown in last eight years from 924 thousand to 5.3 million, representing over 11% of the population. They are geographically concentrated in Cataluña, Madrid, Valencia and Andalucía (78%). Remittances grew from €2.1 (2001) to €7.5 billion (2008), of which approximately 70% went through banks and 30% through remittance’s firms (Alonso, 2008; 2-6). The main geographic origin is Latin America (42%), Africa (26%), Eastern Europe (18%) and Asia (14%) (Faus, 2009;2-5). The literature review shows that La Caixa does not have an international network able to serve the migrants at their origin countries. This raises the question of which would be the best model to serve the migrants banking segment, a business segment that represents 8% of their customers, at the origin countries. La Caixa says that the agreements are to serve migrants, but at the end, when critically reviewing its product offer, it basically covers remittances, reason why La Caixa’s concern is to open a bank account and provide an international card that has the capability of remitting money to the origin country.

<table>
<tr><th>Bank</th><th>Forensic Critique</th><th>Radical Critique</th></tr>
<tr><td>BBVA-Bancomer</td><td>Statistics show an increase in migration and in migrants’ income, being imperative to integrate the migrants’ workforce into the formal economies of developed countries, considering, as a result, that their mission is to provide high quality remittances’ payment services (Moises, 2009; 3, 14).

The largest remittance corridor in the world is the USA-Mexico corridor, which represents 36% of the total remittances received in Latin America. BBVA-Bancomer processes over half of the remittances sent to Mexican banks (Moises, 2009; 7-9).

In Spain, BBVA has the third largest network (3380), having a very extensive presence in Latin America with subsidiaries operating in retail banking. The site, which is in Spanish and Catalan, offers to “Foreigners” (Extranjeros) a bank account, debit card, ATM access and repatriation insurance in case of death (BBVA, 2009).</td><td rowspan="2">Reviewing the approach of BBVA and Santander Groups we find an example of two banks with the largest networks in Spain and two of the largest in the world, including countries with which Spain has very important corridors, which do not leverage the power of their strong networks to capture the migrants’ business.

Also, BBVA and Santander Groups do not address the emigrants segment in a structured fashion, treating them as regular clients and, therefore, not addressing their specific financial needs, although it seems that BBVA may have a more complete offer, but still a plain vanilla product package.</td></tr>
<tr><td>Latinoenvios Santander</td><td>Latinoenvios Santander (LatinRemittances Santander) is the second largest remittance firm in Spain, while Santander is the largest bank in terms of assets and branches’ network. (3400). The bank plans to attract to their branch network the migrant population and consolidate relationships with them. The Latinoenvios and Santander banking offer include current and savings account, a debit card, ATM usage and money transfers within Spain and EU (Alonso, 2008; 1-12).</td></tr>
</table>

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NOTTINGHAM BUSINESS SCHOOL

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DOCUMENT 3

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List of Figures

Abbreviations

AML – Anti-Money Laundry

CEO – Chief Executive Officer

CFO – Chief Financial Officer

CSR – Corporate Social Responsibility

EU – European Union

IFAD - International Fund for Agricultural Development

IMF – International Monetary Fund

KYC – Know-Your-Customer

MTO – Money Transfer Operator

NGO – Non-Governmental Organisation

RQ – Research Question

SQ – Strategic Question

UNESCO - United Nations Educational, Scientific and Cultural Organization

WB – World Bank

Table of Contents

1 *Conceptual Framework*

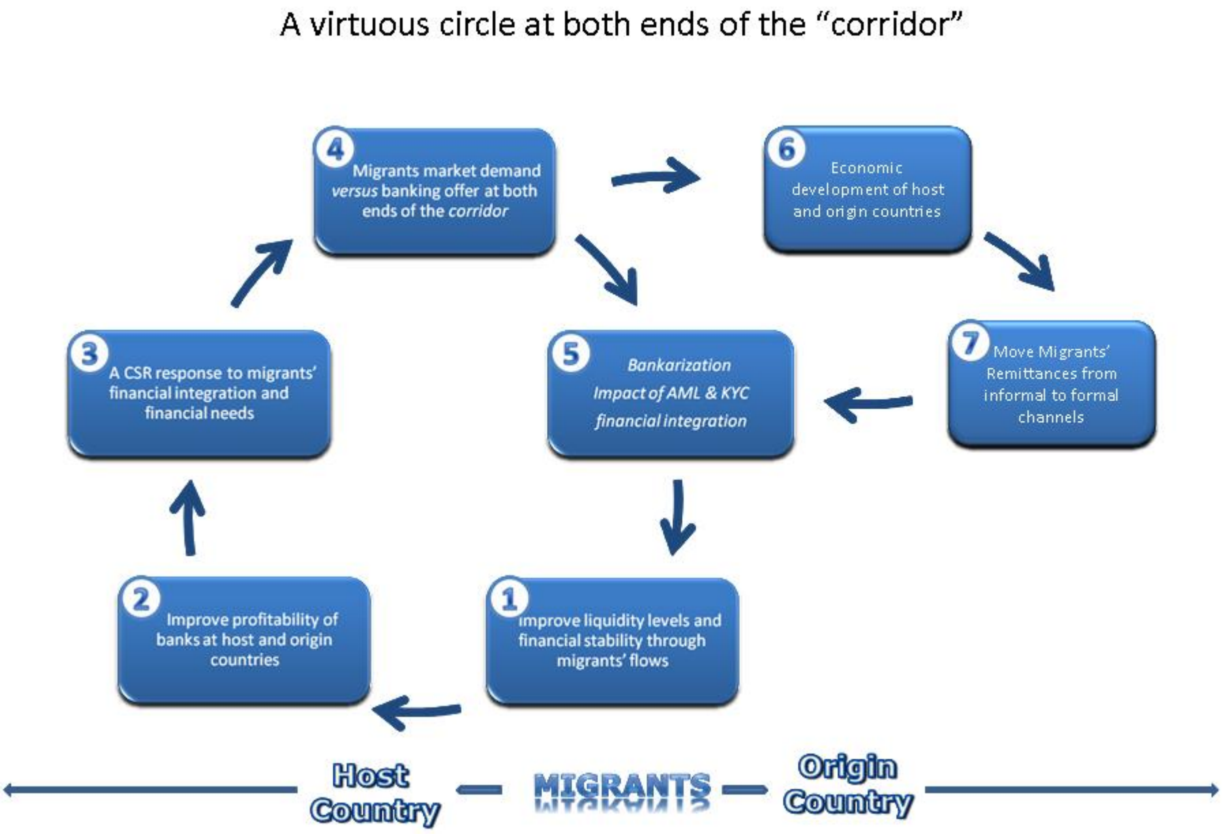

Figure 1 – Conceptual Framework: *A virtuous circle at both ends of the corridor*

The conceptual framework chart in the Figure above, named "A virtuous circle at both ends of the *corridor*" was drawn based on the fact that migration is an old phenomenon that always impacted the financial world, as migrants remit money through the financial system; this is linked to the fact that only relatively recently, the financial system started drawing its attention to this business. Additionally, as Papademetriou (2007; 1) writes, international migration affects almost all countries and globalization can be considered as reflecting the increasing ability of people, merchandising and money to flow easier.

The migrants' money flows are materialized into "remittances", that are the "tip of the iceberg", as they are a basic concept to understand the following:

- It is one of the few historical data available in the balance of payments of the countries that correlates directly to the economic development, at the host and the origin countries.
- For international organizations and countries, the remittances' statistics are historically the ones that are officially recorded and maintained.
- The "global banking network system", as the banking core business is money and a remittance is a cash transaction.

In summary, the conceptual framework chart represents the flow of a process that would enable the design of alternatives to theorize business models that the banks could follow to influence and improve the banks' financial stability focus on liquidity and improve profitability, as a result of servicing migrants through coordinated banking system networks.

The conceptual framework considers in the banks' strategy the following: the migrants' *bankarization* and financial inclusion, through a social responsibility policy and a consistent commercial approach in designing a product and services' portfolio for migrants, as well as taking into consideration the migrants' contribution for the economic development.

Our interest in the financial industry led us to identify as the main strategic question: "What should the banking industry do, through the migrant business segment, to increase profitability and financial stability?" The research and analysis of the migrants' flows are the basis for the research of the impact that these flows of people and money have in the financial world. Liquidity is the basis of financial industry, to which the migrants can contribute if the conceptual framework for a business model is properly designed, developed and executed.

The conceptual framework chart was conceived as a "virtuous" circle including the connection and interlink of two sub-circles: one focused on the financial world's "black box" (Mutch, 2009a) and another, that although focused on a "world" external to the banks, can still be strongly influenced by the banking system. At the bottom of the conceptual framework, we drew a "two-way" arrow indicating that the concepts and interlinking conceptual flows interconnecting the boxes, indicated with arrows, conceptualize that the "path" of the conceptual framework, could be considered at both the origin and the host countries.

The first box starting the "circle" flow includes the concept of "improve liquidity levels and financial stability through migrants' flows". The banking system is one of the most important vehicles, if not the most important, with a world network and an infrastructure with the capacity of moving money and information around in a safe, secure and trustable fashion. The critical literature review showed that there is a potential contribution that migrants can make to the financial system stability, as the volumes of money are relevant and tend to increase. Also, the international institutions publish recommendations about this matter, about which, the literature review revealed the banks are not fully aware.

Having those facts, findings and concepts in mind, we flow to the second box dealing with "improve profitability of banks at host and origin countries", leveraging the migrants' flows identified in the box number one. The countries are knowledgeable about the relevance of the migrants' communities, namely the number and volumes of remittances, which are the basis to identify a *corridor*. The cross-selling potential that the migrants' business could represent, leveraging structures at both ends of the *corridor*, could be an important contribution for the improvement of profitability.

From the second to the third box, we flow to the potential that "a CSR response to migrants' financial integration and financial needs" could have in the strategy to develop a product offer, as well as how the different stakeholders' views on the importance of the inclusion of CSR concepts in that strategy, namely in the financial integration of migrants, as well as determining if there is room to improve the way the banking system services profit from the migrants' business segment.

Flowing to the fourth box "migrants market demand *versus* a banking offer at both ends of the *corridor*", it covers the results of the critical literature review showing that many financial institutions do not realize or identify the potential of approaching the migrants' business segment in a structured fashion, i.e., with a portfolio of financial and non-financial products and services for migrants at both ends of the *corridor*, therefore servicing migrants' needs with financial and non-financial products, in a corporate social responsible manner, as well as impacting positively the economic development.

The concepts included in the fourth box, will allow looking beyond a particular banking service -Remittances- and researching the potential of a deeper relationship based on the knowledge of the "Migrant as a Customer". Remittances can be considered just "an anchor product", although a very important one, as it allows banks to identify easily the migrants' business market segment. This fourth box derives, concomitantly, into two:

- To the fifth box, dealing with the impact in the migrants' financial integration covering "*Bankarization*, financial integration and impact of AML & KYC", that closes the first circle covering the "financial institutions' world".

  This box deals with the leveraging that a portfolio, specifically designed for migrants, could contribute for the *bankarization*, following the money laundry and know-your-customer rules, and allowing for a first step into the financial integration of immigrants, allowing for the access and use of formal channels. This box is also a concomitant connection from the seventh box within the second sub-circle ("Move migrants' remittances from informal to formal channels") covered below.

- To the sixth box, connecting also the first to the second sub-circle "Economic development at the host and origin countries", that includes concepts that, although may be regarded outside the direct control of the "financial institutions' world", can still be influenced by it, and includes the remittances' impact in the economic development and the stakeholders awareness about banking products, as well as helping to channel savings and financing the economies' development.

Moving money and information around in a safe and trustable fashion is an important engine for the economic development and in *linking countries* –origin, transit and destination-, as well as migrants, their families and employers, throughout very strong and complex networks. The critical literature review showed that the cooperation among the different stakeholders seems indispensable to make adequate political decisions, regulate and ensure sustainability.

The seventh box covers the: "Move Migrants' Remittances from informal to formal channels" interconnecting into the fifth box ("*Bankarization*, financial integration and AML & KYC"), as referred above. The international institutions (e.g., WB, Eurostat, IMF, G-8, and IFAD) have been producing statistics on migration and money flows, and developing recommendations for the way the banking system should deal with migrants.

In the literature review, we concluded on the lack of awareness of the banks to these recommendations and other information related to migrants, namely to ensure the use of formal channels, and capturing the money flows that are processed through informal channels. If these volumes of money were captured to the formal channels, following the regulations, the impact on the bankarization and financial integration of migrants would be relevant.

This interlinks into the fifth box and closes "A virtuous circle at both ends of the *corridor*", providing a conceptual framework that could influence and create an improvement in the following areas:

- Financial stability of the banks mainly focused on liquidity, and of the global financial system through “coordinated” networks.
- Migrants’ financial inclusion through a banking social responsibility and consistent commercial policy, which would improve profitability.
- Migrants’ contribution for the economic development, with the support of an adequate banking offer, at both the origin and the host countries.

2 *Research methodology and methods*

2.1 Discussion of Methodology

One of the learning outcomes of Document 3 should be the ability of the researcher to recognize the uses, limitations and strengths of qualitative research, non-survey based research, to acquire the philosophical understanding of human agency, interpretation and the nature of casual and interpretative understanding of the social world, as well as to obtain competence and judgement in case-based research (NBS, 2010). To achieve this objective, we have read and studied several Academics that researched, treated and theorized this matter, and present in this section the results of that research.

Samra-Fredericks (2010) asks: *"*What does qualitative research looks (and sounds) like?" giving an answer combining the quotes of two Academics:

> *"We believe that debates and textbooks about qualitative research are best understood by foregrounding the practical activities of researchers. Learning to do good qualitative research occurs most felicitously by seeing what researchers do in particular projects and incorporating procedures, strategies and ´tricks`* (Becker, 1998) *into one's own research practice* (Seale, 2004: 1)*".*

The *methodology* governs the rules of research, how the information is collected and if the researcher adopts a logical *deductive* process or an *inductive* process; in the first, the empirical data is irrelevant or ignored, while in the second, the process relies on observation "to build theory, understanding, explanation and prediction" (Franklin, 1998: 448). Samra-Fredericks (2010) summarizes *methodology* by writing that it deals with presuppositions, namely *ontology* and *epistemology*, that influence and lead to the research methods adopted.

We will review and research the literature that explores the methodological implications of the case-based, as well as interpretativist and realist research, and review the philosophical understandings of human agency, interpretation and the nature of casual and interpretative understanding of the social world as it relates to the objectives of a researcher, to obtain competence and judgement in case based and interpretative and realist research.

For Tietze (2010) the methodological assumptions and perspectives of interpretative research are impacted by words, symbols and meanings. This leads us to the *ontology* and the *epistemology.* These words are composed and have their roots in the Antique Greek: *ontology* means “being” plus “knowledge and account”, and the word *epistemology* means “knowledge or science” plus “knowledge and account”. *Ontology* is concerned with the existence and nature of the phenomena, raising the question of that phenomena existing independently of us knowing it, while for Franklim (1998: 448) *epistemology* is a branch of philosophy focused on “validating knowledge” or determining “how we know what we know”, while *ontology* is focused on the “nature of reality”, aiming to define rules or circumstances when we can concede or attribute the existence to an entity.

Mutch (2002: 482), discussing about the “nature of reality”, summarizes it in a clear fashion, although elaborating about a specific business management area, that the primary concern of *ontology* is related “with what is”, while *epistemology* is concerned with “how we know what is”. On this subject, Tietze (2010) alerts that as researchers, one needs to be aware that in the ontological assumptions of the interpretativist philosophy, reality is “somewhere” and this independence is separated from “knowing” or “conscience”, while in *epistemology,* the study of the criteria based on which we make the decision on what “does or does not” represent a warranted claim about the world or what might be warranted knowledge; therefore, a researcher has to be concerned with the way one judges claims and/or evidence.

Following the ontological philosophy, one can accept that the “migrants are out there”, independently of the bankers (and others, namely the researcher and the interviewees) knowing it. However, this seems not to cover another element that is a concern of epistemology, that is the decision on what “does or does not” represent a warranted claim (e.g., about the banking system and the way the migrants are served) or what might be warranted knowledge (covering namely the perception that the researcher will have of the interviewees’ knowledge and contribution for the research), as the researcher has to be concerned with the way the claims and/or evidence provided by the interviewees is judged.

Given the fact that the objective of Document 3 is to perform a qualitative research, the researcher has to use a method that is in line with the option adopted. The option for the method to follow is object of discussion in the next section, but we would indicate, at this stage, that we will adopt the interview’s method.

This is linked to the need to discuss how the option chosen would condition or limit the use of interviews. Roulston (2010: 51) advocates that the researcher will be better prepared to perform interviews, if is consistent with the researcher’s epistemological and theoretical assumptions about knowledge production. We would express now that interviews will be used to gather *perceptions* and not to perform an analysis of the *language* used, which is a route that an ethnomethodologist would follow, as discussed in this section of the document. About this, Figure 6 – “Perception on warranted knowledge and judgment on claims and evidence”, includes a chart covering the subjective perceptions of the interviewer about the interviewees’ *warranted knowledge*, as well as the interviewee’s *judgment on claims and/or evidence.*

Tietze (2010) states two methodological options: *realism* and *interpretativism*. The first methodological concept is “representationalist”, meaning that the *social reality* exists independently of people investigating or making sense of it and usually researchers analyze this reality to produce laws or identify casual mechanism that operate within it. The second concept is “non-representationalist”, meaning that *social reality* is the result of one’s interpretative activities, i.e., how they socially construct meanings to support coping with the material world, therefore researchers’ accounts should be seen as “social constructions” to cope with the world.

Any *scientific project* involves assumptions about ontology and epistemology and, being aware of this fact, is fundamental to shape research projects. Science has to be systematic and presented in formulated knowledge; this means that “scientific knowledge” should be acquired systematically through vocabulary and techniques and formulated in accurate terms. That is why we should question if the opinion and interpretation of anyone is valid and correct? To answer this question a researcher should have in mind that “science” has to be systematic. An interpretative researcher to be able to gain formulated knowledge systematically has to establish methods and principles to conduct, collect, interpret and make sense of the finding and, finally, write accounts (Tietze, 2010).

Complementing this, Mutch (2006: 618) raises methodological concerns, namely the need to revise the approaches over the development of a project, meaning that the concern should be focused on the questions and not on the method followed; also, namely in *critical realism*, there are opposite views between *ontology* and *epistemology* on this matter, as the first is fairly rigid and bold and the second more flexible in analyzing the “nature of reality”. In this Document we will follow the epistemological *methodology*, as it is more flexible and therefore, would allow the researcher to “find more” and be able to “understand better” what is in the “black box” (Mutch, 2009), namely the reasons for the *gaps* identified in Document 2.

As written above, we will follow the interviews' method, formulating and building systematically the data and information, allocating it by barrier/*gaps*, trying to link and interconnect the facts, statements, key words and symbols globally collected and selected from the interviews to make sense of the findings, conclude whether they are consistent or inconsistently used by the interviewees and the impact it has in the research, with the objective of making sense of them and finally write accounts. If we are able to achieve the development of this plan, then we should be able to build "scientific knowledge".

Qualitative research data is presented usually in words rather than in numbers and was basically used until the 70's in the fields of social science. In the 80's, researchers started using it in basic disciplines and applied fields, including business studies, shifting to a more qualitative paradigm. Qualitative data become a source of interesting data, as one can understand which events led to which consequences achieving rich explanations, as well as they have an "undeniable" quality that results from words organized into convincing incidents or stories, which support the development of conceptual frameworks (Miles, 1994: 1-2).

Qualitative data has several strengths if well-collected, namely because the data collection occurs in natural scenarios, it becomes very close to real life and the possibility of the researcher understanding underlying and unobvious issues is strong. Another characteristic is its holism and richness that often allow for revealing complexity. Finally, its focus is on individuals' lived experiences, which is important to understand and conclude, as stated by van Manen (1977) about their "perceptions, assumptions, prejudgments and prepositions" (Miles, 1994: 10), being qualitative research presented in words and not numbers (Samra-Fredericks, 2010).

For this project, and considering the stakeholders selected, we will discuss in detail ahead in this section, both the methodology and the research method elected. The researcher will have the opportunity of contacting with individuals that deal daily with the subject under research, in a real life site, understand different views and complexity of the matters under research, as well as the meanings the interviewees place on it.

Over the course of the time, “Realism” become to mean several things and evolved to what Miles (1994: 4) defines as “transcendental realism”, a concept that defends the view that *social phenomena exists in the mind and in the real world* and, although most of those constructions are not visible to us, it does not mean that they do not exist and are real. Fisher (2007: 276) specifies *realism* quoting Johnson and Duberley (2000) terming it *epistemological realism,* as this theory’s followers believe in concepts independently of the fashion agents talk about them, as concepts reflect the real world. Mutch (2010) says that *realists* think that the world has objective existence and people can talk about it more or less objectively, while Fisher (2007: 276) says that the *realist approach* is often adopted in the research of case studies, as one can identify particular features and use them to define similarities and differences, supporting the basis of conclusions or theoretical generalization.

Franklim (1998: 448) summarizes interpretativism or interpretative research saying that it occurs when the researcher interprets and gives meaning to other’s actions without recurring to theory or hypothesis, while Miles (1994: 5) connects this idea to a specific method, defending that more “interpretativist” the research becomes, more the interviews’ method is used. The qualitative research is usually performed based on an intense contact with a particular “field” or normal life situations, reflective of daily life of, namely, organizations.

A researcher has to make an effort to absorb data and information from inside the actors, using a process of understanding and concentrating on what is said and observed and avoiding consideration to ones’ preconceptions and views on the topics under analysis (Miles, 1994: 6). This technique is particularly important for the project under development, as the researcher performs his professional activity in a financial institution and, therefore, an adequate attitude and disciplined way of approaching the interviewees will be taken into consideration and kept in mind during the process.

Now we will review and theorize the main approaches and techniques to analyze qualitative data. As it regards to *interpretativism*, Dilthey defends that the methods used to analyze physical science cannot be used to analyze human action or speech, which can be seen as a “text” that requires interpretation. For the *phenomenologists* it requires a “deep understanding” and empathy with the inquiry’s subject, while for the *social interactionists,* interpretation results from the understanding of group actions and interactions. However in both situations, “interpretation” results from the meanings the social actors and the researchers have in mind (Miles, 1994: 8). Not all interpretative research is qualitative, but all interpretative research is qualitative, as well as that interpretative research, based on *phenomenology* and *hermeneutics* views, impose both methodological commitments to answer specific kinds of research questions (Samra-Fredericks, 2010).

Phenomenologists often work with interviews transcripts seeking to avoid condensing the collected material and they prefer to focus on the “practical understanding” of the meanings and actions. Interpretativists argue that the researcher is as close as the interviewee in terms of the object of studies, and that they will be affected by what they see and hear, even involuntarily, and argue that an interview results from a “co-elaborated” product of a joint act (Miles, 1974: 8). This could be the situation as the researcher works for a financial institution, and for the development of Document 3, the stakeholders selected for the interviews are also individuals working for financial institutions and with a high level of responsibility. Although the idea of the *co-elaborated* interview can be object of criticism, the researcher’s interest is also linked to his professional activities and, therefore, it could be felt in the interviews a component of *co-elaboration*, as defended by this theory.

The primary methodology for the *social anthropology* is the ethnography, which requires extended contact with the subject and realities under research and requires a particular focus on the description of the details. The second is that the social anthropologists are particularly focused on the behavioral routine and regularity of daily situations. The third is the *collaborative social research,* where there is a collective action taken in a social setting where the researchers want to follow the process in real time and join closer with the participants in the process (Miles, 1974: 8-9). We think that this methodology would not be adequate, considering the characteristics and specificities of this particular DBA project.

One could ask what features distinguish *interpretative research*. Van Maanen (1983) says that it can encompass several interpretative *techniques* that should be able to extract a meaning and decode certain phenomena occurring in the social world, while Berger (1967) summarizes by writing that some terminology is inductive and interested in producing theory, embracing an interpretative epistemology and accepts that the reality can be social constructed.

Still on this subject, Samra-Fredericks (2010) focus on *what* distinguishes interpretative research, in relation to epistemology, distinguishing between “representationalist” and “non-representationalist” within it. In the first, the *language* mirrors reality and reports the world, while in the second, *language* is action, helps “making” reality and the world, as we know, it is constructed, at least partially, by the language used.

As it relates to the *interpretative research,* the key elements are the “understanding” and “action” and the indirect connection between them, arguing that “knowledge” cannot give clear routes to action, as it is filtered and influenced by thoughts, values and relationships. On this matter, Fisher (2007: 41-9) takes a more focused approach into the management field, saying that *realist researchers* believe that the “knowledge” they gain reflects accurately the reality, although accepting that this reality may be “distorted” if subjectivity becomes involved in the knowledge process, as well as that the connection between “knowledge” and “action” can only be achieve through judgment and determination.

The researcher, in the particular field of his professional activity, should be able to demonstrate knowledge and action, judging and determining what is the reality being theorized. Figure 6 - Perceptions on *warranted knowledge* and *judgment on claims and/or evidence*, represents an attempt of the researcher to elaborate on the connection between *knowledge/action*.

Our view of the “language” is the basis to choose how “reality” could be studied. If it is the *representationalist epistemology*, the language is the mirror of reality and, therefore, “reports” the world and represents a reality existing outside or segregated from the ways of talking about the world, while in the *non-representationalist epistemology* the “language” represents action in itself, being the world as we know, constructed by the language we use, and the users’ have a dual position as they are “active agents” in using the language, but are shaped by the same “language” they use (Tietze, 2010).

The realists that follow a *representationalist* view of language are defined as *scientific realists* and they include namely many economists and physicists. *Critical realists* have two perspectives of language: that reality is not exhausted by language and that language is central to the social domain. As it relates to the first perspective, the critical realists think that there are encounters with reality that are not mediated through language and that, in the second, there is a need of connecting the language with other factors to be possible to perform a study (Mutch, 2010).

This view is complemented by Fisher (2007: 41-9) advocating that *realist research* does not have to be always based on statistics, as in practice, much realist research is based on qualitative case studies, which variables should be analyzed with the objective of identifying connections among them and conclude “if and how” a variable is connected to another and influences it. On the other hand, we should have in mind that, one of the critiques to this approach is that the *realist research* attempts to measure everything, including people’s behaviors and conduct, which results in the debate about the accuracy of those measurements.

In this project we elected the realist research methodology as we are researching a particular management area in the financial system, and within this, a specific niche of business activity -the migrants’ business segment- where the influence of peoples’ thinking and relations would occur and, as Fisher (2007: 48) teaches, that people’s views would vary depending on the context within which a question is asked. This warning of Fisher can be relevant to the researcher in a project like this, as the researcher should ensure or minimize, when systematizing statements collected in the interviews, certain information contained in the answer and other data, that the “route to action” may not be the obvious presented or manipulated.

Mutch (2010) teaches that it is not because we cannot measure things that they are not real and therefore have an impact; for example, the concept of “market” is intangible and a product of relationship, but anyway they are not less real. We think that this is applicable to the DBA project, as there is a migrants’ market “out there” and a relationship between the migrants, other stakeholders and the financial system.

Interpretative research follows often a processual perspective recognizing complexity in the subjects researched. Typically, a research focused on organizational culture adopts an interpretativist approach, which would be a way to analyze research material from, namely, interviews and connect the interactions among the interviewees (Fisher, 2007: 49).

This view could be applicable to the research being carried, as it will cover stakeholders of several areas and marketing areas that are similar. However, the *organizational culture* is usually focused and linked to “one” organization, and in the current project the research is linked and transversal to the financial system, specifically the retail and universal banks that have the potential to adopt a marketing and commercial strategy focused on migrants. But researching statements of interviewees that belong to several organizations, their views can be biased or different, depending on the culture of their own organizations or the particularities of a market or to respond to different marketing objectives. This is one relevant reason why we would choose to follow a *critical realist* methodology. In conclusion, we would say that a *critical realist* methodology would produce research results more in line with the characteristics of the research being carried out, a matter that was discussed earlier in this section.

2.2 Discussion of the research method

The section on methods should include a number of relevant issues relating to the methods and analytical processes used (Bryman, 2007: 706) within the research of the development of Document 3. Specifically considering the research to be conducted in the DBA, we outline the following relevant issues:

- How the banks have organized (or not) their migrants' business segment and the criteria followed.
- How respondents were selected and access negotiated.
- The data sources to use, which includes participants' observation, semi-structured interviews and how data will be collected.
- The approach to analyze the data; involving an iterative process of generating inferences that were related to the emerging themes.

Fisher (2007: 61-2) outlines clearly the decisions a researcher should make in terms of the research method to follow, and links the choice of the methodology selected to the methods, demystifying the concept that links *realistic* research to *quantitative* methodology and *interpretativist* to *qualitative* methodology, by writing that both research methods can be used in both approaches.

As defined by the University (NBS, 2009: 37), Document 3 should show the ability of the student to understand and perform qualitative research, on a research question or issue within the general research topic, suitable to investigate case-based or ethnographic research. Therefore, we simply will follow the structure of the program and develop Document 3 within the defined scientific learning process structure, i.e., adopting a qualitative research.

As it relates to the research methods used, the most common include interviews, questionnaires, focus groups and observation with the objective, of following a process using a method that would allow the researcher to see the difference between “how to find things” through research *versus* “discovering things” through reading and reviewing literature (Fisher, 2007: 61-2, 152).

Thinking theoretically about interviewing, we could say that is a way to start the research design; it will help researchers making decisions in terms of designing and developing the research project (Roulston, 2010: 51). The research method may include in-depth interviewing, open interviews, pre-coded interviews, observation, participants’ observation, action research, transcripts, and documentary techniques (Fisher, 2007: 159). We analyzed these methods, evaluated the advantages and disadvantages of each one taking into consideration the objectives and the business area under research and, after consultation with the Supervisors, we opted for the *interview method*. Within the interview method, and for the reasons mentioned in the previous paragraph, we will analyze and discuss in the next paragraphs the *unstructured* and *structured approaches*.

Bryman (2007: 472-4) advocates that *unstructured* and *semi-structured interviews* are the two forms of *qualitative interviewing*, defending this point of view by saying that “behind” any of these extreme forms, there is always a degree of “structure”. The difference between them is that, in the first, the researcher uses a “guide or *aide-mémoire*” and the interview is “kind of a conversation”, while in the second, the researcher has a list of topics to be covered, has a prepared “guide” with the main topics and usually the *language and slang* used by the researcher and the interviewee are similar. Additionally; while the interviewee maintains the leeway, the researcher may pick up on things said during the interview to go deeper or cover other particularities within the topic.

Meriläinen (2008: 587-9) draws the attention to how the English language and Anglophone contextual knowledge can play a key role in the hegemonic practices, that reflect an attempt to bring together strands of discourse into a set of meanings. This Academic recognizes however, that in organization and management studies, questions of core-periphery relations and hegemony remain largely unexplored. A matter that will be discussed ahead in this section, relates to the fact that some interviews will be conducted in English language or in Portuguese and then translated to English.

For the *unstructured interviews* we can follow an in-depth and open model and for the *structured interviews* a script giving options for the answers. In an *in-depth and open interview* the interviewee controls the direction of the interview although the researcher can interfere picking up on cues or leads, while a *pre-coded interview* is rigid, as the researcher defines the options to the answers. There is a middle model -*semi-structured interview*- in between those models, as the researcher would provide the framework of the topics to be covered, but give latitude to the interviewee (Fisher, 2007: 159).

Additionally, semi-structured interviewing has more flexibility (Bryman, 2007: 476), as the researcher is allowed to keep the focus of the interview on the interests the researcher has in mind, as well as that the researcher may be surprised that some of the preconceived ideas one has may be confirmed or not, allowing for the opening of new avenues in the research being performed (Prasad, 1993: 1408-9).

In our view, the *semi-structured interview form* seems to be more adequate to the topic under research, as it would allow the researcher to be able to go back or raise another topic to cover within the framework of the subject under research, as well as using the *probing* tool, rechecking statements, completing an idea, deepening on a particular area, introducing a new related topic. This characteristic would allow the researcher to almost "*squeeze*" out of the interviewee genuine facts and ideas to have a "*true answer*" and not a "*corporative politically correct answer*".

A qualitative researcher using interviews should start the conversation introducing a broad topic about the matter being researched, let the conversation flow and be led by the interviewee (Fisher, 2007: 62). When in the interviews, the interviewee did not give an answer including the elements of the subject under analysis or did not provide a sufficiently complete answer, the researcher can use the *probing* technique (Bryman, 2007: 222) through picking up a word or an idea that was mentioned and make another open question on the matter. Also, we will let the conversation flow, but will steer a little by picking up on clues and matters raised by the interviewee, to ensure that the interviewee touches on the points we want to be covered in the interview, although allowing the interviewee to lead the direction and talk freely.

Complementing these ideas, Roulston (2010: 179) alerts the researcher for ways of dealing with challenges that may arise in qualitative research, namely the “interviewer-interviewee” relationships and emotional issues that would emerge during the interview and ways to deal with them. The researcher works for a bank and, the impact of this, was considered proactively and consciously, when selecting the interviewees, as well as in the definition of the “neutrality” that should be maintained during the interviews. Roulston (2010: 179-180) suggests that the best way to address these issues would be to follow a strategy in which the interviewer maintains a neutral viewpoint, although expressing empathy with participants. The researcher followed this option and carefully prepared the interview process. Roulston recommends that the researcher should prepare carefully for the interview, design carefully the question formulation, and during the interview be a good listener but sceptical.

As discussed in the previous section, in the interviews we are not going to analyze *language*, but to gather perceptions. Mutch (2010) alerted the researcher that this approach brings up two issues, whose impact should be discussed: the fact that the interviews will be conducted with interviewees belonging to the “banking elite” and the interviews’ translation from Portuguese to English when the original interview is conducted in English. To address these two issues, the researcher adopted the recommendations of Roulston discussed above, ensuring that the strategic and research questions, as well as the “barriers and gaps” identified were considered in the questionnaires’ development that are included in Appendixes 5 and 6.

In what concerns to the relationship between “interviewer-interviewee”, we should say that the researcher knows personally all the interviewees, although the degree of personal knowledge varies. Also, the researcher took into consideration that the interviewees work for a bank that competes with the one the researcher works for and, therefore, it would be relevant to ensure that the answers to the interview will not be “restricted” or biased by this fact.

The approach that the researcher will follow to ensure that this will not happen, will be to let them know that nothing that would be said would ever be used by the researcher to compete with their banks and that, for the research project, the interviewees should give their genuine view, even if it could be embarrassing for them or their banks, in terms of unawareness to a particular issue. As discussed in the next section, we also will assure them that their names and banks would not be disclosed, with the exception of the Supervisors and other Academics that, by the regulations, would have access to their names and banks if a need for that arises.

The second matter to be discussed is the particularity that the Student is Portuguese and the English is not his native language, the same happening with most interviewees. Meriläinen (2008: 585) alerts that the context affects the nature and forms of resistance in knowledge work and, consequently, what often gets labeled as organizational discourse may be more readily understood as part of a particular societal discourse. Bryman (2007: 498) says that if a researcher is interviewing someone for whom the English is not the native language, one may consider doing it in the native language if the fluency and language skill of the interviewee is not high; this will avoid losing important information, as the interviewee would be concentrating more in the translation than on the subject being researched, as well as the meaning of some words or expressions may distort the output. Therefore, the researcher should consider transcribing first the original interview and then, translate into English.

Researchers from non-Anglophone countries face an extra burden when building and maintaining a hegemonic discursive formation, through adopting practices to construct texts in what, for them, is a foreign language and perhaps a foreign culture. Therefore, they face a challenge of reframing their non-Anglophone data to make it more relevant to Anglophone audiences (Meriläinen, 2008: 587).

The interviews will be conducted and taped in English and in Portuguese, depending on the English language's skills of the interviewees. In this research, half of the interviews will be conducted in English, with those that are fluent in English and, the other half, will be in Portuguese, as the language factor could influence the ability of extracting relevant information to answer the research questions. For the interviews in Portuguese, the researcher will perform the translation following a *neutral literal translation* approach. If this approach is not accurate in terms of the idea expressed, then the researcher will include in a square parenthesis the "accurate meaning" of the text translated into English, always having in mind the *neutral approach* discussed before. This process will ensure that differences or particularities in the use of the English language will be highlighted in the interviews' analysis.

The feedback to the student, for Document 2, reveals that the matter of the language, think-process and culture are relevant: *Arguments of the document do fit together. Sometimes your presentation is over-elaborated, but I think may be just the difference between a catholic (Latin) and a protestant (Anglo-Saxon) approach to rhetoric!* Meriläinen (2008: 595) refers to it confronting the image of Latin America -as projected from the centre- with the authenticity of its own practices and ways of being, which does not mean, that authenticity (or diverse local rationalities) is somehow disconnected from the centre's influence. We agree with the comment and recognize the idea expresses by Meriläinen, when preparing the documents. We should also say that, generally, the Portuguese language is more elaborated than the English language, in the sense of the need to use more words to describe a particular situation or develop a concept.

Even having this in mind and making an effort to be *more direct* and *less descriptive*, we recognize that usually a paragraph comes out longer. But we should regard it as one *beauty of globalization* with clear advantages for both sides: the *foreign Student* (for the University) and the *foreign University* (for the Student), like the migration phenomenon that involves also a *foreign resident* (for the host country) in a *foreign country* (for the immigrant). If the University offers the possibility to foreign students to attend it, then the statement quoted above is the recognition of the adjustment and adaptation that is made to accommodate and cross-fertilize different cultures and contribute to a better understanding of them and, consequently, for a better world.

In conclusion, as this is a matter that we will face, as English is not the native language of most interviewees, after consulting with the Supervisors, as written above, we decided to have four interviews in English (with people that have a reasonable control over the English language) and the other four in Portuguese, with people that would feel more comfortable using their native language, to allow them to express and talk more freely about their ideas and concepts on the matter under research.

The process we follow was to translate these last interviews into English, making a permanent, genuine effort and neutrality to do it in a fashion that was accurate in terms of the ideas, concepts and practices followed in their financial institutions, and revealed in the interviews.

Appendix 1 includes the detailed information on the interviews and other details relating to the language, time incurred and size.

2.3 Ethical reflection and considerations

As it is widely known, in the banking industry “confidentiality” is a main pillar of its activity, as the banks deal with assets and liabilities of their customers, who want to be treated discretely and that their relationship with banks be kept under strong secret and confidentially. Because of this, we thought and reflected alone and along with my Supervisors of the implications that the research –both qualitative and quantitative- could have in the development of the DBA.

Fisher (2007: 63) recommends that, during the research process, a researcher should have in mind not to harm people with information and facts discovered, namely not treating them unfairly and badly, stressing that the researcher should be knowledgeable of the university research ethics’ code and the demands of the research ethics’ committee. Diener (1978) summarizes into four main areas the ethical principles in business research that should be considered when planning the research; they include consideration to whether these could be harm to the participants in the process, if the informed consent is obtained, if consideration was given to the invasion of privacy and if deception can occur after the process is conducted (Bryman, 2007: 132). When planning the research to be conducted and the stakeholders to be involved, we gave consideration to these issues and defined the plan having them always in mind at the very beginning of the DBA.

Miles (1994: 297) recommends that the ethical considerations should be dealt well ahead, during the project and be permanently present when developing it, as these issues can impact strongly the collection, analysis and the quality of the conclusions of the research, while Fisher (2007: 63-4) recommends that, at an early stage of the project, the researcher should reflect on the negotiation of terms of reference with organizations and /or individuals, the right to privacy, access to personnel and case records, confidentiality agreements and informed consents.

Bryman (2007: 127-142) draws the attention to the importance of ethical considerations that should be carefully observed during the research, namely the discussions about the ethics of business and management research, where the values and principles during a research process could cause some concern, namely how to treat people on whom we conduct research and if there are activities in which one should not engage in the relations with them. Grinyer (2002) says that as a guideline, the anonymity of the participants in a research project should be maintained, although Grinyer also defends that there may be situations where the anonymity may cause stress to the participants if, for some reason, the interviewee would like to be recognized as contributing to a specific research project.

In the particular situation of this project, we conducted a detailed review of the ethical issues that could be involved over the development of the Project. We concluded that confidentiality and anonymously would be elements that would make the participants in the qualitative and, for the next document, the quantitative research feel more comfortable, mainly due to the nature and characteristics of the banking business, namely the confidentiality.

Still during the development of Document 2 – Critical Literature Review, the researcher studied and carefully reviewed again (the first reading was done before the DBA started) the documentation of Nottingham Trent University – College of Business, Law and Social Science, namely the Guidance Note: BLSS/Ethics 01: “Ethical Review of Research Projects in BLS: Guidance for Staff and Doctoral Students”, as well as of the Guidance Note: BLSS/Ethics 02 on “Obtaining Informed Consent From Research Participants: The Use of Participants Information Sheets and Participants Consent Forms”. We also prepared a draft of the BLSS/College REC Form containing the

“Application Form for Ethical Approval of a Research Project” for use by members of academic staff and doctoral students, that would be submitted later for approval for the research to be conducted in Document 3 covering the issue of ethics. This draft was reviewed personally and in detail with both Supervisors.

As the Ethical Approval System was changed at the end of 2009, I followed the new procedure, i.e., prepared and submitted the BLSS Graduate School - Ethical Clearance Checklist – Form A, which was approved by the Leading Supervisor.

Fisher (2007: 64) stresses that the publication of the results of a research, as well as its availability to the public with the objective of sharing knowledge and criticizing the work is a principle of academic research, and, therefore, the need for confidentiality agreements may have to be taken into consideration when planning the research. Bryman (2007: 134) follows the same principle, drawing the attention to the fact that issues related to confidentiality and anonymity should be addressed very carefully, due to sensitive issues that may arise from the use of several methods of qualitative research, mainly in terms of the possibility of identification of organizations, persons and places. Miles (1994: 292-4) brings up another factor, alerting that in the process of ensuring privacy, confidentiality and anonymity the researcher should reflect about the possibility of the study going closer to the interview than he feels comfortable with, how is the information going to be protected and the existent potential for the identification of the individual and the organization.

Because of these recommendations and guidelines, we analyzed the stakeholders that would be necessary to involve in the research, the methods that would be adequate to apply and measured the level of difficulty in accessing them and the information required to answer the research questions. We concluded that it would be important to get access to several stakeholders –mainly the ones working for banks- to ensure that the information would be kept confidential and anonymously in terms of sources.

Therefore, we will ensure that no references will be made to real names of individuals and organizations. The names of individuals will be hidden by pseudonyms. Any reference to a specific bank will not be included and the places, if judged necessary, will be replaced by expressions like “in my country”, in a bank in an EU country, in Latin America or in a former Portuguese Colony.

We established clearly that normally, only the Researcher and his Supervisors will have access to the transcripts, although under exceptional circumstances they may need to be viewed as part of the examination process. In all cases, those who would have access will do so in order to ensure that the overall project meets academic standards and they will themselves be bound to maintain confidentiality. We also established that every Participant would have the right to withdraw from this Project, without having to give any reasons for withdrawing. Under these circumstances, the data provide by this participant would not be considered and would be destroyed.

We also will inform that if a Participant would wish to withdraw, could contact the Researcher or, in alternative, the Supervisors, which contacts will be provided in the letter signed by the Researcher. These decisions were materialized in the letter addressed to the Interviewees and in the Consent Form, which can be reviewed in Appendixes 2 and 3.

3 Analysis of the interviews performed

3.1 Strategic, research questions and documents' allocation for research

As discussed in detail in Document 1, the strategic questions and subsequent detailed research questions are divided into three inter-linking themes/strategic questions, from which a number of research questions and objectives arise, which are as follows:

INTER-LINKING THEMES/STRATEGIC QUESTIONS	FROM THESE A NUMBER OF RESEARCH QUESTIONS AND OBJECTIVES ARISE	DOCUMENT ALLOCATION
Focus 1 Migrant Flows - Demographic and Social - macro economics Environment		
1. What strategic decisions should bank make about how to meet profitably the financial needs of migrants?	1.1 What demographic trends or changes are happening? 1.2 Which impact demographic trends and changes will have on the banking industry?	DOC 4 DOC 4
Focus 2 CSR/ financial integration & CS/environmental impact - Organizational and Managerial Context		
2. A business banking strategy for migrants' business segment, based on corporate social responsibility/financial integration and sustainability: business leverage or a business constraint?	2.1 Should banks address proactively both ends (Origin and Host Countries) of the migrant needs in a social responsible manner and promote sustainability? 2.2 What priority and importance do the various stakeholders involved give to these issues?	DOC 3 DOC 3 + 5
Focus 3 Financial /market System Needs, Client Needs - Managerial Operational Strategy		
3. How to increase profitability and financial stability in an increasingly competitive market relating to migrants' business?	3.1 What are the problems concerning financial stability at the banking level liquidity and at the economic level? 3.2 What options do the banks have in meeting this market's needs, what do the potential customers want, what is the evaluation of different banking models to address profitably the migrants' needs?	DOC 3 DOC 3 + 5

Figure 2 – SQ, RQ and qualitative and quantitative research plan distributed by documents

From these strategic and research questions, we defined and addressed the academic and business literature reviewed performed in Document 2 and developed the conceptual framework included in Figure 1 in this document, as well as designed the questionnaires for the qualitative research. In the previous section, we discussed the methodology to follow and adopted the interviews' method in the research. In Figure 2, we include in the last column the "Document Allocation" for the research of the SQ and RQ in this Document and for Documents 4 and 5.

3.2 Summary of conceptual framework, barriers and/or gaps and key words

The “key words” identified in the literature review were: migrants, emigrants and immigrants, money’s flows, liquidity and financial stability, *corridor*, profitability, origin and host countries, financial integration, financial needs, portfolio of products and services, life cycles, wealth levels, host and origin countries, economic development, informal channels, remittances, *bankarization,* financial integration, market segmentation, international institution, CSR, compliance and AML Rules.

Table 3 below indicates the number of the barrier/gap, the conceptual framework (Figure 1), the summary description of the *Barrier* and/or *Gap* and the Key words.

Barrier	**Conceptual Framework**	***Summary description of Barrier* and/or *Gap***	**Key words**
1	Improved liquidity levels and financial stability through migrants’ flows ⬇ Improved profitability of banks at host and origin countries	Banks’ unawareness of: 1. **Migrants’** money flows’ volumes, **liquidity** impact and ***corridors*** (Ferraz, 2009, 24). 2. Contribution migrants’ business could make to the **financial stability** (Ferraz, 2009: 29-30, 88).	Migrants Money’s flows Liquidity and Financial stability *Corridor*
2	Improved profitability of banks at host and origin countries ⬇ A CSR response to migrants’ financial integration and financial needs	1. Banks’ unawareness of **profitability** potential the migrants’ business segment can bring by leveraging remittances (**“anchor”**) into a Migrants’ business segment, as most banks have a view of “one product” instead of the view of the “customer” (Ferraz, 2009: 72, 80). 2. Migrants should have access to a product and service offer, both at the origin and host countries, and not only the access to tools to remit cash, so that they can be better served and financially integrated and the banks increase **profits** (Ferraz, 2009: 72).	Profitability Origin and host countries Financially integrated
3	A CSR response to migrants’ financial integration and financial needs ⬇ Migrants’ market demand *versus* banking offer at both ends of the *corridor*	1. **CSR** papers on banking industry do not address specifically the migrants’ segment, which seems to show lack of attention of Researchers to migrants’ CSR issues (Ferraz, 2009: 53, 58-9). 2. CSR concepts (**financial integration** and **sustainability** at the host and origin countries) is not considered in the **strategic plans**, daily practices and is not absorbed in the banks’ culture, due to lack of involvement of management; only few banks adopted	CSR Financial integration Sustainability Life cycle

Barrier	**Conceptual Framework**	***Summary description of Barrier* and/or *Gap***	**Key words**
		voluntarily and genuinely CSR concepts (Ferraz, 2009: 48, 51, 54, 56). CSR concepts are not considered in the product offer, with the exception of philanthropic initiatives (Ferraz, 2009: 80-1).	
4	Migrants market demand *versus* banking offer at both ends of the *corridor* Economic development of host and origin countries	1. Banks focus on the **Remittance'** "product" instead of the **Migrant** "customer". Banks either do not have a structured offer, or do not cover the **host and the origin countries** cross selling to migrants and their families; basically, they focus on processing "mechanically" one product: *remittances.* Therefore, banks do not leverage the business opportunity between *corridors* profiting of servicing the "migrant as a customer" (Ferraz, 2009: 62, 80). 2. Banks do not identify and address the **specific needs** of the different migrant communities (immigrants), as the offer is very similar to the one for the customers in general. The database of migrants' is dispersed in the banks; as a result, the client relationship management does not treat this business segment leveraging its full potential (Ferraz, 2009: 79-80). 3. The **market segmentation** does not consider the migrants' **life cycles** and **wealth levels**, namely the migrants' profile (e.g., academic education, profession, age or income level). The "migrant will be a migrant forever" (Ferraz, 2009: 80). 4. Some banks make a very brief reference to "**products to migrants"**. Another aspect could be the development of cultural and scientific skills of migrants and their families, but the banks seem far away from that concept (Ferraz, 2009: 54). 5. As it relates to the **organizational structure**, we could not find a first line division dedicated exclusively to the migrants' business segment, which shows a lack of commitment or that the potential of the business segment is not recognized yet by senior management (Ferraz, 2009: 79-80).	Portfolio of products and services Wealth levels Host and origin countries Immigrants Market segmentation Organizational structure
5	Economic development of host and origin countries Move migrants remittances from informal to formal channels	1. Lack of a joint strategy between the monetary supervisory authorities and banks in developing countries. If the remitting and recipient countries cooperate, they could leverage the potential of remittances improving liquidity (Ferraz, 2009: 24, 29-30). 2. Lack of **communication** and **coordination** between international institutions and banking system to ensure that banks (that own formal networks to transmit remittances) know and adopt their recommendations and policies (Ferraz, 2009: 32, 38-40, 57).	Economic development International institutions Remittances

Barrier	**Conceptual Framework**	***Summary description of Barrier* and/or *Gap***	**Key words**
6	Move migrants remittances from informal to formal channels A portfolio of financial and non-financial products and services for migrants at both ends of the corridor Increase *bankarization*, adoption of Compliance and AML Rules stimulating financial integration	1. Lack of **communication** among stakeholders (scholars, international institutions, Diaspora, migrants associations, banks and other stakeholders), being visible a *divorce* of findings, statistics, international institutions, scholars and banks (Ferraz, 2009: 38, 40, 45). 2. CSR concepts in product design, namely addressing **financial integration** and **financial needs** of migrants and their families (e.g., *bankarization*), are not used as a competitive advantage (Ferraz, 2009: 57). 3. Banking system lack of proactive approach in addressing **informal channels** issues to move remittances to the formal channels (Ferraz, 2009: 73-4). 4. Papers on financial literacy do not address the migrants' financial integration, the focus being on social and religious integration, language skills, social security and health care. Financial inclusion does not seem a concern of banks and the literature review identified few situations using the expression "financial integration"; also when is used, its meaning seems far from covering the financial inclusion concept (Ferraz, 2009: 53, 79-80-1). 5. Banking industry does not consider systematically the recommendations published by international institutions (e.g., WB, IMF, G-8, UN) of being innovative and apply CSR as a competitive advantage (Ferraz, 2009: 57).	*Bankarization* Financial integration Informal channels Financial Needs CSR Compliance and AML Rules

Figure 3 – Summary of conceptual framework, barriers and/or gaps and key words

3.3 Criteria for interviewees' selection and interviews' process and details

For the interviews, we targeted banking executives with extensive knowledge and experience in the migrants and retail business area, with banking experience outside their countries, specifically in the migrants' business and able to reveal and open the "black box" (Mutch, 2009a) that will lead us to answer to the strategic questions under research.

After consulting with the Supervisors, we selected eight banking executives, including CEO, managing directors, members of executive committees and a branch manager, that we think will provide valuable information to answer the research questions. Document 3 is focused in the "banking sector's stakeholder" in terms of qualitative research, keeping the research involving other stakeholders –e.g., international institutions and Diaspora associations- for Document 5. Table 2 includes the SQ and RQ, as well as the qualitative and quantitative research plan allocated by Documents.

Having in mind the confidentiality principle that, after consulting with the Supervisors, we decided should be adopted in relation to the name of the interviewees and their banks (supported by the content of Appendix 1 - Letter to the interviewees and Appendix 2 - Consent Form), the summary included in the next page provides information on the profile of the interviewees that participate in the research.

Although we consider this information sufficient for the purpose of the qualitative research object of Document 3, we also prepared a separate Appendix ("Summary of the profile of the interviewees"), including more detailed information about the interviewees, if the Supervisors or other Professors involved in the examination process, wish to review it. We have it ready and will provide it when requested.

The Figure 4 below indicates the interviewees' pseudonym, a brief reference to their past and current responsibilities and the type of bank they work for.

Interviewee pseudonym	Interviewee profile	Type of Bank
1 - Gil	Member of the Board of Directors and of the Executive Committee of a retail bank in North America. Former Member of the Board and the Executive Committee of a retail bank in an EU country. Former Managing Director of an investment bank. Over 20 years of professional experience in banking.	Retail with focus on migrants
2 - Louis	Member of the Board of Directors and CEO of a French bank in the France, subsidiary of a top 5 French universal bank focused on migrants business. Marketing manager of a subsidiary of a top 3 bank in a former Portuguese Colony. Former investment banker. Over 20 years of professional experience.	Retail with focus on emigrants
3 - Martin	Member of the Board of Directors and of the Executive Committee of a development bank. Former Member of the Executive Committee of the French subsidiary of a top 5 Portuguese universal bank, with responsibility for the commercial area. Deputy General Manager of the International Division in Portugal. Over 35 years of professional experience.	Retail focused on migrants
4 - Peter	Senior Advisor of the Board of Directors of a top 5 bank in an EU country and a member of the Board of Directors of a development bank. His professional career was mainly in the commercial area and general management. Former CEO or General Manager of subsidiaries or branches in eight countries over 27 years. Over 32 years of professional experience.	Retail focused on migrants
5 - David	CEO and Member of the Board of Directors of a bank in a former Portuguese Colony. Former Managing Director of the International Division of a top 5 bank in an EU country, with responsibility for its subsidiaries and representation offices overseas, which includes several with a business focus in the migrants' business. Former CEO of banks in former Portuguese Colonies and in Latin America. Formerly was Commercial Manager of the retail banking network of a top 5 bank in an EU country. Over 22 years of professional experience.	Universal bank
6 - Mary	Branch Manager of a subsidiary of a top 5 universal French bank, focused on the immigrants' business. Former Manager at the Emigration Division in a top 5 bank in an EU country. Over 12 years of professional experience.	Retail bank
7 - John	CEO of the Portuguese subsidiary of a top 5 Latin America's bank focused on the immigrants living in an EU country. Former Deputy-CEO in an Asian country. Former Regional Manager. Over 30 years of professional experience.	Universal bank
8 - Anthony	Member of the Board of Directors and of the Executive Committee with responsibility for the commercial area, including the migrants' business, of a top 5 retail bank in an EU country. Previously, Deputy-CEO of the bank and Regional Commercial Manager. Over 25 years of professional experience.	Retail bank

Figure 4 - Interviewees' pseudonym, profile and the type of bank

As described before, the interviews were conducted having in mind the results of the critical literature review performed in Document 2 and the "gaps" identified in this document, as well as the "key words" (Figure 3) that resulted from their consistent use among the interviewees.

Appendix 1 includes a summary of the tapes' recording, transcriptions, language details of the interviews and the word counting. The time incurred in interviewing eight individuals was approximately 7:14 hours. The interviews originally conducted in English were transcribed, while the ones conducted in Portuguese, were translated from Portuguese to English and then transcribed.

The word count of the eight interviews was 48,410 words. From these transcripts, we selected the relevant statements resulting from the research, which word count amounted to 16,880 words. Finally, from this, we included in the document approximately 13,000 words.

3.4 Importance of the topic for academic and business research

3.4.1 Relevance of the “migrants’ business segment

When researching and analysing the content of the interviews, we selected statements from the different interviewees that seem to demonstrate the past, current and future importance that remittances had and have for the banks and the banking system. We wrote in Document 1 the following, about the topic identified:

> *As it regards to the contribution to the academic and business fields, I believe that the research to be performed and the results of the final document, will allow for an analytical conclusion about the importance for the financial stability of the financial system, conducted in a profitable fashion, of an integrated approach to the migrants’ business segment. I also intend to give a structured view of both sides of the equation, i.e., at the host and origin countries, through theoretical concepts and its potential impact in the financial business* (Ferraz, 2009: 30).

The results of the research of this Document seem to cover the research questions identified in Document 1, without a need for any significant adjustment of both the strategic and research questions. We should also say that the research brought up other few interesting and relevant topics that will be considered in the research and development of Documents 4 and 5.

We would start by selecting statements relating to the importance of the topic to be researched. Gil says that *I am very glad to talk about this very interesting subject; when you called me, lots of things came to my mind. The connection between the two words* [remittances and migrants] *it’s the interesting part of the research, while* David says that *it’s a pleasure to take part in this research in such an interesting topic as remittances… it’s good to know that there is a research being made on this topic and*

John said: *I would like to thank you for having been selected to be interviewed for this research project*.

As it relates to the theme under research, and the reasons why we identified several "gaps" relating to the lack of awareness identified in the critical literature review, from both the Academia and the business world, about the potential of the migrants' business area, as well as the financial impact of the migration phenomenon, the research captured an interesting idea expressed by David:

> *This theme was probably not considered, let me put it this way, a "sexy team" – when you compare "remittances' business" with "private banking"; even the word is not sexy. So probably I think there was much ignorance, even from international institutions, and they have realized that they have to do more about this topic, because this is very important for the financial stability* [RQ 3.1; Figure 2].

Mary complements this point of view, extending it to the stability of the financial system at the host countries, when saying that *it is very important, because the amounts of savings are high. We have noticed recently that, more often, the savings are kept at the host country; but still, the amount of savings at the origin country is kept stable.*

Is an extremely interesting business [emigrants' business] *under the point of view of the funding and financial stability for the Portuguese banks* (Anthony)*, a view shared by* David when he says that [when hears the word "remittances"] *comes to my mind the word savings and also immigration… something that has grown in importance in the last couple of years.* Mary thinks in the same line saying *that the word "remittances" brings immediately to my mind savings and the money sent back to the origin* [country] [RQ 1.2; Figure 2]. John introduced another element, which is relevant, when thinking about the importance of remittances and the leverage that a country can make of these flows, as we identified in the literature review, remembering that [Remittances] *were used to guarantee issues of foreign bonds.*

Other complemented views are expressed about the importance that the migrants' business segment has for banks. Peter says that *is a very, very important segment for the Portuguese banks, while* John says that *the word "remittances" brings immediately to my mind business opportunities.* Martin extends it to other business area (cross selling) saying that *it is of great importance for the banks* [the remittances]*, not only for the funding but also for the sale of products and services* [RQ 3.2; Figure 2]. John stresses the growing importance of competition for the remittances business, saying that *the business model is fairly dynamic and we are feeling a little bit the competition of MTO* (John) *and sometimes, actually it requires a change in the business approach* (Gil). Louis complements this view extending it to the economy: *President Chirac asked to study the migrants´ communities to characterize them under the financial and economic point of view… I think it is a field where governments have to do work... Very little is done in EU!*

When questioned about the recommendations of the international institutions, namely WB, IMF, G8 or UNESCO relating to migrants and the awareness of the banking system, [RQ 2.2; Figure 2] the research showed a high level of unawareness, confirmed by the following statements: *in the bank there is no information about that* [recommendations of international institutions]*; I never received it* (Mary), or *I never had contact with those institutions* [WB, IMF, G8 or UNESCO] *and about their recommendations* (Peter), or [have you ever been contacted by an international institution?] *No, it's the first time that I talk about it* (Louis).

In relation to the migrants and remittances' flows [RQ 1.2; Figure 2] *the volumes are stable and in line with the last few years* (Mary), while Martin referred that *quite honestly, I don't know the figure, although I know that is a fairly expressive number.* David mentioned that *the immigration has decreased… but the* [money] *flows have been consistently maintaining their levels. And I think that's not a surprise, but it's an amazing number and you can draw very important conclusions from that.* John justifies these trends defending that *the labor in Portugal has more value than in* [my country]*;* [the immigrant] *is able to make more money here, with his skills, than in* [there].

When talking about the potential of the migrants' business segment, [RQ 3.2; Figure 2] Louis says that *significant parts of the needs of this* [business] *segment are not fulfilled in the way I believe they should and could be, while* Gil says: *you make an assumption that this* [migrants' business segment] *is under explored, which I think, to a great extent, is the case,* while David recognizes that *more and more, seems to be* [the meaning is: exits] *a growing attention to this topic* [remittances flows], a view that Anthony, also recognizes: *I have to recognize that we are at a very early stage.*

When specifically asked about the idea of serving the migrants at both ends of the *corridor*, [RQ 2.1; Figure 2] David answered *that's a very good question!* Anthony evaluates the situation saying *we have a lot to do on that in the migrants' business area, both at the host and the origin countries,* while Louis stated that [is the] *only type of banking customers that actually, have real financial needs in the new country,* [RQ 3.2; Figure 2] *but also in their own* [origin] *country.*

Martin thinks that *Remittances represent a very important source of funding for our* [Portuguese] *banks, both at the origin country and the host country… Capturing savings, it is important in terms of funding.* David mentioned that *I still recall the interview* [to a newspaper] *of the CEO of a Portuguese bank. His idea was to shut down operations* [in foreign countries] *but then he realized the weight that the stock* [the meaning is: deposits] *of the immigrants' savings had in his balance sheet and changed his strategy*. John says that *we have very high popularity in* [my country]*; that makes the difference in capturing funding* [RQ 3.1; Figure 2].

When talking about the coordination and cross selling at both ends of the corridor, Gil believes that:

> *There is still lot of work to be done, but the basic components are in place but, sometimes, it needs a bit more coordination and definitely the link that you made to international organization, I think it's very interesting.* Mary, ironically says that *I don't know if the cross selling between one country and another is linked and coordinated. Actually, I think it is not! We should work much better in that*

> *front. That concern does not exist between both ends of the corridor in coordinating a joint cross selling between both countries* [RQ 2.1; Figure 2].

Anthony raises an interesting point related to "trust" and the importance it has when coordination occurs at both ends of the *corridor*, saying that:

> *When an immigrant trusts someone, almost puts his life on his hands. On the other hand, if he trusts you, he's going to transmit that trust to his friends. It's an effect of broadening, of an extremely important contagious, and this can be taken advantage of at both ends of the corridor.*

The conclusion of the results of the research for this section, on the relevance of the subject under research, namely for the banking industry, seems to show that considering several areas of the banking business, namely funding, financial stability, product and services portfolio, coordination between headquarters and subsidiaries at host and origin countries, as well as the lack of awareness about the recommendations and work developed by international institutions on a global phenomenon that is impacting strongly the demographics and economics of the world, that seems to be resilient to the financial crisis, by keeping its trends in terms of people and money flows, seems important for research and analysis for both the Academia and the business world.

3.4.2 Change in "Paradigm"

The qualitative research performed brought up new realities in the migrants' business environment, which seem to be innovative and relevant when preparing the section covering the business model [SQ 3; Figure 2]. Because of this, we decided to include this section named *Change in "Paradigm"*, containing statements, ideas and new approaches that show a change in the "paradigm" of the migrants' business, therefore research results that may have relevance for Document 5.

To frame the use of the word "paradigm" within the research, we would say that business consultants' frequently use this word, when referring to a need to adjust to a new reality for an organization to be able to leverage the change as a competitive advantage, which is in line with a scientific concept. Since the 60s the word "paradigm" has referred to a "thought pattern" in any scientific discipline or other epistemological context, defining this usage as "a philosophical and theoretical framework of a scientific school or discipline within which theories, laws, and generalizations and the experiments performed in support of them are formulated; *broadly*: a philosophical or theoretical framework of any kind" (Merriam-Webster, 2010).

The Focus 1 of the interlinking themes/strategic questions relating to the demographic and social macroeconomics environment will be covered in Document 4 – Quantitative Research, where we will research, namely the volumes of people and money flows related to migration. However, it seems relevant, in terms of the importance of the money flows for the migrants' business segment [RQ 1.1 and 1.2; Figure 2], the statement of David related to [the entry] *of the "age of the Euro" most people at Portuguese banks thought that probably these flows of funds would decrease dramatically, but it didn't happen. It's amazing!*

Another interesting research topic raised in relation to the role that the international institutions could play as a stakeholder [RQ 2.2; Figure 2], a subject that is linked to the "gap" identified related to the lack of communication between international institutions and the banking system [Gap 1; Figure 5] is raised by Louis. Louis criticizes and suggests new responsibilities, saying that *there is a lot of work to be done by international institutions… for instance, support that could be given to the* [financial] *institutions that work in this business, very little has been done! No special credit lines, there is nothing to promote, give incentives to this kind of business, while* John thinks that the trend would be that *the global view of the business would match the global view of the international institutions.*

These ideas represent a change in paradigm, as the international institutions (WB, IMF, G-8 and others) do not seem to provide financial support, but just to define and establish objectives that the banks should consider in their business and daily activities. However, the "gap" identified as lack of communication seems to prevent the banking system of adopting them, simple for the lack of knowledge that those recommendations exist.

David also opens a new avenue of opportunity for the banking system [RQ 3.2; Figure 2] saying that *we have now different patterns of immigrants in Portugal; more executives and highly skilled professionals, and these persons, they have higher capacity for savings,* a point that is approached from a different angle by Gil, when saying that [having] *the specific business concept, make sure that you serve based on the people that you identified in that business segment; you can't really just design a product and say: okay that product will fit all!*

Anthony talks about an additional potential business, saying that *an interesting business segment is the nationals of the countries where the Portuguese migrants live and have a relationship with the second and third generations of Portuguese immigrants.* This idea of leveraging the installed capacity of the banks in other countries and attracting the nationals that, for some reason, have a relation with an emigrant, is an idea that was only raised by this interviewee and we will bring it up in Document 5, namely when considering the research to RQ 3.2 [Figure 2].

Another change in paradigm relates to the financial advisor role that a bank could or should perform; the new regulations in terms of financial investments may limit in some countries the level of advising that a bank can legally give to customers. Probably is the reason why Gil states a point of view that is not in line with the current practices of the market, saying that *you don't pass the barrier of being* [becoming] *a financial advisor, because a bank is not*, while Anthony has a different view, more in line with the current practice, relating it to the current financial crisis and the trust their customers put on his bank. *That's why in difficult moments, we make visits to countries where we have a large number of clients, and explain them what is happening in the world and in the country. Those visits are to show to the clients that we are with them in good and bad times.* No other interviewee expressed this perspective, and it is an interesting one identified in the research when thinking about the business model for the migrants' business segment [RQ 3.2; Figure 2] and the consideration that should be taken into account in strategic terms.

Another important change in the paradigm relates to the second and third generations and the way they could be approached in business terms, as these generations do not have the profile and characteristics of the first generation. Therefore it is an important issue to consider in the RQ 3.2 (Figure 2) and it relates to the ability a bank would have to be able to attract, maintain and develop these customers and make them profitable. In the interviews the subject arose and Louis considered that *the old idea of an immigrant that would go to a country, stay there for 5 or 10 years, work and then, go back home, is something that is finished*, while Mary states that *the mentality of the second and third generations, it's very different from the mentality of the first generation.*

Some of the interviewees raised a point related to the potential of leveraging their banks' networks abroad, extending the services and products to other migrants' communities, an issue that will be considered when designing the strategic model [RQ 3.2; Figure 2]. Louis says that *in Europe most of the banks are concentrated in treating the European communities, the older migrants' communities of Europe* (Louis), what seems to be an issue when the topic is connected to the aging of this customers' segment and, therefore eroding the clients' basis. Anthony addresses the topic anticipating actions to balance this erosion of the clients' basis, saying that *we are also trying to approach nationals of the country where the Portuguese migrants live to leverage our structure there.*

Peter says that *the bank is trying to maximize the commercial network by offering to other communities, exactly the same products offered to the Portuguese* and Mary mentions that *our bank serves two nationalities: the Portuguese and the Polish. The branchs' network deals with clients of both nationalities*. Anthony stresses the advantages of addressing this change in paradigm saying: *we find it very interesting because this will allows us to enlarge our client base in those countries of Portuguese immigration to nationals of those countries.*

Still about the change in paradigm and the potential that the leveraging of networks and products and services could represent for banks [RQ 2.1 and RQ 2.2; Figure 2], David says that *for historical reasons the Portuguese emigrants are much more important. But the business of immigrants in Portugal has grown in importance, definitely,* an idea advocated by Peter saying that *is something that banks must take care* [the meaning is: "must look at"]. *And I think that is a business opportunity that must be held on a proper way. Just think about, for example, the Indians or the Chinese.*

Based on the critical literature review performed in Document 2, we concluded that there is a significant increase of immigrants in countries that traditionally were emigrants' countries, like Portugal and Spain. Although this matter will be addressed in Document 4, as RQ 2.1 and 2.2 (Figure 2) will also be object of qualitative research, as we think that seems relevant to make a reference to the results of the qualitative research already carried, which touches this subject.

Another matter is related to the second and third generations' business potential [RQ 2.2 and 3.2; Figure 2]. *The second generation constituted family with nationals…* [and therefore] *the remittances that were sent were reduced and, those savings kept in France* (Martin), a view shared by Peter saying that *nowadays, remittances are going down because the Portuguese* [emigrants] *are not more the first generation; now they are in the third and fourth generations*, although Louis recognizes that the *second and third generations -they are not even Portuguese- continue to transfer* [to Portugal].

Anthony defends *that it demands a very well designed strategy and efficient way of acting, trying to get involved and link to us the second and third generations,* while

David thinks that *they* [second and third generations] *like to preserve their roots and their connections to the homeland* [RQ 3.2; Figure 2].

An idea that David mentioned, relates to the influence that the flows' of money could have in reducing the people' flows, when expressing a thought saying *that developed countries have every reason to promote the flow of funds to the developing countries to help stabilize financially these countries and, in a certain way, limit the migration's flows* (David), a thought that is not shared by Peter, when he recommends to *stabilize and not to permit those moneys to flow away*.

Peter raised an interesting point that can also be considered a change in the paradigm:

> *Some years ago, I told this when I lived in Paris: why the rich countries don't impose a special tax, to be applied in a "fund" to develop new industries and new economic activity in countries that are net contributors for the migration…* [to avoid that] *people go abroad* [migrate]*? It's better to stabilize people where they are* [live] *to develop the economy and the industry, than to promote migration.*

As a conclusion of this section, we would say that statements, ideas and new approaches that seem to show a change in the "paradigm" of the migrants' business, will be subject of consideration in Document 5, namely the relatively recent trend in flows of immigration to countries that traditionally were emigrants' countries, the way the banking system should approach them, marketing wise, the migrant's segmentation and second and third generations, the advisory role of the banks, the leverage of the subsidiaries' network structures to other migrants' communities and nationals that for some reason are linked to Portuguese emigrants [SQ 1 and SQ3; Figure 2].

3.5 Sub-Circle 1: Gaps 1 through 4

This section will include the "road-map" of the conceptual framework and the summary of the "gaps" identified in the critical literature review.

The Figure below is a copy of the Figure 1 – Conceptual Framework (boxes in blue) with the summary of the "gaps" key words in the white boxes, named "Mind the Gaps" on the virtuous circle at both ends of the *corridor*, as well as the "Gap number" and the "red triangles" indicating the "Lack of Awareness", "Lack of Theory incorporation" and "Lack of Communication" that are the reasons for the barriers and gaps identified in the white boxes of the chart.

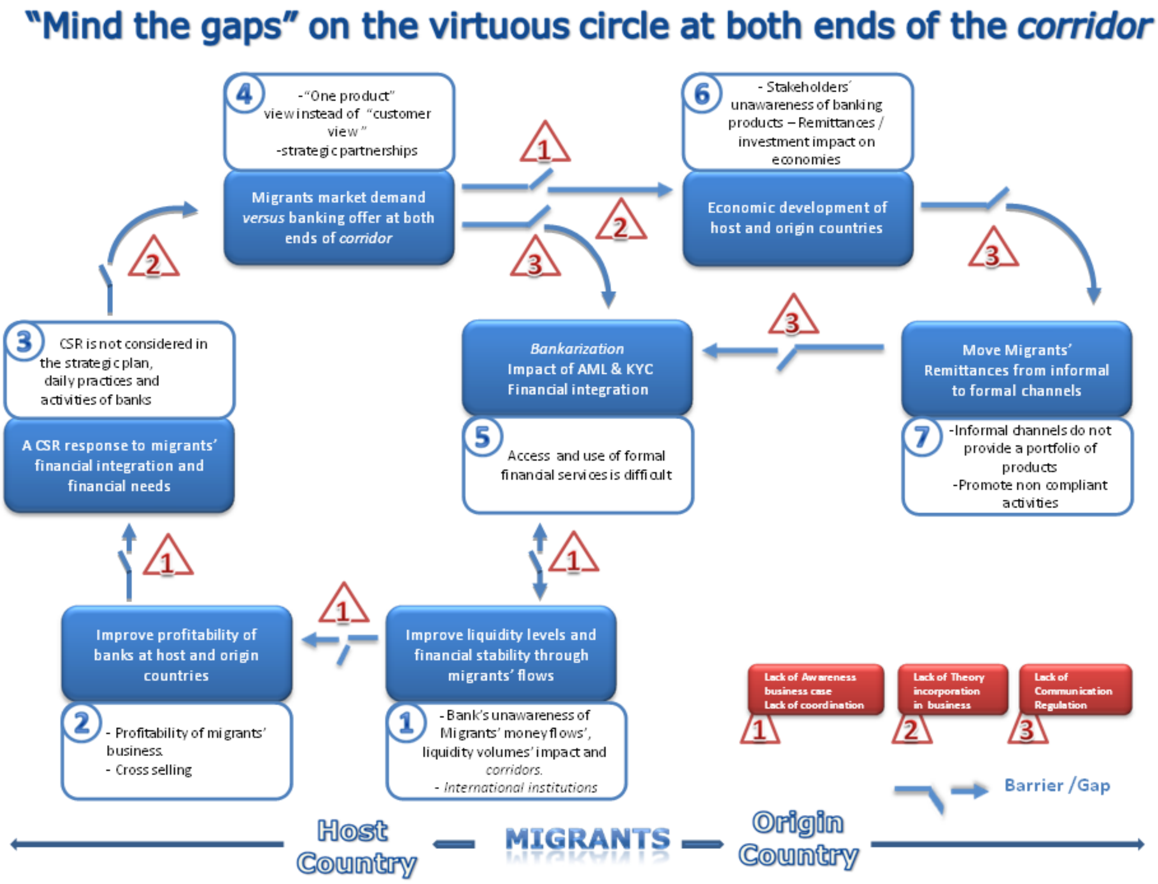

Figure 5 - "Mind the Gaps" *on the virtuous circle at both ends of the corridor*

In the following sections we will analyze the results of interviews, barrier/gap-by-barrier/gap, indicating the number of the white box (that corresponds to the same number of the conceptual framework chart), as well as dividing the analysis into two sub-circles, as explained in the section of the Conceptual Framework at the beginning of this document. Below the main title for these sections, we indicate the content of the blue boxes' conceptual framework to facilitate the reading and connection between the conceptual framework and the barriers/gaps.

3.5.1 Barrier/Gap 1 - Banks' unawareness of people and money flows', generation of liquidity and corridors. International institutions.

Conceptual framework: Improve liquidity levels and financial stability through migrants' flows

The Conceptual Framework states the following: "Improve liquidity levels and financial stability through migrants' flows", being the "gaps" summarized as: "Banks' unawareness of people and money flows', generation of liquidity and *corridors.* International Institutions" (Figure 5).

The Focus 3 - Financial System Offer and Migrants Financial Needs – Managerial, Marketing and Operational Strategy (Figure 2), addresses the SQ 3.: "How to increase profitability and financial stability in an increasing competitive market relating to migrants' business?" for which we draw two RQ, one of which is the RQ 3.1 relating to the financial stability and liquidity issues: "What are the problems concerning financial stability at the banking level liquidity and at the economic level?"

The main focus of RQ 3.1 (Figure 2) is to research what the banks are doing and their awareness to issues that could improve liquidity levels and financial stability through migrants' flows [Barriers 1.1 and 1.2; Figure 5], namely connecting areas and data that seem to be dispersed and not compiled, treated, or analysed consistently, as well as the link of the banks to international institutions like the WB, IMF, UNESCO and G-8 [Barrier 5.2; Figure 5].

In relation to the importance of the remittances for the balance sheet of the Portuguese banks, *the immigrants' savings in the balance sheet of the banks are definitely much more important for the Portuguese banks, than for the banks at the host countries; it's also very important for the stability of the balance sheet, especially when you think of liquidity* (David). *In* [my country]*, the branches' network is a very strong source for* *capturing funding from remittances, which is very cheap* [money] *and we were basically focused on* [remittances] *capturing money market funding* (John). *If they are not serviced properly, they will fly away and they will go to local banks…* [this] *will disturb the equilibrium of the balance sheet; this is for sure* (Peter)*! We do not remunerate very high, in terms of interest rates, the savings' account; this is a very good contribution for the funding of the bank* (John) [RQ 1.2; Figure 2].

In our plan to expand internationally, obviously, we had in mind that the remittances to Portugal were an important contribution for the funding of the bank (Anthony), as well as that *Remittances are a base of savings, which is the single most important element in the bank's balance sheet and also in an economy* (David) and *nowadays, the remittances, in the liability side of the balance sheet of banks, represent quite a significant percentage* (Peter).

Contrary to the expectation that the immigration would go down, the number of immigrants and migration flows are still growing (Martin). *The "dekasseguis"* [immigrants of a Latin American country in an Asian country], *remit more than USD 6 billion a year. My bank has approximately 40% of market share of that volume. What is interesting is that those flows are constant and, over a period of 10 years, we had very small variances in terms of the flows* (John) [RQ 1.2; Table 2].

Peter raises another angle for this issue, which may represent a threat to Portuguese banks established abroad, saying that:

> *I know that the Spanish banks are doing exactly the same with the Portuguese: they are attracting the Portuguese liquidity to Spain offering excellent products and services. For example, an American bank signed a special agreement with Chinese banks with the specific objective of attracting those savings.*

Louis says about the information provided by international institutions that *there is very little information about this group of customers… what part of the population would transfer to this country or that country… very difficult to get it… international institutions have very poor information concerning migrants*. We identified this problem in Document 2, when researching the accuracy of the statistics published by the international institutions, as well as researched the concerns and the measures being implemented to improve the accuracy of the information. Therefore, the idea expressed by Louis confirms the results of the researched performed.

In relation to people and money flows', covered in the first part of SQ 3. and RQ 3.1 (Figure 2), Gil says that:

> [The number of] *Portuguese immigrants, it's very, very sizable… and* [migrants' money flows] *is a very important source of deposits and income… literally I would think we talk about billions… With us, typically range in hundreds of millions dollars per niche segment. I wouldn't have the specific numbers* [migrants in the world], *but of course they literally go into hundreds of millions… we're already talking about double-digits percentage of people.*

I have a rough idea [of the estimated volume of money flows generated by migrants] (Louis) and *that's a very intriguing question* [stability of financial system]. *Your zone* [EU countries] *has less stability than desirable* (Gil). *Remittances are a very important source of funding at both the host and the origin country, and that is the reason why the main Portuguese banks started opening subsidiaries and branches abroad, basically having in mind the importance of the funding that the remittances were able to generate* (Martin). *The flows of money generated by migrants, are still very expressive; all kinds of immigrants…* [Even] *those not classified as immigrants… in the case of Portugal, it's definitely above 20%, definitely above 20%, and that is obviously very important for the system to maintain confidence when they talk of financial stability* (David).

It is [remittances] *very important* [for the stability of the financial system] *for developed and developing countries* (Louis). *I can tell you that the volumes* [from Portugal to my country] *are still very significant* (John). *I believe that the contribution* [to the financial stability] *can be very important… Mainly for institutions with operations at the host countries… and obviously that helps to solve their funding problems and consequently contributes to the stability of the financial system of the origin countries* (Martin).

Gil distinguishes the impact of the remittances for the financial stability of the system, between developed and developing countries, saying that:

> *In more developed countries* [the impact] *is marginal I think, the stability of financial system is really not impacted by remittances… but of course the remittances have a sizable impact but not substantial in terms of* [financial] *stability. So, I would say, in the developing countries*, [the impact of remittances is] *very substantial; in the developed countries, marginal*.

This view is not totally followed by the results of other interviews relating to the importance of money flows [RQ 1.1; Figure 2]. *They are very important for banks worldwide, especially in countries like Portugal, which have, historically, important flows of migrants. I think it's more important from the standpoint of the origin countries. Obviously, this differs from country to country* (David). *When people save money, typically it's a stable liquidity source. Sometimes the countries do everything they can to make sure that the money doesn't really flow too much… because we have seen that it is relevant for the system* (Gil).

[Remittances] *are in our agendas as a factor that is very important for the stability of the financial system and of the economy, in general* (Anthony). *I believe that question* [contribution that the remittances can give to the financial stability] *is extremely relevant. Remittances have a significant percentage in the several tools that we use to ensure the financial stability, both at developing and developed countries* (John).

Flows are obviously important but not the most important; the most important are the stocks [of migrants' deposits] (David), an idea shared by Peter saying that *what I can tell you is that I know one specific bank that, on the deposit side, migrants represent about a third of individual clients' deposits. It's a huge amount!* This idea is complemented by Louis, relating to the importance of the foreign exchange currency that the country needed to pay for imports, saying that *it's absolutely essential* [for the financial stability and the economy]*; I will remember you how important they were for Portugal in the 70s and even in the 80s, having such a flow of money;* [if] *these flows were not there, we would have gone bankrupt very easily.*

The RQ 1.2 (Figure 2) relates to the impact that the demographic trends can have in the banking industry. The international institutions like the WB and IMF, as well as Eurostat publish data on demographics and remittances volumes. In Document 2 we identified a "gap" materialized in the lack of communication between the international institutions and the banking industry. The research performed in this area confirmed the existence of this "gap". The unawareness of the banking system in relation to the recommendations and data published and, therefore, the possibility of analysing the full potential of this business is limited by this lack of communication [Barrier 6.1; Figure 5].

Louis was the only interviewee that showed knowledge about the publications and statistics of international institutions, saying:

> *We systematically analyze and we systematically come up with the same conclusion that, normally, the results of their* [international institutions] *research are either obsolete or totally inaccurate or without any interest. They* [international institutions] *could be doing a lot… to help those financial institutions… that are trying to do something for this kind of business.*

Other interviewees said: *quite frankly, you catch me very fragile on that matter… I was not provided any information about the policies and the actions of the international institutions, namely, G-8, IMF, UNESCO…* [and] *to be frank with you, I'm a complete ignorant about the recommendations published* (Martin). *Frankly, I do not deal with that information* [recommendations of international institutions]*; I also should confess that I never searched for it, but I also should say that it never came up to my hands and my knowledge. Maybe it's the way the bank is organized itself* (Anthony).

My general perception is that these international bodies have become increasingly aware of the importance of these international flows… But I'm not really aware of the exact actions that these international bodies have on this subject (David) *and I don't have any knowledge or information about that* [recommendations of international institutions]. *The bank does not provide that information within the context of the migrants' business* (Mary).

Inside the bank, there is lack of communication on that matter [recommendations of international institutions] (Anthony). *About international institutions specifically, I am not aware of their policies or recommendations* (John). *We have a very well defined department who is responsible for all kinds of research and to communicate to everybody whatever they want to know* (Peter).

The importance of the remittances' flows as a basis for the business carried out at the subsidiaries and the need for liquidity at the headquarters (origin country) [RQ 3.2; Figure 2] seems an interesting point that come up in the research. In a summary, there is a conflict of interest between the operations at the host and the origin country, related to the need of liquidity, as a basis for the financial stability and the ability to carry business, as we can conclude from the next paragraph.

I would like to tell you about a lateral problem that is a conflict of interest that may exist between the subsidiary or the branch and the headquarters. If the funds are sent back to the headquarters, then the subsidiary is limited in the amount of money that can lend… So, we have to be able to conciliate these two concerns (Martin). *They* [the subsidiaries at the host countries] *have to know that they are working in an overall strategy for a banking group and not just look for their local balance sheet* (David). Mary draws the attention to an interesting point saying that *the concern about stability is at the origin and at the host country… so there is a concern of not sending* [remittances] *using the monies that are in savings' accounts*.

The research in this area demonstrates that the "gaps" identified in Document 2 are confirmed and, raised also other issues that seem relevant when answering the SQ 3 (Figure 2). In summary, the results of the research are as follows:

- It is evident the lack of communication between international institutions and the banking system [Barrier 6.1; Figure 5].

- The importance of remittances' liquidity for the financial stability of the banks and the system is relevant, although two interviewees distinguished that contribution between developed and developing countries [Barriers 1.1 and 1.2; Figure 5].

  On the other hand, the research brought up one interesting "gap" in the organization of the banks -headquarters *versus* subsidiaries- relating to a conflict of interest that may exist over the control of liquidity's transfer to the headquarters.

  Another topic raised relates to the threat that, the origin country banks' competition, starts to represent to the origin country banks' subsidiaries, established at the host countries.

- These new "gaps" identified in the research will be considered in Document 5.

3.5.2 Barrier/Gap 2 - Profitability of migrants' business. Cross selling

Conceptual framework: Improve profitability of banks at host and origin countries

The focus in this section is on the role that remittances play in the "profitability" of the banks, namely through cross selling [SQ 3; Figure 2] and the impact that, servicing a migrant at both ends of the *corridor,* could have in the "profitability" of banks [RQ 2.1; Figure 2].

In terms of the business opportunity for the banks, *a remittance is for a banker, of course, a very important product. Of course* [is] *a very good business opportunity from an income perspective. As bankers, we have to look for business opportunities* (Gil); *obviously, is enormous the* [business] *opportunity that this* [remittances] *can represent for banks. Well the profitability is -I think it's quite clear!-, it's one of the few businesses in banking sector, which is a very important source of commissions and fees with a very limited risk* (Louis).

Different views are expressed, relating to the importance of the migrants' business segment: *I am convinced that this is a very important business segment for our bank* (Anthony), and *I would tend to reveal that still this segment is under explored* (David); while Gil says *that most banks still regard this* [migrants business segment] *as a "nice niche to have", as maybe very interesting niche to develop, but do not consider this as a main stream business segment.*

As reviewed in Document 2, an important component of the "profitability" of the banks results from the leverage that a bank can achieve, in terms of cross selling other products to their customers [Barriers 2.1 and 4.1; Figure 5]. The results of the research in this particular item reveals that *what a bank can do with a migrant is by far much wider and higher than the simple product that we call "remittance". Cross selling, it's* *clearly under-explored and* [remittances] *has a lot of potential. The remittances are clearly an "anchor" to cross-sell* (Martin).

In terms of profitability, again there are two sides: the originating bank and the receiving bank. Big part of profitability may be because, of course, the money flows from one country to another (Gil). *As you know, when you make agreements with banks to capture remittances, this has a cost for you, as you will have to pay commissions. If you can act with your own structures, you have a differential that will bring you a more profitable operation; therefore, we build channels to even make more profits* (John).

However, in practical terms Anthony mentions a barrier to achieve the objective of cross selling. *If he* [the emigrant] *is not here* [in Portugal]*, it's extraordinarily difficult* [to cross-sell]; *therefore, it is at the host countries that we have to pursue that objective*. Mary adds a point relating to the ability that a bank should have to preserve their customers, saying that *there is a concern about cross selling, to avoid that the savings go to the competition, and make them as profitable as we can using the migrants' savings.*

John says that *on the top of remittances, you'll have other products that add value and distinguish you from competition... Therefore, the channel product and marketing are fundamental for the success of this business,* while Gil says that *once you have a product and it can be remittances, then basically it's more likely that you cross-sell other products. It's basically cross selling as in any other business segment.*

David bring up the issue of cross selling to nationals of other countries that have a relations with immigrants saying that *usually when there's an event, there will be Swiss people also present and people from Italy and Spain; so you have a chance not just of cross selling with Portuguese community, but even with locals and other communities; I think that works very well.*

Another element of the research is included in RQ 2.1 (Figure 2) relates to the leverage of servicing both sides of the *corridor* and its contribution to profitability. *It can be very profitable, especially if you look at it from the cross-selling standpoint* (David). *Really* *there is not that concern* [cross-selling] *between the Portuguese and the French branches that service the same client. If that coordination was made, it would have a strong impact in the profitability* (Mary). *Clients that are well known by both operations -by the headquarters and the subsidiary- have a business potential that is very high, because then, we are able to get involved with him on both sides* (Martin). *Profitability will depend a lot on having or not both sides of the corridor addressed* (John).

Another element of the research included in RQ 2.1 (Figure 2) relates to the "gap" [Barrier 4.1; Figure 5] identified in servicing both sides of the *corridor*, even if the bank has operations at both countries. The qualitative research confirmed the view that, although there is a structure in place, the communication between headquarters at origin country and the subsidiaries (or other structures) at the host countries is unstructured and not defined. Relating to this matter, Martin says:

> *There is not an aggressive commercial policy, as well as lack of sharing of information between the subsidiary or the branch and the headquarters… Maybe I shouldn't recognize, but we had the concern of requesting that information to the headquarters… But people in Portugal were busy, and preparing statistics and information was not at the top of their priorities.*

Mary shares these facts referring that *the strategy followed to address the migrants' business segment, at the host and the origin countries, is very sensitive. There is a strong competition between the host and the origin country* [headquarters *versus* subsidiaries] [Barrier 4.1; Figure 5]. *There is also lack of communication, but I believe that it is a matter that is linked to the commercial objectives established in each country.* John says that [to serve] *our clients here in Portugal and also in* [my country]*; this is good to maintain the clients very loyal to the bank. Also, this is very good for the profitability of both operations.* Gil agrees that *from a strategic point of view, definitely we can do more and, actually I think, we can do more, from a coordinated point of view bank wise, in the different countries in which we operate.*

I think that the research made about statistics and information, does not go towards the objectives of the banks; the reason is because they do not have a global vision (John).

As far as I know, there are studies about this, [production and monitoring of migrant statistics]*; but I don't think that the statistics and those studies have been published in the Internet* [intranet of the bank] (Peter).

The bank has the concern of preparing some statistical information and, although we tried to take advantage of that information to bring to the bank more clients, we had limitations due to the size of the staff … The follow-up of the statistics was not as it should be and explored by the commercial area as it could be (Martin). *We don't do it; really, we don't do it!* (Mary). *We have a lot of pressure and the lack of communication* [between the headquarters and the subsidiary] *exists actually on purpose… And many times we damage the business because of this!* [the researcher asked: "conflict of interest or unawareness?"] *Clearly it is a conflict of interest* (Mary)*!*

SQ 3. and RQ 3.2 (Figure 2) also address the side of the banking business to serve the immigrants, which in countries like Portugal, United Kingdom, Ireland and Spain is a relatively recent trend, as we will research in Document 4. As it relates to this business area, *because of the large size of this business segment* [immigrants], *as you can imagine, we cannot reach everyone, but the immigrants that we have as clients give us very interesting results* (Anthony), an idea shared by Louis saying that:

> *You are in heaven in what concerns to banking… Yes, I think the source of potential profits for the retail banks it's enormous. Migrants that are coming from eastern countries -Poland, Ukraine and Romania- that are in the EU are object of fierce competition to serve them. North African communities are the ones that have more potential that can grow more!*

The main conclusions of the research for this section, relating to the role that remittances can play in the "profitability" of the bank [SQ 3; Figure 2] and the impact that serving a migrant at both ends of the *corridor* could have in the "profitability" of the banks [RQ 2.1 and 3.2; Figure 2], are as follow:

- In terms of the contribution of remittances for the profitability, most of the interviewees expressed the view that it is very important for the banks, although one of them does not think that the profitability is as high as it was in the past.

  This view bring up a "gap" [Barriers 2.1 and 4.2; Figure 5] relating to the opportunity of the banks not focusing only on "remittances", but adopting the view of the customer (using it as an "anchor" product), a matter that will be researched in Section 3.5.4. – Migrants market demand *versus* banking offer at both ends of the *corridor*.

- An innovative view that the research produced linked to this issue, relates to the leveraging of the networks and other structures that the banks have at the host countries, using them to attract other immigrants communities, as well as nationals of the host country that, for some reason, have a relationship with the immigrants that were targeted when these banks were established. This idea, which was not identified in the critical literature review, will be covered in Document 5 when preparing the answer to RQ 3.2 (Figure 2).

- As it relates to the cross selling, we identified an intriguing "gap" [Barrier 2.1 and 4.1; Figure 5] in the critical literature review, that the research demonstrated: cross selling can be a key contribution for profitability at both ends of the *corridor* and an important tool to retain customers. The research showed that the banks do not plan, coordinate or structure it analytically, when the customer is common to both operations (at the origin and the host countries).

  The research also demonstrates that this results, namely, from a conflict of interest between headquarters and the operations abroad, due to the lack of planning and solutions to address the issue in a structured fashion. This finding will be considered in Document 5.

- Another issue that was identified as a "gap" in the critical literature review [Barriers 4.1 and 6.2 Figure 5] relates to the immigrants' business. Most of the interviewees considered this area as a business area with high growth potential, but the research showed that the immigrants are basically served, with few exceptions, as any other customer.

3.5.3 Barrier/Gap 3 - A CSR response to migrants' financial integration and financial needs.

Conceptual framework: CSR is not considered in the strategic plan, daily practices and activities of banks

The Focus 2 – CSR/Financial integration and CSR/Environment – Organisational and Managerial Context, addresses the SQ 2: "A business banking strategy for migrants' business segment, based on corporate social responsibility financial integration and sustainability: business leverage or business constraint?" for which we draw two RQ:

- RQ 2.1 relating to the migrants' and their families financial integration at both ends of the *corridor*: "Should banks address proactively both ends (origin and host countries) of the migrant needs in a social responsible manner and promote sustainability? And, RQ 2.2: "What priority and importance do the various stakeholders involved give to these issues?"

  In planning the research for this Document, we decided to cover in RQ 2.2 the stakeholder "bank", keeping for the research to be conducted in Document 5 other stakeholders identified, namely representatives of international institutions and Diaspora. A summary of the Barriers/Gaps 3.1, 3.2, 3.3, 6.2 and 6.5 (Tables 3 and 5) identified in Document 2 and researched in this section, respectively.

- The RQ 2.2 has the objective of researching the priority and importance that the banks give to the incorporation of CSR concepts in approaching the migrants' business segment.

John says that *my bank, due to its profile and characteristics* [it is a government fully-owned bank], *has the objective to contribute directly and indirectly to the CSR using financial products.* A perspective shared by Gil saying that *we hold Corporate Social Responsibility very high as corporate value.* [CSR] *it's linked to several actions that we carry out at the main migrants' association, in meetings to discuss the financial* *situation, and also programs to ensure that the second and third generations are kept in connection with Portugal* (Anthony).

However, the "profitability" element comes into the equation when making strategic decisions on CSR, namely on the financial integration of migrants, with Gil saying that:

> *My assumption would be that they* [banks] *basically would try to facilitate the integration of people that migrate... well, we are a commercial bank, so of course we try to design profitable products... so that's of course the first approach. There are some concerns as regards to financial integration, but I would say the main purpose is, of course, the business logic.*

Martin follows basically the same approach saying to *bear in mind that the bank has to be a profitable business, and therefore we have to conciliate these two objectives. We could not go as deep as we would like* [on CSR] *because we have financial constraints, and profitability was always an issue. Obviously, it was a good combination between the interest in capturing clients and the social responsibility that we would provide to those communities.* Louis says:

> *I think that there is an obligation of the Northern countries to support this kind of activity* [CSR]*… But we should also understand that our role is the role of a financial institution –which main goal is to be a profitable…* [And] *not let this social role has such an influence that could affect the normal profitability.*

During the interviews, the perception that the researcher got was that all the interviewees, with the exception of John that had control and talked fairly enthusiastic about CSR -*that is a very, very important and an opportunistic question* [about CSR]-, not even referring the "profitability" issue, but having in mind the "responsibility towards society", all the others showed some discomfort. It seemed that, on the top of trying to give a "politically correct answer", they showed very little awareness of CSR and, in most situations, concepts and practices that are not the most relevant part of the issue, confusing namely philanthropic actions with CSR.

The CSR strategy to integrate migrants, through the product offer, as well as the importance of the relationship with the Diaspora, was also researched. Gil said:

> *Typically you can clearly identify them* [first generation of immigrants] *with specific needs to be served. If we focus on the migrant segment, basically we offer products that can be the base for banking relationships, which helps people, in a certain way to integrate more quickly. There is a lot of interaction with migrants' organizations… to make sure that we get a lot of informal information from the community… you basically have to make sure that you keep your competitive advantage.*

Actually, it's a kind of a cross selling: the bank is present in those associations and provides them with subsidies, and, on their side, they promote our bank… people that actually do not belong to the bank, but they "work for the bank" (Mary). *We are always present in* [immigrants'] *associations, namely, the ones that give juridical support to immigrants. If the bank can help and support them in overcoming those needs, it is very important for me, as an executive of the bank and for the bank itself, as we are dealing with human beings* (John).

Peter and John referred two examples of CSR practices of their banks: *Santa Casa da Misericórdia is a national institution* [focused on social issues] *for over 500 years. They asked the bank to promote and establish them abroad. Santa Casa, as you know, can have a different way to help the Diaspora* (Peter). *We had a branch in* [a small town], *where 80% of the population works for the government. The branch manager coordinated the effort through a NGO, the federal government and the bank to raise funds, to improve the way that they were producing* [local] *products* (John).

As it relates to products' development, *we were innovative. To each new "youngster" that opened a bank account, we donated to an institution in Portugal, money to plant a tree. We also gave a pin with the Portuguese flag that, interestingly, was a critical factor of success* (Mary). *On corporate social responsibility, I would mention a product we had to finance migrants' education at very low interest rates; another one was to finance at zero interest rates the driver's license exams. But I should say that the social* *responsibility was really only on that context and nothing else* (Martin). *They dream of building a home, in those small villages;* [to achieve that objective] *we created a product called Real Estate Consortium* (John).

The research also shows the misunderstanding of concepts relating to CSR, namely communication issues, transparency and language skills. *We make a point of honour* [on social responsibility]*... to be very transparent… talk to the immigrant honestly* (Anthony), *but of course, there are important responsibilities* [in CSR]*: the most important one is the communication; the bank should speak the language of the customer… The banks should be there to make things easier for the customer* (Louis). [My country's] *immigrants do not speak* [the local language]*... It's a very difficult language to learn, and therefore, the immigrants need assistance* (John).

Again, the research showed misunderstanding of concepts in developing marketing actions relating to the culture of the origin country, as CSR practices. *The clients like it very much and they feel the concern of the bank in keeping the Portuguese culture. In our branches, we always have something that has a reference to Portugal* (Mary). *When we make these links and connections, we pick up people that used to live in those small towns and that left* [emigrated] *searching for a better life* (John). *In the checks* [the meaning is: checks' book] *distributed, for example to* [name of a former Portuguese Colony's] *immigrants, we design* [meaning: "print"] *them with the map* [of the country]*... So when signing a check, it will make you* [the immigrant] *feel at home. On the credit card is exactly the same; that helps to keep alive their country* (Peter).

We support many of those migrants' associations; sponsoring soccer games, cultural events, performances of theatre, and other cultural events, so we have a fairly intense relationship with those associations (Martin). *The bank is always concerned in being present at immigrants' events, like soccer or cultural events* (Mary). *Yes, it's very important... you may ask... to have your own flag* [flag of the bank] *in those events. They ask for help, for example, to establish the House of Cape Verde... of Angola… and trying to help them promoting this kind of events* (Peter).

From the qualitative research performed, we can draw the following main conclusions when connecting the SQ, the RQ, the barriers and gaps identified in the critical literature review [Barriers 3.2, 3.3, 6.2 and 6.5; Figure 5] and the results of the research:

- CSR concepts about financial integration and sustainability at the host and origin countries, is not proactively considered in the strategic plans and daily practices of banks, as well as are not absorbed in their culture. Most of the interviewees showed basic knowledge about the concept of CSR and, actually, considered in the concept of CSR practices of their banks practices that, very difficultly, can be framed as such by the theoretical concepts. We are inclined to conclude that the lack of involvement of senior management identified in Barrier 3.2 (Figure 5) could be a reason for that.

- The “gap” identified in the critical literature review [Barrier 3.1; Figure 5] relating to the fact that we could not find CSR’s papers addressing specifically the migrants’ business segment in the banking industry, which seems to show lack of attention of Researchers, will be mentioned in Document 5, as it may also be a reason linked to the lack of attention of banks’ senior management [Barrier 3.2; Figure 5].

- CSR concepts are not considered consistently in the product offer design, with the exception of a few philanthropic initiatives. Profitability assumes a leading role when considering CSR and, most of the interviewees, considered it as a *sine qua non* element, even when the bank defines products for the migrants’ financial integration, which usually occurs at the host countries. Barrier 6.2 (Figure 5) relating to the objective of financial integrating the families’ at the origin country, it was not even referred by anyone.

3.5.4 Barrier/Gap 4 – Migrants' market demand *versus* banking offer at both ends of the corridor

Conceptual framework: "One product" view instead of "customer" view. Strategic partnerships.

This section covers the approach that banks could make to the migrants' market business segment. Focus 3 - Financial System Offer and Migrants Financial Needs – Managerial, Marketing and Operational Strategy, addresses SQ 3, mainly focused on the managerial, marketing and operational side of the banking business: "How to increase profitability and financial stability in an increasing competitive market relating to migrants' business?" for which we draw two RQ:

- RQ 3.1 relating to the financial stability: "What should the banking industry do, through the migrants' business segment, to increase financial stability in the future?" addressed in section "3.5.1. - Banks awareness of people and money flows', generation of liquidity and *corridors*. International Institutions", and,

- RQ 3.2: "What options do the banks have in meeting this market needs, what do the potential customers want, what is the evaluation of the different banking models to address profitably the migrants' needs?" will be covered and researched in this section, namely in what relates to the effective application of the marketing concepts identified in the critical literature review compared and articulated with the results of the research carried specifically for the migrants' business segment.

  This will include the marketing strategy for customer segmentation, product offer, distribution channels and organizational structure (including the host and origin countries), as well as CSR concepts to be considered in product development. The CSR research results are mainly analysed and discussed in

"3.5.3. - A CSR response to migrants' financial integration and financial needs". Table 5 summarizes the Barriers/"Gaps" 4.1 through 4.5 identified in Document 2 and researched in this section.

3.5.4.1 Customer segmentation

Customer segmentation has the objective of servicing customers considering namely, their wealth levels and, consequently addressing their financial needs in a structured, efficient and focused fashion, impacting positively the profitability and fidelity elements of a relationship.

In the critical literature review, we concluded that the banks at the host country for Portuguese immigrants' market segmentation, do not generally consider the migrants' life cycles and wealth levels, namely the migrants' profile (e.g., academic education, profession, age or income level), having concluded that a "migrant will be a migrant forever" [Barrier 4.3; Figure 5]. We also identified another "gap": the banks focus on the "remittance product" instead of the "migrant customer" [Barriers 4.1; Figure 5].

It is intriguing that, in the research, some interviewees mention that their banks segment their client basis. However, when we analyze and correlate their statements carefully, we conclude that they are often contradictory, which raises the question of understanding why this happens. We think that it happens basically because their statements may be connected to "wishful thinking" or to give a "politically correct" answer, as well as the idea that their banks at the host countries are segmented. The point is, as we will see, that the migrants' database is not segregated and, therefore, the full potential of a migrant is not identified. That is what we will analyze in the following paragraphs.

As it relates to the way the market should be addressed, Gil asks the question *how to effectively deal with that segment, how to make sure those systems, procedures and policies work, and what kind of products are out there to effectively serve their needs? There's always more to do!* Anthony says that *to capture the migrant clients, we have to* *have a very clear strategy and understand very well what is our emigration*, while Peter says that *we paid a lot of attention to the emigrants' remittances; but to "fidelize" those clients, we had to serve them in France as well.* Louis, an executive at a French bank dedicated to migrants' business segment, recognizes that *I immediately think as a* [business] *opportunity that's not been quite explored* [financial portfolio at both ends of the corridor]. These statements cover the ideas of the interviewees in terms of systems, procedures, policies and products', understanding the migrants' needs and to operate at both ends of the corridor, as well as a business segment that is under explored [Barrier 4.1; Figure 5].

The knowledge about migrants and the specific characteristics of some immigrants' communities is relevant to address the customer segmentation. Louis says that [migrants] *is a sociological group, very unique in economic terms, in financial terms;… their behavior is not exactly the same as other groups. It's the only group that has financial needs and financial relations in two countries* (Louis). Anthony says that *there are not common and strict rules that could be applied to the migration's business segment. Therefore, we try to treat each market accordingly to its needs*.

We cannot deal with the South African's immigrants as we do with the immigrants in the United States, or Brazil, or Venezuela (Anthony), while Peter says that *you cannot say that a Chinese or an Indian or a Cape Verdean or a Portuguese is different from the Spanish or French, as they have always the same needs*. These are statements seem to complement each other, as it seems that Anthony is focused on the "market specifics" and Peter on the "customer needs" [Barrier 4.2; Figure 5].

There is an obvious segmentation: first, second, third generations, which are, actually, segmentation based not only on age, but also in the integration level. There are products that are typical [of each generation]: *first generations tend to be savings' products; credit products are more typical of the second and third generations* (Louis). [For the] *segment above the mass market we consider their wealth. We treat them as a kind of a private banking through our affluent market division, but not private banking level* (Anthony). *There is also a very big concern to capture young customers, as we think they are the future of the bank… the life cycle is progressing* (Mary).

On the side of the immigrants' business segment, Anthony says that the bank should *look at the immigrant as a client and support his "qualitative jump" to be an entrepreneur, addressing his business needs.* Gil thinks in the same line, saying that *suddenly you're talking with people that have set up their own business and, actually, have other type of needs.* David thinks that *these people like to be treated as any Portuguese; they have their specific needs and you have to have products in the portfolio targeting that client* [Barriers 4.2 and 4.5; Figure 5].

Another element in terms of segmentation that the research identified is linked to the segmentation resulting from the development of the immigrant into higher wealth levels.
When the migrant will be no longer a migrant, still has a financial relationship at the home country… Their behaviour towards the homeland is totally different; they [maintain] *a connection with the* [origin] *country* (Louis). *And slowly, the niche segment of the migrants' remittance starts to fade; they basically go into the mainstream banking* (Gil). *I'll give you the example of Brazil where the approach is slightly different. We treat the clients as "Brazilian residents" instead of treating them as "Portuguese immigrants", but always trying to keep the link of those clients with Portugal and making our network in Portugal available to them* (Anthony).

Addressing the issue of the immigrants' specific needs and profiles, related to the fact that their lives and financial needs can be very different from the moment they migrate, Gil says that *if you go to second or third generation, suddenly it makes a completely different picture* [as] *they have their own businesses and less ties with the* [origin] *countries.* Louis alerts for the fact that the *old idea of an immigrant that goes to a country and stays there for 5 or 10 years, work there and then go back home, is something that' s finished…* [is a] *group of people established in certain country, which creates their own financial needs.*

When we talk about the wealth levels, Peter says that *a wealthy immigrant or emigrant, we place* [the meaning is: "allocate"] *them in* [the meaning is: "to"] *the proper segment.* [If] *it's a very wealthy one, goes to the private banking,* while John says that *in terms of* *segmentation, we divide the market into three segments: private banking, affluent market and mass market.* Martin *says that segmentation was based on the age, on the social niche, studies, professional status and obviously their life standards. This was the basis to have them segmented and also to identify the products more adequate to serve them.*

However, Mary recognizes that *the bank created account managers for certain business segments, which was something that we did not have a few years ago.* Gil states that *there is a different degree of sophistication and* [that financial] *needs and people want to be addressed in a different way* recognizing that *there is a lot of work still to be done* [Barrier 4.2 and 4.3; Figure 5].

3.5.4.2 Products and services' offer

This section covers the research performed in relation to the product and services' offer. The component of the research related to the inclusion of CRS concepts in the strategic development of products, is specifically treated in section 3.5.3 - CSR response to migrants' financial integration and financial needs.

In the critical literature review performed in Document 2, we concluded that, although most banks tend to reflect generally followed marketing concepts, the product offer it is cleared focused on remittances, cards and bank accounts with a few exceptions, which include also mortgages and a very restricted types of insurance, representing basic plain vanilla banking products offered to a regular customer [Barriers 4.1, 4.2 and 4.4; Figure 5].

When Gil talks about "product", he refers to business segments saying:

> [That the banks have to] *make sure to serve* [the customers] *based always on the people identified* [for] *that business segment. You can't really just design a product and say: okay that product will fit all! You have to do it really on a*

> *community-by-community basis…* [but] *sometimes you reach the conclusion that you can't really design specific products, because people don't want to be identified as a specific niche*.

As an example of this, John says that *for the private banking, we have set up a small structure with specific products to address these market segments.* Peter says: [about the product offer] *of course,* [both at the host and the origin countries] *because I told you, we must look at those clients as a whole and not only what they are doing in Portugal* (Peter), *so we have to look at those both sides* [the origin and the host countries] (Gil). When the research moved into the product offer distinguishing between what would be the marketing approach to emigrants and immigrants [Barrier 4.2; Figure 5], Louis said:

> *What it so curious about it, in terms of financial behaviour* [between migrants and non-migrants is that]*, it's not so different. Why? Because the migrant has normal financial needs at the host country, the need of having a loan to buy a house, the need of having an account to credit his salary…* [However] *They will always have financial needs at the home country…* [A bank should] *offer them a financial package comprising financial products at his host country and also at his home country.*

In relation to the immigrants arriving from developing countries [Barrier 4.2; Figure 5], Gil says that *people face a new world when they land at the host country; they have a lot to learn* [because] *the portfolio of products usually is not available at their origin country. So, you don't reach the immigrants only by servicing* [them] *as a customer. We explain the concepts of savings… also communicate clearly how our products work.*

Peter reveals that *the bank is trying to maximize the commercial network by offering to other communities, exactly the same products offered to the Portuguese, while* David suggests the possibility of the product offer to be leveraged to immigrants' communities at the origin countries:

> *Banks that are successful in servicing immigrants at the host countries are successful also, in serving other immigrant communities… probably the*

products that our banks are able to create and tailor to the specific needs of these communities are at advantage compared with the national banks.

In the product offer, a point that was identified in the research, relates to the different generations of migrants and the influence it can have in the marketing strategy to approach them [Barrier 4.2; Figure 5], as well as the risk profile appetite of the different migrants' generations. *The second and third generations do not follow the same logic that the first generation used to follow, that was to send all the savings back to the origin country* (Mary). *Immigrants are people with a highly conservative profile, and therefore, being a conservative profile, we should sell products that are very easy to understand, very transparent, and that do not bring up any kind of doubts* (Anthony). Louis compares the product profile of the two generations saying:

First generation migrants continue to have the idea of saving money to send back. The second and third generations have another idea… I am very interested in having also a house in Portugal, but why should I save for it, if I can get a credit [the meaning is: "loan"]? *Older generations are much more attracted to saving* [products]*; youngest generations are much more attracted to credit* [products].

These clients [migrants] *tend to have a higher tendency for savings than the locals; so they tend to save more and that's the type of clients that every bank dreams of* (David). *We have to act properly and correctly with those clients; we have to respect those people that worked and saved money very hard* (Anthony).

Immigrants tend to be more compliant… they tend to be better clients in terms of credit; it's amazing! They tend to be more interesting in terms of their risk profile and that's very important because you can be more aggressive [risk wise] (David), which is another factor to be considered when designing products. It seems that the risk factor can be increased for this segment; as immigrants' credit default are below the average.

In the critical literature review we identified that most banks have a basic product offer for migrants [Barrier 4.1; Figure 5]: *I think that's probably one very important mistake* [migrants served as a normal client] *that a lot of institutions are doing. Yes, you should have specific products* (Louis). John says that *to fight competition, we offer our clients other products on top of the remittances and consider the remittance one of them*, while Louis says that *cross selling using remittances as kind of an anchor… has to be sold as a package. The more we are able to sell to our customer a package, the better* (Louis). Martin agrees saying that *the business relationship with the immigrants it's much wider and therefore, the product named remittances, could be seen as the anchor for a much broader commercial relation with the immigrant.*

Peter introduces the profitability element saying that *I'm sure* [about the need of cross-selling] *you don't take it* [profits] *anymore from the interest rates; competition is very, very hard in this segment*, an idea that is seconded by John suggesting that *to fight a slowdown in remittances, due to reasons of exchange rate* (John works for a Latin America bank and this issue comes in play with remittances in terms of decision making)*, we were innovative and found "triggers" to incentive the immigrants* [continuing] *sending money home.*

An interesting issue that arose in the research, relates to the threat that the competition of local banks at the host countries, start to represent to the subsidiaries of origin countries' banks. *The immigrant either leaves us or starts sharing the business with other bank. That is the moment when we understand that we could not look only for the remittance* (John).

Although the interviewees recognize the importance of specific products focused on migrants, the research shows them recognizing that their product offer is not enough [Barrier 4.2; Figure 5]. *The Portuguese immigrants are a very important target of French banks. Their product portfolio, it's much bigger than the one that the subsidiaries of the Portuguese banks can offer, as French banks have a very large portfolio of banking and insurance products* (Martin). *The French banks opened specific departments to attract the Portuguese community… because they know that, these people, more and more adapt to the country where they live* (Peter).

They start understanding very well the benefits that competition [local banks] *offers* (John) as the *local banks have conditions, advantages and financial muscle that allow them to offer better conditions than we are able to offer* (Martin). *I think that some strategies have been targeted at these communities. It was very normal to have banks in Brazil that would identify themselves with national communities* (David).

[The migrant] *adjusted to the new environment and found the opportunities of "bankarization" at our competition* (John)*; it's probably more important for origin countries' banks to have this segment as a very important segment* (David). *One of the reasons why the Portuguese banks went abroad was exactly to try to "fidelize" those clients locally*. *This segment is a very, very important segment for the Portuguese banks today* (Peter).

The research showed that the interviewees are well aware of the local competition and have in mind measures, in terms of the products' offer, to respond to this competitive threat [Barriers 4.1 and 4.4; Figure 5]. One is the relation to the origin country, namely packaging elements of nostalgia related to the origin country. *Customers love to be treated under the Portuguese spirit. The clients love that we give them gifts that make them remember the culture, the gastronomy. In developing products, we give them a touch of nostalgia* (Mary). *The link to the Portuguese financial system it's more of the traditional type. They like to receive information, be close to Portuguese banks; what we call the "nostalgic market", the clients that are always thinking in the traditional banking product like savings accounts and nothing else* (Anthony).

There are some "accelerators" that can be put on those products linked to his home country. For instance, a credit card [that] *awards miles in an airline, a deposit that awards a donation at the home country* (Louis) or as Peter says: *for* [a former Portuguese Colony] *customers, we registered the brand* [of a] *credit card in their language; it means "I love you", something very friendly.* John indicates a replication of a product that is well known in his country to keep the link to the origin country: *We are trying to replicate that product here in Europe to offer the* [immigrants] *a product with the same characteristics of the one that we offer in* [my country].

Also, taking advantage of the presence of the emigrants at the origin country, Gil says that *in August* [vacations time for Portuguese emigrants], *the banks would have seasonal campaigns to address basically their needs and to make the immigrants feel home and, they actually create emotional ties with the emigrants… other products can be cross-sold* (Gil).

Another element is the leverage of the origin country's brand, which is connected to elements of "trust" and "confidence". *The client could see in the financial institution where he is working at the host country, something from his home country… He should identify the host brand with the home brand; that's crucial also* (Louis). *The reason to open an account in my bank? Our bank is a reference* (John). *Family members say: oh! Why don't you remit the money through that bank, because I have my bank account there* (Gil)*?*

Our ability of gaining and expanding our business has a lot to do with the confidence that we transmit to the immigrants. Being serious [the meaning is: "honest"], *have a good name, but basically we are talking about confidence and trust* (Anthony). *We lead the market and it's funny because our market share in this segment, it's the highest we have in any business segment, for reasons that are associated with the nature of our institution* [shareholders' structure *versus* security] *and the presence* [network] *in Portugal* (David).

Our operations in these countries have behind it as a reason the subject of remittances (John). *Competition becomes harder and harder; so the profitability of this segment is going to be in offering different products* (Peter).

We are very, very careful [about confidence and trust] *because people that left the country 20, 30, 40 years ago, do not keep updated… and are fairly vulnerable to false news and information. Therefore we try to keep a permanent presence at both ends, at both the origin and the host country to keep the trust they have on us* (Anthony). *We don't go into the area of financial advisory services… so we are a bit limited on that and I think there's definitely market to do more, but we have a specific framework and strategy context in which we operate* (Gil).

3.5.4.3 Organizational structure and distribution channels

This section covers the research performed in relation to the organizational structure, at the host and origin countries, and the distribution channels. In the critical literature review performed in Document 2, we could say that, as it relates to the organizational structure, we could not find a "first line" manager dedicated exclusively to the migrants' business segment. Within the marketing departments, we could not identify in most banks a division fully dedicated to migrants, and the geographical offer generally covers only one side of the *corridor*, even when the bank is present at both ends, the coordination between operations is not structured [Barriers 4.1, 4.2 and 4.5; Figure 5].

Several interviewees share the importance of having a strong presence at both the ends of the *corridor* to be successful [Barrier 4.1; Figure 5] recognizing that *very few banks already understand this* [importance of serving both the ends of the corridors] *and I believe that very few deal with it in the proper way* (Louis). David says that *it's definitely an advantage to have local presences* [at the host country], while Anthony says that *it is extremely important to service the client at both ends of the corridor.*

Peter stresses that *you must know how to deal with the two realities* [the host and the origin countries] and Martin says that *for me, it's clear that a bank without a representation at the host country is very limited in capturing the migrants' business, when compared to a bank that has a representation there.* Anthony alerts for the risk of *developing an action plan for those markets without having enough support at the other end of the corridor; it can be a "shot in the dark"!*

In terms of organizational structure to serve the Portuguese emigrants and the immigrants in Portugal with different structures [Barrier 4.1; Figure 5], David says that *we have basically two segments: the Portuguese emigrants and the immigrants in Portugal; and both these segments are very important,* while Peter thinks that different areas of the banks should serve them:

> [We have an area for the] *the Portuguese Diaspora, so it means the Portuguese living abroad and another area, for the foreigners living in Portugal. It is very clear because the needs are not the same and the way to deal with them is not the same; the culture of Russians or Ukrainians is not the same as the Spanish or the Greek. For example, the Chinese, at least as far as I know, never come to us for a mortgage. We don't know why, but they don't come to us!*

I believe the large Portuguese banks should have an area dedicated to migrants (Martin)*. I think it's under explored* [migrants' business segments]*. Probably when we had the mergers and acquisitions among Portuguese banks they didn't realize the importance that the segment deserves* (David)*. We have developed much more business with the emigrants than with the immigrants* (Anthony).

As it relates to servicing the migrants at both ends of the corridor, namely about sealing strategic alliances and partnerships with banks at the other end of the *corridor* where a bank does not have a presence [Barrier 4.1; Figure 5], Gil suggests a solution:

> *Definitively, there can be more done and, actually, the remittance segment is an interesting way of connecting banks… and actually get into some kind of strategic alliances to properly explore those remittances' streams. But it depends on the size of the stream. If the size is very, very big, of course it makes much more sense to put a lot of resources into it.*

When John talks about affluent market and private banking clients, refers another alternative: *in Portugal, there are* [immigrants] *that are members of boards of* [my country's] *companies and so we approach them, as very often they are our clients* [there].

When evaluating the decision relating to servicing the migrants business segment, David says that *immigrants' business has to be compared to the total dimension of the system and the share of the market that the immigrants have,* while Gil says that it is necessary to determine *what's the market share you can cover with your products and* *with the branch network*, an idea shared by Anthony saying that *first, is our network abroad, and the second, is our market share.*

However, Peter questions the ability to build a business plan [Barrier 4.2; Figure 5]: *Can you imagine how large this Diaspora is around the world? So it's difficult today to build a business plan for all this!* John does not agree with this idea: *When you develop a business plan, we look for the way we can increase the size of the remittances' flows. We review the statistics to find the size of the market, of the flows, and how we can send the money back* [to the origin country].

Anthony and Martin indicate the potential of remittances' volumes as a strategic key factor in deciding the representation's strategy abroad. The first refers that *remittances are very important for the financial system and also for my bank; we obviously have to develop a strategy focused on the clients that are able to bring us remittances,* while Martin says: *we try to leverage the remittances and use them as "the rope" to tie the migrant to the bank* [Barrier 4.1; Figure 5].

As it relates to the physical structure organization at both ends of the *corridor*, David says that *historically not having a physical presence in a market was constraining us in having a market share compared to our natural market share.* John seconds David saying that *we concluded that it is very important to have support at both ends of the corridor. The bank should have a very comfortable way to remit money for both ends, who sends money and who receives it.* Gil agrees with this strategy for the physical structure of a bank addressing the migrants' business segment:

> *And then, there are of course two sides to it: there is the originating bank and the receiving bank. If you're operating only in a country as originating bank and you're really not a receiving bank because, basically, you don't have a branch network in the country where the money is received, then you have to think about partnerships and maybe, actually, those partnerships can be very interesting from a strategic point of view.*

When a bank does not have an operation or structure abroad at the end of a *corridor* with an important volume of remittances, the research shows this as an important limitation for the business development of the migrants' segment [Barriers 4.1 and 4.5; Figure 5]. The research produced contradictory findings in the more adequate fashion to address this issue. Gil says that *we don't have a network in Brazil, but we have a partnership with a bank just to make sure that we serve Brazilian customers* [on sending remittances], while Peter says that his bank *has to find a counterpart there to serve those clients* [Ukrainian, Russians] *in the same way that we serve them in our own institutions* [banks] *abroad*.

If you have an international network, it's easily done… and that's why I refer to these strategic partnerships. We have to serve customers in the country where we operate, but we don't necessarily have branches in the countries where the money is received from or originated (Gil). *You should establish agreements with local banks… It's the only way* [both ends of the corridor] *that the business will work;* [otherwise] *the business simply does not work for banks and all the relation will be only in wire transfers* (Louis). *When a bank is based in a host country with a stabilized structure and with a fairly stable portfolio of clients, the relationship with those clients is not restricted to the remittance business* (Martin). John defends a different view, considering that:

> *It is not enough to have an agreement with another institution, because then you don't have a channel… We have to have an operator to capture remittances. And at the other end of the corridor, we have to have strong popularity. In our particular situation, we have very strong popularity in* [my country].

Martin suggests *having a kind of a desk and paying a commission to the bank at the host country*, while, Anthony's bank, adopted a strict policy on this: *as a general policy, we do not have any link to local banks. We had an experience that was not very favourable, and therefore, we stopped with that practice.*

An interesting finding that arose in the research was the relationship with the communities and the way they participate in the organizational structure of an operation at the host country. *We have structured memberships at community organizations but* *then the feedback comes in a very informal way* (Gil), as well as *it's important to follow-up what's happening in the communities. The best way to do that is to have people from the communities working for the bank* (David). *We have staffs that speak various languages that make that a bit easier for them* [immigrants] (Gil), as *basically you cannot deal with these communities if you don't speak their language; that's their rule, a golden rule. If you don't have it, you will not succeed* (Louis).

The research showed that the coordination in commercial terms and the database of migrants is not explored properly between headquarters and subsidiaries. Although it is recognized as a key element for the leverage of the remittance's business, it seems that it is not followed [Barrier 4.2; Figure 5]. This seems to show unawareness of senior management for the issue. *Cross-sharing information has to be done in banks that have operations at both ends of the corridor* (Martin). *Things are never as good as we would like…*[communication between headquarters and the subsidiaries] (Peter).

Martin is particularly strong summarizing the situation [Barrier 4.1 and 4.2; Figure 5]:

> *I believe there is a huge potential of business when linking both structures: the headquarters in Portugal and the subsidiary at the host country. It is fundamental to have cross information and share it! If we could share that information, obviously, that would potentiate the business relationship. The subsidiary is not aware of the commercial relationship back at the home country, and therefore, the subsidiary in France was not able to attract that immigrant as a customer.*

Gil shares this experience saying:

> *And* [information on the business segment] *from the headquarters, I would say it comes in an ad hoc basis; I can't say there is a structured flow. There is of course regular monitoring on the volumes and profitability… but as it regards to market development, market research, it comes on a very ad hoc basis and I would say there is lot to be done!*

Another issue that the research identified and was surprising, relates to the lack of incentives to employees at the host countries, which also seems to proof the point that the lack of an organizational structure with “first line managers”, fully dedicated to migrants’ business segment, has negative effects in leveraging the business potential [Barrier 4.5; Figure 5].

David says that *people* [the bank’s employees] *have to realize, especially in the domestic banking division* [in Portugal]*, that they cannot just think about their local* [headquarters] *balance sheet; they have to think globally of the relation between the client and the group* [including the interests of the subsidiary abroad]. Martin recognizes that [there is] *a negative impact in the motivation of the staff working in France, in terms of incentive them to capture more clients. They know that, at the end, the money will “fly” to Portugal.* Because of this, David agrees implicitly to the critique recommending a practice or policy that could be followed to address this sensitive issue:

> *You have to have price transferring agreements between the subsidiary and the head office, not to penalize the local account managers; what is important is the overall relationship; and if everybody works together, probably they will come up with good results. It’s very important to measure the importance of the business in the balance sheet of the subsidiary and of the bank* [headquarters]*; it’s also important to have a policy for transfers* [of money] *and incentives.*

3.5.4.4 Conclusions on segmentation, product offer and organizational structure and distribution channels

Connecting the SQ 3, the RQ 3.2, the barriers and gaps 4.1 through 4.5 (Table 5) identified in the critical literature review and the results of the qualitative research, we conclude that most banks tend to reflect the marketing concepts generally followed. However, the research leads us to conclude on its non-effective application towards the migrant business segment, namely in the customer segmentation strategy, product offer, as well as on the organizational structure and distribution network.

These research’s findings will be considered in the preparation of Document 5, and they are as follows:

- Most banks do not identify and address the specific needs of the emigrant and immigrant’s communities, as the offer, in most situations, is the same for the customers in general and, therefore, not focused on migrants [Barrier 4.1, 4.2 and 4.4; Figure 5].

  Also, the potential of leveraging the products’ portfolio is not used, as the product offer is primarily focused on “remittances”. Cards and bank accounts with a few exceptions that include mortgages and restricted types of insurance represent basic plain vanilla banking products. The offer also does not consider consistently the results of the interaction with other stakeholders.

  Even when the bank is present in several countries, the product offer seems inconsistent, uncoordinated and not interlinked. This approach does not leverage the way a bank designs and develops the strategy for this business segment.

  In the marketing divisions we could not identify a department specifically dedicated to products and services to migrants. In general, in the products’ teams there is a sub-product for migrants (e.g., the product denominated “payment transfers” includes remittances) [Barrier 6.1; Figure 5]. This seems to result in the lack of a consistent global vision of the products adjusted to the financial needs of migrants.

- A point that resulted from the research is related to the competition threat that the local banks represent to the subsidiaries established at the host countries, as their product portfolio is wider and covers better the financial needs of the Portuguese immigrants. This shows that the Portuguese banks, in practice, do not have a product offer enough developed that can compete with local banks at the host countries.

- As it relates to the organizational structure [Barrier 4.5; Figure 5], we could not find a “first line” manager dedicated exclusively to the migrants’ business segment. This may be the reason that explains some lack of commitment to the migrants’ business segment at a senior management level.

- The research showed that the there is a lack of coordination between the headquarters and the subsidiaries, resulting in a weak treatment of the migrants’ data base and, as a result, the client relationship management does not follow properly this business segment. Also, the communication within the networks to leverage the potential of a client at the host and the origin countries is low or inexistent [Barriers 4.3, 4.4 and 4.5; Figure 5].

- A relevant point that was identified in the research relates to the potential leverage of the networks to serve immigrants of other nationalities at the host countries, as well as serving the immigrants at the origin country [Barrier 4.2; Figure 5].

3.5.5 Barrier/Gap 5 – Bankarization, impact of AML & KYC and Financial integration

Conceptual framework: Access and use of formal financial services is difficult

The Focus 2 – CSR/Financial integration and CSR/Environment – Organisational and Managerial Context, addresses the SQ 2: "A business banking strategy for migrants' business segment, based on corporate social responsibility financial integration and sustainability: business leverage or business constraint?" for which we draw two RQ.

RQ 2.1 relating to the migrants' and their families financial integration at both ends of the *corridor*: "Should banks address proactively both ends (origin and host countries) of the migrant needs in a social responsible manner and promote sustainability?" And, RQ 2.2: "What priority and importance do the various stakeholders involved give to these issues?"

The focus in this section is on the financial integration of the immigrant and his family at the host and the origin countries, respectively, while in the next section 3.6.1 – "Economic development of host and origin countries", we will analyze the results of the research relating to the impact that the money flows to the origin country, will have in the economic development, as well as the views of the stakeholders on this matter. Figure 5 summarizes the Barriers/Gaps 6.2, 6.3, 6.4 and 6.5 identified in Document 2 and researched in this section.

The RQ 2.2 has the objective of researching the priority and importance that the banks give to the incorporation of CSR concepts in approaching the migrants' business segment.

As discussed in section 3.5.1. "Banks' unawareness of people and money flows', generation of liquidity and corridors. International institutions" – relating to the unawareness that the banks have about the recommendations of the international institutions, we concluded that, all except one interviewee, were not aware of them. One relevant topic that is object of those recommendations relates to the *bankarization* of immigrants and their families, at both the host and the origin countries. This lack of knowledge seems to have an impact in the banks, when defining strategies to achieve that objective. Gil says that *I am not familiar with the exact recommendations of those institutions* [WB, IMF, G-8 or UNESCO] identified in Barrier 6.1 (Figure 5).

As it relates to the financial integration identified in Barrier 6.3 (Figure 5), Gil says that *you* [the banks] *have to make sure that* [the immigrants] *can operate as quickly as possible in the country, within the banking system.* Mary refers a concern about language skills saying that *they* [the immigrants] *are treated with a lot of attention and the bank hires staff with Portuguese and Polish language skills.* Anthony minimizes the financial integration issue saying that: *I have had many surprises* [on financial integration] *when we visit those migrants' communities…they were already acculturated to the host country… they probably did not need the Portuguese banks for anything, namely, to support the development of their professional activities.*

The research shows that the banks have a clear business interest relating the financial integration, when Gil says: *make sure that you are very much embedded in the community that you operate and make sure that you listen to your customers… and make sure that the customers in those communities or potential customer's, know your bank,* while Louis recognizes that *the more the person is integrated, more financial needs* [exist] *connected to this integration… and* [higher] *profitability of the remittances migrants' business segment.*

Other banks provide services [special programs to integrate migrants]*; for instance, taking care of his visa, helping find a house or other administrative requests... Okay, but we should not distract ourselves because… very quickly we will have enormous costs and this can put the business at stake; so we have to be very careful* (Louis). *For each segment, we have a package of products and services* [financial integration] *and they have a catalogue at their disposal* (Peter).

Anthony was the only one showing concern about the integration of the emigrant at the origin country, but did not go far as we would expect, like thinking about the migrant's family. *The immigrant loves when he comes to Portugal to be contacted by the branch manager. The branch manager helps him on matters that he does not have the knowledge*, while Gil makes reference to requests of the communities, saying that, *it would be rare that a community comes up with a demand for a specific product… you can always have more interaction with community.*

However, when addressing specifically the relatively recent rules (post "9/11") relating to AML and KYC, and the impact it can have in the *bankarization* of immigrants and their families. *Financial integration sometimes can be difficult, not because the banks do not promote it. Recently, I've noticed that with the KYC policies and compliance rules and regulations… regulations are very burdensome and sometimes a real obstacle to the* [financial] *integration* (David).

The compliance procedures are more and tougher and obviously it's normally "the weakest link" that pays for this kind of a situation. With the increase of compliance rules, we are actually making life much more miserable to these customers (Louis). [We have to] *avoid any issues with anti-money laundering…* [and] *make sure that the regulations are applicable to all sources of remittances… we are of course fully compliant to those rules and regulations at both originating and receiving country* (Gil).

With measures to avoid tax evasion, there are very important constraints in this area (Martin). *More and more new regulations… after the financial crisis, the international financial centres are more and more strict and controlled; so things are becoming tougher and tougher* (Peter). *Channels through which the remittances can flow freely, even considering the restraints in countries where the compliance rules do not make it very easy… We have limitations in terms of legislation in each country* (Anthony).

An interesting point that arose in the research, relates to an experience of a bank, that shows an innovative approach: [We] *opened a branch only for immigrants. But we have changed our mind; I mean, the best way to segment is to integrate.* [We concluded that] *they don't like to be discriminated. So it's a certain way of segmentation but not discriminating. We are trying to integrate as much as possible* (David). We identified in the critical literature review that Unicredit (*Agenzia Tu*) and Santander (*Latinoenvios*) have set up separate banks for immigrants, while Deutsche Bank (*Bankamiz*) set up a bank focused only in the Turkish community in Germany (Ferraz, 2009: 110-1, 114); This subject will be considered when preparing Document 5.

This can put a lot of pressure and lot of problems [need to use informal channels] *to* [people of] *some countries and to some poor countries* (Louis). *You must do it under the law and the regulations of the country. But as you know, money has no flag... so there will be always a "black hole" to where the money will flow* (Peter). *There are a lot of banking regulations… lately, there are very strict compliance rules for international money transfers… of course we have to comply with them* (Gil).

Based on the research, we could not feel that the concern relating to CSR plays a role in this matter, i.e., *bankarization* and financial integration [Barrier 6.3; Figure 5], articulating with the authorities and the international institutions an action plan is not a banks' top priority. The only interviewee that indicated a solution was Gil, saying that *basically we offer a non-resident account* [to people waiting for residence visa], but this is far from addressing proactively the real issue.

About the new rules that the banks should follow, Louis raises an interesting point saying that *there is a perverse effect of compliance policies; it's an important concern that all politics should have in mind.* Basically, Louis alerts for the fact that the politicians seem not to consider the full impact in *bankarization* and financial integration of immigrants when regulating, as strictly as they do, about AML and KYC, implying as Louis said before, that these rules may force the immigrants to use informal channels, which raises a number of issues, namely in the access and use of formal financial services and products [Barrier 6.2 and 6.3; Figure 5].

From the qualitative research performed, we can take the following main conclusions, when connecting the SQ, the RQ and the Barriers and "gaps" identified in the critical literature review [Barriers 6.1 through 6.5; Figure 5] and the results of the qualitative research:

- The interviewees agree that *bankarization* and the consequent financial integration are very important for the banks, as they would attract new business opportunities and increase profitability.

  However, the research identified a topic –AML and KYC- that seems to be a strong barrier to the *bankarization* and financial integration of immigrants. This barrier will be addressed in Document 5 with other stakeholders that should have the duty of dealing with the matter. The banks basically are taking the stance that they have to follow the rules, which means that they are not active in approaching the authorities to find flexible ways of dealing with the AML and KYC issues.

- The research confirmed the existence of the "gaps", already identified in Document 2 [Barriers 6.2 and 6.4; Figure 5], namely that the banks are not fully aware of CSR concepts in product design to address the financial integration and financial needs of migrants and their families and use that as a competitive advantage. Also, financial inclusion programs do not seem to be a concern of banks [Barrier 6.5; Figure 5].

- The research demonstrates that the banks have the concern of maintaining good relations with the migrants' associations and the Diaspora, mainly through philanthropic contributions and a few dispersed and uncoordinated marketing actions.

- The research shows that there is a "gap" [Barriers 6.1 and 6.3; Figure 5], resulting from the lack of communication and cooperation with other stakeholders, being visible a *divorce* between banks and findings and statistics, namely of international institutions. This has also an impact in the banks' actions addressing informal channels and contributing actively to move remittances to formal channels.

3.6 Sub-Circle 2: Gaps 6 and 7, overlapping Gap 5 in Sub-Circle 1

3.6.1 Barrier/Gap 6 - Economic development of host and origin countries

Conceptual framework: Stakeholders´ unawareness of banking products and Remittances/investment impact on economies

The Focus 2 – CSR/Financial integration and CSR/Environment – Organisational and Managerial Context, addresses the SQ 2: “A business banking strategy for migrants’ business segment, based on corporate social responsibility financial integration and sustainability: business leverage or business constraint?” for which we draw two RQ.

RQ 2.1 relating to the migrants’ and their families financial integration at both ends of the *corridor*: “Should banks address proactively both ends (origin and host countries) of the migrant needs in a social responsible manner and promote sustainability?” And, RQ 2.2: “What priority and importance do the various stakeholders involved give to these issues?”

The focus of the previous section 3.5.5. - “*Bankarization,* Impact of AML & KYC and Financial Integration”, was on emigrants and their families; this section will analyze the results of the qualitative research relating to the impact that the money flows could have in the origin country, as well as its impact in the sustainability/economic development. The RQ 2.2 has the objective of researching the priority and importance that the banks give to the incorporation of CSR concepts in the sustainability at the origin countries. Figure 5 summarizes the Barriers/Gaps 5.1, 5.2, 6.2 and 6.3 identified in Document 2 and researched in this and in the previous section.

The research showed that one of the main reasons that influence the decision of migrating is related to the improvement of the financial and economic situation of the migrant. Martin says that [migrants are] *people that look for better conditions of living* *in another country,* which confirms the view of Gil that they immigrate *in pursuit of a better life for them* [the immigrants] *or their families… and* [also because] *of economic circumstances, while* John refers that *you talk about people that migrate from developing countries to developed countries where the labor, not specialized, has a higher value than at the origin country and because of this, that immigrant can materialize his dreams.* This links the remittances' flows to the impact in the economies of the host and origin countries, as we will research below.

Focusing on the results of the research as it relates to the sustainability and economic impact, *you can see the importance that the remittances have in the financial context of an economy and, this is an example, of the way remittances can support and be a tool to support the economy at a particular moment* (John). *From a macroeconomic standpoint, it's definitely very important – although more important for the origin countries* (David).

The awareness of banks to the remittances business [RQ 1.2; Figure 2] was very important, as we can conclude from the statements of Anthony and Peter quoted here. Asked when it was the first time they had contact with the remittances world, Anthony said that it *started in my days as a student, with the "current invisibles" in the balance of payments. Then, going to my professional life, I would start talking about remittances in Madeira, as responsible for the migrant business in our bank.*

Peter said that the *first time I heard the word remittances was, maybe, in 1972. Remittances in Portugal were used to pay for the oil. At the bank, the remittances' department was very, very important; maybe the most important in the international area.* Gil refers that *the Portuguese society, for quite a long time, was heavily dependent on the remittances' flows, due to the specific nature of the macroeconomic circumstances in Portugal.*

[Remittances] *always has been a very important element to fund the deficits that the Portuguese economy has suffered systematically* (David). *We were able to use consistently the remittances' flows. We issued debt in foreign countries, and leveraged* *this amount five or six times to be able to raise foreign currency to support the foreign trade in* [my country] (John).

We should stress that back then, the importance of the remittances was mainly to capture liquidity and foreign exchange for the countries to have means to pay for the imports. Today the situation is different in terms of capturing foreign currency, but this very same situation is applicable to developing countries. The subject of "liquidity" [RQ 3.1; Figure 2] is applicable to both developed and developing countries, as the research shows.

As examples of the importance referred by John and David before, the results of the research justify the reasons for the statements made. *When you think about migration and remittances, everything is linked to an economic point of view* (Peter). David makes the link to the balance of payments saying that *from a macroeconomic standpoint, these remittances, that economists define as "unilateral transfers" in the balance of payments, are a very important element in some economies*, and John says that [Remittances] *were used to guarantee the issuance of foreign bonds.*

It's certainly very important for those countries that have external imbalances such as Portugal, but more recently, for Mexico, for instance; even for Ukraine, that has experienced severe external imbalances recently (David). *Our immigrants in Japan remit annually around USD 6 billion back to Latin America.* [My country] *was a country with a strong need for US dollars and those flows were very important for* [the country] (John).

There are huge flows of money resulting from remittances around the world and, as you know, those flows of money are very important for many countries, as it was the situation in [my country] *until very recently* (John). *Amounts of several billions of dollars* [the remittances] *that Ukrainian's immigrants transfer every year to Ukraine; if Ukraine didn't have access to these funds, their problem would be much deeper* (David).

The migrants' influence at the origin country's economy, also come up in the research. Louis says that immigrants *keep responsibilities, both on the social and the financial sides, towards their families at their origin countries, as well as have the wish of making investments at their origin country, namely to build their houses, which makes them save money and send it back home* (Martin). *The creation of certain incentive's plan, incentives to projects regarding North African communities* [immigrated] *in the Southern European, still lacks a lot of development to actually be a serious thing.* Martin says that *our practices and concerns were towards the economic and financial development of the Portuguese communities there.*

Another issue that can impact the economic development at the origin countries relates to the need to retain savings at the host country. *Suddenly they* [the immigrants] *were confronted with the second or third generations and maybe didn't really want to go back; suddenly the money has to stay at* [the host] *country* [to] *finance their lives there* (Gil). *Having his life in a certain country and his own country* [leads to the] *materialization of the economic relation of a migrant* (Louis). *Somebody has needs to fulfil at his origin country… hope of getting some money and construct a life in their home country* (Gil).

From the qualitative research performed, we can make the following conclusions, when connecting the SQ, the RQ and the Barriers/gaps identified in the critical literature review [Barriers 5.1, 5.2, 6.2 and 6.3; Figure 5] and the results of the research:

- Some of the interviewees, although recognizing the importance of the impact of the remittances in the economy of the origin country, did not mention any action or role that they think their banks could play in it [Barrier 5.2; Figure 5]. It seems that basically, it results from the lack of communication and coordination between international institutions and banking system to ensure that banks know and adopt their recommendations.

  Barriers 6.2 and 6.3 (Figure 5) are also linked to the issue identified before, relating to the actions the banks could take to move remittances from informal to formal channels, which is included in the conclusions in the previous section.

- The research also shows that remittances have a large potential to contribute to the economic and financial development of recipient countries, if the authorities and the banks leverage the estimated future flows of remittances and use it as a collateral to issue sovereign and private debt [Barrier 5.1; Figure 5]. It seems that one reason for this, could be a bank not having operations or agreements at the host and origin countries.

3.6.2 Barrier/Gap 7 - Move Migrants' Remittances from informal to formal channels

Conceptual framework: Informal channels do not provide a portfolio of products. Promotion of non-compliant activities

This section involves part of the research covered by the RQ 1.2: "Which impact the demographic trends and changes will have on the banking industry?" and part of the RQ 2.1, "Should banks address proactively both ends (origin and host countries) of the migrants' needs in a social responsible manner and promote sustainability?"

Also, the barriers/gaps that resulted from the critical literature review connect the research findings of section 3.5.5. – *"Bankarization,* impact of AML & KYC and financial integration" and this one, mainly in the findings related to the AML & NYC barriers, that the research shows is a serious obstacle to move remittances from informal to formal channels.

The impact that the demographic trends and changes, relating to migration, can have in the banking industry is relevant and influences directly issues of *bankarization* and the use of informal channels that, although it is outside the scope of the DBA, we decided to include some relevant parts in the critical literature review performed in Document 2, as it is an important issue for the migrants' financial integration and the banking system, if the volumes that flow through them are captured to the formal banking system (Ferraz, 2009: 73-4). Gil refers the difficulties that a recently arrived immigrant faces:

> *When they* [the immigrants] *arrive to a specific country, they have very specific needs that you* [the banks] *have to address. Migrants maybe tempted to use other type of channels than the formal banking channel… just because of all the regulations the money basically doesn't flow so easily… and there are all kinds of regulatory restrictions… There are alternative methods to send money abroad… of course we're aware that there are informal channels. By education,*

by basically adding additional products, we can make sure that they came to the banks.

The research findings on *bankarization* and financial integration, namely the ones related to the AML & NYC seem to be a serious barrier to move remittances from informal to formal channels. It is easier to use informal channels or channels not supervised by the authorities, where an immigrant does not need even to have a bank account.

Also the pricing of sending a remittance through informal channels seems to be lower than sending it through the formal channels [Barriers 6.2 and 6.3; Figure 5]. *The authorities control and monitor very closely, mainly when have the idea that remittances are done through informal channel. Many times the clients keep physical money at home… Banks are more aware and comply with the rules…* [Post offices] *are not supervised by the authorities; they are not as demanding in terms of compliance* (Martin). *Some are informal and non-supervised institutions, and that increases the competition. These operators offer better commissions to the immigrants* (John).

We cannot break those rules but, obviously, we would like to give to our clients the best service we can (Martin). *When regulations are produced should be non-discriminative against the immigrants. In Portugal, there are still some obstacles that preclude an ideal level of bankarization of the immigrants* (David).

Gil advocates that if the immigrants know the bank, they would chose that channel: *make sure* [to avoid the use of informal channels] *that the communities are aware that we* [the bank] *exist, that we have a good service, that we can offer the service both at originating and receiving sides.* Louis expresses a different reason for the use of the informal channels, one that was identified in the critical literature review in Document 2, as a potential reason for the use of informal channels on informal remittances' channel (Ferraz, 2009: 91-4).

For certain countries [informal channels] *are very important, they are the most important. Why? Because, there is no banking offer. As long as the banking offer* *increases, those informal channels will tend to go down; it's for sure! A* view shared by Peter saying that [an African bank] *asked me to promote and to establish ways to make "remittances'" easier, to allow the families* [in Africa] *to receive the remittances as quickly as possible.*

David talks about a barrier that was identified in the critical literature review, relating to the inexistence of networks covering regions and towns where migrants live:

> *We are trying to deal with the situation that, we believe, is a little bit more complex, which is the huge number of immigrants that are not bankarized yet. Very, very large! When the communities are concentrated in the large cities, it is relatively easy but, when you talk about thousands of people spread all over the countries, there are a lot that are not bankarized.*

This seems to raise a conflict of interest: how to reach those immigrants at the host country and their families at the origin country, if the bank does not have a network? Is it preferable to use informal channels to satisfy the financial needs of those people or forbid them? It seems that the banking system does not feel the obligation of addressing this issue. David said in a statement included in this Document, relating to the duties of the international institutions: *they* [international institutions] *have realized that they have to do more about this topic, because this is very important for the financial stability,* while Louis says that *is a field where governments have to do work. Very little is done in EU!*

However, when the research covers the actions the bank could or should take to move remittances to formal channels, we will repeat a statement of Gil: *there are some concerns as regards to financial integration, but I would say the main purpose is, of course, the business logic*, a statement that places the recommendations of international institutions in a low priority –and, as the research seems to demonstrate, not a priority at all- [Barriers 6.3 and 6.5; Figure 5].

Martin says that *many times, we could be seen as a kind of a consulate; we would support the migrants in small things, like preparing basic documents, to help their* *integration*, but it seems to be a sporadic action, not established in a structured fashion. Also the statement of Mary, an interviewee that is a branch manager, about informal channels: *no, I don’t have any knowledge about that* [use informal channels] *and I don't know if there are remittances going through unauthorized, informal channels.* This reinforces the results of the research showing that management do not establish commercial procedures and practices to be followed by the networks that deal permanently with clients. In Document 5 we will cover this topic, mainly when dealing with RQ 3.2.

From the qualitative research performed, we can take the following conclusions, when connecting the SQ, the RQ and the Barriers/“gaps” identified in the critical literature review [Barriers 6.1 through 6.5; Figure 5] and the results of the research:

- The awareness of banks for the issues relating to the volumes that flow through the informal channels is low and does not constitute a priority. The research seems to demonstrate also that the banks limit their role to treat the formal channels flows and make an effort to have available products (and very little services) to help integrating the immigrants that already have the residence permit. [Barriers 6.2 and 6.3; Figure 5].

- This matter is also linked to the financial literacy as a financial inclusion tool, which does not seem also to be a concern of banks. Also, undocumented and illegal immigrants represent an important source of informal remittances. The critical literature review identified few situations using the expression “financial integration”; when it is used, its meaning seems far from covering financial inclusion concepts [Barriers 6.4 and 6.5; Figure 5].

4 Conclusions and themes for further research

The paragraphs covering the conclusions and themes for further research include an explanation connecting the strategic questions, research questions and barriers/gaps identified in Document 2 and its impact in the qualitative research. We also identified in Figure 2 – "SQ, RQ and Qualitative and Quantitative Research Plan distributed by Documents", the plan for the quantitative research to be conducted in Document 4, as well as some findings that will be qualitatively researched in Document 5.

As it relates to the conclusions covering the results of the research, as well as the themes for further research, we decided to include them in each section where the research results were discussed. We thought this would facilitate the review of the document by the Supervisors and would allow for a smoother and better understanding of the global results of the qualitative research.

We also would say that the interviews were used to gather *perceptions* and not to perform an analysis of the *language* used, as discussed in more detail at the beginning of the document. However, we prepared the chart included in the Figure 6 below, showing the perception of the interviewer about the interviewee's *warranted knowledge* and *judgment on claims and/or evidence*, which resulted from the qualitative research. We admit that this is a subjective analysis, but it could help understanding the deepness of the research carried, as well as the adequacy of the profile of the interviewees selected for the research and the validity of the results.

	"Mind the Gaps": Gaps´ numbers included in Figure 5						
Interviewee	1	2	3	4	5	6	7
Gil	◑	◔	◔	◑	◕	◔	◑
Louis	◕	◕	◔	◑	◕	◕	◑
Martin	◑	◕	◔	◑	◑	◑	◔
Peter	◑	◑	◔	◕	◑	◑	◔
David	◔	◕	◔	◑	◑	◑	◔
Mary	◔	◕	◔	◕	◕	◔	○
John	◑	●	●	◑	◑	◕	◕
Anthony	◑	◑	◔	◔	◔	◔	◑

○ ◔ ◑ ◕ ●
Low → High

Figure 6 - Interviewer's perception of interviewees' *warranted knowledge* and *judgment on claims and/or evidence*

As a generic note about the qualitative research supported by this document, we think that the results of the interviews were in line or even above our expectations, both in terms of the confirmation of the barriers and "gaps" identified in the critical literature review, and some relevant new findings, as well as issues that will be considered in the development, mainly in Document 5.

Appendix 1 - Identification and summary of tape recording, transcriptions, and language details of the interviews, as well as word counting

			ORIGINAL TAPE DETAILS			ENGLISH			PORTUGUESE (Original)				Words' Count		
Tape Nº	Name	Interview Language	Tape File	Data	Time	Size (min.)	Transcription	Nº Pages	Size in Portuguese (min.)	Size in English (min.)	Transcription	Nº Pages	Original	1st Selection	Final Selection
1	Gil	ENG	WA550015.WMA	11-02-2010	18:05	66:30	Doc3_015_Gil.doc	18					9.514	3.723	2.356
2	Louis	ENG	WA550016.WMA	14-02-2010	10:27	60:49	Doc3_016_Louis.doc	16					7.053	2.228	1.775
3	Martin	PORT	WA550017.WMA WA550025.WMA	16-02-2010	10:49				55:57	65:34	Doc3_025_Martin.doc	14	6.348	1.916	1.529
4	Peter	ENG	WA550019.WMA	18-02-2010	18:06	46:44	Doc3_019_Peter.doc	13					4.858	1.826	1.521
5	David	ENG	WA550020.WMA	19-02-2010	12:52	58:35	Doc3_020_David.doc	14					6.026	2.191	1.788
6	Mary	PORT	WA550022.WMA WA550028.WMA	22-02-2010	10:03				22:56	27:10	Doc3_028_Mary.doc	8	3.046	1.192	840
7	John	PORT	WA550023.WMA WA550026.WMA	23-02-2010	15:54				49:39	64:33	Doc3_026_John.doc	14	6.491	2.023	1.762
8	Anthony	PORT	WA550024.WMA WA550027.WMA	23-02-2010	18:56					45:22	Doc3_027_Anthony.doc	11	5.074	1.781	1.648
						3h 52m			2h 08m	**3h 22m**			**48.410**	**16.880**	**13.219**
										7h 14m					

Appendix 2 – Letter to the interviewees

Lisbon,

Duarte Pitta Ferraz is conducting a research at the Nottingham Trent University whose purpose is "the analysis of the migrants' business segment in the banking system".

During this research project, banking managers will be interviewed and the interviews will be tape-recorded. If, during the interview, you do not feel comfortable, please let the interviewer know, that you would rather not answer to the question. We should stress that only the Interviewer and the Supervisors will have access to the tape recordings.

Every participant in this research project will be asked to give written consent to participating, before it begins. Participation is voluntary and is appreciated. If you have any questions before, during and after the interviews, you should not hesitate in contact the interviewer.

Each participant will be informed about the data that will be collected, using audio means. All the data will be destroyed after the project is completed. Before that, the collected data will be treated anonymously. All names and organizations will be changed. Normally, only the researcher and his Supervisors will have access to the transcripts, although under exceptional circumstances they may need to be viewed as part of the examination process. In all cases, those who have access will do so in order to ensure that the overall project meets academic standards and they will themselves be bound to maintain strict confidentiality.

Every participant has the right to withdraw from this project, without having to give any reasons for withdrawing. Under these circumstances, the data provide by this participant will be not be considered and will be destroyed. If you wish to withdraw you should contact the interviewer or, in alternative, the supervisors.

I can be contacted by e-mail: duarte.ferraz@hotmail.com

Supervisors:
Professor Alistair Mutch (alistair.mutch@ntu.ac.uk)
Professor Colin Fisher (colin.fisher@ntu.ac.uk)
Nottingham Trent University
Burton Street
Nottingham NG1 4BU

Appendix 3 – Consent Form

CONSENT FORM

Name of site:

Please read and confirm your consent to being interviewed for this project by initialling the appropriate box and signing and dating this form

1. I confirm that the purpose of the project has been explained to me, that I have been given information about it in writing, and that I have had the opportunity to ask questions about the research ☐

2. I understand that my participation is voluntary, and that I am free to withdraw at any time without giving any reason and without any implications for my legal rights ☐

3 I give permission for the interview to be tape-recorded, on the understanding that the tape will be destroyed at the end of the project ☐

4. I agree to take part in this project ☐

______________________	__________	__________________
Name of respondent	Date	Signature
Duarte Pitta Ferraz Researcher taking consent	__________ Date	__________________ Signature

Researcher contact details: Duarte Pitta Ferraz, e-mail: duarte.ferraz@hotmail.com, Mobile: +351 96 400 2 800

Supervisors contact details: Professor Alistair Mutch (alistair.mutch@ntu.ac.uk) and Professor Colin Fisher (colin.fisher@ntu.ac.uk), Nottingham Business School, Nottingham Trent University. Burton Street, Nottingham NG1 4BU, United Kingdom

Appendix 4 – Guide for the interviews in English

Good morning/good afternoon

QUESTION 1

I would like to thank you for your availability for this interview, during which we will talk openly about matters and activities that are linked to our professional activities.

The interview will not have rigid rules. We should regard it as a conversation between 2 professionals, with a similar activity, in which we will touch matters without the constraint of having preformatted and much focused questions that would impose on you the answer to a specific matter.

Actually, before we go to the main subjects I would like to ask you to tell me, in a general fashion, as a Banker (or banking employee), when you hear the word "Remittances", what images, opinions, business opportunities or other matters come to your mind?

TOPICS:

- If in the answer the word "**Migration**" is referred, I will ask the interviewee to go deeper into it.
- If in the answer the word "**Migration**" is not referred, I will go back to it:
- Still talking about "**Remittances**", if you link it to the word "**Migrants**", I would like you to let me know what comes to your mind… I would ask you to

tell me what comes to your mind as a result of the association of these two words: **Remittances and Migration**?

- What do you think about the actions, general policies and recommendations of **international institutions** like the World Bank, the IMF, G-8 or UNESCO, on the subjects of Remittances and Migrants?

QUESTION 2

Now, I would like to change a little the focus of our conversation and ask you to be more specific and detailed about the **Remittances' business segment**, i.e., the migrants (emigrants and immigrants), about the relevance, importance and impact of the **money flows generated by the migrants**, at both the origin and the host countries…, as well as in a global fashion, what is the importance that you think the retail banks in general (in the world) attribute to this business segment at the **host and the origin countries.** I also would like you to let me know what comes to your mind on these matters, specifically about the Portuguese Banks…

TOPICS:

- Would you let me know the idea you have about the **number of migrants** in the world, EU or Portugal?
- Would you let me know the idea you have about the estimated **volume of money flows** generated by migrants in the world and in Portugal?
- Being **financial stability** currently a concern of the central banks, would you let me know what do you think is the importance these flows (Remittances) could represent for the stability of the financial system?
- What do you think about the **profitability** of the Remittances? …And **Migrants' business segment**? Would you let me know about your perception of this business segment, namely on the **under-explored potential** it has?

- **International institutions** (WB, IMF, UNESCO, Universities…) publish papers, statistics and other material about Migrants… what are the current **practices and policies of your bank** in systematically analyzing them.

- Also, in adopting the practices recommended at those **international forums** about migrants.

QUESTION 3

Now I would like to ask you to talk about the thoughts you have in relation to the **type of banks** that have a specific business area **dedicated to the migrants** business (emigrants and immigrants),… what are the **limitations and constraints** in addressing this type of business resulting from the type of bank (retail, investment, small versus large branch network), the dimension and consequently the potential of the Migrants' business, the **geographical** context, the **cultural** specificities of a particular migrant community (e.g., the use of **informal channels**)… and **other** related topics to this…

TOPICS:

- Barriers the banks have in **servicing migrants** (emigrants and immigrants);
- Do you think the banks have **geographical strategies** (at both sides of the "corridors", i.e., at the host and origin countries) or **cultural strategies**? Or otherwise this business segment should be addressed and treated as similar **business segments** (mass market, affluent market or private banking)?
- Talk to me about the strategy to be followed, if any, at both the **origin and the host countries**… would you talk to me about the **business potential** you believe exists if this is done.
- Is your bank aware of the volumes of Remittances that flow through **informal channels** and if so, what are you doing to attract them to the formal financial system?

QUESTION 4

Now I would like that you to talk to me about matters linked to the **strategy** followed to address the Remittances and/or Migrants' business segment, namely in terms of the banking **business segmentation** under the point of view of the offer to this market niche, as well as the **portfolio of products** to answer the **migrants' financial and non-financial needs**… including also the way the bank cover the needs of the different **life cycles** of the migrants to answer current and future needs and **financial integration**… and other topics that you think are important in this area.

TOPICS:

- Which practices in terms of **customer segmentation**, on the side of the **product offer and client segmentation**, are effectively being followed?
- How does your bank ensure that is aware of the **financial needs of the migrants**, on the side of the **product demand**, and which systems are in place to ensure that this awareness is effectively maintained?
- What are the policies at your bank to ensure that the Remittances are used as an **anchor** and leveraged to **cross-sell** other products?
- Tell me examples of products that are specifically conceived to answer the business segments identified by you and how they answer the financial needs and **migrants and their families** and contribute to their **financial integration**? At both the host and the origin countries?
- What do you think about involving other **stakeholders** (migrants associations, Diaspora, banks at the other extreme of the corridor) when developing the strategic product offer?
- What are the practices and what do you think they should be, in terms of **specific actions** to be implemented, both at the origin and the host country?

QUESTION 5

To conclude, I would like to ask you to talk about the **corporate social responsibility** of your bank in terms of the inclusion of values, changes in policies, procedures and other specific actions in the development of products to be offered to migrants and their families… i.e., the practices your bank follows to support a better integration, namely the **financial integration**, of the **migrants and their families** through their ***bankarization*** and other financial integration mechanisms… also, how do you communicate with the migrants and their families… whatever occurs to you on this matter of corporate social responsibility.

TOPICS:

- Would you give me **examples of values** that are considered by your bank?
- Which **specific products** designed for migrants and their families **include corporate social responsibility values** and examples of them?
- What is the **way you integrate these values** in the products designed to migrants and their families?
- What are the practices of your bank in terms of **communicating** properly with migrants and their families, at both the host and the origin countries?

Appendix 5 – Guide for the interviews in Portuguese

Bom dia / Boa tarde

QUESTÃO 1

Começo por lhe agradecer a sua disponibilidade para esta entrevista em que iremos falar abertamente de assuntos e actividades que têm a ver com o nosso dia-a-dia profissional.

Esta entrevista não tem regras precisas, é mais uma conversa entre pessoas com uma actividade profissional semelhante, em que abordaremos temas sem o constrangimento de ter que abordar questões precisas decorrentes de perguntas muito dirigidas.

Aliás, antes de começar propriamente com o cerne da nossa conversa, gostaria que me falasse, de uma forma geral, o que lhe ocorre a propósito do que lhe sugere a palavra "remessas" ("**Remittances**"), enfim que imagens, opiniões ou oportunidades de negócio lhe vêm ao espírito ao ouvir a a palavra "remessas".

INSTRUÇÃO:

Se na resposta surge o tema **Migração** pedir para aprofundar;

Se na resposta não surge o tema **migração** relançar:

- Ainda a propósito desta palavra "**Remessas**" se lhe associar a palavra "**migrantes**", o que é que lhe ocorre dizer … enfim peço-lhe que diga tudo o que para si resulta desta associação entre as palavras "**Remessas" e "Migrantes**".

- O que pensa sobre as acções, politicas gerais e recomendações das instituições internacionais, como o Banco Mundial, FMI, G-8 ou a UNESCO, sobre os temas de Remessas e Migrantes?

QUESTÃO 2

Falemos então mais profundamente do segmento do negócio bancário das remessas dos emigrantes, sobre a importância dos movimentos financeiros com origem nos emigrantes e sobre a importância que, de um modo geral, os bancos atribuem a este negócio, enfim sobre tudo o que lhe ocorre dizer a este propósito, tanto a nível mundial, como especificamente no que diz respeito a Portugal …

INSTRUÇÕES

- Número de emigrantes e de imigrantes a nível mundial e em Portugal;
- Estimativa dos volumes de remessas a nível mundial e de e para Portugal;
- Importância das remessas dos emigrantes para a estabilidade do sistema financeiro;
- As remessas dos emigrantes são vistas como um produto financeiro sub-explorado;
- Prática e rotina de utilização de informação estatística sobre emigração
- Resultados de discussões em fora internacionais sobre migrações.

QUESTÃO 3

Falemos então da ideia que tem em relação ao tipo de bancos que tem uma área especificamente dedicada ao negócio da emigração, … se existem condicionantes relativas à dimensão do banco, à dimensão do negócio, ao contexto geográfico, ao contexto cultural… enfim tudo o que pensa sobre este assunto.

INSTRUÇÕES:

- Barreiras à prestação de serviços financeiros a emigrantes e a imigrantes;
- Existem estratégias geográficas ou culturais específicas para o negócio das remessas de emigrantes ou o negócio deve ser tratado de forma genérica;

- Prestação de serviços nos países de acolhimento e nos países de origem;
- Pedia-lhe que agora me falasse sobre a estratégia que é seguida, tanto no **pais de origem como no pais de destino**... poderia falar-me do potencial de negócio que poderá existir se a cobertura do negócio de migrantes for feita em ambos os lados dos “corredores”.

QUESTÃO 4

Falemos então das questões de estratégia do negócio das remessas de emigrantes, das questões de segmentação na óptica da oferta neste mercado e de diversificação de produtos em resposta à análise da procura dos migrantes … enfim dos ciclos de vida e dos níveis de riqueza dos emigrantes e das necessidades que estes possam sentir face às suas vivências e projectos de vida futura … enfim tudo o que lhe ocorrer dizer sobre este assunto.

INSTRUÇÕES:

- Quais as práticas e critérios de segmentação (lado da oferta) efectivamente praticados;
- Quais as práticas e critérios de diversificação de produto (lado da procura) efectivamente praticados;
- Quais os tipos de produtos efectivamente concebidos para responder aos segmentos identificados ou às necessidades sentidas pelos migrantes e suas famílias;
- Qual as práticas diferenciadas, em termos de actividade concreta no terreno, entre países de acolhimento e países de origem.
- Existem práticas de “cross-selling” usando como base o negócio das “remessas” de emigrantes.
- O seu banco tem procedimentos e políticas eu assegurem que as Remessas de Migrantes são utilizadas como uma ancora para potenciar a venda e o cross-selling de outros produtos?

QUESTÃO 5

Para terminar peço-lhe que aborde a questão dos valores da responsabilidade social do seu banco a serem presentes no desenvolvimento de produtos destinados a migrantes e suas famílias … enfim quanto às práticas que possibilitem uma melhor integração social dos migrantes através da sua bancarização e demais mecanismos de integração financeira … enfim tudo o que lhe ocorre dizer a este propósito.

INSTRUÇÕES:

- Quais os valores de responsabilidade social considerados;
- Quais os produtos destinados a migrantes que integram esses valores;
- Qual a forma como são integrados nos produtos destinados a migrantes;
- Quais as práticas de comunicação do banco destinada especificamente a migrantes.

Muito obrigado.

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NOTTINGHAM BUSINESS SCHOOL

NOTTINGHAM TRENT UNIVERSITY

Doctor of Business Administration

DOCUMENT 4

STRUCTURED AND QUANTITATIVE RESEARCH

4 January 2011

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DBA COHORT 10 – 2009/2012

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List of Figures

Abbreviations

BIS - Bank of International Settlements

BdE - Banco de España (*Central Bank of Spain*)

BdP - Banco de Portugal (*Central Bank of Portugal*)

CEBS - Committee of European Banking Supervisors

GFSR - Global Financial Stability Report

CSR - Corporate Social Responsibility

DNA - Deoxyribonucleico Acid

EA - Euro Area

EA-16 - Euro Area's 16 countries

EC - European Commission

ECB - European Central Bank

EU - European Union

EU-27 - European Union's 27 countries

EU MS - European Union's Member States

FED – USA Federal Reserve

IAD - Inter-American Dialogue

IFAD - International Fund for Agricultural Development

IMF - International Monetary Fund

INE - Instituto Nacional de Estatística (*Portuguese National Statistics Institute*)

MIF - Multilateral Investment Fund

Migration DRC - Development Research Centre on Migration, Globalisation and Poverty

MS – Member State

MTO - Money Transfer Operator

OECD - Organisation for Economic Co-operation and Development

PSP - Payment Service Provider

QL - Qualitative

QT - Quantitative

RQ - Research Question

SQ - Strategic Question

UNESCO - United Nations Educational, Scientific and Cultural Organization

WB - The World Bank

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1 Conceptual Framework, SQ and RQ, research documents' allocation, barriers/gaps and key words

1.1 Conceptual framework summary

This section summarizes the conceptual framework and the strategic and research questions that will be object of quantitative research.

The conceptual framework chart (Appendix 1) named "A virtuous circle at both ends of the *corridor*", was drawn based on the fact that migration has always impacted the financial world, as migrants remit money through the financial system; this is linked to the fact that only relatively recently, the financial system started drawing its attention to this business segment. Papademetriou (2007: 1) writes that international migration affects almost all countries and globalization can be considered the result of the increasing ability of people, merchandising and money to flow easier.

The conceptual framework chart was conceived as a "virtuous" circle including the connection and interlink of two sub-circles: one focused on the financial world and another, which although focused on a "world" external to the banks, can be strongly influenced by them. At the bottom of the conceptual framework, we drew a "two-way" arrow indicating that the concepts and interlinking conceptual flows interconnecting the boxes, indicated with arrows, conceptualize that the "path" of the conceptual framework, could be considered at both the origin and the host countries. This is particularly important in the quantitative research included in Document 4, as well as the analysis of the *corridors* that link a country to other countries in terms of people and remittances' flows.

In summary, the dynamic conceptual framework chart represents the flow of a process that should enable us to consider designing alternatives to theorize *business models* that banks could adopt, supporting them in the *flows of people* –the customers- and in the *flows of money*

–the remittances- to influence and improve the banks' *financial stability* focused on the *liquidity* migrants are able to generate, as well as improve *profitability*, as the result of servicing migrants through coordinated banking system networks at both ends of the *corridor*, i.e., at the host and origin countries, requiring the improvement namely the communication levels between international institutions and banks, as well as *cross-selling* strategies to *migrants*.

The other flow of the conceptual framework includes the idea of *improving liquidity levels and financial stability through migrants' flows*. The banking system is one of the most important vehicles, if not the most important, with a worldwide network and an infrastructure with the capability of moving money and information around in a safe, secure and trustable fashion. The critical literature review in Document 2 showed that there is a potential contribution that migrants can make to the financial system's stability, because of the relevance of increasing of volumes' money flows and its tendency to maintain that trend. Also, the international institutions publish recommendations on migrants, about which, the critical literature review revealed that the banks are not fully aware and, therefore, do neither adopt and follow them nor leverage it in their business benefit, namely to improve *liquidity* levels and *profitability*.

Below, we outline the research questions and objectives established to allow answers and conclusions to the inter-linking themes/strategic questions. For Focus 1 – Migration Flows – Demographic and Social - macroeconomics environment, there is one strategic question: *What strategic decisions should banks make about how to meet profitably the financial needs of migrants?* The importance of this SQ relates to the fact that strategic decisions taken by banks usually are analytical and dependent on the size of business and profits that a particular market niche could bring. Therefore, it is critical in the decision process for developing a migrants' business division to have a view and a conclusion about the *demographic trends* and *remittances flows* that would be the basis and sustainability of that business.

These trends will include an analysis of the secondary data available of the last 10 to 40 years, and the trends and/or forecasts that this secondary data allow to project to answer the RQ, covering a 3-year period (2010 and 2012). The first part will have the objective of reaching a conclusion on the size of an effective potential market available to banks and, the second part, will allow for a conclusion on the potential growth, considering in the analysis the impact that a financial and/or an economic crisis may have at both the *people's flows* and the *remittances' flows.*

1.2 Documents' allocation of SQ and RQ

As discussed in detail in Document 2, the strategic questions are allocated into three inter-linking themes/strategic questions, from which a number of research questions arise. They are as follows:

INTER-LINKING THEMES/STRATEGIC QUESTIONS	FROM THESE A NUMBER OF RESEARCH QUESTIONS AND OBJECTIVES ARISE	DOCUMENT				
		5	4	3	2	1
Focus 1 Migrant Flows - Demographic and Social - macro economics Environment						
1. What strategic decisions should bank make about how to meet profitably the financial needs of migrants?	1.1 What demographic trends or changes are happening?	QT	4	4	4	4
	1.2 Which impact demographic trends and changes will have on the banking industry?	QT+QL	3 + 4	3 + 4	3 + 4	3 + 4
Focus 2 CSR/ financial integration & CS/environmental impact - Organizational and Managerial Context						
2. A business banking strategy for migrants' business segment, based on corporate social responsibility/financial integration and sustainability: business leverage or a business constraint?	2.1 Should banks address proactively both ends (Origin and Host Countries) of the migrant needs in a social responsible manner and promote sustainability?	QL	3	3	3	3
	2.2 What priority and importance do the various stakeholders involved give to these issues?	QL	3 + 5	3 + 5	3 + 5	3
Focus 3 Financial /market System Needs, Client Needs - Managerial Operational Strategy						
3. How to improve financial stability and increase profitability in an increasingly competitive market relating to migrants' business?	3.1 What are the problems concerning financial stability at the banking level liquidity and at the economic level?	QL+QT	3 + 4	3 + 4	3	4
	3.2 What options do the banks have in meeting this market's needs, what do the potential customers want, what is the evaluation of different banking models to address profitably the migrants' needs?	QL	3 + 5	3 + 5	3 + 5	3

Figure 1 – SQ, RQ, QL and QT research plan distributed by documents

From these SQ and RQ developed in Document 1 (Ferraz, 2009: 29), we defined and reviewed in Document 2 the academic and business literature and researched the conclusions and different positions qualitatively in Document 3, discussing the different methodologies and, identifying the methodology and methods that we will adopt.

In Figure 1, we include in the right column, indicated as "Document", the research allocation of the SQ and RQ to the different Documents of the DBA. This column shows now adjustments resulting from the advice of my Supervisors, as well as of results, conclusions and/or needs for more research in the different Documents. The main changes in the allocation of the RQ among them –therefore between qualitative and quantitative research-relate and are justified as follows:

- In Document 1, we planned to research quantitatively RQ 3.1. However it emerged in the qualitative research, as a concern and important topic for the interviewees, mainly in the connection between *financial stability* and *liquidity*. Therefore and although already object of qualitative research, we will also perform quantitative research about it to complement the qualitative conclusions of RQ 3.1 in Document 3.
- As a result of the quantitative research of Document 4, we also concluded that the components of the concept of *financial stability* have been enlarged, namely relating to the countries' *sovereign risk* as debt markets' appetite for certain banks and countries, facing difficulties in the public finances, as well as the conscience recently acquired by the central banks and other supervisory authorities to this matter. To achieve this objective, we will use *secondary data* to conclude on the importance of *liquidity* and the overall contribution the migrants' business –namely the *money flows*- could have.
- In Document 1, we planned to research RQ 2.2 qualitatively relating to the *stakeholders* selected. However, after consulting with the Supervisors, we decided to concentrate in Document 3 the *stakeholder* "bankers/banking managers" and research the other stakeholders considered to be object of research, specifically representatives of international institutions and diaspora associations, in Document 5.

The Focus 1 of the interlinking themes/strategic questions relating to the demographic and social macroeconomics environment is covered in Document 4 – Quantitative Research, where we will research, namely the *volumes* of people and *money flows* related to migration. The quantitative research that will be performed in this Document should answer the SQ 1, for which we drafted the RQ 1.1 and 1.2, as well as RQ 3.1 (Figure 1), which is one of the RQ of SQ 3, as explained below and that was also object of qualitative research in Document 3 (Ferraz, 2010b: 29).

Having to conclude on SQ 1: *What strategic decisions should the banks make about how to meet profitably the financial needs of migrants?* We developed two RQ as follows:

- What demographic trends or changes are happening? [RQ1.1]

- Which impact will demographic trends and changes have on the banking industry? [RQ 1.2]

Additionally, our interest in the financial industry, specifically on the retail banking industry, led us to develop a third inter-linking theme/strategic question, included in Focus 3-Financial/market System Needs, Client Needs-Managerial Operational Strategy, which has the following strategic question [SQ 3]: *What should the banking industry do, through the migrant business segment, to increase financial stability and profitability in an increasingly competitive market relating to migrants' business?* For this SQ, we developed RQ 3.1, that will be also quantitatively researched, which is as follows:

- *What are the problems concerning financial stability at the bank level and at the economic level?*

The research and analysis of the migrants' flows are the basis for the quantitative research of the impact that these flows of people and money [RQ 1.1 and 1.2: Figure 1] have in the financial industry. On the other hand, *financial stability* [RQ 3.1; Figure 1] is dependent on *liquidity*, as it is the basis and the corner-stone of financial industry, to which the migrants can contribute if a conceptual framework for a *business model* is properly designed, developed and executed.

The reason for opting to include in Document 4 the quantitative research of the *financial stability* with the *people and remittances' flows* is due to the links between *flows of money* and *financial stability*, their similarity of sources, as well as because they are areas that overlap and interlink, as they have the same *DNA nature*. We will research and analyze the importance of the impact of *liquidity* for the *stability* of banking system, and the role that the migrants could play as a source of *liquidity* if this business segment is properly addressed, as well as research the attention that the supervision authorities pay to monitoring the *financial stability* issues after the 2007 financial and economic crisis.

Another angle of this subject is a *gap* identified in the critical literature review, and in the qualitative research, where we concluded that there is a significant increase of immigrants in countries that traditionally were emigrants' countries, like Portugal and Spain or countries like United Kingdom and Ireland, where their immigrants' origin countries base (e.g., EU and Eastern Europe countries) are currently showing a shifting in terms of the former immigrants' origin countries (e.g., Asia and Middle East).

This *gap* in [Barriers 4.1 and 6.2, Figure 5 (Ferraz, 2010b: 62)] relates to the immigrants' business, where most interviewees considered this area as a business area with high growth potential, although the research showed that the immigrants are basically served, with few exceptions, as any other customer and not with a specific focus in integrating them financially, having as a result the intention of liquidity and the cross-selling, at both the origin and the host countries.

These *flows of people* will be addressed quantitatively in this Document through the analysis of secondary data; we think that it seems relevant, as a result of the qualitative research carried on this SQ and RQ, mainly in terms of the opportunity potential they can represent for the financial system (Ferraz, 2010b: 46).

1.3 Barriers and/or *gaps* and key words

The "key words" identified in the literature review that are applicable to the quantitative research are: migrants, emigrants and immigrants, money flows, remittances, international institutions, liquidity and financial stability, *corridor*, origin and host countries and *bankarization*.

Figure 2 below indicates the number of the barrier, the relevant boxes of the conceptual framework (Appendix 1) for the quantitative research, the summary description of the *Barrier* and/or *Gap* and the *key words* identified in the research.

Barrier	**Conceptual Framework**	***Summary description of Barrier* and/or *Gap***	**Key words**
1	Improved *liquidity* levels and *financial stability* through migrants' flows Improved profitability of banks at host and origin countries	Banks' unawareness of: 1. **Migrants' *money flows*'** volumes, **liquidity** impact and ***corridors*** (Ferraz, 2009, 24). 2. Contribution migrants' business could make to the **financial stability** (Ferraz, 2009: 29-30, 88).	Migrants Liquidity *Corridor* Money's flows Financial stability
2	Economic development of host and origin countries Move migrants remittances from informal to formal channels	1. Lack of a joint strategy between the monetary supervisory authorities and banks. If the remitting and recipient countries cooperate, they could leverage the potential of **remittances** improving **liquidity** (Ferraz, 2009: 24, 29-30). 2. Lack of **communication and coordination** between **international institutions** and banking system to ensure that banks (that own formal networks to transmit remittances) know and adopt their recommendations and are aware of the relevant publications and migration (Ferraz, 2009: 32, 38-40, 57).	Remittances International institutions Communication and coordination

Barrier	**Conceptual Framework**	***Summary description of Barrier* and/or *Gap***	**Key words**
3	Move migrants remittances from informal to formal channels	1. Lack of **communication** among stakeholders (e.g., scholars, international institutions, diaspora, migrants associations and banks), being visible a *divorce* of findings, statistics, international institutions, scholars and banks (Ferraz, 2009: 38, 40, 45). 2. Banking industry does not consider systematically the recommendations published by international institutions (e.g., WB, IMF, G-8, UN) of being innovative, in financial integration (***bankarization***) and apply CSR as a competitive advantage (Ferraz, 2009: 57).	*Bankarization* Formal channels Informal channels

Figure 2 – Summary of conceptual framework, barriers and/or gaps and key words

1.4 Relevant definitions for the quantitative research

To frame the quantitative research and analysis of the people and remittances flows, we will summarize the relevant definitions related to migrants and remittances.

There are several criteria for the concept and definition of a “migrant”. The key criteria for the definition is the “country of residence”, i.e., a person that lives in a country other than the one of his/her nationality for a stable period of time (UN, 1998: 61 and WB, 2008). UNESCO (2009) considers an additional characteristic for a “migrant” to be classified as such, a criteria of “some significant ties” to the host country, as well as that the decision of migrating was taken freely, which excludes any movements of people for unwanted reasons. The OECD (2010b) database includes only the permanent immigrants at the host countries, excluding other type of immigrants.

The qualification of “immigrant” and “emigrant” is applied to the same person. This person is an immigrant at the host country (country of residence) and an emigrant at his origin country (country of birth). That is one reason why we will use generally the word “migrant”, which covers both qualities of one person. A relevant component of the definition of migrant is the concept of “residence stability”, which usually is considered by the banking sector that should be over one year. Also, on the opposite side, after a long period of residence, the migrant may become naturally a “new-resident” (or a “new-citizen” through a legal naturalization process) and the statistics have difficulties in identifying this population segment, as we will discuss ahead.

Any type of forced migrants, tourists, students, diplomats and expatriates, as well as national-migrants within a country, will not be within the scope of the DBA. The UN (2006: 68) says that the “intention” to return home -also defined as “return migration”- happens when emigrants reestablish themselves at the origin countries; this can also be a factor to consider in the definition of a migrant, as it impacts the statistics on flows of people and remittances. We can also say that, the definition of “migrant” varies among organizations, stressing different factors for its definition and therefore impacting the statistics’ accuracy. Because of this, in the next paragraphs, we will define the concept that better frames with precision the one used for the quantitative research.

The word "migrant" can be used with the same meaning of the word "immigrant" or "emigrant". However for the purpose of the DBA, we will use the words with the following meaning:

- The word "migrant" covers both qualities of a person that does not live in the country where he/she was born, i.e., emigrant and immigrant, from the perspective of the country of origin or destination, respectively;
- From the point of view of origin country an "emigrant" is a person that lives in a country, which is not the country of birth, seen from the perspective of the country where he/she was born;
- From the point of view of the host country, an "immigrant" is a person that lives in a country that it is not the country of birth, independently of having the nationality of the country where he/she lives.

Focusing now on the definition of *remittance*, the BIS (2007: 54) defines an "international remittance transfer", also denominated "remittance transfer", as a cross-border, individual-to-individual, transfer of money originated by a migrant. For statistical purposes and the quantitative analysis performed in this Document, remittances' transfers are not differentiated from other low-value cross-border transfers -including small payments to/and from businesses-, because the remittances firms would be unable to identify that they are person-to-person (BIS, 2007: 6) or even are willing to do so, as it would not add any value in business terms profitability.

Also, it is not likely that the authorities, central banks and financial institutions go down to the detail of finding, when processing a transfer to a foreign country, the final purpose of it. Therefore, the definition of remittance includes the transfers from the host to the origin countries, independently of the destination of them, being basically a transfer of money from one country to another by migrants [(E)+(Im) migrants].

For the banking system, a remittance is an "operational process" divided in two transactions: the "funding transaction" and the "payment transaction" (Khdiri, 2009). The recorded remittances made through the formal financial channels are money transfers made through banks, PSP and MTO. The difference among these types of institutions is that the first two hold bank accounts of the individuals and withdraws money from their bank accounts to execute a remittance, while a MTO does not have individual bank accounts and therefore handles the cash to make the transfer (BIS, 2007: 54).

The definition of remittances was developed to reflect the “payment system” aspects of a “remittance” (BIS, 2007: 6) and is a key factor to accumulate data on migration, as it impacts the way they are reflected (or not) in the statistical database. It is also important to limit the concept to “international remittances”, as they are the ones reflected in the countries’ statistics.

Keeping reliable data on the financial flows generated by cross-border is the basis for understanding a phenomenon that shows increasing importance for the developing and developed countries, as well as the basis for the analytical research of the potential this business could have for the financial system in terms of financial stability and profitability.

2 Quantitative research based on secondary data sources

2.1 Leveraging the use of secondary data

NBS (2010: 2) establishes as learning objectives for Document 4 the methodological implications of the hypothetical-deductive system of research, the development of competence in the use of survey based research methods and the awareness of statistical and psychological issues, concerning the interpretation of quantitative research data.

Fisher (2010: 2) recommends that the student should research and report upon a RQ, from within a broad topic or theme, that can best be answered by taking a quantitative approach. Also, the student should be able to show competence in quantitative and 'scientific' approaches, must involve numbers, ideally with a realist approach presenting hypotheses and graphs. This part of the Project was developed when preparing the SQ and the RQ in Document 1. As it can be seen in Section 1.2 – Documents' allocation of SQ and RQ, we identified carefully RQ that would require specifically quantitative research, which is reflected in RQ 1.1, 1.2 and 3.1.

In this section we will analyze the results of the literature review about secondary data, within the objectives established for Document 4, as well as the reasons for the use of secondary data to answer the RQ. To achieve this objective, we read and study several academics that researched, treated and theorized this matter. The results of the critical literature review will be found along the Project, when a particular situation would apply to the theories around it.

About data and data collection, Morris (2008: 39) says that a researcher should choose between the use of primary and secondary data and decide which type adjusts better to the objectives of the research being carried, define the methods used in the selection, comment about their advantages and disadvantages, identify the main sources of published statistical data, make use of the internet to access and search for it, as well show the awareness of the potential and problems of electronic data collection.

The RQs (Figure 1) imply the use of "massive" data, specifically volumes of *flows of people and remittances* over several years, as well as information about areas related to *financial stability* (e.g., public debt, deficit, GDP, sovereign risk, stress tests), mainly published by international institutions, central banks, banking system and statistical organizations. This seems to justify the use of secondary data in the quantitative research. Bryman (2007: 326-8) says that secondary data is collected by an individual or entity, different from the one that analyses it. Over the continuous process of consultation with my Supervisors, the recommendation was that the RQ of our Project should direct us to the use of secondary data.

The researcher will find secondary sources with a lot of data, already quantified, with features communicated effectively. Quantitative methods offer a lot when dealing with large amounts of data. Morris (2008: 458) stresses that statistics are concerned with data in bulk and not with one-off situation, while Bryman (2007: 325-6) expresses another angle for this matter saying that large amounts of quantitative data are collected by different organizations, including governmental departments presented in a statistical form and available for researchers. In business management, it is growing in interest among researchers, as it allows for drawing conclusions related to the business world. This argument is an important reason that justifies the use of secondary data for the research to be carried in Document 4.

Buglear (2005: 599) teaches that a literature survey should verify the published material and how it would fit the nature and scope of the research that the student will carry. The data that is available is the result of the collection and analysis of someone else, i.e., *second hand* data, which is denominated technically as secondary data. However, independently of using primary or secondary data, serious consideration should be given to the way the analysis will be delivered. Because of this warning, we will use the secondary data as the basis for the quantitative research, but we will be critical in its analysis and in the conclusions, independently of the conclusion the researchers of the primary data reached.

2.2 Secondary data: advantages and disadvantages considering the SQ and RQ

One of the learning outcomes of Document 4 should be the ability of the student to recognize the uses, abuses and limitations of quantitative research methods, identify opportunities for the use of mathematical and statistics and be able to identify their strengths and limitations (NBS, 2010: 2).

Quantitative research comprises the collection of numerical data and the establishment of a relationship between theory and research as *deductive-approach*, with the focus placed in the testing of theories (Bryman, 2007: 28, 154), which will be the focus of Document 4, while, in broad terms, Document 3 focused on the *qualitative research* placing the emphases on *inductive-approach* with the objective of generating theories.

Sayer (1992: 200) alerts to the fact that the exaggeration of the power of quantitative methods is frequently associated with methodological tendencies of *deductivism*, which subordinates non-logical forms of reasoning to deductive logic and order regularities based on theories of interpretation. In the development of the DBA, we will ensure that *deductivism* will be applied and used with criteria and in a critical fashion, avoiding biased conclusions that may result from accidental exaggeration, limitations or distortion of the statistics.

How a researcher collects data depends on the objectives one has in mind; *primary* data is the data found by the researcher, the only one that he/she can be sure fits the requirements; anything else obtained from published sources is *secondary*. Within this, we have the official statistics published by governmental or non-governmental organizations, which often have the disadvantage of being periodical and tend to be over six months old (Morris, 2008: 44). However, one should recognize that only large organizations or the governments have access to information that a researcher is unable to reach and/or build, not only because of the lack of means, but also for legal restrictions in accessing it.

Bryman (2007: 328) enumerates several advantages and benefits for the use of secondary data. One of them is the access to good-quality data for a small fraction of the resources that collecting primary data would involve and, another is that the data sets are of high quality, due to rigorous sampling procedures applied; in most cases this data is produced by experienced and high skilled researchers and that these organizations have controls procedures and structures in place that allow for maintaining the quality of emerging data.

The main reasons to use secondary sources of data are justified by its existence and because they add contextual aspect. Secondary data also has some caveats and, therefore to ensure its reliability, it requires a critical approach in identifying the scientific prestige of the individual or institution that collects it, what was the purpose for its collection and how it was collected (Buglear, 2010). One of the elements relating to reliability and validity of the data, as well as the scientific level of the methodologies and methods adopted, is linked to the sources of the secondary data.

In our Project, we collected data from scientifically respectable international institutions, like the WB, the IMF, UNESCO, Eurostat and central banks of countries recognized as adopting and following quality standards to accumulate data. In spite of this, we decided to include in the next section the research of the limitations of secondary data relating to flows of people and remittances.

Being a valid alternative to collect primary data is another advantage of secondary data, and therefore business researchers should considered its analysis; it also frees up time that can be better utilized in the research project analyzing and interpreting it (Bryman, 2007: 326-8). As referred before, we should underline that the massive amount of information available and required to perform the quantitative research for the DBA would be very difficult to be conducted by an individual –the student- as it requires a very large database and the accumulation of information for long periods of time, as we will demonstrate ahead in the document, a task that in practice only an organization with substantial means can perform.

The arguments in favor of the use of secondary data enumerated in the previous paragraphs are complemented by other relevant arguments. The migrants' money flows materialize into *remittances*, for which there is secondary data published, namely by international institutions, central banks, border control authorities and statistic public institutions, as a *Remittance* is a basic concept to understand the following:

- It is one of the few *historical data* available in the countries' statistics that allows for the correlation directly to migrants *versus* macro and microeconomic variables, at both the host and the origin countries.
- For international organizations and countries, the *remittances' statistics* are historically the ones that are officially recorded and maintained.
- The "global banking network system", as the banking core business is based on *money* and a *remittance* is a *cash transaction*.

About disadvantages, Buglear (2005: 603) alerts for the risk that the researcher may find that the secondary data available may not fit the requirements of the research. However, based on the critical literature review performed on this subject, as well as on the secondary data already extracted from different sources for analysis, allowed us to conclude that most of the it could be used easily, as the amount of information in the databases is detailed, covers the world and the most important *corridors*, as well as other relevant statistics. Consequently, the secondary data found fits the objectives of the RQs, allowing for the use of the relevant part of it.

Sayer (1992: 200) alerts and criticizes that users of mathematical models tend to reify human practice and behavior making a mechanical and regular interpretation instead of considering that human behavior is usually contingent and liable to transformation, while Morris (2008: 42-3) considers that at the top of the hierarchy of measurement scales is what the common knowledge understands as *measurement*, i.e., quantities that can be assigned to a numerical scale.

Quantities that can be measured numerically and have different values for people or items are usually defined as *variables*, because their value varies from one item to another. *Official statistics* are an important subdivision of this category. Sayer (1992: 200) and Morris (2008: 42-3) introduce the "human factor" into the concept of measurement introducing the concept of *variable*. These theories are interesting, relevant and we see them applicable to, mainly, RQ 3.1, as the "contribution to financial stability" of migrants remittances' flows need to consider and analyze a *puzzle of variables* that, analyzed individually, may seem to have no impact in the *financial stability*, but when interconnected and linked, lead us to conclusions that using only one *variable* –that sometimes could be seen or overlapping the concept of *qualitative analysis*- would not be considered as part of a quantitative analysis performed.

In conclusion we would say that the advantages of the secondary data utilization clearly exceeds the disadvantages, mainly if the student is able to analyse it adopting a critical interpretative approach, review the results and frame the conclusions within a solid and unbiased analysis, which constitutes a primary objective of the DBA.

2.3 Limitations of secondary data relating to flows of people and remittances

One issue related to the statistics [people and remittances' flows] is the confidence one can have in its accuracy. Papademetriou (2007; 11) identifies problems that influence negatively the accurate estimate of migrants' flows, namely who to include in the migrants' definition, how to count them and the flows of illegal migrants. Also, Buglear (2005: 599-600) alerts that the researcher should caution the readers about its validity and explain and discuss any evolution on the data collected, which would reduce its usefulness.

In this section, we will specifically focus on the limitations of the secondary data relating to the *flows of people* and *remittances* and we will take into consideration this fact that can influence negatively the *validity construction, confidence* and the *interpretation* of the findings, when the analysis is performed.

International institutions are involved in initiatives to improve the knowledge of migrant populations. Statistics on migrants and remittances are far from perfect, although the measures taken by institutions will very likely improve them (Comini, 2009; 31). The impact of migration at destination countries is sometimes difficult to determine, mainly because it is an area where the lack of data constrains the analysis (Shaw, 2007; 1). For example, in the EU, the objective of freedom of movement and work established by the Schengen Agreement (removal of borders' controls among EU countries) (Migrationsverket, 2009; 1-2), can impact negatively the accuracy of the statistics.

This is an area where improvements could be made (namely in the *consistency's* criteria) if it would be possible to control better the migration movements within EU. However, this potential statistics' inaccuracy is mitigated by the fact that a citizen of an EU MS can automatically become a resident of another EU MS, being enough the registration within the migration authorities and the tax administration. For the same reasons, when a resident decides to leave the host country, namely for tax reasons, it is very likely that the immigrant would cancel those registrations and therefore, the statistics on the people flows would reflect these flows more accurately. On the other hand, the improvement of statistics on migration was addressed by the EC, putting pressure on MS to implement regulations (Appendix 3) that require the data supply on migration flows to a MS, including extensive detailed identification of stocks, individuals with residence in the MS, as well as data about asylum seekers (subject that is outside the scope of the research) and residence permits issued to third country residents. The results of these measures will start having results at the end of 2009.

However, we should underline that the concern of the authorities and international institutions in keeping accurate and updated records is high. On the other hand, considering migration outside the Schengen Agreement zone there is a stronger control over migration, basically due to the fact that immigrants have to register when crossing the borders and when requiring a residence visa. This fact impacts also positively the accuracy of the statistics.

However, it is widely admitted that official data underestimate the size of remittances, one reason being the utilization of informal channels (Shaw, 2007; 3). Because of the lack of data, the total value of remittances to developing countries is very likely under-estimated (de Luna Martinez, 2005; 30). As referred in more detail in this section, the informal remittances are outside the scope of this Project; however, as we considered in Document 2 –critical literature review- that this matter, although not relevant it was important, mainly due to the volumes that are transferred through informal channels, as well as the *bankarization* objective of the international institutions, we include in Appendix 2 - "*Informal channels* summary based on Document 2 research".

One relevant topic in the use of the secondary data for the purposes of the DBA could be the difficulty in making cross-cultural comparisons using official statistics that are collected at national level, which may or may not represent a limitation. Bryman (2007: 333) alerts that when the countries fail to measure consistently the full effects of a particular fact, is the criteria adopted by the different countries using different thresholds to include information and changes in the way figures are recorded. These differences lead some countries to report statistics inconsistently, simply because different methods are used to compile them in individual countries. This limitation demands a degree of attention and caution when a researcher performs a cross-cultural comparison.

Although the Project covers the migration phenomenon, it is focused on flows of money and people. The cross-cultural issue may relate basically to the “attitude” that impacts the decision of remitting or not money back to the origin country. When we discuss particularly the relations between volumes of migrants and volumes of remittances, and correlate them, we will perform a critical judgment about the reasons why it happens.

Comini (2009; 17) warns that there are the different sources in collecting data. The receiving country sometimes has better statistics than the sending one, especially if the government maintains strong currency exchange controls; but even in these countries, informal exchange markets will escape, and the fact that some receiving countries do not have well developed statistics. In spite of Cominis’ criticism, the statistics in EU seem to be more accurate concerning the movements of people, although it may have a less rigorous control over the migrants’ financial flows, mainly in the EA, due to the euro common currency.

Going back to the issue of *validity*, Fisher (2010: 22) recommends that the researcher should: *construct validity* questioning if a measure “measures” what it should measure; analyse the *internal validity* and conclude about the cause/effect warranted; ensure *external/population validity* in terms of the generalization of the conclusions to the targeted population; and conclude on its *validity* analysing the potential of extrapolating the conclusions.

Statistics on migration are a big challenge, as a number of countries’ data on migration and remittances can be of low quality, although other side of this argument is that is better data of low quality than no data and the increased awareness about its importance has resulted into efforts to improve its collection (Comini, 2009; 3). This concern is in line with the concern and commitment of international organizations on this matter, as immigrants are *an inbound flow of people* that the authorities are concerned in controlling, while emigrants represent an *in-bound flow of money* that the authorities are concerned in controlling. Statistically, we observe that the same person has a different treatment when seen from the side of the host country (control over *flows of immigrants*) or from the side of the origin country (control over *flows of money*) [SQ 1 and RQ 1.1].

Another aspect of this matter is the existence of informal channels. Although they are outside the scope of the DBA (Ferraz: 2010: 91-4), they are important as we concluded that volumes of *informal remittances* could reach approximately 50% of the amounts remitted through formal channels, representing at least another USD 150 billion of remittances a year; if this volume of informal remittances were *bankarized*, the banking system would attract an additional large volume of *liquidity*. The critical literature review in Document 2 covered this matter (Appendix 2 of Document 4 includes a summary of it), discussing the amounts involved that are not considered in the secondary data.

One other matter relates to the fact that retail banks do not follow the same standards and criteria to collect and report data on migrants' remittances and, probably often do not distinguish a remittance from a commercial payment or from a wire credit transfer; for instance, a teller or a back-office bank's employee may not collect the data with rigor to reflect the type of transfer that he/she is treating. This also impacts negatively the accuracy of statistics reported to central banks and ultimately by international institutions. Appendix 3 includes a summary of the "Literature review on informal remittances' channels" of Document 2, with measures to improve reporting by the financial system, a fact that was recognized recently as a limitation, among the participants in the discussion.

3 *Quantitative research of the people and remittances' flows relating to SQ 1*

3.1 Introduction

This section of Document 4 will cover the research of the first inter-linking theme/strategic question, included in Focus 1- *Migration Flows – demographics and social macroeconomics environment*, for which the SQ 1 is the following: *What strategic decisions should banks make about how to meet profitably the financial needs of migrants?* Having in mind this SQ to answer, two RQ arouse: *What demographic trends or changes are happening?* [RQ 1.1] and *which impact will demographic trends and changes have on the banking industry?* [RQ 1.2].

In the critical literature review we concluded that the migration flows are significant and increasing steadily; the research also showed that many major financial institutions do not realize or identify the potential of approaching the migrants' financial needs in a structured fashion. This matter encompasses the possibility of servicing the migrants' needs at the origin and host countries, namely in their financial integration and support channeling the "savings" to the origin country, while maintaining a business relation at the host country.

As a reminder, we will recap the qualitative research's conclusions, pointing out that most banks do not identify and address the specific needs of the immigrant's communities, as the offer, in most situations, is the same as for the customers in general and, therefore, not focused on migrants. Another relevant conclusion identified in the qualitative research relates to the potential that leveraging the networks to serve immigrants of other nationalities at the host countries, as well as servicing the immigrants at their origin country could represent for the banking industry (Ferraz, 2010b: 83-4).

The quantitative investigation methodology should be used when there is a number of reasons that justifies it as a part of the project, namely when the researcher needs figures to support a line of argument based on qualitative grounds (Morris, 2008: 458). Usually banks make strategic decisions based on the potential size of a particular business segment they envisage; concluding on this analytical process, we decided to research the size of the people and remittances' flows [RQ 1.1 and 1.2] to allow for an analysis that would lead the student to conclude about the potential that the migrants' market niche can represent. This analytical decision process is supported by the process described by Buglear (2005: 597-8) saying that managing the quantitative research includes the planning of the research work to be carried, the identifications of the data to be used, gather and use of secondary data and present the results effectively, as well as the evaluation of the resources that the Researcher may have at his disposal.

Based on this, it is critical in the decision process about the *strategic decisions banks could make about how to meet profitably the financial needs of migrants* [SQ 1] to have a view and a conclusion about demographic and remittances' flows and trends. This will include an analysis of a statistical significant number of years. The databases that allow public access, make available sufficient data for long periods, that, in most situations, are appropriate and allow to achieve the objectives of the RQ, specifically to conclude on the size of the effective potential this market already has available to banks and on the potential growth, if a particular bank decides to address the migrants' business market in a structured fashion.

The research plan will support the objectives established by NBS (2010: 2) namely that the researcher should be able to identify research hypotheses, design structured research tools, analyze quantitative date, look for pattern and significance in quantitative data and overview research methods.

3.2 Secondary sources used in the research *versus* RQs

Following the recommendation of Buglear (2007: 599), we opted for choosing prestigious sources for the secondary data used in the research (RQ 1.1 and 1.2, respectively, *what demographic trends or changes are happening?* and *which impact will demographic trends and changes have on the banking industry?*) containing public databases or reports, specifically the WB, IMF, Eurostat, OECD, ECB, BdP and INE.

We concluded that there are some concerns about the standards to ensure the accuracy of the statistics of people and remittances' flows. The accuracy varies from country to country, but in economic and/or political unions, like EU, as well as in developed countries, the statistics reflect a situation that should be closer to reality than in certain developing countries or geographic regions.

Validity is linked to the possibility of an indicator not being able to measure a concept and therefore, a researcher should ensure that a particular measure reflects the content of the concept or, estimates and constructs validity of a measure to deduce hypotheses from a theory relevant for the concept (Bryman, 2007: 165). Even if, because of the limitation mentioned before, we assume a *diametrical-opposite* conclusion as a result of the data's analysis, i.e., that statistics do not reflect the reality in a fashion that the *validity* of the analysis' conclusions, and/or the application of an *extrapolation* criteria would lead to different conclusions, we should stress that the volumes are sufficient large to ensure a high *latitude* or *margin of error* that justifies the conclusions about formal channels and the estimates about informal channels. This seems to demonstrate the relevance of the impact of migration in the global society and in the financial system, due to the volumes involved.

The understanding of the changes and trends of migration will be evaluated in a *hypothetico-deductive* perspective, as it presents a frame about the situation over the past, and will specifically focus in the most important countries and regions for Portuguese migration. We will research and analyze it on a global fashion and then will focus specifically on Portuguese situation.

Fisher (2010: 6) teaches that the stages of the *hypothetico-deductive* approach include: fixing the focus of the research, develop conceptual frameworks based on which the researcher can develop testable hypotheses using a number of measurable variables, perform the research collecting data on the variables identified and finally analyse the data to conclude if the hypothesis stands or falls. The student followed this recommended methodology along the research project, developing a *conceptual framework* (Appendix 1), developed the *hypotheses* to test with *measurable variables* (people and remittances' flows and correlation of these flows to the financial and economic situation in particular regions or countries) to reach a *conclusion* on the potential impact that the flows of people and remittances could have in the banking system of countries with relevant *corridors.*

3.3 *People's flows*

3.3.1 Global flows and stocks of immigrants

As it relates to the secondary data sources used, we will research the OECD international migration database. The information concerns to the *flows and stocks of immigrants* and its purpose is to describe the "immigrant" population [SQ 1 and RQ 1.1 and 1.2]. Appendix 5 includes a summary of the methodology, limitations and mitigating controls. In a summary fashion, the data is based on the contributions of OECD's national correspondents, a network that constitutes a reporting system on migration and tries to present consistent and well-documented statistics.

OCDE (2010b) reports that this data have not necessarily been harmonized at international level, as there are limitations on the comparability of statistics of the database, as they vary across countries (e.g., variety of sources, criteria for registering population and the residence permits' granting). Migration DRC (2010) warns that counting *illegal immigrants* (counted only through censuses or regularization programs) is difficult, and it includes only a fraction of *illegal immigrants* not reflecting this immigration segment accurately.

The authorities try to control flows of people in –immigrants- but still the reality shows that a significant number of immigrants are not included in the statistics, as recognized by Migration DRC (2010). Comini (2009; 3) uses a very interesting statement about the migration's statistics: "People move, statistics lag behind", saying also that statistics on migration are a big challenge, as a significant number of countries' data on migration are unavailable or of low quality, although, one could counter argue that is better data of low quality than no data.

Based on the database resident in Migration DRC (2010), we prepared the Figure 3 below [RQ 1.1] identifying the main host and origin countries of migrants, at the end of 2007; the countries are listed in decreasing order of the top 25 *Inflows* and *outflows* in percentage of migrants. They are as follows:

Country	Outflow (%)
Russian Federation	6,89
Mexico	5,77
India	5,16
Bangladesh	3,89
Ukraine	3,35
China	3,31
United Kingdom	2,39
Germany	2,32
Kazakhstan	2,05
Pakistan	1,95
Philippines	1,93
Italy	1,87
Turkey	1,72
Afghanistan	1,49
Morocco	1,47
Uzbekistan	1,34
United States of America	1,28
Egypt	1,24
Poland	1,18
Algeria	1,18
Viet Nam	1,14
Portugal	1,13
Indonesia	1,04
France	1,02
Belarus	1,02

Country	Inflow (%)
United States of America	19,71
Russian Federation	6,82
Germany	5,2
Ukraine	3,95
France	3,57
India	3,57
Canada	3,25
Saudi Arabia	2,99
United Kingdom	2,77
Australia	2,41
Pakistan	2,41
Kazakhstan	1,72
Hong Kong	1,54
Cote d'Ivoire	1,33
Iran, Islamic Republic of	1,32
Spain	1,24
Israel	1,13
Jordan	1,11
United Arab Emirates	1,09
Malaysia	0,99
Palestinian Territory, Occupied	0,95
Italy	0,93
Netherlands	0,92
Switzerland	0,89
Argentina	0,87

Figure 3 – Inflows and outflows' top 25 countries in percentage of migrants

The results of the analysis are as follows:

- The three largest countries of emigration are: Russia (6.89%), Mexico (5.77%) and India (5.16%), totaling 17.81% of the *outflows of emigrants* in the world;
- The three most frequent host countries are: USA (19.71%), Russia (6.82%) and Germany (5.20%), representing 31.73% of the total *inflows of immigrants*;
- Portugal holds the 22nd position in terms of origin country (1.13%) and 51st in terms of host country. It is relevant to mention that the population of Portugal is approximately

10 million people, being estimated that another 5 million people (first and second generations) are emigrated, although statistics show less than 50% of that number.

Based on this analysis, we can conclude [RQ 1.1] that migration continues to be a phenomenon that affects all countries in the world and the motivation that influences people to move is still present and has been consistent along the years, continuing even during periods of crisis.

The detailed data related to the stocks of immigrants in selected OECD countries, covering the period between 1998 and 2007 is as follows:

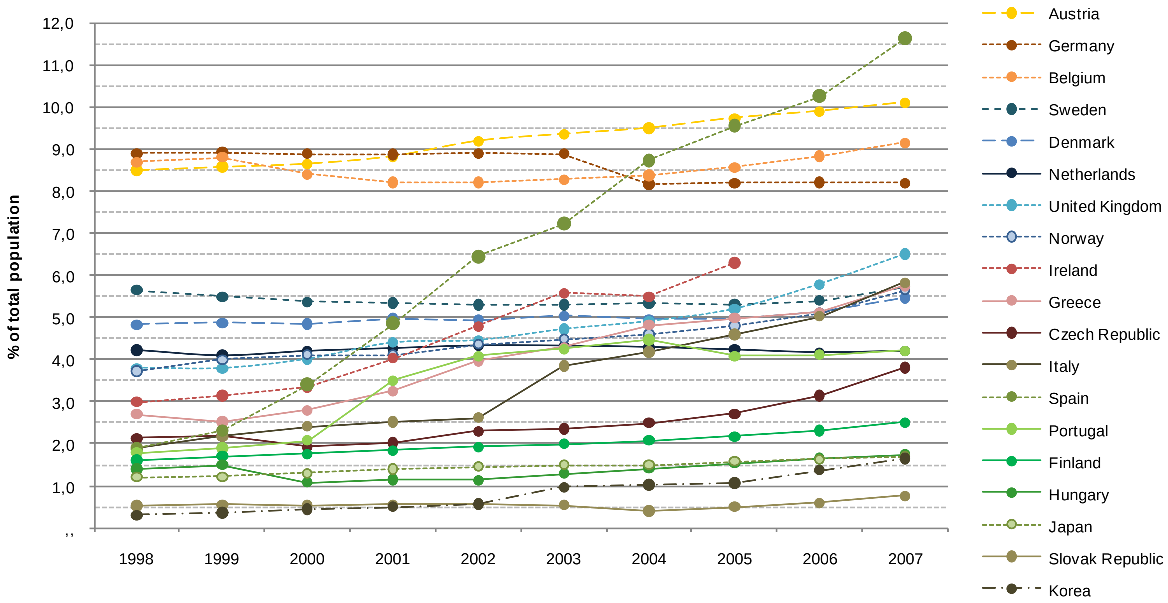


Figure 4 - Stocks of immigrants in selected OECD countries

Due to the number of countries included in the Figure above and the colours available to use in the graph, it difficult to read and consequently to analyse, as well as it includes countries that are not relevant as Portuguese *corridors*. However, we decided to present this graph, as it shows, in an *overall basis* and with a quick glance, the consistent increase of the migrant population. After this global analysis, we prepared another two graphs (Section 3.3.2.), including relevant Portuguese *corridors*, for further research.

Even with the “visual” limitation mentioned in the previous paragraph, in that Figure, we can see that almost all countries show a consistent increase, in the percentage of immigrants *versus* the total population [RQ 1.1 and 1.2], along the 9-year period under research (1998-2007). Globally, we concluded:

- Immigrants in 2007 represented between 8 and 12% of the population of Spain, Austria, Belgium and Germany;
- Immigrants in 2007 represent between 4 and 8% of the population of Portugal, UK, Ireland, Greece, Italy, Denmark, Sweden and Netherlands;
- Immigrants in 1998, represented 35% and 20%, respectively of the habitants of Luxemburg and Switzerland, reason for which we decided not to include them in the graph, as they show percentages well above the average of other countries, which would distort the other flows in the graph.
  This percentage of Portuguese immigrants in Luxemburg and Switzerland shows the relevance of immigrants in these particular countries, which have very important *corridors* with Portugal.

Figure 4 above shows a continued trend in the increased number of immigrants in 20 selected OECD countries, as well as an increase in the percentage migrants represent of the national population for the period between 1998 and 2007. We should mention a limitation relating to France, which is a very important *corridor* for Portugal and Poland that does not disclose data for the *time series* considered.

It is also relevant to note that the highest migration rate started in 2000 –the year in which the Euro currency was introduced in eight countries, including Portugal, Spain, Ireland, Italy and Greece. Portugal shows a significant increase between 2000 and 2003 in the percentage of immigrants, increasing from 2.1% to 4.3%.

This increase in the percentage of immigrants may be justified by the concession by EU of funds for the infrastructures’ modernization and construction, with a consequent increase in public investment, which was facilitated by the opening of the borders stated in the Schengen Agreement (Ferraz, 2010a: 15-6). This point of view is shared by Ratha (2010a, 7-8) saying that the ability of workers to move within the EU allows for an easier move in-and-out the countries, giving Russia as an example, as this country, having a relatively porous border with neighboring countries, facilitates migrants to move in-and-out frequently.

Another conclusion in the same direction, based on the Ratha's (2010a, 7-8) quantitative analysis, relates to the EU, due to the relatively integrated labour markets, where migration is more responsive to economic cycles of the host and origin countries. Ratha points the example of remittances' flows to Poland and Romania that fell in 2008 and 2009, explaining that this sharp decline was partly justified by the weak labour markets in Spain and Italy, but also because of ability of workers within the EU to easily move in-and-out the countries in response to changes in labour demand.

The main conclusion to take from these figures is that migration continues to be a reality that clearly is projected into the future. Globalization, easy transportation, countries that offer better conditions of living continue to attract people from all social origins and professional levels.

As it relates to the limitations relating to the accuracy of statistics discussed before, even assuming a diametrical-opposite conclusion as a result of the data's analysis, i.e., that statistics do not reflect the reality in a fashion that the validity of the analysis' conclusions, would lead to different conclusions, we underline that the volumes are sufficient large to ensure a *high latitude* that justifies the conclusions that seem to demonstrate the relevance of the impact of migration in the global society and in the financial system, due to the flows and volumes of people involved [SQ 1 and RQ 1.1 and 1.2].

3.3.2 Portuguese *corridors*: flows and stocks of migrants

To complement the global flows' secondary data analysis, we present below Figures 5 and 6 showing the percentage and stocks of immigrants in selected Portuguese *corridors* with OECD countries, for a period of 9 years (1999-2008), with the objective of taking conclusions about the importance of those Portuguese *corridors*, as well as about the size of the immigrant and emigrant populations involving Portugal.

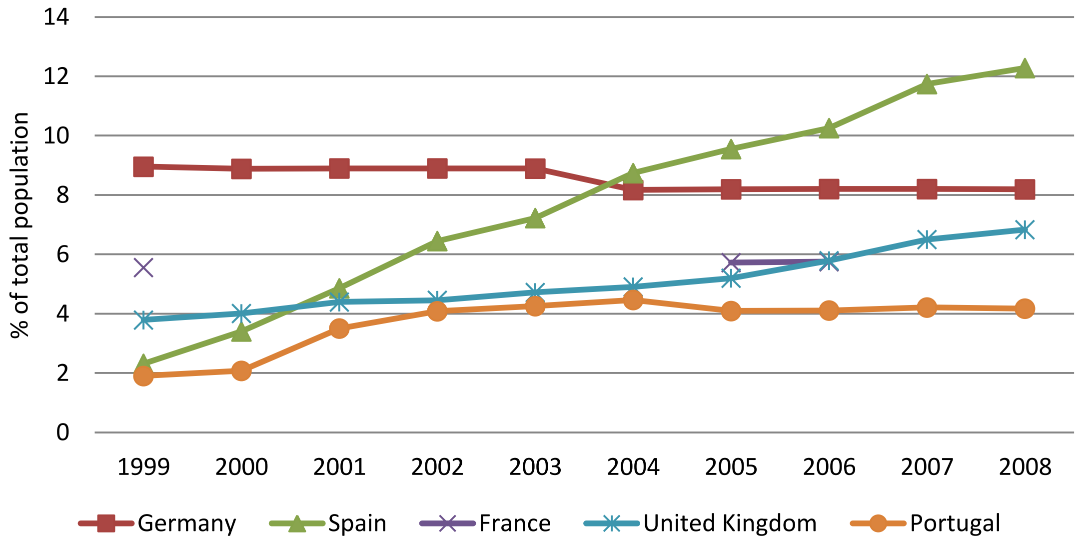


Figure 5 - Percentage of immigrants in relevant Portuguese *corridors*

Starting with the analysis of the percentage of the total population that *legal immigrants* represent, we should stress that for Portugal, Germany, Spain, UK and France (although we do not have data available for all the *time series* of France) the trend of growth or the maintenance of a flat percentage is evident and represents between 4 and 12% of these countries' population [RA 1.1].

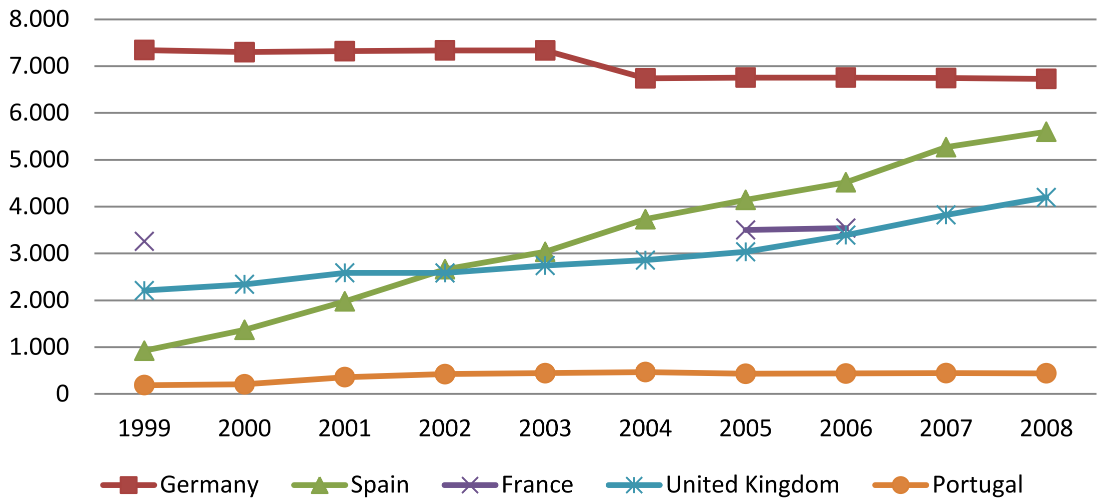


Figure 6 – Stocks of population in Portuguese *corridors* with OECD countries

The graph with the stocks of population in Portuguese *corridors* shows another perspective, i.e., the number of *legal immigrants* that live in these countries. The number of individuals is relevant, as we show below:

- Portugal (10 million population) has a figure of approximately 500 thousand immigrants;
- Spain and Germany have approximately between 5.5 and 7 million immigrants;
- France and UK have approximately between 3.5 and 4.2 million immigrants.

We should underline the fact mentioned before in this section, relating to the *illegal immigrants*, which are not reflected in the statistics. To give two examples of this reality, we would mention that it is publicly recognized that the amount of *illegal immigrants* in Portugal is almost the size of the legalized one, reaching today over 7% of the population. The second, relates to the Portuguese emigrants living in France, that the statistics reflect a figure around 650 thousand Portuguese emigrants, when in Portugal this figure is considered to be well above 1.2 million people, most of which concentrated in Paris, a city that many Portuguese emigrants dub as the “second Portuguese largest city” in terms of population.

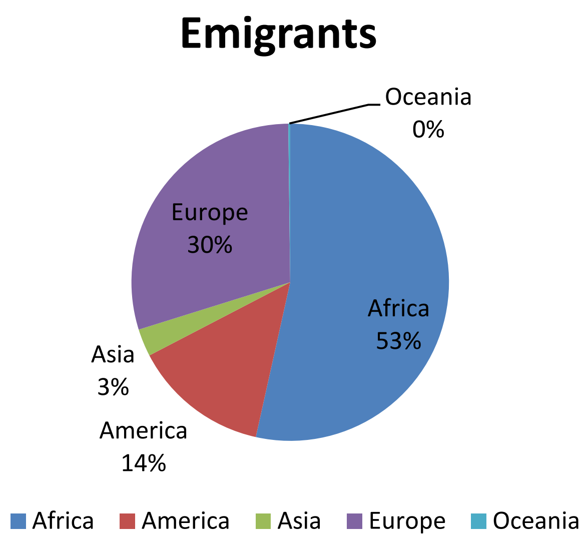
As concluded in Documents 2 and 3, this represents a very significant number of people that, are not addressed by the banking system in an analytical and structured fashion, but treated as any other customer. If they are *bankarized*, which we also concluded does not happened with *illegal immigrants*, mainly due to their lack of financial integration, then the number of immigrants *bankarized* would be even more relevant [SQ 1 and RQ 1.1 and 1.2].

We also accumulated and anaysed secondary data (Migration DRC, 2010) about the Portuguese emigrants and the immigrants living in Portugal, with the objective of researching and understanding the most important regions for both destination and origin countries of immigrants in the Portuguese *corridors*. They are as as follows:

Region	Emigrants	Immigrants
Africa	348.417	111.506
America	90.487	609.772
Asia	18.277	56.492
Europe	193.032	1.189.233
Oceania	1.258	16.350
Total	**651.471**	**1.983.353**

Figure 7 – Portuguese *wide-corridors* by Continent in terms of population

We also prepared the two Figures below, showing the importance in terms of percentage for both emigrants and immigrants for these Portuguese *wide-corridors* by Continent. They are as follows:



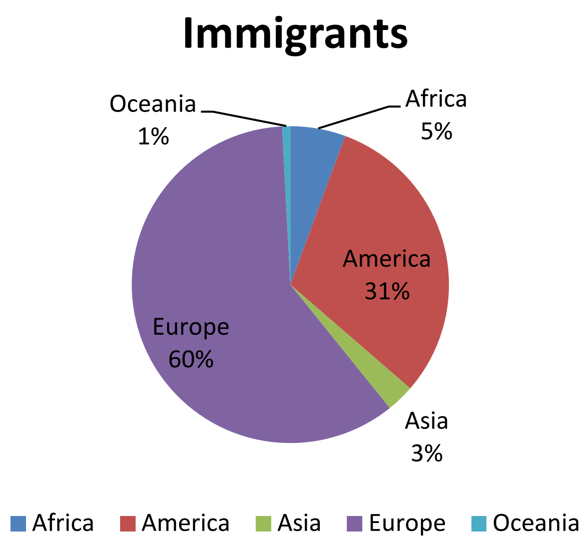


Figure 8 – Portuguese *wide-corridors* by Continent as percentage of origin and host countries

Specifically focusing in Portugal, the Figure 8 above shows the following results in terms of the Portuguese emigration considering *wide-corridors* (by geographical continents), including the number of migrants and percentage, which are as follows:

- Europe represents 60% of the Portuguese emigration , which destination is mainly to France, Germany and Spain, an amount that is clearly higher than the number of

European immigrants living in Portugal (29.6%), a result that very likely afects the balance of remittances between Europe and Portugal;

- The second continent with higher number of Portuguese emigrants is America and Brazil, having the largest weight, amounting to 609,772 immigrants *versus* 90,487 emigrants, representing less than 15% of immigrants in Portugal;
- In spite of the history and relations between Portugal and Africa, namely the former colonies (Angola, Mozambique, Cape Verde, S. Tome and Principe and Guinee-Bissau), the African countries only represent 5.6% as a destination of the Portuguese emigrants; on the opposite direction, Portugal is the main country of destination of African emigrants, representing 53.5% of the total.

We prepared the following graph based on Migration DRC (2010) to research and analysed the inbalances, having as a reference Portugal, in terms of countries of origin and destination of migrants and determine those *corridors*.

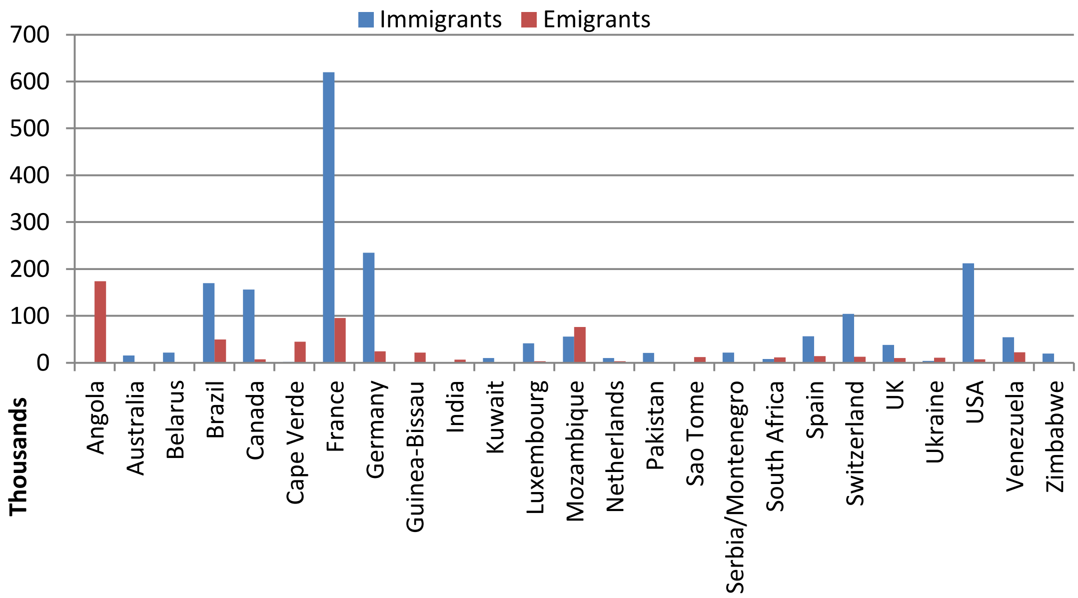


Figure 9 – Comparision between emigration and immigration for Portuguese *corridors*

Now focusing on specific Portuguese *corridors* [SQ 1 and RQ 1.1 and 1.2], we concluded:

- France is the country with the largest number of Portuguese immigrants (650,000), representing 31.25% of the total Portuguese emigrants;
- Germany is the second most important destination of Portuguese emigration with 235,000, representing approximately 11.84% of the emigrants, an amount close to the Portuguese emigrants in the USA, representing 10.71% and reflecting 213,000 of Portuguese emigrants;
- In Brazil the number of Portuguese emigrants amount to 170,000, representing a percentage of 8.58%.

3.4 *Remittances' flows*

3.4.1 *Time series* analysis of remittances' flows

In this section we will perform the quantitative analysis of the remittances' flows, with the objective of concluding on their relevance, namely for the banking industry, as remittances represent significant cash flows movements, involving approximately 215 million migrants representing over 3.0% of the world population [SQ 1 and RQ 1.1 and 1.2].

Linked to the definition of migrant, it is relevant to stress the following consideration, as it impacts the statistics as we will discuss ahead in the Document:

- Immigrants are an *inbound flow of people* that generates an *outbound flow of money*. In this situation usually the authorities are more concerned in controlling the *flows of people in,* than the flows of their money out.
- On the opposite side, emigrants are an *outbound flow of people* that generates an *inbound flow of money*. In this situation the authorities are more concerned in controlling the *flow of the money* in, than the flows of people out.
- Statistically, we observe that the same person has a different treatment when seen from the side of the host country (control over *flows of immigrants*) or from the side of the origin country (control over *flows of money*).

Buglear (2005, 256-7) teaches that *index numbers* allow understanding and evaluating a particular environment –using secondary data over long periods of time; also, the simple *index numbers* can be useful to show movements over a period, in a series of single figures, in which there is a number at a point in time that is then related to another number at another point in time. The researcher will adopt this statistical technique to conclude on the importance of the remittances' flows behavior in the past and forecast them, as well as to have a basis for the design of a *business model* [SQ 3] to the retail banks with the objective of determining the migrants' potential as a market segment.

3.4.2 The World, EU-27 and EA-16 remittances' flows

We prepared Figure 10 below based on data published by IMF (2009a) showing the evolution of the world remittances inflows and outflows, covering a period of 40 year, specifically 1970 throughout 2010 [RQ 1.1]. We alert that for 1970 until 1974 the amounts seem to be close to "zero", although they are not "absolute zeros"; this is due to the fact that the scale is large and those volumes are not visible in the graph.

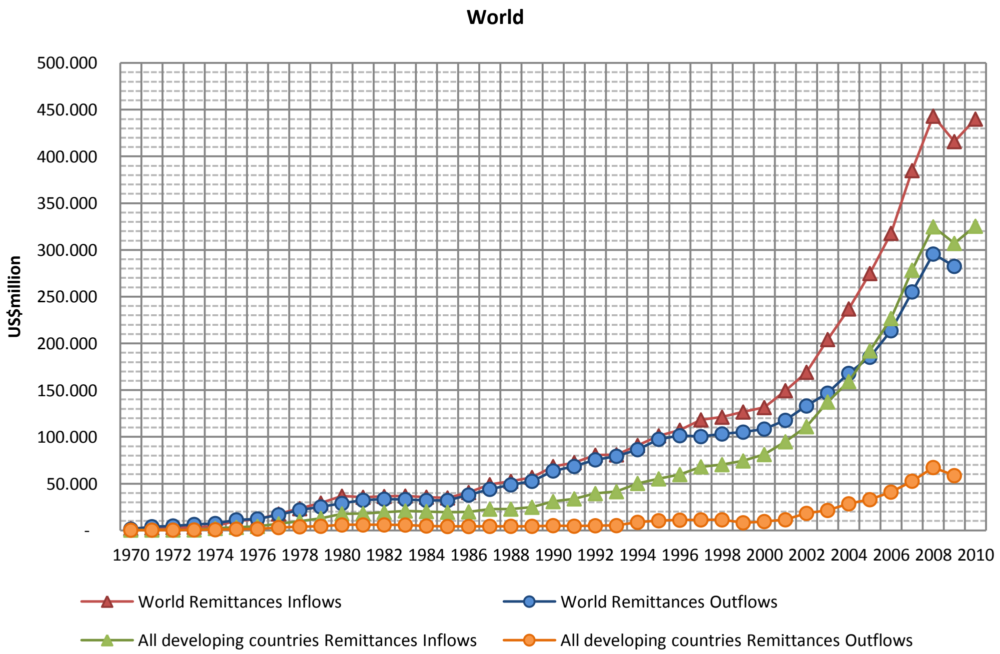


Figure 10 – World remittances outflows and inflows

In these long *time series*, comprising the world and developing countries remittances' outflows and inflows, it is possible to identify years with differentiated growth when compared to the previous one; in summary, the general trend supports the following conclusions relating to RQ 1.1:

- There is a consistent growth over the 40 years' *time series.* We selected 2000, 2005 and 2009, for which world's remittances totaled, respectively, USD 131, 275 and 415 billion, reflecting a growth of 317% in a 9-year period, considering the nominal amounts of the *time series*.

- Remittances to developing countries increased, between 2000 and 2008, from USD 81 and 325 billion, an average of 15% in annual terms that reflects a relevant increase (401%) in the percentage of amounts remitted.

- In spite of the 2007 financial and economic crisis, the amount of the world's remittances in 2009 reached USD 415 billion, showing a moderate decrease of 6.3% when compared to 2008 world remittances (USD 443 billion).

As it relates to the interpretation of these figures resulting from the quantitative research performed, we stress the following conclusions:

- In the *time series* accumulated by the WB (2010b), we identify years that show differentiated growths of remittances, due to different economic conjuncture reasons (e.g., in 1973 the oil crisis, in 1981 the FED's Volker monetary policy, the 2007 financial and economic crisis), that are not relevant to be specifically discussed in the DBA.

  However, it is important to note that, the most common trend shows a consistent growth of remittances' flows over the last 20 years, with a steeper growth in the last 10 years, even considering the impact of 2007 financial and economic crisis.

- The comparison of these *time series'* flows demonstrates also that the *outflows* are lower than the *inflows* –when theoretically the figure should be the same for both inflows and outflows-. This fact helps to support the idea that the outflows are underreported, as there are remittances going through *informal channels* that could represent, at least, another 50% of the *recorded formal flows,* which the WB (2006) estimates reaches another USD 150 billion.

  This can also be justified, as discussed before in this section, as the emigrants are an outbound flow of people that generates an inbound flow of money and the authorities are more concerned in controlling the *flows of the money in* (than the flows of people out), through strong currency exchange controls that, very likely, would reflect a portion of *informal remittances* in the statistics.

To focus on the EU-27, we used the same database of the WB (2010b) to prepare the two graphs below showing two long *time series*:

- The first covers the remittances inflows and outflows for the 27 countries of the EU;
- The second covers the remittances inflows and outflows for the 16 countries that have the Euro as their common currency (EA-16), at the end of 2010.

They are as follows:

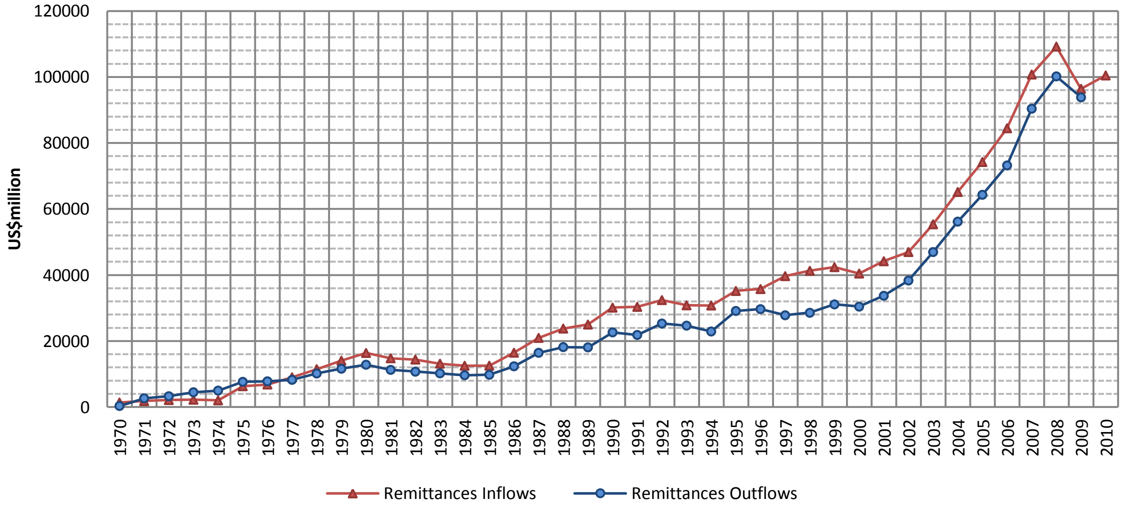


Figure 11 - Remittances inflows and outflows for the EU-27

In these *time series*, comprising the EU-27 remittances' outflows and inflows, it is visible that in global terms, the growth of one year compared to the previous one along the *time series*, shows a consistent increase for both inflows and outflows. It also shows that the inflows and outflows *time series* have a proportion in which the lines of the graph, although close in the amounts of remittances involved, maintain along the years a growing *parallel position*, which does not occur in the next Figure 12, where the outflows line crosses over the inflows line in the graph, at a point in time (mid-2004).

Analyzing the quantitative data of this secondary source, we have the following main figures about the flows under quantitative research, which shows the variances between flows [SQ 1 and RQ 1.2]:

- There is a steep increase in the *inflows*, from 2000 until mid-2008 –when the 2007 financial crisis started having reflexes in the amounts remitted- that reached approximately, respectively, USD 42 and 110 billion (262% increase considering nominal currency data), decreasing in 2009 to approximately USD 85 billion and reaching already, in the 3rd quarter 2010, USD 100 billion.

- There is also a steep increase in the *outflows*, from 2000 until mid-2008 that reached approximately, respectively USD 36 and 100 billion, decreasing in 2009 to approximately USD 86 billion.

The *time series* below shows the remittances inflows and outflows for the EA-16 countries.

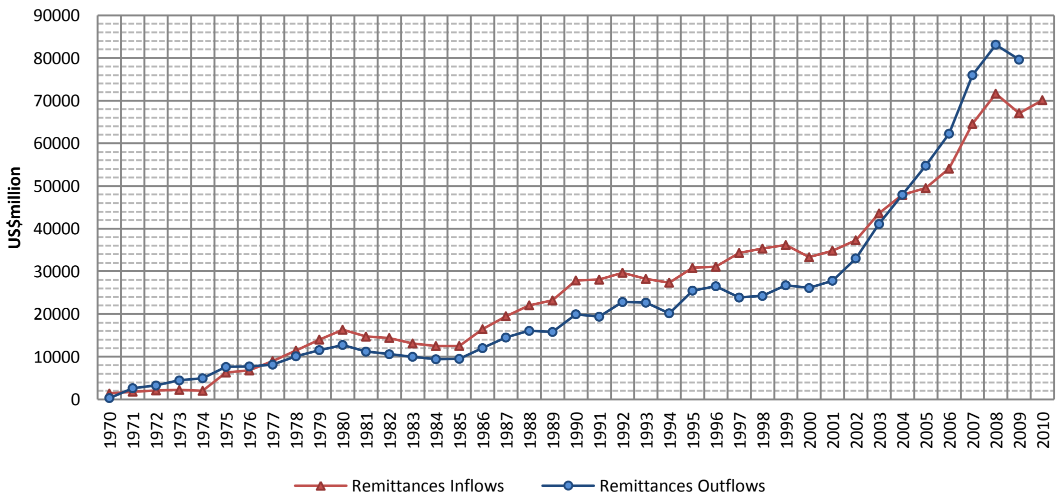


Figure 12 - Remittances inflows and outflows for the EA-16

In these long *time series*, comprising the EA-16 remittances' outflows and inflows, it is possible to conclude that, in global terms, the growth of one year compared to the previous one along the series shows a consistent increase for both inflows and outflows. However, in mid-2004, we can notice a change in the dimension of the inflows *versus* the outflows, which increased significantly from that year on and maintained that trend.

This may be justified by the remittances flows of EA-16 *internal migrants,* due to the common currency and non-existence of *currency controls* within the EA-16, as the *EU internal migrants* can move money through the internet and other means –some of which are very likely remittances- between their accounts, at the origin and host countries, without the requirement to declare them and, therefore impacting negatively the accuracy of the statistics [RQ 1.1 and 1.2].

This also proves the point raised before that, even using *formal channels,* the remittances flows are higher than the ones reported in the statistics, what shows a potential increase in the migrants' business segment, as the *real* figures for remittances are larger than the ones reported in the statistics.

Analyzing the quantitative data on the EA-16, we have the following main figures about the flows under quantitative research, which show the variances between flows [SQ 1 and RQ 1.2]:

- There is a steep increase in the *inflows,* from 2000 until mid-2008 –when the 2007 financial crisis started having reflexes- that reached approximately, respectively, USD 34 and 71 billion (increased 109%), decreasing in 2009 to approximately USD 60 billion and already recovered to 70 billion in mid-2010, a figure close to the 2008 level.

- There is also a steep increase in the *outflows*, from 2000 until mid-2008 that reached approximately, respectively USD 26 and 84 billion (increased 3.2 times), decreasing in 2009 to approximately USD 80 billion, an amount in line with the prior year.

Overall, based on the research conducted, we can conclude the following:

- The *time series* under research represents sizeable flows of money –*liquidity* [RQ 1.1, 1.2 and 3.1]-, when compared to the Section 4.4.3. – “Portuguese *corridors’* and relevance of flows *versus* selected financial ratios” where we analyze quantitatively the flows versus selected financial and economic ratios of financial institutions;

- The remittances’ flows have grown consistently over the last 20 years, with a steep consistent increase over the last 10 years;

- The 2007 financial and economic crisis did not affect significantly the remittances’ flows, as the 3rd quarter of 2010 shows already levels of remittances close to 2008 levels.

3.4.3 Corridors' inflows and outflows of selected countries

To conclude on the importance of selected eleven countries *corridors*, in terms of total remittances' *inflows* and *outflows* [RQ 1.1] and its potential relevance for the banking industry [RQ 1.2 and 3.1], we prepared the graphs based on secondary data extracted from the WB (2010b).

These *corridors* are: France, Germany, USA, Brazil, Switzerland, Spain, Mozambique, Venezuela, Luxemburg and United Kingdom (as well as Portugal), as they are countries that have relevant and important *corridors* with Portugal.

We should say that the graphs are small, difficult to read and have different *statistical scales.*

However, the decision that was made in presenting them in this fashion was based on the objective of showing the *overall shadow and trends* of the lines, in the different *corridors'* in terms of *consistency in growth and resilience*, even in periods of financial and economic stress.

They are as follows:

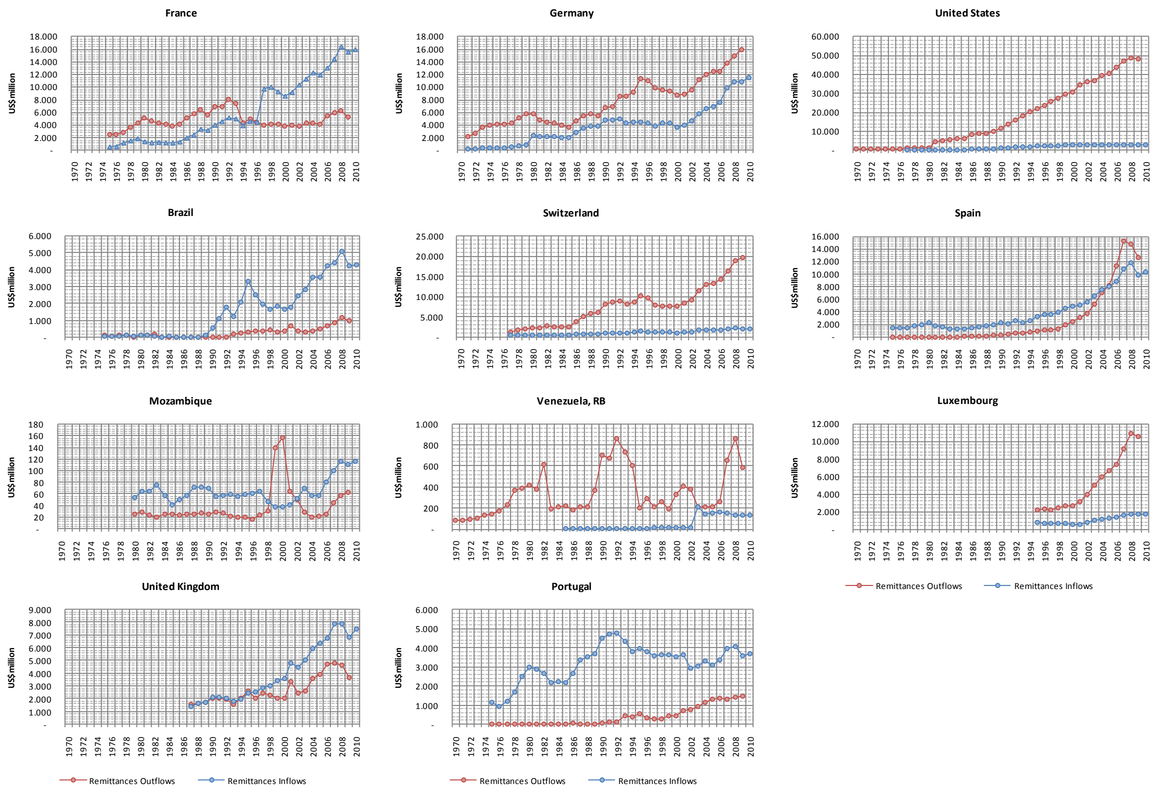


Figure 13 - *Corridors'* inflows and outflows of selected countries

The overall research and analysis of the graphs' lines and trends, as well as of the selected *corridors'* quantitative data including the flows under quantitative research [SQ 1 and RQ 1.2], lead to the following main conclusions:

- There is a visible increasing trend in the remittances' flows, although, in some countries they vary, due to different reasons that may influence the decrease or maintain a flat tendency or even produce particular peaks, that the researcher exemplifies:
  1. The economic conjuncture, namely in the EU in general, due to structural funds channeled to infrastructures in particular countries;
  2. The currency exchange controls, like in Venezuela and Brazil and other facts linked to migration laws, as it happens in the USA or, on the opposite side, in the EU free movement of people allowed by the Schengen Agreement.

- The countries' names with the most important annual *inflows* of remittances are followed by a parenthesis including the inflows for 2000 and 2009, respectively, which are as follows: France (€ 3.8 to 16 billion), Germany (€ 4 to 12 billion), Spain (€ 5 to 10 billion) and UK (€ 5 to 7.4 billion).

- The countries' with the most important annual *outflows* of remittances are followed by a parenthesis including the outflows for 2000 and 2009, respectively, which are as follows: France (€ 8.6 to 25 billion), Germany (€ 9 to 16.5 billion), Spain (€ 2.5 to 12.7 billion), Luxemburg (€ 2.7 to 10.6 billion) and UK (€ 2 to 3.6 billion).

- Portugal shows an *inflow* of € 1.5 (2000) and € 4 billion (2009) and *outflows* amounting € 0.5 (2000) and € 1.5 billion (2009). These figures show the importance of the growth in remittances of emigrants to Portugal, as well as the new phenomenon of immigrants (remittances triplicate in 9 years).

  However, this new reality about the *outflows* of immigrants' remittances reflected in Figure 13 – "*Corridors'* inflows and outflows of selected countries", shows that the net amount (inflows *minus* outflows) of remittances for Portugal decreased in the last 20 years (1990-2010) from approximately € 5 to 3.7 billion, therefore leaving in Portugal with lower amount of *liquidity* resulting from "*net remittances*".

  The research shows that the banks did not realize this fact that affects their *liquidity* and therefore would require a *business model* able to incentivize their immigrant customers to keep at their banks in Portugal the savings they generate.

- The second part of the research results, relates to RQ 1.2, which complements the qualitative research conclusions as it regards to servicing this potential segment of customers.

  The increase for the period of 2000 through 2009 reaches 266% for the inflows to Portugal (to € 4 billion), showing the potential of the migrants' business segment in terms of the volumes of *liquidity*, a matter researched in this Document in Section 4.1.

"Recap of the qualitative research about financial stability" [SQ 1 and RQ 1.1 and 1.2].

This also supports and complements the research and conclusions in Documents 2 and 3, about the potential banks could consider servicing migrants at both the host and the origin countries.

3.4.4 Impact of the financial and economic crisis

We will analyze in this section the impact of the 2007 financial and economic crisis in the volumes of remittances' flows, as well as the justification for the trends shown, performing a critical literature review of academics and other researchers that studied this knowledge area to understand the reasons behind the results of the quantitative research, namely about the *remittances' resilience*.

As concluded in the graphs included in Section 3.4.2. - "The World's, EU-27 and EA-16 remittances' flows", the 2007 financial and economic crisis did not affect significantly the amount of the world's remittances in 2009 that reached USD 415 billion, representing a decrease of 6.3%, when compared to 2008 remittances (USD 443 billion). To support this conclusion we underline that the world's remittances in the 3rd quarter 2010, already amounted to USD 420 billion, a level close to the remittances' higher peak of 2008 (USD 443 billion); also, as we will conclude in the next Section 3.4.5., remittances are forecasted to have reached USD 440 billion at the end of 2010.

Despite the remittances' decline in 2009 due to the economic downturns at host countries, we researched the *qualitative reasons* to justify its *quantitative resilience*. Remittances have registered double digit growth, and as discussed in the prior paragraph, the 2007 financial and economic crisis affected in a moderate fashion the amounts of 2009 flows, which proves its counter-cyclical nature and the historical migrants' ability to cope with adverse shocks.

According to Ratha (2010b: 3-7), the main reasons are as follows:

- Remittances are sent by immigrants that are resident at the host country for several years and, therefore, the percentage weight of new immigrants (last year or two) is not significant in the remittances' global amount, which makes remittances persistent over time. On the other hand, only a small percentage's of the immigrants' income is remitted and therefore, migrants continue to send remittances even when hit by income shocks.
- Another contribution is the increase in the duration of migration as a result of the rise in anti-immigration sentiments and tighter border controls. The immigrants staying at

the host countries continue to send remittances and if they return home, they are likely to remit their savings to the origin country;

- An analysis of the secondary data's regional trends and outlook reveals that the more diverse the migration's destinations, the more resilient remittances are; also, lower barriers to labour mobility, are correlated to a stronger link between remittances and economic cycles in a particular *corridor*;
- Finally, during an economic down-turn at the host country, the "safe haven" or "home-bias" factors can provoke even more remittances to *flow* to the origin country.

Other reasons are presented by Meins (2009; 4-7) to justify the resilience of remittances during periods of financial stress, namely to prove that immigrants are extremely able to deal with adversity, following strategies that are self-explanatory and include namely:

- Spending less money with them;
- Moving job to sectors less affected by the crisis or even moving within the country to other regions;
- Working more hours or having multiple jobs;
- Using their savings if needed and therefore, facing the return to the origin country as the last option;
- Immigrants look at remittances as a "family obligation" and therefore, they make an effort to give continuous support to it;
- The nature of remittances makes them more robust than other flows.

Gupta (2007: 3) also shares this view of "robustness" saying that, in the current financial crisis, remittances are perceived as being a stable flow and that immigrants send more money home in times of economic distress.

As a result of the quantitative research and the analysis performed in this section about the resilience of remittances flows during periods of financial and economic crisis, we could say the following:

- The results of the research are relevant in terms of the high volumes of remittances even in crisis' periods [RQ 1.1];

- Due to the comfort it could give the banks, in terms of the maintenance of stable flows of money, i.e., *liquidity*, as well as the importance it can have in the analytical decision the banks can make about addressing the migrants' market niche, a business segment that would be resilient to crisis and that can help improve the *liquidity* levels of the banking system [RQ 1.2].

3.4.5 Forecasts: remittances' flows up to 2012

In this section we will perform the quantitative research of the forecasts, as well as research the outlook of remittances' flows projected until 2012.

We will perform the research on secondary data published by the WB (2010b) and Ratha (2010b: 14) supports his calculation on this database, as well as in the one published by the IMF (2009a) and data released by central banks and national statistics' agencies. Appendix 5 includes a description of the forecast methodology followed, which takes into account the WB latest forecasts for the global economic growth and the latest estimates for 2010 migration stocks.

The student prepared the two graphs below reflecting a long *time series* for a period of 39 years, (1970 to 2009) and the forecasts for 2010 through 2012 for remittances' flows to developing countries and regions, as well as the forecasted growth rates. They are as follows:

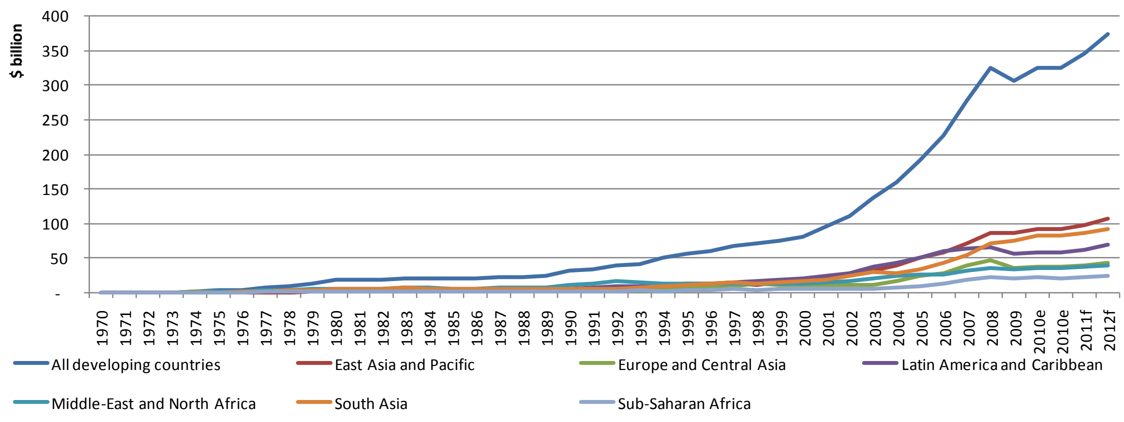


Figure 14 - Outlook for remittance flows to developing countries and regions

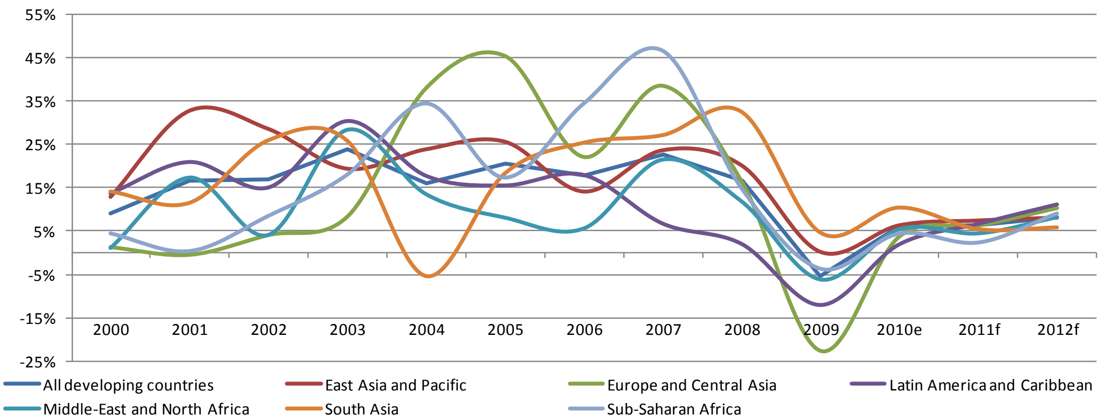


Figure 15 - Forecasts for remittance flows' growth rate percentage

Researching and analyzing these graphs, we conclude the following:

- There is a clear trend in the growth of remittances' flows, with decreases that can be considered not significant, when compared to the strong impact of the economic conjuncture in certain regions the world, namely the USA and EU.

  This proves the view that remittances are stable flows of *liquidity* that migrants keep sending to the origin country, even during crisis' period, and therefore a potential business area that the banking system could consider, at both the origin and the host countries [RQ 1.2].

- The outlook for migration and remittances flows in 2010-12 is projected to grow as follows:

  - 5.8% in 2010;
  - 5.4% in 2011;
  - 7.5% in 2012.

This also shows that, because of the decline in 2009 and employment rates prospects, remittances' flows are expected to grow slower when compared to the post-crisis period. Based on this, the secondary data shows that remittances' flows are forecasted to reach the following amounts, returning to almost the peak level of 2008:

$ billion	2010e	2011f	2012f
Developing countries	325	346	374
World	440	464	499

3.5 Conclusions on *people* and *remittances' flows* [SQ 1 and RQ 1.1 and 1.2]

There are some concerns about the standards to ensure the accuracy of the statistical information about people and remittances' flows, although there is evidence of an increasing awareness of its importance by governments, supranational organizations, G-8, central banks and statistics' institutions. This is reflected in Appendix 3 –"Summary of measures to improve migrants and remittances' statistics based on Document 2 research".

Also, the accuracy varies from country to country, but in economic and/or political unions, as well as in developed countries, the statistics probably reflect a situation that should be closer to reality. Even due to this limitation, the volumes are sufficiently large to ensure a high *margin of error.*

This supports the conclusions about formal channels and informal channels, which seem to demonstrate the relevance of the impact of migration in the global society and in the financial system, due to the volumes of people and remittances involved [SQ 1 and RQ 1.1 and 1.2].

3.5.1 People's flows

We will start by recapping the qualitative research's conclusions on the people's flows (Ferraz, 2010b: 83-4). The conclusions below result basically from the lack of knowledge, due to low levels of communication between international institutions and the banking system, as well as an analytical approach to study the dimension of the volumes of migration, which are as follows:

- Most banks do not identify the potential of the migrants' business segment, and consequently do not address the specific needs of the migrant's communities. The products and services' offer, in most situations, is the same of that for the customers in general and, therefore, not focused in migrants.

- Another relevant conclusion relates to the potential leverage of the networks to serve immigrants of other nationalities at the host countries, as well as servicing emigrants at the origin country.

Based on the quantitative analysis, using secondary data, covering the global flows of people, and relating to its relevance and consistency, it seems we could conclude the following:

- We verify a consistent increase in all countries, even during periods of crisis, in the percentage of immigrants *versus* the total population, for the period covering 1998 to 2007, with flows reaching levels between 8 and 12% of the population. For Luxemburg and Switzerland, the percentages of immigrants are even much higher, reaching 35% and 20% [RQ 1.1].

- Lower the barriers to labour mobility, stronger the link of migration to economic cycles in particular *corridors*, being the impact more severe in *corridors* with fewer restrictions on labour mobility. The EU Schengen Agreement contributes strongly to this smoother flow of EU citizens within EU.

As it relates to the impact that migrants could have in the banking system, we underline the following [SQ 1 and RQ 1.1 and 1.2]:

- It is relevant the impact of migration in the global society and in the financial system, due to the volumes of people flows involved.

- Migration continues to be a reality that clearly is projected into the future. Globalization, easy transportation, countries that offer better life conditions, continue to attract people from the different social origins and professional levels. This represents a significant number of people that are not addressed by the banking system in an analytical and structured fashion.

- Another component of this reality is linked to the *bankarization* of immigrants which we also concluded does not happen generally with *illegal immigrants,* mainly due to the lack of financial integration. As a result the number of immigrants as customers would be even larger.

3.5.2 Remittances' flows

Although in each section we concluded on the results of the quantitative analysis, we will summarize them here as follows:

- It is visible an increasing trend in the flows of remittances, although, in some countries due to the economic conjuncture, currency exchange controls and other factors linked to border controls and governmental policies, they may decrease or maintain a flat tendency or even provoke particular peaks [RQ 1.2].

- There is a consistent growth over the 39 years' *time series.* We selected 2000, 2005 and 2009, for which the world's remittances totaled, respectively, USD 131, 275 and 415 billion. Between 2000 and 2008, remittances to developing countries have increased on average 15% in annual terms [SQ 1 and RQ 1.1], which can be considered, business wise, a significant figure.

- In 2009 the countries with the most important annual *inflows* and *outflows* of remittances were, respectively the following: France (€ 25 billion), Germany (€ 16.5 billion), Spain (€ 12.7 billion) and UK (€ 3.6 billion); Luxemburg reports *outflows* amounting to 10.6 billion. These figures seem to justify that the banks should analyze and consider structuring a migrants' business segment to address this market on a very focused and structured fashion [SQ 1 and RQ 1.1 and 1.2].

- Portugal shows in 2009 *inflows* of € 4 billion and *outflows* of € 1.5 billion. These figures demonstrate the importance of the growth in remittances of Portuguese emigrants and immigrants in Portugal (remittances triplicate in 9 years), as these figures should be analyzed having in mind the relevance of remittances' flows. This complements the conclusions of the *qualitative research,* as it regards to servicing this potential segment of customers (Ferraz, 2010b: 49).

The increase in that period reached 266% of the inflows to Portugal (to € 4 billion) showing the potential of the migrants' business segment in terms of the volumes of *liquidity*.

- Ratha (2010b: 3) advocates that only if new migration stops over a period of a decade or so, remittances may stop growing, but they will continue to increase as long as migration flows continues, as is happening currently [SQ 1].

With regards to the resilience of remittances, although remittances' flows showed a modest decline as a result of the crisis, they remained more resilient when compared to other types of capital flows (Ferraz, 2010a: 26). We summarize the results of the research and the reasons for its resilience that as follows:

- Remittances are sent by "long term immigrants" and, therefore, the weight of "new immigrants' remittances" is not significant. Also, there is an increase in the duration of migration as a result of tighter border controls. The immigrants staying continue sending remittances; if they return to the origin country, they are likely to take their savings along.

- Only a small percentage of the migrants' income is remitted and therefore, migrants continue to send remittances when hit by income shocks, as well as the "safe haven" factor can cause remittances to return to the origin country during an economic down-turn at the host country.

- Remittances are more resilient when migration destinations are more diverse and there is a stronger link between remittances' flows and economic cycles when the barriers to labour mobility in a particular *corridor* are lower.

As it relates to changes in the banking industry [RQ 1.2], and the fashion this potential business segment could be addressed, we conclude the following:

- About the *informal channels*, it is estimated that 50% of the total remittances' flows continue to be sent through them. Neither the host nor the origin countries' financial systems take full benefit of these *money flows* to improve their *liquidity* situation.

  Also, governments, central or commercial banks are coordinated to leverage this source of liquidity -*remittances*-, implementing measures to capture volumes that are currently processed through the informal channels.

- Concluding on the relevance of *current and forecasted migration flows and remittances*, as well as in the demographic and macroeconomic environment and the impact of *liquidity in the banking system financial stability*, we may say that, based on the research performed, the migrants and remittances have a relevant impact, both in developed and developing countries, in the context of the monetary policies, in the management of the financial systems and in the reproductive development of the economy, as well as seems to represent an important business opportunity to the banking system [SQ 1 and RQ 1.1 and 1.2].

4 Quantitative research of the financial stability component of SQ 3 and RQ 3.1

This section of Document 4 respects to the third inter-linking theme/strategic question, included in Focus 3-Financial/market System Needs, Client Needs-Managerial Operational Strategy, for which the SQ 3. is the following: *How to increase **financial stability** and profitability in an increasingly competitive market relating to migrants' business?* The research question for the area of the *financial stability* is: *What are the problems concerning **financial stability** at the bank level and at the economic level?*

The reason to group in Document 4 the quantitative research of the *financial stability* with the *people and remittances' flows* is due to the links between *flows of money* and *financial stability*, their similarity of sources, as well as because they are areas that overlap, as they have the same "*DNA nature"*.

4.1 Recap of the qualitative research about *financial stability*

We will start this section by summarizing relevant statements relating to *financial stability* that resulted from the qualitative research performed in Document 3. The objective of this recap is to frame, coordinate and complement the conclusions of the qualitative and quantitative research carried to allow the Researcher to draw conclusions on the RQ.

Morris (2008: 41) says that very often one can think that there is qualitative data about business that cannot be measured or *quantifiable*. However, the figures can be a good support and comfort to lead to a conclusion, based on facts, and would allow for a better decision about a particular aspect of the research. This is the reason why the student decided to include in Document 4, a summary recapping selective quantitative research of RQ 3.1, that it was previously planned to be researched only in Document 3.

The difficulty and disadvantage referred before by Buglear (2005: 603) relating to unavailability of secondary data fitting the requirements of the research occurs with secondary data reporting percentages of deposits of migrants in the largest Portuguese banks, as neither their annual reports nor the BdP data reflect them. This is a limitation of this part of the quantitative research.

To overcome this limitation and to be able to answer this part of the RQ 3.1 –contribution of remittances for the *financial stability*-, the student, after consulting with the Supervisors, conducted *alternative* quantitative research of other *variables*, including ratios and data to complement and support a conclusion about the importance of the remittances for the *financial stability* of the banking system. This procedure is in line with the position suggested by Morris (2008: 42-5), recommending a fairly pragmatic approach, when referring that the decision of using primary or secondary data saying that is a *matter of compromise*, asking a question: is a researcher prepared to use secondary data that, although not fitting exactly what is needed, is immediately available and quite cheap or spend time, money and effort to achieve basically the same results? Our decision, based on an analytical analysis, was to answer positively this question.

Among those variables, we selected the ones considered most relevant, which would include the quantitative analysis of the following:

- Loans-to-deposits' ratio in the Portuguese and Spanish banks, the comparison of the remittance flows volumes of the last 13 years *versus* the market capitalization and share-capital of banks representing over 70% and 50%, respectively of the Portuguese and Spanish the financial systems;
- For the Germany, France and UK we selected banks that represent over 50% of the banking system in total assets as well as for Japan, Singapore and Hong Kong.
- The issuance of *diaspora Bonds,* as debt international financial markets instrument leveraged in future remittances' flows, as well as the correlation analysis of the global and domestic liquidity.

The conceptual framework chart represents the flow of a process that would enable the design of alternatives to *theorize business models* that the banks could follow to influence and improve the banks' *financial stability* focus on *liquidity,* as a result of servicing migrants through coordinated banking systems' networks. This is reflected in Appendix 1, in the inter-connections into the fifth box which closes "A virtuous circle at both ends of the *corridor*".

Quantitative research are measurements that allow delineating small differences that are difficult to detect otherwise, gives a consistent tool to identify those distinctions and provides the basis for a more accurate forecast of the degree of relationship between concepts, through a correlation analysis (Bryman, 2007: 158). Although we agree with this view, we would like to say that we also think that it is important to relate and correlate the results obtained in the qualitative research performed in Document 3 with the results of the quantitative research performed in Document 4, namely about the concept and importance of the *remittances' flows* for the *financial stability* of the banks and the financial system in general.

The reason for the "correlation" between the qualitative and quantitative research is linked to some limitations of the data available and mentioned before, but also because the concept of *financial stability* has developed and today encompasses several other variables, as well as lateral concepts that overlap and are correlated, while before *liquidity* was the "obvious" (and in many minds "the only") *concern-link* to *financial stability*.

For these reasons, we decided to review and summarize selected results from the qualitative research in Document 3. We will start with a statement of David, an interviewee saying that *I think probably there was too much ignorance* [about remittances' business]*, even from international institutions, and they have realized that they have to do more about this topic, because this is very important for the* ***financial stability*** (Ferraz, 2010b: 38).

Another interviewee, Mary, complemented this point of view, extending it to the ***stability*** of the financial system at the host countries, when saying that *it is very important, because the amounts of savings are high. We have noticed recently that, more often, the savings are kept at the host country; but still, the amount of savings at the origin country is kept stable*, while Anthony said that *is an extremely interesting business* [remittances' business] *under the point of view of the* ***funding*** *and* ***financial stability*** *for the Portuguese banks* (Ferraz, 2010b: 38).

David makes a reference to the percentage of migrants deposits in his banks' deposit basis, saying that *in the case of Portugal, it's definitely above 20%,* [the component of migrants' deposits] *definitely above 20%, and that is obviously very important for the system to maintain confidence when they talk of* ***financial stability*** (Ferraz, 2010b: 51).

Anthony stated that [remittances] *are in our agendas as a factor that is very important for the* ***stability of the financial system and of the economy****, in general.* John said: *I believe that question* [contribution that the **remittances** can give to the **financial stability**] *is extremely relevant. Remittances have a significant percentage in the several tools that we use to ensure the* ***financial stability*** (Ferraz, 2010b: 52).

David said in a statement included in Document 3 (Ferraz, 2010b: 97), relating to the duties of the international institutions: *they* [**international institutions**] *have realized that they have to do more about this topic, because this is very important for the* ***financial stability***, while Louis says that *is a field where governments have to do work. Very little is done in EU!*

In conclusion, it seems there is unanimity and consistency in the results of the qualitative analysis and we think this summary would "frame and put into perspective" the *liquidity* and *financial stability* to which the remittances' flows can contribute, as well as supports the bridge to the quantitative research and analysis summarized in this section relating to RQ 3.1 covering the ***financial stability*** component.

4.2 Remittances' flows interconnection to *financial stability*

Based on the critical literature review and the qualitative research performed (Ferraz, 2010b: 49-55), we concluded that *liquidity* is a key element in the *financial stability* of the banking system and at the economic level, specifically for the country's *sovereign risk*, which can strongly influence the strengths and weaknesses of the financial institutions, which represents a relevant change in the paradigm.

At the time the SQ and RQ were prepared –at the end of 2008-, the subject of *liquidity* was not a major concern of the supervision authorities and central banks, as well as the banks in general did not anticipate its impact in their *financial stability*, solvency and, ultimately its survival.

As a confirmation of this fact, only well after the crisis -during the 4th quarter of 2008-, the central banks started considering, seriously and methodologically, the implementation of controls to monitor the banks' *liquidity management*. Before this, it was not an area of relevant concern and, as Fernandez-Bollo (2009: 11) writes, we cannot even find any EU Directive on this subject. This directive was expected to be published at the end of 2010 (that did not happen), after the postponement of an initial target of January 2009.

In May 2010, the tensions in the financial markets led the EU Council to establish a *financial stabilization* mechanism, to accelerate the consolidation of the public finances. In addition, the ECB announced several measures, including the prorogation of the undertaking of credit operations, as well as a program for the acquisition of public and private debt securities of EA countries. These measures, contributed to mitigate tensions in financial markets (BdP, 2010a: 10), although in the meantime Greece and Ireland had recourse to the financial stabilization fund.

Also, the IMF (2010b: xiv) warned that the current conditions require close scrutiny and policy action so as not to compromise *financial stability*, as there are strong links between *global liquidity* expansion and asset prices in "liquidity-receiving" economies. The BdP (2010a: 52) reports that resources taken from central banks played an important role in financing institutions in 2009, reflecting the resource of institutions to the ECB *liquidity*. These operations are part of a series of measures adopted by the ECB, since the onset of the financial crisis, with the objective of mitigating *liquidity* shortages in some markets of the EA, including Portugal and Spain.

These measures were the result of the shortage of *liquidity* in several banks of EA MS. At this stage, it is relevant to mention that the definition of *financial stability* has shown, as a result of the current economic and financial crisis, an enlargement of the concepts and variables that it did not use to include, reflecting an unanticipated change in the paradigm.

When researching the *financial stability* reports, namely of the IMF and the BdP, the *variables* that these reports include, on the top of *liquidity*, were the following: sovereign risk, public debt and deficit as a percentage of the GDP, profitability of banks, capital ratios and results of stress tests.

We would like to stress that, for the purpose of the research being carried, we have focused and will focus mainly on the research of the *liquidity* variable, as it is the one that is relevant for the relation with the *liquidity* generated by *remittance flows*. However due to the importance, namely of the GDP, and in terms of public finances, the international public debt and deficit, specifically in the EU, particularly in the EA including Portugal and Spain, we decided, after consulting with the Supervisors, to research the impact of these figures in the sovereign risk, as it currently is affecting “indirectly” the *financial stability* of the banking system, namely in Portugal and Spain.

Usually a lot of business research demands the use of data from individuals and/or institutions, a situation that requires a careful identification and selection of these sources. In the presentation of the analysis, the researcher needs to explain how the primary data was collected, for the reader to be able to understand the methodology of the sample’s selection, although the raw data should not be included in the report (Buglear, 2005: 602-10). We will perform the quantitative research of the impact of *liquidity* in the *banking system* stability, using secondary data, namely published by central banks and international institutions like the IMF, ECB and WB. We will indicate the criteria followed for the secondary data sources selected, the sample and its analysis.

We will research the importance of the impact of *liquidity* for the *stability* of banking systems, and the role that the migrants could play as a source of *liquidity* if this business segment is property addressed, as well as research the attention that the supervision authorities pay on monitoring the *financial stability* issues after the 2007 financial and economic crisis. BdP (2009: 101) discloses that the main source of financing of the Portuguese banks is the deposits from clients, which includes the *remittances* and therefore, *deposits of migrants*.

Although their weight for an EU country like Portugal or Spain may not represent a high percentage, when compared with that of the developing countries, statistics show that they represent an interesting percentage of the deposit base and consequently a “liquidity basis” in terms of cash, at both the origin and host countries.

4.3 Sovereign risk impact in *financial stability*: debt markets and public finances; a change in the paradigm

The tensions in international financial markets resulting from doubts over the sustainability of the EU MS public finances profoundly interact with other risk or vulnerability elements, mainly in the financial system. In such a framework, a risk which eventually will be relevant for the *stability of the financial system* on a global level is associated with the tensions in sovereign debt markets observed since the end of 2009, reflected in an increased volatility and uncertainty in financial markets (BdP, 2010a: 23-5).

These new variables justify that, for the international debt markets, the sustainability of the public finances is a highly important factor for the *financial stability* of the banking system, being even more relevant, as the banks do not have control over those variables that can influence negatively their *financial stability*, as they are controlled by the governments.

Because of these *new variables*, that now impact the *financial stability* concept, *liquidity* plays currently a very important role to protect the financial system from the impact of those elements, as well as the above mentioned banks' lack of control over them. *Remittances' flows* are an important source of financial resources to face the difficulties in restructuring the banks debt. Using its own database of the Fiscal Affairs Department, the IMF (2010b: 3) warns that the transmission of *sovereign risks* to local banking systems threatens global *financial stability*.

Figure 16 below shows the G-7 sovereign debt as a proportion of GDP, over 60 years.

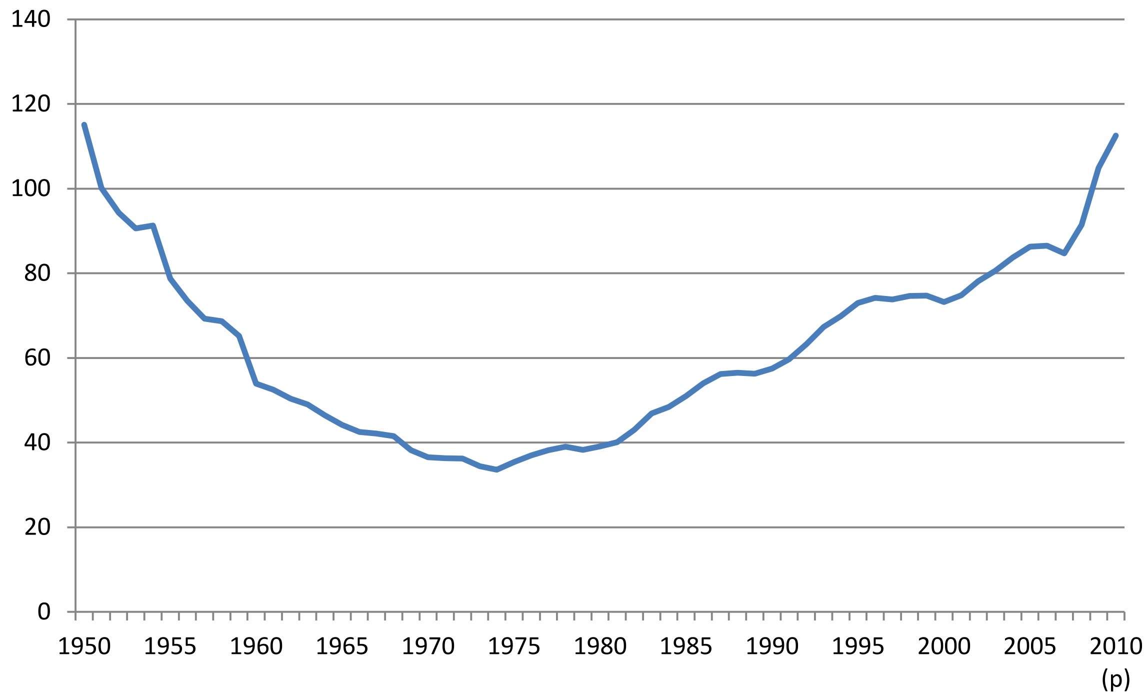


Figure 16 - G-7 Public debt as a proportion of GDP

The G-7 is an economic and political group, formed in 1976, that joins the ministers of finance of seven industrialized countries, specifically France, Germany, Italy, Japan, United Kingdom, USA and Canada. The finance ministers of these countries meet several times a year to discuss economic policies.

The analysis of the graph in Figure 16 relating to the G-7 sovereign debt levels as a proportion of GDP are nearing a 60-year high (1950-2010) reaching almost 120% of the GDP. These amounts were calculated using an *average purchasing power parity of GDP weights*. This graph shows that the amounts of public debt as a percentage of the GDP are high and lead to have the potential for spillovers across financial systems, therefore impacting *financial stability*.

We will not discuss and analyze the adequate amount of the percentage of public debt *versus* the GDP, but we will use as a benchmark the commitments established in the EU Treaties, which targets the level of the public debt *versus* the GDP not to exceed 60%. That level was reached approximately 20 years ago, and the graph shows the persistent progressive increase of the public debt as a percentage of GDP, a *variable* that, as analyzed before can impact negatively the *financial stability*.

We can also see that out of the G-7 countries, four are EU MS and, among them, three belong to the EA. We decided to research deeper, obtaining and compiling secondary data (EC, 2010) to analyze the *public debt as percentage of GDP* and the *public deficit* for the selected countries shown in the next two Figures, which are as follows:

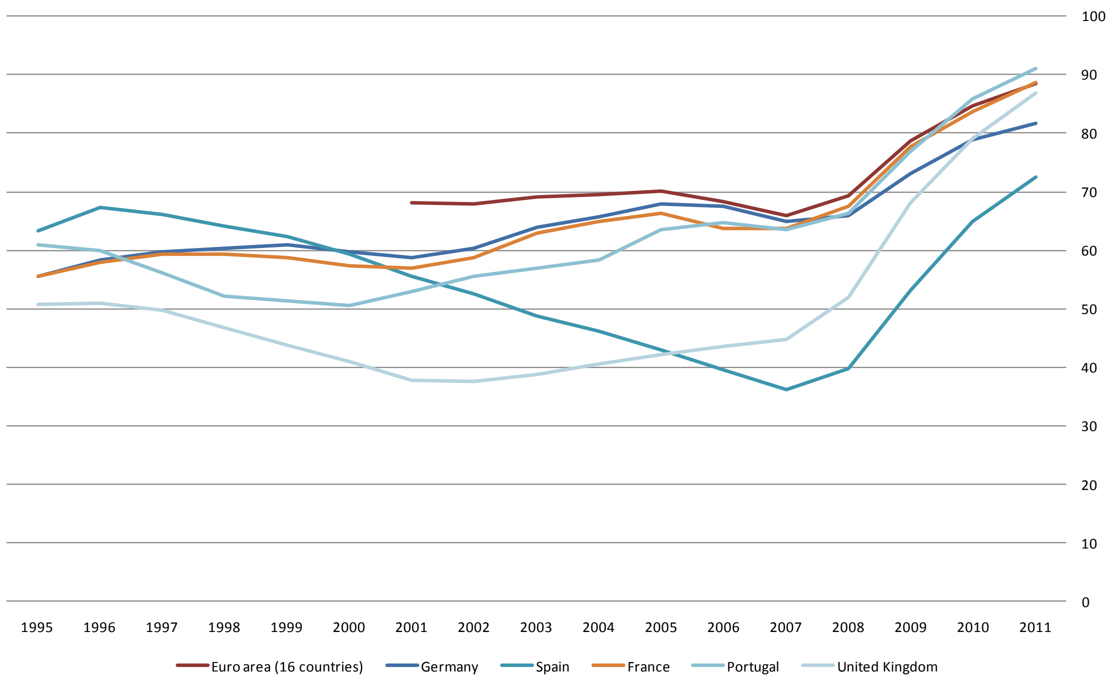


Figure 17 – Public Debt as percentage of GDP for selected countries

The graph includes secondary data *time series* for a period of 15 years (1995 to 2010), including the public debt as percentage of GDP for selected countries. The sample of countries includes Germany, Spain, France, Portugal and United Kingdom, as well as the average of the 16 EA countries. The reason to choose these countries and the main conclusions resulting from this analysis is the following:

- Germany has a ratio below 80%. All the other countries selected are in a range between 80 and 90%;

- The average of the EA approximates 90%, well above the 60% agreed in the EU Treaties. This fact demonstrates that high public debt as a percentage of GDP raises concerns that impacts the sovereign risk and, consequently, the *financial stability*;
- Germany and France, recognized as top industrialized countries, with a large banking industry, were strongly affected in its *financial stability* for the lack of *liquidity* in several banks;
- Portugal and Spain are neighbors and their economies are related in economic and financial terms, as both countries are the largest trade partners between themselves, both have highly efficient banking industry and we are looking particularly at the migrants and remittances' flows in Portugal;
- United Kingdom is also an industrialized country, with a leading banking sector in the world, which was highly affected by the financial crisis as a result of the lack of *financial stability* of several large and medium size banks that the government had to rescue and nationalized.

Following is the graph and the analysis for the percentages of *public deficit* as a percentage of the GDP:

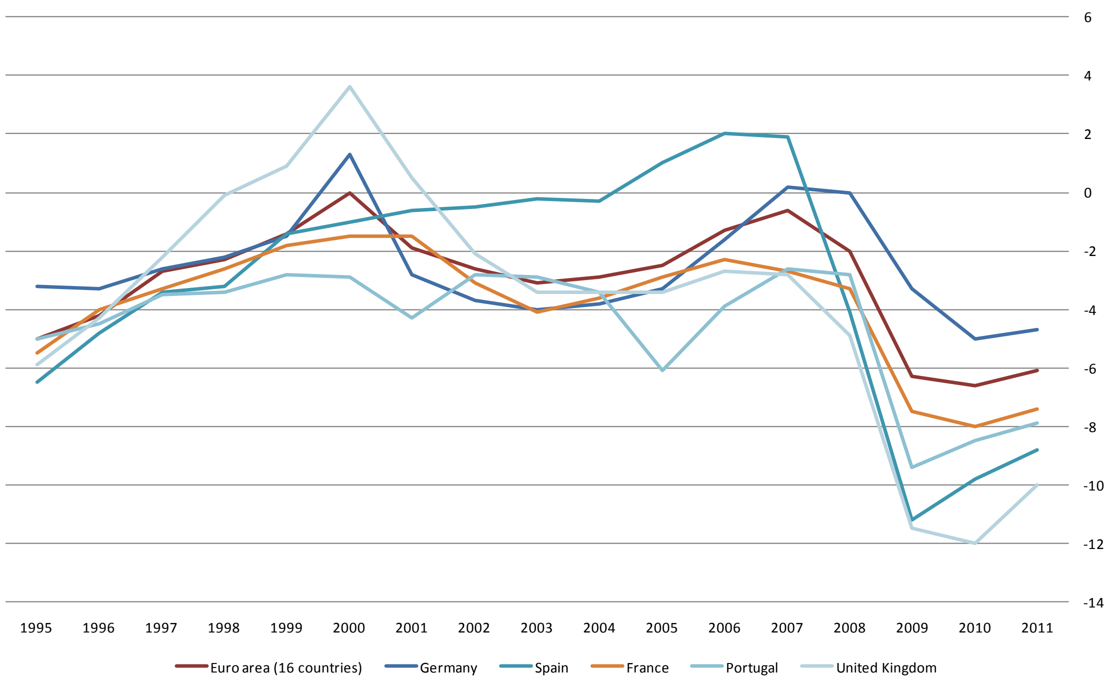


Figure 18 –Public deficit as a percentage of GDP

The graph also includes secondary data *time series* for a period of 15 years (1995 to 2010) relating to the public deficit as a percentage of GDP. The sample of countries includes Germany, Spain, France, Portugal and United Kingdom, as well as the average of the 16 EA countries. The reasons to choose these countries are the same included in the statistical sample prepared for the previous Figure. The analysis of this secondary data is the following:

- All countries selected are in the range between 4.5% and 10%;
- The average of the EA approximates 6%, well above the 3% agreed in the EU Treaties.

The conclusion we can withdraw from this is that the *sovereign risk* of the countries with higher debt ratios *versus* GDP, as well as with *deficit* in their public finances, namely the public deficit, are facing difficulties in accessing the international debt markets and this is impacting the banks' *financial stability*. The impact in the banks solvency will be research in Section 4.5.3 – "Loans-to-deposits' ratio for selected countries and banks".

This part of the research shows the importance of *remittances'* contribution to the *financial stability.* The new requirements of the IMF, factors into the GDP calculation the percentage of *remittances' flows*, as well as their growth rate is considered in the determination of the ratings' level. Ratha (2010a, 10-2) stresses the importance of this decision, as it recognizes *remittances* as a variable, along with foreign direct investment and portfolio flows, for the assessments of countries' economic performance.

Figure 19 below shows the external debt as a percent of exports and remittances; the criteria for selection of the countries in the chart, was to include countries that received more than USD 1 billion in remittances, as well as countries whose remittances represented more than 4% of GDP in 2008.

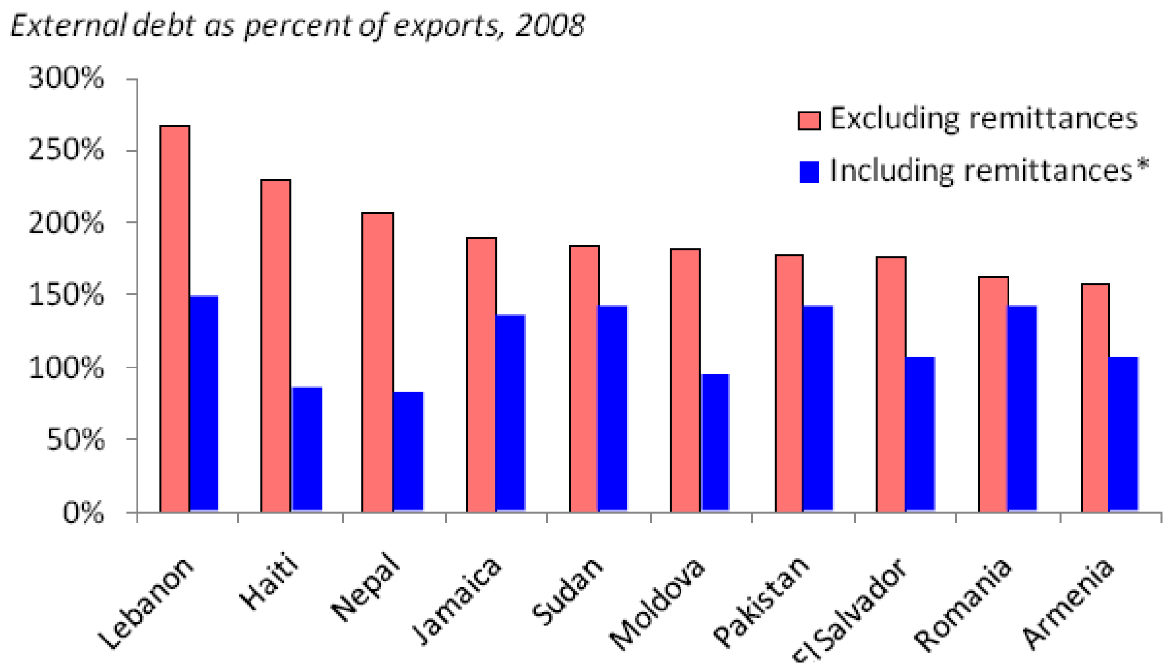


Figure 19: External debt as percent of exports including and excluding remittances

The decision of IMF, as an international institution that overviews and monitors the public finances' performance in several countries, should draw the attention of other stakeholders, as a result of factoring remittances into sovereign ratings and debt sustainability analysis and creditworthiness analysis by the rating agencies. Therefore, it seems that we can conclude that remittances can contribute to sovereign creditworthiness if properly leveraged by the governments and the banking system. Ratha (2010b: 1) shares this point of view saying that the resilience of *remittances' flows* during the financial crisis, reinforces its importance in countries that face international financing gaps. This idea is reinforced by the fact that currently, several stakeholders factor *remittances' flows* into *sovereign ratings* in debt sustainability analysis.

Remittances are a stable source of foreign currency. As countries become more aware of their potential to collateralize the issuance of debt, several are considering leveraging the remittances' flows as a source of capital that could be tapped with diaspora bonds (Ratha, 2010a, 10-2). This matter will be researched in the section "diaspora bonds: a debt instrument to leverage remittances' flows".

Banks will have to refinance securities and pledge collaterals at central banks, *liquidity* facilities and reduce their reliance on wholesale markets, particularly short-term funding, as part of the deleveraging process; banks funding pressures are emerging as the key risk from the ongoing deleveraging process (IMF, 2010b: 21-34). It is important to ensure that the reform process will not be a factor of disruption for the banks that must, namely, diminish imbalances in the maturity of their assets and liabilities and accumulate a *liquidity* buffer (BdP, 2010a: 26).

Based in the analysis performed, we can conclude the following:

- Little work has been done on measuring a bank's contribution to *systemic liquidity risk* (IMF, 2010b: 37; 44; 66). Careful management of sovereign risks is essential for *financial stability* in the period ahead. The market and *liquidity* risks indicators tracked the rise in risks to *financial stability* throughout the crisis period, reaching its highest level after the collapse of Lehman Brothers in the 4th quarter of 2008. Liquidity regulations are still under discussion.

- Another risk factor for the banks could derive from the adoption of more stringent *liquidity* management regulation, under the scope of the proposals currently under discussion at the EU on *liquidity requirements* designed to reduce *liquidity risk*. The implementation of new standards on liquidity management should be carefully considered and should be implemented (BdP, 2010a: 91).

- Based on these statements of IMF and BdP, on the contribution that Ratha (2010a: 10-2, and 2010b: 1) brings to the debate, as well as on the research of the content of the secondary data in this section, including the expected more stringent prudential standards, on *liquidity* requirements, an important conditioning element in terms of *banks' liquidity management*, new variables that lead us to conclude that high the levels of public debt are impacting the banks' *financial stability*, representing for the certain banks a *dramatic survival high-speed change in the paradigm*.

- One of the sources and tool to reduce the dependence on this debt and/or to allow for its reissuance at maturity can be the potential that *remittances' flows* represent, not only in the volumes as concluded in RQ 1.1 and 1.2, but also as the researched in the Document 2 relating to the critical literature review, and in Document 3 including the qualitative research (Ferraz 2010b: 94) when we analyzed the potential *remittances* represent if leveraged to issue public debt.

4.4 Global and domestic liquidity, Portugal's monetary and financial statistics *versus* migration's *corridors* and financial indicators

4.4.1 Global and domestic liquidity

In the next paragraphs we will briefly summarize a study of the IMF that analyzes whether *global liquidity* Granger-causes *domestic liquidity*, as this is another component and contribution of the remittances. Using Granger Causality Tests, IMF (2010b: 139-140) studied the Relation between G-4 Liquidity and 34 Receiving Economies' Liquidity to conclude whether global liquidity Granger-causes domestic liquidity. The student did not have access either to the sources, methodology and methods that supported it.

IMF (2010b: 139) analyzed specifically the broad money and reserve money growth in the G-4, as an approximation of *global liquidity*, and, at the domestic broad money and reserve money in the 34 liquidity receiving economies. The conclusion of the tests indicates that both *global and domestic liquidity* Granger-cause each other, as well as that the current pressure of *funding*, in some banks and countries, will certainly have a larger importance in the *financial stability* of the financial systems. We will research this particular aspect this section, when analyzing quantitatively, specifically, the loans-to-deposits' ratios of selected countries, both in EU and outside and situations where the banks show a positive and a negative *loans-to-deposits' ratio*.

Bryman (2007:159) says that to provide a measure of a concept, a researcher needs to have one or more *indicators* that support the concept, including official statistics as one of them. At this stage it is relevant to distinguish between a *measure* and an *indicator*. While the *measure* relates to things that can be clearly counted, i.e., they refer to quantities, an *indicator* is an indirect measure of a concept, requiring that when indicators are used that are not true quantities, they need to be coded and represented in quantities.

Because on this, we decided to research another variable related to the global financial stability situation shown in the Figure 20 (IMF, 2010b: 2) below, comparing the following:

- Status at three points in time: April and October 2009 and April 2010, showing the relation and evolution of those variables at three different moments in terms of the financial and economic crisis;

- The hexagon has three axes with six variables in its extremities rated and comparable in terms of *conditions* and *risk*.

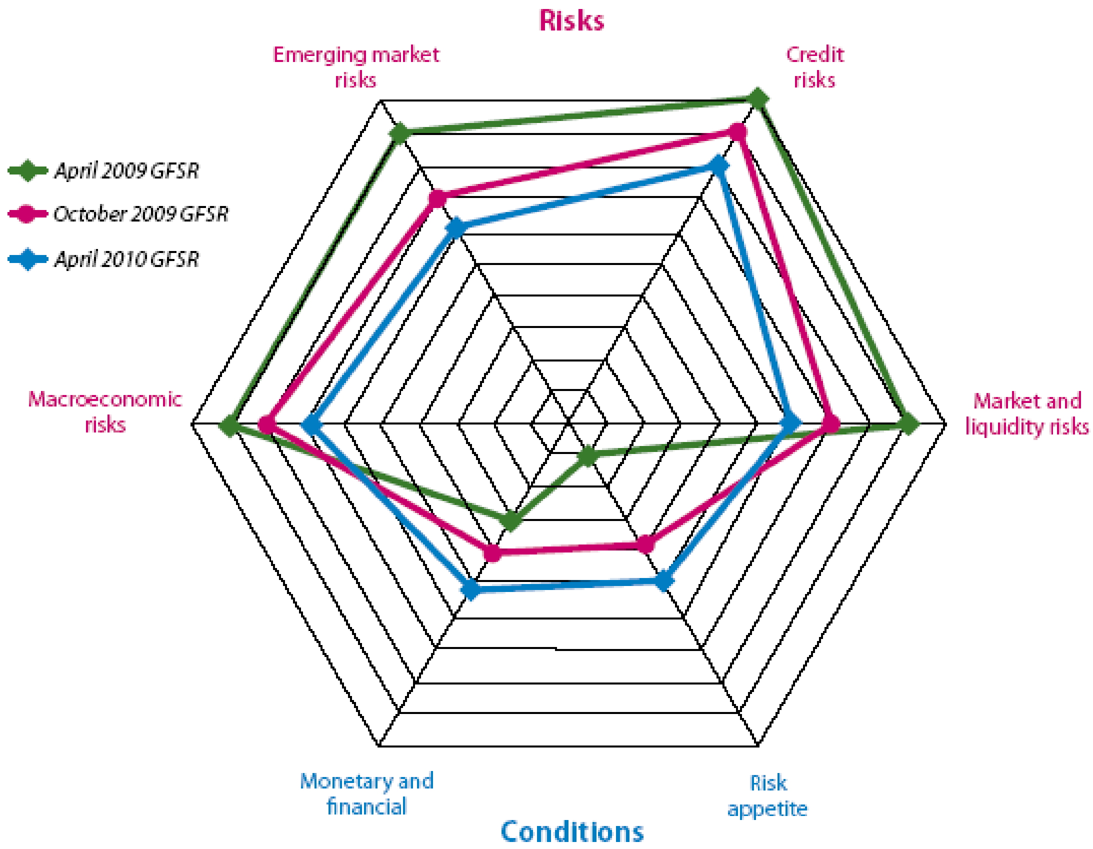


Figure 20 – Global Financial Stability Map

How has *global financial stability* changed? The health of the global financial system has improved since the 3rd quarter of 2009, as reported in the IMF Global Financial Stability Report, and illustrated in the "global financial stability map" in Figure 20 above. However, risks remain high because of the restructuring of the banks' balance sheets, as well as due to sovereign risks that can also undermine *stability*, as countries begin to reach the limits of public sector support for the financial system and the real economy (IMF, 2010b: 1-2).

The green, cerise and blue lines linking the *indicators* reflect, respectively, the moments of data collection and connect the dots in the six axes. Closer the lines are to the center signifies less risk, tighter monetary and financial conditions, or reduced risk appetite. The six axes represent the following relations:

- Macroeconomic risks *versus* market and liquidity risks
- Risk appetite *versus* emerging market risks
- Monetary and financial conditions *versus* credit risks

Starting with the relation of the axes that divides the hexagon between “risks and conditions” -the two variables under analysis- that has in the extremities the macroeconomic risks *versus* market and liquidity risks, leads us to conclude that both variables still show a significant level of risk, although have improved between April 2009 and April 2010, which means that the market’s perception of the macroeconomic risks (e.g., sovereign risk) affects the *liquidity* available in the market, impacting the financial system and therefore, affecting the *financial stability*.

Another ax relates to the risk appetite *versus* emerging market risks, translating the relation between the way the emerging markets risk is regarded and consequently impacting the risk appetite, i.e., the will to invest or not in certain markets. Although Figure 20 considers only the “emerging markets”, we consider that currently there are developed markets that are regarded with a risk perception of emerging markets, namely some EA countries, dubbed PIIGS (Portugal, Ireland, Italy, Greece and Spain), that have seen the relation mentioned in the previous paragraph negatively affected since the 2nd quarter of 2010. The conclusion for this ax is that the emerging markets are regarded as risky and therefore, the risk appetite is reduced, as the lines are close to the centre of the hexagon.

This conclusion leads us again to the importance of *liquidity*, as the traditional sources of funding in the emerging markets (we would classify them, at this stage of the financial and economic crisis, as *quasi-emerging* markets in terms of risk, namely the PIGGS) are unavailable due to low risk appetite. Therefore, the banks have to look for new sources of funding, one of which can be the *remittances*, with all its potential.

The third ax analyzes the relation between the monetary and financial conditions *versus* credit risks. We can conclude from the lines that the credit risk is very high, impacting strongly and negatively the view of markets and institutions that have *liquidity* available to deposit or invest, due to the view they have of the monetary and financial conditions. Again in these variables, we can conclude that *liquidity* is and will be scarce, leading the banks to be innovative and turn its attention to other sources of *liquidity*, namely the *remittance flows*, as Portugal for example did in the 70's throughout the 90's, before the Euro introduction in January 2002.

The research and analysis of this secondary data shows that *liquidity* becomes and remains as the center of the attention. Clearly, our view that the *remittances flows* and the ability of the banks in maintaining them in their balance sheets, as migrants' deposits have the characteristic of being stable and long term, can contribute to the *financial stability* of the banks and replace other debt and capital financial instruments. This is the reason why the IMF (2010b: 10) stresses that the banks from countries under sovereign stress, which is currently the situation of Portugal and Spain can be susceptible to *financial sector instability*, as it happened recently in Greece and Ireland.

4.4.2 Monetary and financial statistics in the Portuguese system

In this section we will research and analyze the quantification of the most recent available secondary data published by official institutions, namely the IMF and BdP, covering monetary and financial statistics, as well as the international investment position, of the consolidated Portuguese banking system, showing the evolution over 11 years, between December 1998 and 2009.

The Figure 21 below shows the secondary data produced by the BdP (2010a: 83) on the monetary and financial statistics and the international investment position of the consolidated Portuguese banking system. We should refer that there is a limitation in this graph, as we could not have access to the raw data based on which the graph was prepared. However, we should mention that the statistics published by the BdP are generally considered accurate and reliable.

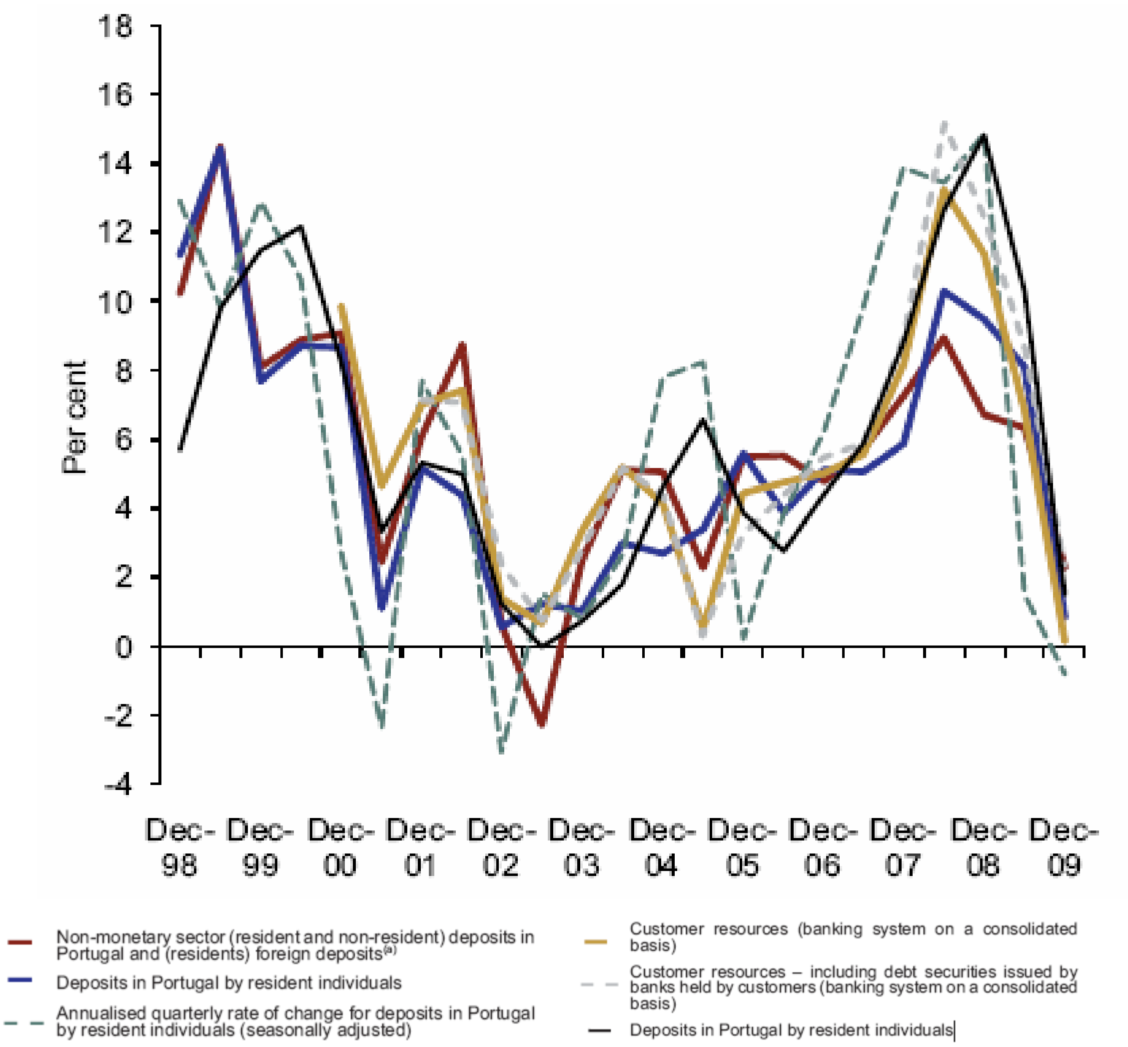


Figure 21 - Monetary and financial statistics and international investment position of the consolidated Portuguese banking system

The legends included in the Figure 21 describe the different components of the graph. It includes the following:

- Resident and non-resident deposits of non-monetary sector and the foreign deposits of residents, excluding liabilities recorded as a counterpart for securitization operations reflected as a deposit-like in other financial intermediary, which is mentioned as “(a)” in the Figure above;
- Deposits in Portugal by resident individuals;
- The consolidated banking system customer resources;
- The consolidated banking system resources including bank securities issued by banks and held by their customers.

In the analysis of this secondary data for 2009, the *liquidity position* improved both in structural aspects, with a slight declining trend in ratios between credit and deposits, and in terms of the coverage of liabilities of more volatile nature by liquid assets. Despite this positive performance in 2009, Portuguese banks have been exposed to the reassessment of risks in international financial debt markets.

A more detailed analysis of the secondary data included in the previous Figure 21 shows that customer deposits recorded a marginally positive rate of change at the end of 2009 *versus* approximately 11% increase in 2008. Customer resources, in the form of deposits, continued to be the main source of financing for banks, representing around 43% at the end of 2009, although slowing significantly during the course of the year.

Starting with the analysis of the significant drop between December 2000 compared with 2006 it may be justified, in the first phase, as a result of the introduction of Euro currency in 8 MS, which included Portugal and the other 7 EU countries that were also part of the Euro currency adoption and admission to the EA, namely countries with significant Portuguese *emigration's corridors*, like France, Germany, Luxemburg and Spain.

The more recent trend between 2008 and 2009 shows a significant change in the deposits recorded in those years, and may be justified by the 2007 financial and economic crisis, which had a relevant impact in Portugal during 2009, leading the non-residents, namely the emigrants, to remit more to Portugal, probably for reasons of the migrants' mentality related to *safe-haven* origin country factors. Ratha (2009a: 4) interprets the analysis of this quantitative data saying that this phenomenon happened in 2009, for example in the India's corridors, as migrants remitted more money home, as they regard it safer than the host countries.

In the same direction and also based on previous financial or economic crisis, in a quantitative research of Gupta (2007: 3) published before the current financial and economic crisis, *remittances* were perceived as being a stable flow of *liquidity* and that migrants send more money home in times of economic distress, concluding also that remittances may be counter-cyclical.

This can be explained (Figure 21 above) by the slowdown in total private individual customers' bank deposits, coexisting with a significant acceleration in deposits for a maturity of more than 2 years, comprising a favorable development in terms of *liquidity*, given a greater *stability* of resources obtained from these more stable long term deposits. This characteristic seemed to be shared with debt securities issued by the Portuguese banks, a part of which was placed with its customer base.

The facts about the monetary and financial statistics and international investment position of the consolidated Portuguese banking system, suggest that the banks adopted a strategy of stabilizing their base of resources taken from customers, giving more attention to a change in their deposit basis. As referred before, we can conclude that the migrants' deposits (referred by the BdP as "deposits of non-residents") can give an important contribution to the *financial stability* of the financial system and to each bank in particular.

4.4.3 Portuguese *corridors* and relevance of flows *versus* selected financial ratios

The Figure 22 below, prepared based on secondary data *time series* published by BdP (2010b), shows the migrant's remittances received through formal channels' *corridors*, for a period of 13 years (1996 and 2009) originated in the 10 most important Portuguese *corridors* indicated in the legend on the right side of the Figure.

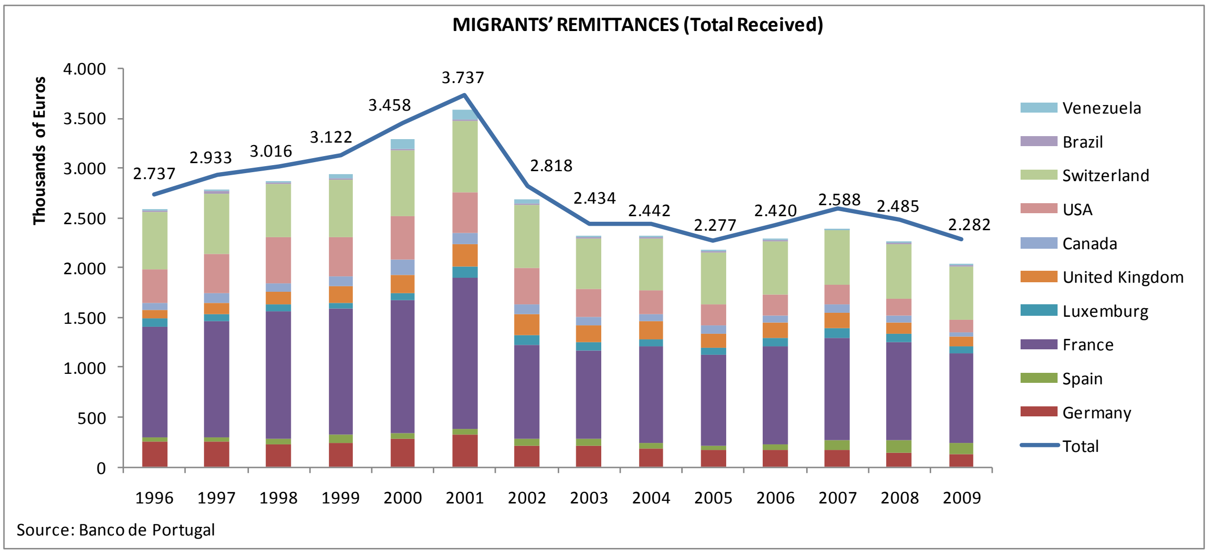


Figure 22 – Total migrants' remittances received by *corridor*

Although the *time series* shows a decline in 2009 of approximately 9%, we updated the secondary data of this Figure for the 1st semester of 2010 (BdP, 2010b).

It reports that the Portuguese emigrants are recovering their savings capacities and maintaining the traditional attitude in remitting money to Portugal, showing an increase from € 1,025 to 1,080 million, representing 5.2% more in the 1st semester of 2010, being relevant to notice that in May and June 2010, the increases of remittances were 13.4% and 11.9%, respectively. This data leads us to conclude that *remittances* continue to be an important source of *liquidity*, and also supports, confirms and complements the results of the qualitative analysis performed in Document 3, about the importance of its contribution to the *financial stability* of the Portuguese financial system, as described in the Section 4.1 - "Recap of qualitative research about financial stability".

BdP (2010b: 120) points out two main reasons that justify deposits as an attractive activity for banks: first, deposits generate commissions' income and are a product which adds value in itself, as the general public does not have access to the same investment opportunities as banks. Second, have a relatively low cost and are a stable source of funding. Either way, a considerable part of banks' resources is dedicated to the origination and management of deposits.

The results are as follows for the Portuguese emigrants in the following host countries:

- France, the second largest Portuguese emigrants' community (over 600,000), continues to be the largest *corridor* in remittances' flows, with its remittances reaching approximately € 407 million in the 1st semester, an increase of 1.8% *versus* 2009;
- The USA, the largest Portuguese emigrants' community (over 1,1 million), represents the third largest *corridor* in terms of remittances, reflecting a different migrants' mentality in terms of savings *versus* consumption and/or investment;
- Switzerland, approximately with 161 thousand Portuguese emigrants, the second largest *corridor*, increased 20% *versus* the same period of 2009, which shows their tendency to save and decision of remitting to the origin country, contrary to what happens in the USA.

The analysis of these remittances' flows on the Portuguese *corridors*, but not only, seems to show that the 2007 economic and financial crisis affected very little the volumes remitted in the Portuguese *corridors*, with 2010 already showing an increase in the traditional *corridors*, which shows the resilience of these *liquidity flows*. Therefore, having in mind the results of the research over the DBA –both in the critical literature review, qualitative research and now in the quantitative research- the contribution of the remittances for Portuguese banks' *financial stability* seems relevant.

Another angle of this subject, relates to the accumulation of the remittances as savings at the origin country, as well as at the host country, and in investments of emigrants. The rough calculation of the remittances' flows at nominal value, i.e., by adding them for the 13-year period under analysis (1996-2009), and therefore not considering any corrections for inflation, currencies exchange rates, and discounted cash-flows, the *remittances' flows* add to approximately € 40 billion.

The secondary data included in Figure 23 compiles and compares the total equity and share-capital of the five Portuguese leading banks, and helps to *put those volumes into perspective* when we compare the € 40 billion of remittances referred in the previous paragraph *versus* the share-capital and equity of those banks, which represent over 70% of the financial system.

They are as follows:

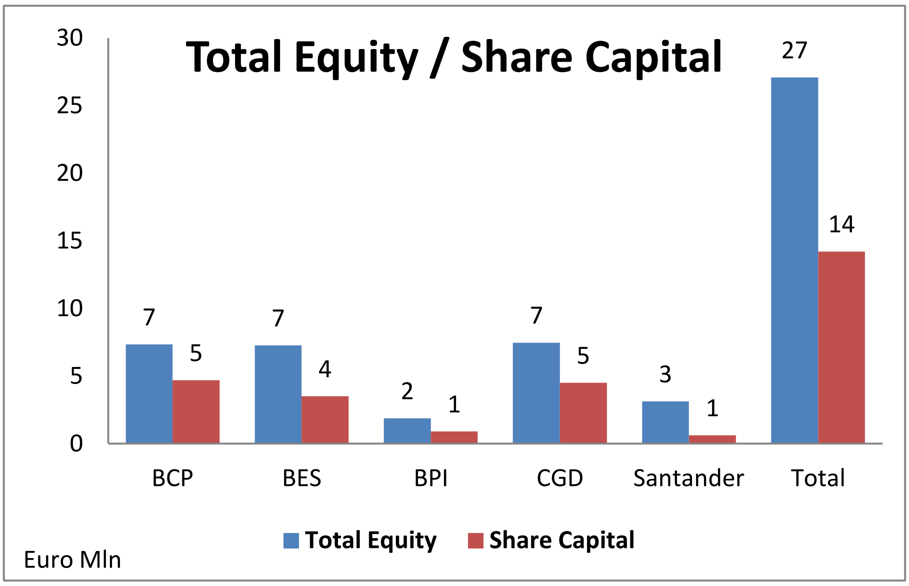


Figure 23 – Total equity and share-capital of Portuguese leading banks

The share-capital and equity of five Portuguese banks, amounted, at the end of the 1st semester 2010, to € 14 billion and € 27 billion, respectively (Bureau Van Dijk, 2010), that compared to the figure of € 40 billion of remittances (Figure 23) demonstrates the conclusion on the relevance of the *remittances' flows*.

These figures support the importance of the *remittances' flows*, as the share-capital and market capitalization are amounts in the balance sheet of a bank that are built over the years and a percentage of them is kept as savings in the financial system, contributing, due to its particular specificities, to the *financial stability*, as they did for the Portuguese banking system and the country in the 70's throughout the 90's.

Therefore, if the banks are prepared with a structured product offer for the migrants' market segment, the potential of the *remittances* could be increased and leveraged significantly, contributing to the *financial stability* and *profitability*.

4.5 Quantitative analysis of ECB's Stress tests and loans-to-deposits' ratio

4.5.1 ECB stress tests with focus on Portugal

In this section we will analyze the secondary data published by the ECB, the BdP and the BdE, as we are focusing on two countries with relevant remittances' flows in their *corridors* – Portugal and Spain- in which sovereign risk is affecting the ability of those countries to access the international debt capital markets.

As a result of the research performed, we concluded in Section 4.3 researching "Sovereign risk impact in *financial stability*: debt markets and public finances; a change in the paradigm" that today, the concept of *financial stability* has other components, beyond *liquidity*. One of them, in the balance sheets of the banks, is the concern of the supervision authorities relating to the capacity of the banks to resist financially, through an adequate capital basis, to adverse scenarios that can be provoked by the current financial and economic crisis.

The objective of the 2010 stress-tests was to assess the resilience of the EU banking system to possible adverse economic developments and to assess the ability of banks to absorb possible shocks on credit and market risks, including *sovereign risks*; they were conducted on a bank-by-bank basis using bank's specific data, which were submitted to a peer review and a challenging methodological process to ensure consistency and comparability of results (CEBS, 2010).

The stress tests covered the following sample:

- 91 EU banks;
- 27 MS, including banks in descending order of size, covering at least 50% of the national banking sector in each country.

The most important methodological assumptions underlying the transmission of these scenarios are described in the Committee of European Banking Supervisors Report (CEBS, 2010). Recently, the Basel Committee recommended also a standardized approach to estimate the amount of liquid assets banks must hold, regardless of their systemic risk profile (IMF, 2010c: 66).

The stress tests' results reflect the underlying nature of the domestic banking business, mainly retail banking, with negligible exposure to complex financial assets. Its focus was mainly in the *equity* and *quasi-equity* liabilities like *subordinated and senior debt,* on the equity-liability side of the balance sheet, i.e., the Tier 1 ratios; in a summary fashion (as this is not within the scope of the DBA), this ratio reflects the component of share capital and subordinated debt that would allow the banks to return to their creditors –customers and other creditors - the assets deposited with them, as well the investments in financial products.

Its relevance is linked to the Figure in the Section 4.5.3 researching the "*Loans-to-deposits' ratio* analysis for selected countries and banks" and the comparison with the Figure 23 on the Portuguese banks' share capital. Ratha (2010a: 10) says that the global crisis highlighted the importance of remittances to reduce external financing gaps, namely building international reserves and have contributed to reduce current account deficits, providing a cushion against external shocks.

The reason for this link, apparently inexistent, is the relation between the size of the "share-capital" and the "equity" *versus* the "volume of remittances' flows" and the role that the remittances can play in increasing the potential to issue debt for the banks' balance sheets, in terms of accessing international debt markets.

The Figures 24, 25 and 26 below present Portuguese and Spanish banks' stress tests results and include, respectively, the Tier 1 ratios in adverse and shock scenarios for each banking group, using 2009 as the basis scenario. This secondary data was compiled by the student from the reports of the BdP (2010c) and BdE (2010) which are as follows:

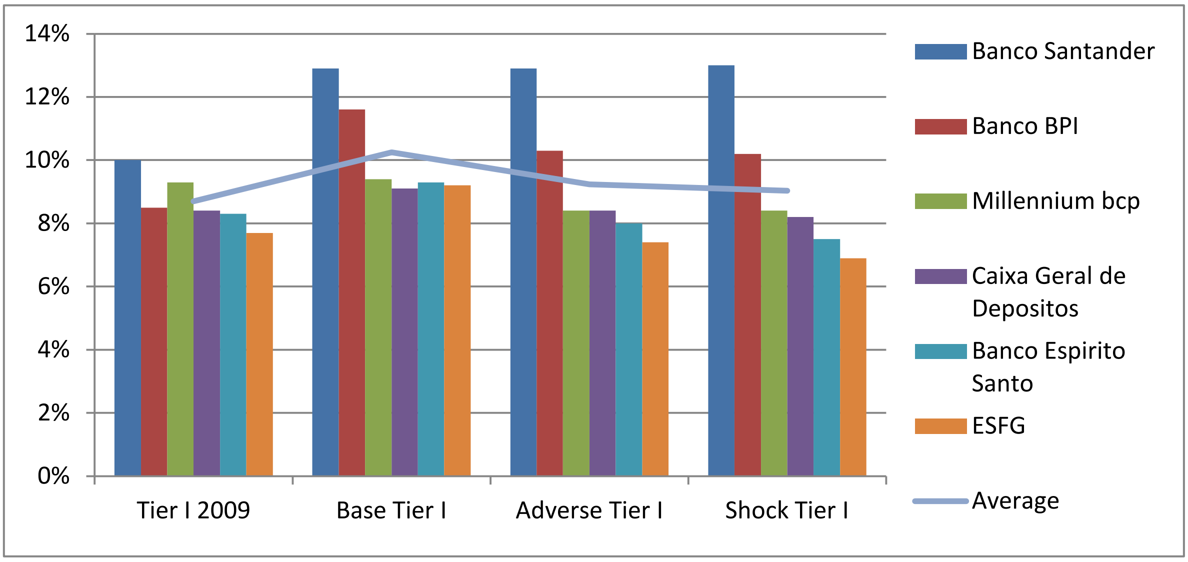


Figure 24 –Portuguese banks' stress tests results

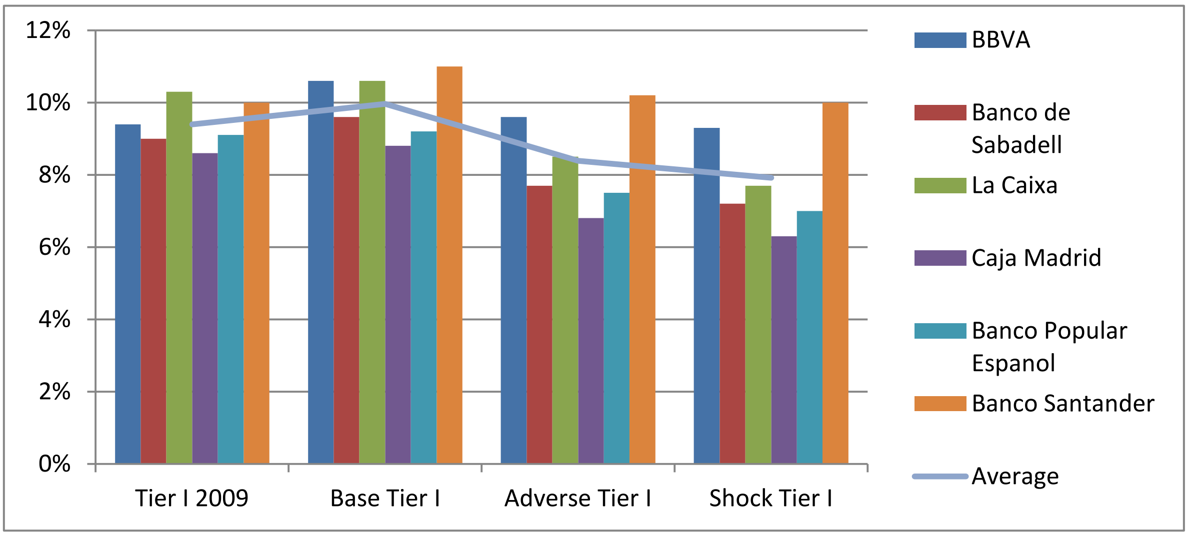


Figure 25 –Spanish banks' stress tests results

We should stress a relevant limitation of the stress-tests that relates to the differences in size and complexity, business models, scope of operations and risk profiles of the institutions included in the sample.

However, CEBS (2010: 1-2) specifies that the aggregate results of the tests cannot be applied directly to individual institutions, nor can be directly extrapolated to other banks in the EU. For the purpose of stress testing, two sets of macro-economic scenarios (benchmark and adverse) have been developed, with adaptations to reflect recent macroeconomic developments in a number of countries. Within the adverse scenario, the exercise also envisaged a “sovereign risk shock”, reflecting adverse conditions in financial markets.

BdP (2010c: 2) describes the benchmark scenario for the Portuguese economy, projecting it to decelerate throughout the whole horizon, having a sluggishly growth in 2010 and 2011, in a context of a tax consolidation process, coupled with an unavoidable deleveraging dynamics of the private sector, where internal demand should contribute negatively to GDP and exports contributing positively. The adverse scenario considers common shocks to all economies, as specific features of each economy. The economy would contract every year in the period 2009-2011, with the cumulated decline in GDP and unemployment rising to historical highs (13%).

The defined scenarios (benchmark and adverse) and a uniform methodology for calculations for the selected institutions, incorporating stressed factors, with a low probability of materializing, especially in the case of the adverse scenario. The methodology breaks down the hypothetical gross impairment losses on their main credit risk portfolio in the stressed scenarios mentioned and the items which absorb these losses to arrive at the final impact on Tier 1 capital ("Tier 1") (BdE, 2010: 2).

The main results of the stress tests’ for Portugal revealed the following:

- The four Portuguese banking groups (over 70% of the system) have a high degree of resilience to the adverse scenario, presenting Tier 1 ratios in excess of 6 per cent in both 2010 and 2011, in spite of a significant fall in profitability and solvency in the adverse scenario, *vis-à-vis* the benchmark. (BdP, 2010c: 1).

- The Figure 24 highlights that, in the adverse scenario, the solvency position of the banking groups would deteriorate in 2010 and 2011, as the figures show the 2009 as the basis scenario and then, the stress test projects the situation for 2010 and 2011 *vis-à-vis* the benchmark scenario. However, all Portuguese banking groups are able to withstand the particularly severe combination of economic and financial shocks embodied in the adverse scenario. In fact, albeit different degrees, all banks continue to present Tier 1 ratios in excess of 6% in both 2010 and 2011 (BdP, 2010c: 5).

- The values observed in Spain in 2009 have been taken as a starting point and the rates of increase defined by the ECB, for 2010 and 2011, in the various scenarios applied. This includes a line "impact of sovereign risk and others", reflecting the theoretical impairment for sovereign risk (BdE, 2010: 2).

CEBS (2010: 8) concluded that the aggregate results suggest a strong resilience for the EU banking system, although this outcome is partly due to the continued reliance on government support for a number of institutions. However, given the uncertainties over the current path of the macroeconomic recovery, the result should not be seen as a reason for complacency.

We can conclude, that although the variables *–remittances' flows, financial stability and stress tests*- seem unconnected, the separate research of them, including in the critical literature review, the qualitative and quantitative research, show that they are *intimately connected.*

It seems legitimate to conclude based on the combination of these variables and the different methodologies and methods adopted, as it seems that the banks in Portugal and Spain have not identified this reality and capability of the *remittances flows*; even in the particular moment of the current crisis, most Portuguese and Spanish banks still do not identify the potential of the leverage of the remittance flows to contribute to the financial stability, as well as the improvement of the results of the stress tests.

4.5.2 *Diaspora bonds*: a debt instrument to leverage remittances' flows

As a result of the critical literature review in Document 2, we decided to research a financial instrument that has the potential to leverage the remittances' flows. Ratha (2010a, 13 and 2010b: 1) says that countries are becoming increasingly aware of the income and wealth of overseas diasporas as potential sources of capital. Some countries are showing interest in financial instruments such as *diaspora Bonds* and *securitization* of future remittances' flows to issue international debt. A *diaspora Bond* is a debt instrument issued by a country or a sub-sovereign public or private entity to raise financing from its overseas diaspora having as its collateral the *remittances' flows*.

As an evidence of this idea, as well as the potential of *diaspora Bonds* identified and discussed in the research performed in Document 2 (Ferraz, 2010a: 22-9), Greece plans to sell bonds to international bond markets, as announced by the country's minister of finance. Greece is designing what is called a *diaspora bond* to tap Greek money that is abroad. This decision is justified with the need to return to markets after plunging into a debt crisis in 2010, when its budget deficit hit 13.6% of GDP, driving borrowing costs to prohibitive levels and prompting a € 110 billion bailout from the IMF and EU (Reuters, 2010).

Diaspora Bonds can be a basis for development financing during a crisis. Recently, the governments of India and Israel have risen over USD 35 billion, in times of liquidity crisis using the *diaspora Bonds* as an international market financial instrument to issue debt. Preliminary estimates suggest that emigrants' countries like Greece, Portugal, Ireland, Italy, and Spain, as well as several Asiatic and Sub-Saharan African countries can potentially raise billions of Dollars or Euros per year by issuing *diaspora Bonds* (WB, 2010a).

Diaspora bonds have several advantages (Ratha, 2010a: 13), both for the issuer and for the emigrant who buys the bond:

- Through retail banks, issuers can tap into the wealth of migrants, although *diaspora Bonds* are not necessarily limited to migrants;

- Diaspora bonds open new marketing channels (e.g., churches, community groups, ethnic newspapers, associations in countries and cities where diaspora members reside in large numbers);
- The issue can be in local currency, as migrants may have local currency liabilities in the issuing country and hence less aversion to devaluation risk, as migrants likely have better knowledge of their origin country's creditworthiness;
- Migrants usually are more loyal than the average investors in times of distress, and they might be especially interested in financing infrastructure, housing, health and education projects;
- A *diaspora Bond* would offer a higher yield than a bank deposit at origin country. Tax breaks and credit enhancement can also improve its attractiveness for diaspora members.

In the current environment of a severe crisis of confidence in debt markets, Ratha (2010a: 13) says that countries are having great difficulty in obtaining private financing using traditional debt financial instruments. This scarcity of capital threatens to jeopardize long-term growth and employment generation in developing countries, many of which have limited access to capital. Official aid alone will not be adequate to bridge long-term financing gaps. Ultimately, it will be necessary to adopt innovative financing approaches to target previously untapped investors. *Diaspora Bonds* could be one such mechanism, whereby countries turn to borrowing from their emigrants' communities.

In conclusion, we could say that based on the secondary data analyzed, using the examples included in this section, for the emigration's countries with relevant *corridors*, *diaspora Bonds* could represent a stable and cheap source of external finance. For the diaspora investors, these bonds offer the opportunity to help their country of origin while, at the same time, offers an investment opportunity.

4.5.3 *Loans-to-deposits' ratio* analysis for selected countries and banks

When we drafted the SQ for the DBA, an important expression in it refers to *"business models"* [Figure 1, SQ 3 and RQ 3.2]. When they were drafted for the review of my Supervisors, the financial system supervision authorities were far from anticipating the stress and difficulties that the economy in general, the countries -as a result of the review and scrutiny of their *sovereign risk*-, and the banks in particular would face, due to the closing in practice of certain debt markets and the added difficulty in bridging the *liquidity gap* in their balance sheets.

We should say that at the time, making a very brief research of the loans-to-deposits' ratio, we concluded that many countries' financial systems, including Portugal and Spain, have a negative ratio and a strong need for *liquidity*, which is in line with a warning of BdP (2010a: 89) that there are important *liquidity* risks in the of the Portuguese banking system, deriving from the potential downgrade of the *sovereign risk.*

In this section, we will perform the quantitative analysis of secondary data for the loan-to-deposits' ratio and the results of the ECB stress tests published about the EU banks (Section 4.5.1). The importance of these two variables is the following:

- For the *financial stability* issue under research (RQ 3.2.) the banks with a negative loans-to-deposits' ratio, defined as a bank that lends more than captures deposits, implies that its solvency and survival strongly depends on *liquidity*.
- For the results of the ECB stress tests, the objective was to determine, in scenarios of *adverse* or *shock* conditions, how strong the banks' balance sheets are to support –and again we are thinking in terms of *liquidity*- those adverse market conditions.

To achieve these objectives, we decided to research and analyze quantitatively the secondary database produced by Bureau Van Dijk (2010), which will support the answer to a component of SQ 3 using the RQ 3.1. Starting with the research of the loans-to-deposits' ratio secondary data collected from the annual reports of the banks selected, most of which refers to 2009, the three Figures 26, 27 and 28 in this section, include respectively, the following data, compiled and calculated by the student, as it relates to the loans-to-deposits' ratio:

- A selection of the five largest retail Portuguese banks that represent over 70% of market (in terms of total assets) and six banks for Spain representing over 50% of the financial market, which allows us to compare two countries that are the largest trade partners and have one of the most efficient banking systems in the world;
- A selection of countries in EU, strong in terms of *liquidity*, which includes the five largest retail banks in Germany, United Kingdom and France;
- A selection of banks in Asia, which can be regarded as benchmarks in terms of the content of this research's section being conducted, mainly due to the growing influence of these economies in the world economy and the well-known availability of *liquidity*.

  This selection includes Japan, Singapore and Hong Kong, which are also some of the worlds' relevant financial markets. We selected five banks for the first two countries and six of the third, with the objective of achieving significant market coverage.

The results indicated in the three Figures that follow will be the basis for the analysis. In the graphs the bars below "zero" reflect that those banks have a negative loans-to-deposits' ratio, meaning that they have a larger amount of loans than deposits, being the loans-to-deposits' ratio negative; if the bars are above "zero", it indicates a positive ratio and, consequently, a larger amount of deposits than loans.

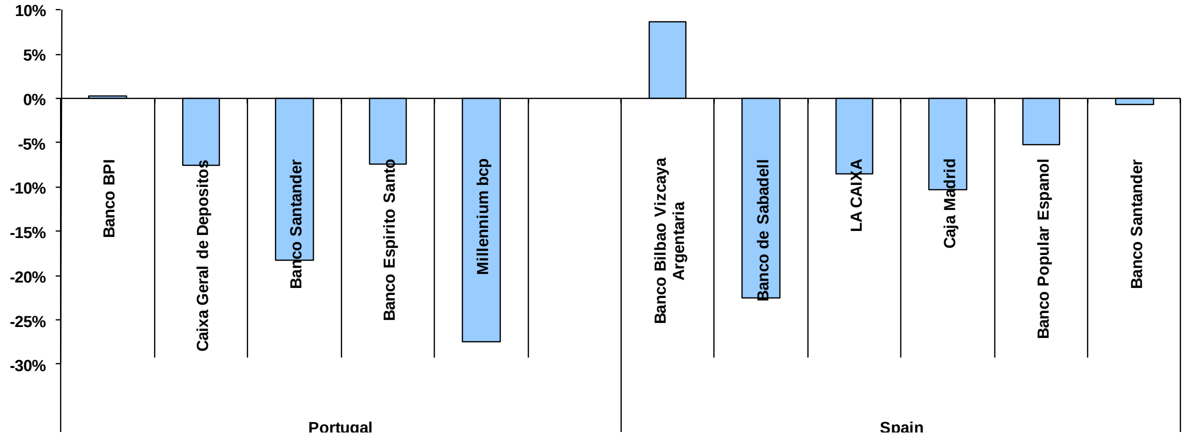


Figure 26 – Loans-to-deposits' ratio: Portugal and Spain

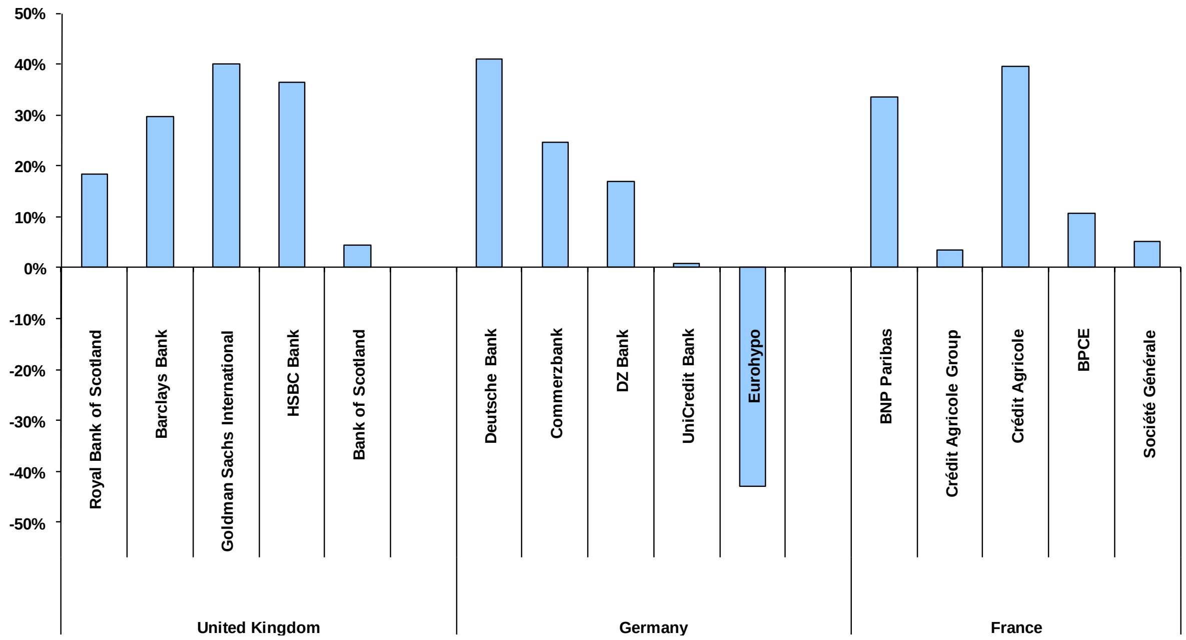


Figure 27 – Loans-to-deposits' ratio: United Kingdom, Germany and France

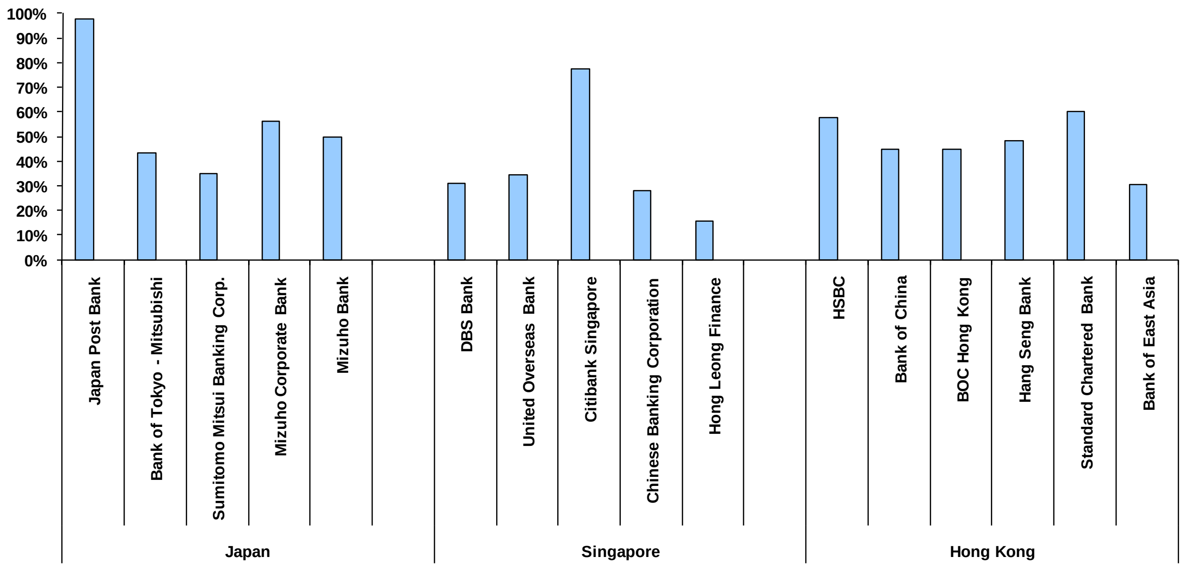


Figure 28 – Loans-to-deposits' ratio: Japan, Singapore and Hong Kong

In terms of methodology, the data was collected from the banks' annual reports, reflecting the figures of the consolidated financial statements, compiled on a case-by-case basis (therefore, not using any statistical random technique), they are audited in accordance with general accepted accounting principles and this database is generally used by the banks in world for different purposes, namely credit analysis.

Additionally, the standards for the preparation of the financial statements and the accounting principles followed are fairly uniform and audited, as well as regulated and supervised by the countries' supervision authorities. Based on the quality controls over this data, we concluded that, in terms of its *validity* this data is reliable and consistent, and does not have limitations that would be worth mentioning.

Deposits and loans, as well as the loans-to-deposits' ratio are defined as follows (Bureau Van Dijk, 2010):

- *Deposits:* is the amount reflecting the total customer deposits (current, savings and term), including the deposits from banks, and other deposits and short-term borrowings (monetary market and repos), that have the particularity of being withdrawn on demand or short notice.

- *Loans:* include residential mortgage loans, consumer and retail loans (loans and leases to individuals, either unsecured or secured by assets other than residential property), corporate and commercial loans, to which the provisions for impaired and non-performing loans are deducted.

- The *loans-to-deposits' ratio* reflected in the three Figures 26, 27 and 28 above is calculated dividing the loans by the deposits, presented in percentage the unit measure.

Based on this secondary data, we concluded the following:

- That the Portuguese banks have significant negative *liquidity gaps*, being BPI the exception with a practically null ratio;
- In Spain, only BBVA has a positive *liquidity gap* and Santander is in even position in terms of the loans-to-deposits' ratio. This leads us to conclude that the Iberian market needs to focus strongly on capturing *liquidity* to reduce their dependence on the debt markets that, as mentioned before, is closed practically since May 2010, for both Portugal and Spain.

An opposite situation reflected in the quantitative analysis of the Figure 27 covering Germany, United Kingdom and France, shows that the banks have a high positive loans-to-deposits' ratios, reflecting a comfortable position in terms of *liquidity*, therefore meaning a lower need to issue debt to raise *liquidity*. The only exception is Eurohypo, a mortgage bank that has been rescued by the German Government.

In Asia, we selected Japan, Singapore and Hong Kong, where we concluded on the consistency of the comfortable liquidity position reflected by their positive loans-to-deposits' ratio.

As we can conclude from the quantitative analysis, countries like Portugal and Spain, with negative ratios and a significant migrants' market could take advantage of it leveraging the potential of *remittances' flows* to increase their *levels of liquidity* and/or issue debt having as a collateral the future flows of remittances, as discussed in Section 4.5.2 - "*Diaspora bonds*: a debt instrument to leverage remittances' flows".

As a global conclusion, we can say that the Figures 26, 27 and 28 demonstrate the comfort in terms of *liquidity* of some banks in particular countries and, a pressing need of *liquidity* for other banks, namely in Portugal and Spain.

This complements and concludes the qualitative research carried in Document 3 on the importance of *remittances' flows* to which we refer in several sections of the work, as well as the opportunity that they could represent for the banks if they address it with an adequate *business model* the migrants' business segment. This would help changing the negative loans-to-deposits' ratio into a positive one, contributing to the banks' *financial stability* and the banking system in general.

4.6 SQ 3: *Conclusion on remittances' flows* contribution to *financial* stability

In this section we will summarize the relevant conclusions of the quantitative research relating to RQ 3.1, focusing on the contribution's potential that *remittances' flows* can have to the banking system *liquidity* and *financial stability*. The conclusions are grouped into four research groups of topics that overlap, are related and interconnected, from a macro to a microeconomic financial perspective. They are as follows:

- Correlation of qualitative and quantitative research to *financial stability;*
- Macroeconomic impact *versus* financial stability;
- Loans-to-deposits' ratio *versus* international debt raising;
- Portuguese *corridors* remittances' flows *versus* contribution to *liquidity* levels and *financial stability*.

Using and linking the quantitative analysis performed on different variables, components and angles of the *financial stability*, we may say the following:

- That *liquidity* become and is now at the centre of the attention of the stakeholders of the financial system, namely banks, central banks and international institutions;

- The quantitative research showed that the *remittances' flows* if monitored and controlled by banks, retaining them in their balance sheets, can contribute to their *financial stability* and replace other debt and capital financial instruments, as the countries will not be able to continuously support the financial system, as we will address in this section.

4.6.1 Correlation of qualitative and quantitative research about *financial stability*

Bryman (2007: 158) advocates that an advantage of quantitative research is that measurement allows delineating small differences that are difficult to detect otherwise, as well as to provide the basis for a more accurate forecast of the degree of relationship between concepts, through a correlation analysis.

We agree with this view, but we would like to critically complement it saying that, we also think that the importance of *relating* and *correlating* the results obtained in the quantitative research with the results of the qualitative research, which we also advocate can be extended to other areas of science. In our DBA that "correlation" –not using its meaning in *statistical* terms- reinforces the conclusions about the concept and importance of the *remittances' flows* for the *liquidity levels and financial stability.*

The conclusions on the correlation of qualitative and quantitative research about *financial stability* are as follows:

- The reason for the "correlation" is justified with the fact that the concept of *financial stability* has developed and, currently, includes other variables that overlap and are correlated; before the current crisis, *liquidity* was the main variable considered in *financial stability* analysis.

- The qualitative research showed common and consistency points of view of the interviewees, on the importance of *remittances' flows* for the *financial stability*. We decided to prepare its recap, as it would "frame" and "put into perspective" the *liquidity* and *financial stability* to which the remittances' flows can contribute, as well as support the move to the quantitative research.

- The quantitative research showed that *remittances' flows* are in the agendas of some banks, as a factor that is very important for the stability of the financial system and of the economy, as well as a financial flow that can be leveraged to ensure the improvement of *liquidity levels* and *financial stability*.

4.6.2 Macroeconomic impact on *financial stability*

In this section, we will summarize the conclusions of the quantitative research and the importance and impact of selected macroeconomic variables in the *financial stability*, which reflects a change in the paradigm.

One of the most important changes in the paradigm relates to the *sovereign risk*, as the banking system can be strongly impacted by it, not having, however, control over the variables considered by the investors and institutions determining the countries' *sovereign risk*, i.e., the variables that determine the *sovereign risk* are controlled by governments –not by the banks- and ultimately the banks can be severely affected by the *sovereign risk*.

Following are the results of the quantitative research relating to this section:

- The analysis of secondary data quantifying two predefined variables measuring the relations between "risks and conditions", reflected at the extremities of the ax correlating macroeconomic risks *versus* market and liquidity risks, lead us to conclude that both variables are correlated and show currently a significant level of risk, which impacts *financial stability* [Section 4.4.1 - "Global and domestic liquidity"].

- The countries' *sovereign risk* with high debt and high public finances' deficits versus GDP are facing difficulties in accessing the international capital markets. The research showed that the lack or restrict access to the international debt markets, can have a strong impact in the banks' *financial stability*, which is intimately connected to the banks solvency. The market's perception of the macroeconomic risks (e.g., *sovereign risk*) affects the *liquidity* available, impacting the *financial stability* of "*illiquid*" countries with the consequent impact in the banking system [Section 4.3 - "Sovereign risk impact in *financial stability*: debt markets and public finances; a change in the paradigm"].

- Currently, in the calculation of the GDP, the IMF started factoring into it the percentage of *remittances' flows*, as a variable for the assessments of countries' economic performance and, consequently their rating decision on *sovereign risk*.

  Therefore, if the countries draw their attention to this new impacting favorable variable –the *remittances' flows*-, they would be able to improve the sovereign risk and the access to debt markets, avoiding the current "indirect" negative impact in the *financial stability*.

- The Global and domestic liquidity tests, indicates that *global and domestic liquidity* Granger-cause each other, as well as that the current pressure of *funding,* on some banks and countries, have an important impact in the *financial stability.* The recent changes in the *global financial stability* lead to the conclusion that risks remain high, mainly because of the restructuring of the banks' balance sheets.

4.6.3 Loans-to-deposits' ratio *versus* international debt raising

Based on the research of the secondary data of several sources on the banking system 's loans-to-deposits' ratio and its impact in raising international debt, we concluded the following:

- The quantitative analysis of selected banks' loans-to-deposits' ratios in selected countries, lead us to conclude that the banks with a positive or a negative ratio, may face, respectively, comfort or discomfort (even the ability or inability) in accessing the international debt capital markets [Section 4.5.3 - *"Loans-to-deposits' ratio* analysis for selected countries and banks"].

- Portugal and Spain are in the group of countries facing currently risks of *financial instability*, because of the risk perception that international capital markets have as a result of those countries *sovereign risk.* To underline this point, the research showed that *remittances' flows* are currently factored into *sovereign ratings* in the debt sustainability analysis. The resilience of *remittances' flows*, even during periods of financial and economic crisis, reinforces its importance, namely for banks that face international financing debt gaps [Section 4.3 - "Sovereign risk impact in *financial stability*: debt markets and public finances; a change in the paradigm"].

- The stress-tests assessed the resilience EU banks to absorb possible shocks on credit and market risks, including *sovereign risks* [Section 4.5.1 - "ECB stress tests for EU banks with focus on Portugal and Spain"]. One conclusion was that banks in countries under sovereign stress can be susceptible of creating *financial sector instability*. The correlation of the conclusions drawn in different sections shows that, although the variables –*remittances' flows*, *financial stability* and *stress tests*- seem unconnected, the critical literature review, the qualitative and quantitative research, showed that those variables are strongly *interlinked* and *connected.*

  It seems legitimate to conclude, based on the combination of several variables and the different methodologies and methods followed and identified in the Project, which the banks have not yet identified as an important and relevant reality, is the capability of the *remittances' flows* to leverage and improve the results of the stress tests and therefore *financial stability*.

- There are a number of financial instruments to support the issuance of debt in the international markets, but the results of the quantitative research shows that in emigration's countries with relevant *corridors*, *diaspora bonds* could represent a stable source of external finance. Ultimately, it will be necessary to adopt innovative financing approaches to target investors and *diaspora bonds* could be one of those mechanisms [Section 4.5.2 - "Diaspora bonds: a debt instrument to leverage remittances' flows"].

  For the diaspora investors, these bonds offer the opportunity to help their country of origin, while at the same time offering an investment opportunity; besides patriotism, diaspora are usually more interested than foreign investors in investing at the home country. Additionally, remittances are a stable source of foreign currency; for this reason, countries and the banks could leverage its potential to collateralize the issuance of debt, namely leveraging them as a source of capital.

4.6.4 Portuguese *corridors* remittances' flows *versus* contribution to financial stability

In this section we will summarize the conclusions on the Portuguese *corridors* remittances' flows *versus* contribution to financial stability, focusing on countries with negative loans-to-deposits' ratios and important *corridors*, namely Portugal and Spain, that could take advantage and leverage the potential of *remittances' flows* to increase *liquidity* levels and issue debt using as collateral the future *remittances' flows*.

The quantitative analysis that supports these conclusions was performed in the Section 4.4.3 - "Portuguese *corridors* and relevance of flows *versus* selected financial ratios", and they are as follows:

- The analysis of remittances' flows in the Portuguese *corridors*, but not only, seem to show that the 2007 economic and financial crisis did not affect significantly the volumes remitted, with 2010 already showing an increase in the traditional *corridors*, which supports the resilience of this *liquidity flows*.

- The nominal calculation of the *remittances' flows* in the Portuguese *corridors* over 13 years, reaches approximately € 40 billion. The share-capital and equity of selected Portuguese banks (over 70% of the market), amount to € 14 billion and € 27 billion, respectively. When we compare these amounts to approximately € 40 billion of *remittances' flows*, it seems legitimate to conclude on its relevance to the *financial stability*, namely if part of it is retained as "savings" in the financial system.

  If the banks adopt a strategy of stabilizing their base of resources, giving more attention to their deposits' basis and are able to retain as "savings" a percentage of the nominal amount accumulated (€ 40 billion remittances to Portugal), it seems legitimate to conclude that the remittances could contribute, due to its specificities, namely to the improvement of the loans-to-deposits' ratio.

We can draw the following main conclusions of the quantitative research:

- Although the variables *remittances' flows, sovereign risk, financial stability, loans-to-deposits' ratio and stress tests* seem unconnected, its research shows that they are *connected.* In the particular moment of the current crisis, most of the banks still do not identify the potential of the leverage of the *remittances' flows* to contribute to improvement of the *liquidity levels*, *financial stability* and *profitability*.

- The potential demonstrated along the research that leveraging *remittances' flows* can represent an opportunity for the banks if they address, with an analytical and structured business model the migrants' business segment, meaning namely a structured product offer at the origin and host countries, it could increase significantly the potential of the leverage of *remittances*.

5 *"Bridge" to Document 5 of the research carried over the DBA: Preliminary plan*

5.1 Nature of the matters' recap, academic and business world knowledge

In this section we will briefly craft the preliminary plan for Document 5, recapping the nature of matters involving namely remittances *versus* liquidity, financial stability and profitability, that resulted from the research, including the critical literature review, the qualitative and the quantitative research, covering the relevance of the SQ, namely for the banking industry. This preliminary plan will be a basis for the review and discussion with my Supervisors to craft the research plan for Document 5.

It recaps and supports the research's conclusions that, considering several areas within the banking business, namely funding, financial stability and product and services' portfolio, as well as the coordination between headquarters and subsidiaries. Also, the identified lack of awareness about the recommendations and the work developed by international institutions on a global phenomenon –*migration*- that impacts significantly the demographics and economics of the world, that shows resilience to financial and economic crisis, by keeping its trends in terms of *people and remittances*, seems important for the research and analysis for both the academia and the business world, namely the banking system.

The financial system should expect more stringent prudential standards, under the future EU Directive on *liquidity* requirements that will be an important conditioning element in terms of the *banks' liquidity management*. Also, there are new *variables* in the equation that lead us to consider the *sovereign risk* (over which the banks do not have control), as currently and, not anticipated, is impacting the banks' *financial stability* and therefore, requiring careful *liquidity management* in the period ahead.

The IMF (2010: 2) agrees with this point of view in the financial stability report published last April, saying that banks face new challenges due to the slow progress in stabilizing their funding –including *liquidity*- and the likelihood of more stringent future regulation, leading them to reassess *business models* with the objective of making their balance sheets less risky, as distress may affect banks that remain dependent on central bank funding.

We will now discuss the contribution of our DBA to the academic and business fields' knowledge, which we envisage could be as follows:

- For the academic field: banks are frequently considered as "non-transparent". Mutch (2009), wrote that it does seem to be a *gap* about what banks do, -e.g., knowledge of the flows, their implications or about the migrants and their finance options- as banks enter into this but, as *black boxes*, that do seems "a little opaque". This gives a very good *gap* in our [Academia] *knowledge* to seek to fill.

  This point was confirmed in the critical literature review, as we found very few Papers and literature resulting from Universities' research and scholars in the knowledge area of the migrants' banking business.

  We expect that the DBA would "open and make more transparent" the "black-box" in this area of the knowledge and stimulate other researchers to look into this area.

- For the business world: we will conclude on the importance of the *financial stability* for the banks, conducted in a *profitable* fashion, adopting an integrated structured approach for the migrants' business segment.

  We also intend to develop a structured view of both sides of the *corridors*, i.e., at the host and origin countries, through theoretical concepts and its potential impact in the financial business, preparing a *business model* to address the results of the researched issues.

- Also, in *bridging* the academic with the business world and the potential that their mutual contribution could give to *knowledge*, the research showed a lack of communication among stakeholders, affecting the *management knowledge* relating to the way banks service the migrants. This includes namely the academia, international institutions, diaspora and banks, being visible a *divorce* of statistics, international institutions' findings and recommendations, as well as the lack of Scholars' research in the specific area under research within the banking industry.

5.2 Portugal: neglecting remittances, active Diaspora, EU periphery and broad finances

The particular case of Portugal, a nation with an active diaspora and a highly developed banking system, but an economy on the periphery of the EU with negative impacts in the *financial stability* as we concluded in the research, requires innovative approaches to leverage the assets and characteristics of the country. As one of this, we would include the potential that the migration business segment could represent for the banking system and the economy, as it did in the 70's throughout the 90's.

Bridging this to the last decade and due to several factors researched in Document 3, namely the introduction of the Euro (Portugal was included in the first group of countries to adopt the Euro in January 2002), it seems that the banks started neglecting remittances and what they could impact and reveal in terms of broader finances, by focusing in "fancier products" and business areas. As an interviewee put it when talking about *remittances' flows* (Ferraz, 2010: 38): *This theme was probably not considered, let me put it this way, a "sexy team" when you compare "remittances' business" with "private banking". Even the word is not sexy!*

This provoked reduced importance and priority to relevant matters like the loans-to-deposits' ratio, liquidity management, financial stability, the short-term *versus* the long-term debt management, as well as other *variables* outside the banks' control, that led several banks in the EA to require governmental financial support.

By coincidence or not, this was exactly during the last decade that international institutions (e.g., WB, IMF, UNESCO, G-7) started publishing literature, statistics and recommendations on this matter. The critical literature review revealed that a high percentage of banks are not fully aware of them and therefore do neither adopt, follow their recommendations or leverage them in their benefit, namely to improve *liquidity* levels and *profitability*, as well as to *bankarize* migrants and their families, attracting remittances from informal to formal channels and, considering also the CSR as an important component of their *business models*.

The stakeholders –including the banks- may have concerns about the accuracy of the statistical information on people and remittances' flows. However, even if we assume that statistics do not reflect the reality, the reported volumes are sufficient large. This seems to demonstrate the relevance of the impact of migration in the global society (e.g., CSR, *bankarization*, financial stability) and in the financial system, due to the volumes involved (e.g., financial integration, economic development).

5.3 Research and development of a *business model* for migrants

In Document 5 we will perform a critical literature review of *business models*, namely what are the alternatives, ways of designing them in a structured and analytical fashion, a portfolio of products and services that should show a competitive advantage, considering namely CSR, financial integration and *bankarization*, as well as the place of knowledge in them with the objective of alerting banks' management for its importance.

An intriguing issue is the reason why the full extent of the potential of the remittances is neglected. This is a matter that we researched qualitatively on the side of the "banking system's stakeholder". We concluded that this lack of awareness includes poor internal communication levels in the banks (demonstrating a lower degree of *management knowledge*) and, on the side of the international institutions, a lack of connection with banks, as well as the state of knowledge of the banks and the impact this would have constructing an adequate business model.

We will research this matter qualitatively in Document 5, interviewing representatives of international institutions try to understand the reasons for this lack of communication and coordination between international institutions and the banking system to ensure that banks (that own the formal networks to transmit remittances) know and adopt their recommendations, as well as try to understand the *divorce* of the academia from this area of knowledge.

The following paragraphs indicate several components that will be considered in defining the *business model*:

- As part of the theorization and building the *business model*, very likely, we will use a SWOT (strengths, weaknesses, opportunities and threats) analysis, indicating business opportunities and threats (from the markets' side), as well as weaknesses and strengths (from the banks' side). The impact in the country itself should only be researched only in a summary fashion to help frame the issue as a macroeconomic factor in the decision process, having in mind the objective of this research question [RQ 3.2].

- This view brought up a "gap" relating to the opportunity of the banks not focusing only on "remittances", but adopting the view of the customer, using the remittance as an "anchor" product, to address the migrants' market demand *versus* banking offer at both ends of the *corridor*.

- We identified another *gap* relating to the immigrants' business, where most interviewees considered this area as a business area with high growth potential. However, the research showed that the immigrants are basically served as any other customer and not with a specific focus in integrating them financially, i.e., having the intention of targeting *liquidity* and *cross-selling,* at both the origin and the host countries.

- The quantitative research demonstrated that there is a significant increase of immigrants in countries that traditionally were emigrants' countries (e.g., Portugal and Spain). The leveraging of the banking networks and other structures at the host countries, to attract other immigrants' communities, as well as nationals of the host country that, for some reason, have a relationship with the immigrants that are the target of these banks, may also represent a variable of this contribution.

  On the other hand, the new reality relating to *outflows* of immigrants' remittances shows that the net amount (inflows of emigrants *minus* outflows of immigrants) of remittances in Portugal decreased in the last 20 years (from € 5 to 3.7 billion), leaving Portugal with lower amount of *liquidity* resulting from *remittances outflows*. The banks did not realize this fact that affects their *liquidity* and their *business model* should be able to ensure that immigrants' savings are maintained in the banks in Portugal.

- As it relates to the *cross-selling*, the research identified an intriguing *gap*: *cross-selling* can be a key contribution for *profitability,* at both ends of the *corridor,* as well as an important tool to retain customers. However, the qualitative research showed that the banks do not plan, coordinate or structure it analytically, namely when the customer is common to both operations, i.e., at the origin and the host countries.

  The research showed that another component of this unawareness results from the fact that the banks do not keep track and monitor their migrants' databases, not having a segregated business unit fully dedicated to this business area and therefore do not leverage the potential of migrants customers that are already clients in their commercial banking networks.

  The research also pointed out the reasons why this is happening; it may result from a conflict of interest between headquarters and the operations abroad, due to the lack of planning and solutions to address the issue of *liquidity transfer* from subsidiaries to headquarters, as well as its impact in the *financial stability* and *profitability* of the operations abroad. This matter will be addressed when theorizing and designing the *business model.*

Although the variables *–people and remittances' flows, financial stability and profitability-* seem unconnected as we concluded before, the separate research of them, including the critical literature review, the qualitative and the quantitative research, show that they are *connected,* as a kind of "*puzzle-superstructure".*

It seems legitimate to conclude based on the interconnection of these variables, as it seems that most banks in Portugal and Spain have not identified the full capability of the *remittances flows,* in the particular moment of the current crisis to contribute to the *financial stability* and *profitability* to build a *business model* considering these variables.

Focusing specifically on the investigation and bringing it all together, we should say that the objective is to evaluate the impact in the banking industry that the trends and changes in the people and remittances' flows could represent as business potential for banks in terms of the contribution for *profitability*.

The *dynamic* conceptual framework chart represents a flow of a process that should enable us to consider designing alternatives to theorize business models that banks could adopt, supporting the business model in the *flows of people* –the customers- and in the *flows of money* –the remittances- to influence and improve the banks' *financial stability* focused on the *liquidity* migrants are able to generate, as well as to improve *profitability*, as a result of servicing migrants through coordinated banking system networks at both ends of the *corridor* -at the host and origin countries-, as a result of improving namely the communication between international institutions and banks, as well as *cross-selling* strategies to *migrants*.

Based on the answers the RQ gave to the SQ, as well as the component of the research still to be carried in Documents 5, we will design a *business model* indicating its potential and limitations, mainly focused on the Portuguese market. However, we will attempt to design a *business model* that could be used in other countries' *corridors* with the same profile and characteristics of the Portuguese market, as a substantial part of the research's results shows that the *barriers* and *gaps* are transversal to the banking systems, mainly in the developed countries.

Appendix 1 – Conceptual Framework chart

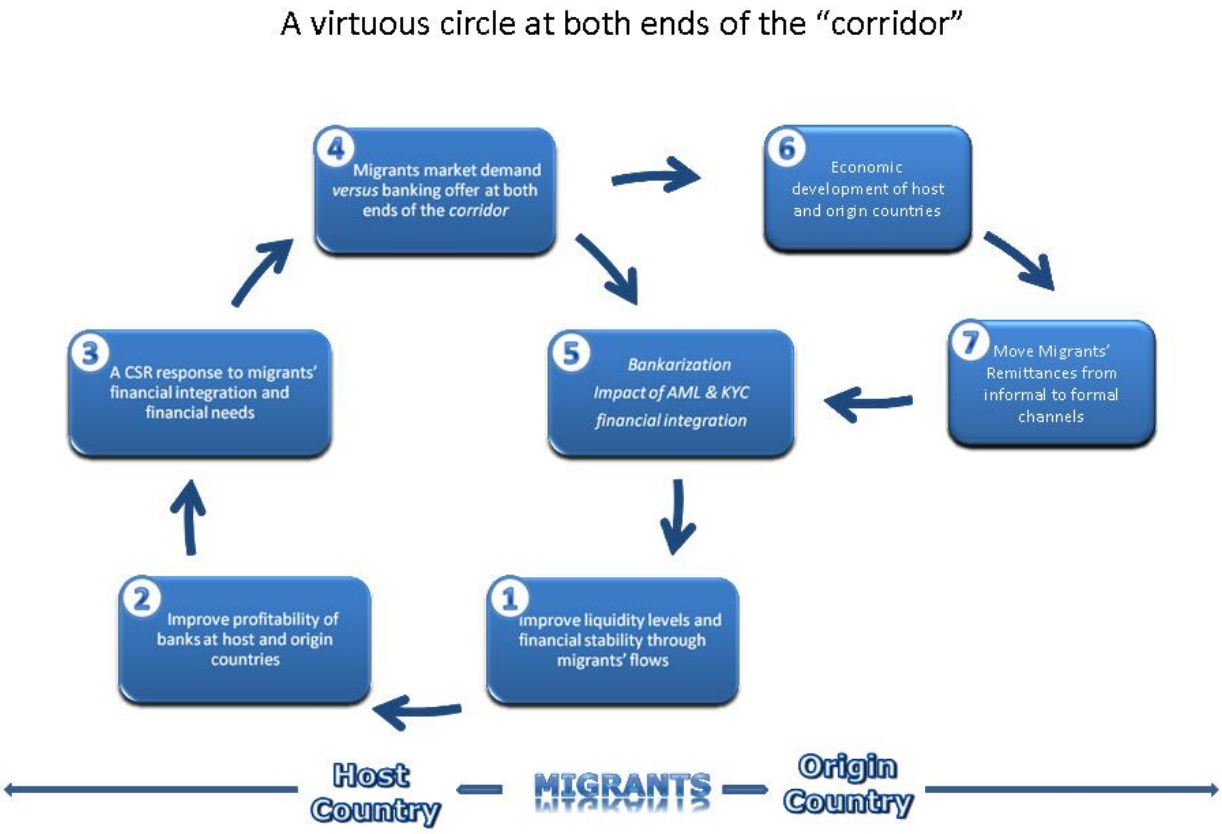


Figure 29 – Conceptual Framework: *A virtuous circle at both ends of the corridor*

Appendix 2 – "Informal channels" summary based on Document 2 research

The transfer of remittances is processed through formal and informal channels. The formal channels include the banking channel and credit unions, which institutions usually provide a wider range of financial services, and the postal network and MTO. The informal channels, include the telecommunications companies (via mobile phones), transport and courier companies, as well as the "more informal", which are "community based" channels (e.g., Hawala) and the physical transfer of cash, e.g., travelling relatives or friends and the migrant himself (Comini, 2009; 21). Shaw (2007; 3) says that remittances are transferred using banks or other financial intermediaries (e.g., post offices, MTO), carrying cash by hand, which is done personally or through an agent, cell phones, bringing goods, bundling remittances through informal networks (to reduce transactions costs), and delivering goods or services to the origin countries.

Ballard (2004; 158) says that the migrants' remittances to the origin countries via informal channels are not reflected in the formal banking statistics. Shaw (2007; 22) states that empirical researches did not conclude on the importance of the different remittances channels, although the conclusion is consistent in the split between formal and informal channels varies considerably across countries. It is important to say that the migrants have very often to use the informal channels, basically due to the non-existence of financial services offer to remit and deliver the money, because there are no banking networks or MTO (formal channel) that reach the beneficiaries.

On other hand, in some communities the cultural aspects play an important role in the choice of the informal channels. The remittances in the formal channels are reported in statistical terms, while in the informal remittances channels are not, because of one issue not referred by the authors that is the fact that the informal channels are not subject to the regulations and supervision of the financial system authorities. The legal immigrants have access and generally use both formal and informal remittances channels. The illegal tend to use informal channels or MTO, as they are they are afraid of being caught by authorities and, in most situations the banks do not allow illegal immigrants to open a bank account. As mentioned in this Document and in Document 2, the informal channels are outside the scope of the DBA.

The money transmission through informal channels was developed for the following reasons: the high commissions charged by banks, the delays experimented in the funds transmission and the difficulties the beneficiaries experienced in receiving the funds (Ballard, 2004; 7). Other issue related to this was raised by Bourenane (2009) saying that financial advice and financial literacy have become important tools enhancing financial intermediation and access for people receiving remittances; if a client does not understand the product or the service, we do not need to spent time with regulation and other related issues, as the product will never be used. Linked to these matters and the lack of experience of beneficiaries is the passivity of banks in contributing in a structured fashion for the financial education of the clients or potential clients, as well as to a commercial policy and effort to capture them as clients. One other serious matter relates to the regional coverage of banks that do not have presence in remote places where the beneficiaries live.

Another issue is linked to governments and authorities' policies that "push" migrants away from the use of formal channels (Shaw, 2007; 23). For example in South Africa money transfer agencies should operate under a banking license, have sophisticated exchange control systems, as well as have to certify the origin of the funds and that the immigrant or sender has a *working permit*. These demands end-up limiting competition and raising fees, encouraging them to turn to informal networks; additionally, the money transfer operators refuse to serve low-income individuals whose bona-fides may be difficult to verify (Genesis, 2003; v).

Ballard (2004; 7) thinks that Hawala, which is an informal remittance transfer system- may be facing strong threats, as a result of the implementation of Anti-Money Laundering and Control of Finance for Terrorism policies and procedures to control all types of financial transfers; these controls are imposed on the financial institutions and MTO to perform the "KYC-know your customer". In the research performed, we could not identify articles or statistics that show the impact of these procedures and policies in the remittances' flows, but very likely the easy way these transfers were done in the past are not in line with today's reality. It is difficult to foresee the way the authorities can reach these informal organizations, like Hawala, as they operate in a kind of a “clandestine fashion” parallel to the supervised financial system.

Although the focus of the DBA leaves outside its objective the informal channels, it should be noted that channels like Hawala have an important role in reaching the poor in countries and villages where the financial institutions do not have a presence.

Page (2005; 11) writes that there are some countries, mainly in Africa, where the central banks assumed that more than 60% of total remittances receipts go through informal channels. We may say that beyond cultural reasons, there is also a banking history in these countries of servicing only the affluent community and impacting the low *bankarization* level.

Ballard (2004; 3) says about the unbanked migrants that, "informal" development aid (defining “informal” as the remittances sent through informal channels) involves larger amounts than those made available by international agencies. Ballard justifies as the reason for the choice of the informal channels that the remittances are delivered with no strings attached and no involvement of external debt and capital. Ballard says that this practice is advantageous as remittances go directly to members of poor rural communities throughout the developing world, where the peasant farmers lack access to investment capital.

Analyzing the comments on the volumes of informal remittances and because it seems to exist unanimity on the fact that they represent a large amount –which WB estimates can reach 50% of the formal channels’ remittances- one may accept the conclusion. However, we do not think that Ballard can support the conclusion he reaches is that the decision of choosing informal channels is linked to the reasons presented. It is very difficult that migrants sending money back to their families think or consider the external debt or the capital issues that Ballard refers to. Very liked at the end, the impact of those remittances, reach the poor peasants in rural areas that do not have access to capital for investment, but the decision process to remit informally, and seems to us to be fully based on the latter argument.

Appendix 3 – Summary of measures to improve migrants and remittances' statistics based on Document 2 research

The concern to improve the statistics on migration was addressed by the EC, putting pressure on MS to improve the availability and quality of data on remittances, materialized with the publication of the Regulation (EC) n. 862/2007, dated 11 July 2007 (OJ L199), which provides definitions and requires MS to supply to the EC data on the flows of immigrants moving to the territory of the MS (by country of birth and citizenship, age and sex), stocks, persons having their usual residence in the territory of the Member State (by country of birth and citizenship, age and sex), as well as data about asylum seekers (subject that is outside the scope of the research) and residence permits issued to third country residents.

This regulation does not cover estimates of the number of *illegally residents*, but requires data on the number of illegal migrants who have left the territory of an EU MS following an administrative or judicial decision. This new layout has the limitation of having 2008 as the first reference year and therefore, only in 2010 we will start having data available.

At request of the G-8 (2004), in June 2004, the WB, IMF and the UN constituted a working group named "Luxembourg Group" to study the measures to be implemented to improve the quality of the statistics in relation to personal remittances, total remittances and total remittances, as well as transfers to not-for-profit institutions should be added to the Balance of Payments Manual (WB, 2008; xii). The importance of producing accurate data on remittances also led to the decision of the G-8 to require the dialogue between the G-8 countries, WB, IMF and other institutions with the objective of developing standards in both sending and receiving countries (WB, 2006; 110).

As part of this process, the IMF launched in 2008 "The New IMF Guide" (IMF 2008b and 2009b) addressing the "International Transactions in Remittances: Guide for compilers and users of data on remittances", which shows the concern for the preparation of accurate and consistent statistics on *migration' flows*. The IMF guide requests information on the following: channels' transactions, data sources, country examples and identification of approaches to improve data on remittances. Aiyar (2006; 85) says that because of their volume and potential to reduce poverty, remittances are attracting growing attention from policymakers at the highest levels, in both developed and developing countries

Economic contributions to host and origin countries were thought to be of minor economic significance, an idea that was changed as a result of studies performed by the MIF (2001-2008); as a result, the central banks in Central and South America started controlling the flows of remittances. However, these controls are still far from producing accurate statistics, as there are significant flows of money (and goods) due to the utilization of informal channels or of financial unsupervised entities. As a result of this conclusion, the MIF, the Center for Latin American Monetary Studies and the central banks initiated a project to better report the remittances flows (Meins, 2009; 6). We concluded that although this problem is transversal to the world, it shows different degrees depending of the countries and/or regions we discuss.

Within this framework and with the objective of capturing a higher share of remittances, as well as reforming their banking system, the EC granted in 2008, €1.7 million to the WB and the African Union to set up the "African Institute on Remittances", to advise African governments on these matters (Brunsden, 2008). Although Meins (2009; 5) recognizes an improvement in recording these flows, he thinks that their characteristics make them difficult to track, reason why the Latin American and Caribbean central banks, have also initiated a joint project that aims to facilitate central bank measurement of remittances' flows.

Appendix 4 – OECD International Migration Database: data sources, limitations and mitigating controls

Most of the data was taken from the contributions of national correspondents of OECD (2010a; 2010b) with the approval of the authorities of member countries. Consequently, these data have not necessarily been harmonized at international level. This network of correspondents, constituting a continuous reporting system on migration (SOPEMI) has no authority to impose changes in statistics' data collection procedures. However, it is proactive suggesting improvements and trying to present consistent and well-documented statistics.

The purpose of this database is to describe the "immigrant" population (generally foreign born population). The information gathered concerns the *flows and stocks of immigrant population*, together with data on acquisition of nationality. The presentation of the *time series* in a standard format does not imply that the data have been fully standardized and are comparable at an international level, since few of the data sources used are specifically designed to record migration movements.

Because of the great variety of sources used, different populations may be measured. In addition, the criteria for registering population and the conditions for granting residence permits, for example, vary across countries, which mean that measurements may differ greatly even if a theoretically unique source was used.

In addition to the limitation of the comparability of statistics, there is the difficulty of the very partial coverage and knowledge of *illegal migrants*. Part of this population can be counted through censuses. Regularization programs, when they exist, make it possible to account for a far from negligible fraction of illegal immigrants only after the fact. In terms of measurement, this makes it possible to better evaluate the volume of the foreign population at a given time, although it is not always possible to classify these immigrants according to the year they entered the country.

Since the nature of the sources used differs considerably across countries, each series is provided with an explanatory note aimed at making it easier to understand and use the data presented, as well as be aware of its limitations.

Appendix 5 – Summary of the forecast methodology using bilateral migration and remittance matrices

This Appendix summarizes the forecast methodology using bilateral migration and remittance matrices, to forecast remittances' flows for 2010 through 2012. The sources included data from IMF Balance of Payments Statistics Yearbook 2009, central banks, national statistical agencies, and WB country desks. The WB site www.worldbank.org/prospects/migrationandremittances contains the data definitions and the entire database and remittances are defined as the sum of workers' remittances, compensation of employees and migrant transfers (Ratha, 2010: 15-8).

The forecasts for remittances' flows are based on stocks of migrants, in different destination countries, and estimates of how changes in migrants' income influence remittances, which are broadly affected by three factors: the migrant stocks in different destination countries, migrants' incomes in the different destination countries, and to some extent incomes in the source country. This includes the remittances received by country from another, considering the stock of migrants in the *corridors*, the nominal per capita income of the migrant-destination country, and the *per capita* income of the remittance-receiving country. The bilateral remittance matrix developed by Ratha and Shaw (2007), re-estimated, using the bilateral migrant stocks data, the remittances' intensities, which represent the share of remittance outflows in nominal GDP of each source-country (host country) *moving* to the receiving-country (origin country).

During the pre-crisis period, remittances grew faster than GDP of remittance-source countries because of a number of factors, including improvements in remittances' technologies, falling costs, and steady increase in migrant stocks. For the post-crisis period (2010-2012), the elasticity of remittances with respect to migrant incomes is assumed to be 50% of the pre-crisis period, with an upper-bound of 3 and lower-bound of 1, with the view that remittances would grow at a lower, more "sustainable" rate, in the post-crisis period.

These remittances' elasticity was the basis to forecast remittance outflows from each remittance-source country in 2010 and beyond using the latest available forecasts of WB' GDP. The forecasts of outflows and estimated remittance intensities were used to estimate the inflows for each remittance-receiving country.

For this purpose, the bilateral migration matrix developed by Ratha and Shaw (2007) was updated with immigrant stock data from various sources to provide the most comprehensive estimates of bilateral immigrant stocks worldwide in 2010. This dataset is described in the Migration and Remittances Factbook 2011 (WB, 2010c).

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DOCUMENT 5

A THESIS

“Bridging the ‘gap’ between Migrants and the Banking System: An innovative Business Model promoting financial integration, financial stability, and profitability”

15 March 2012

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ABSTRACT

The thesis probes a specific area—the banking system and the business niche concerned with migrants' remittances—and considers the flows of these people and their money in today's global economy (over 3% of the world's population). It argues that the banking system has failed to understand the changing "paradigm" of the migrant market and thus has not updated its business plan or business model for this business segment in response.

In failing to harness the liquidity of the migrant market, the author argues, the banking industry is missing out on a potentially profitable business segment that could create financial stability within the industry and the world's economies. Furthermore, by ignoring the "gap" that exists between the financial products on offer to the migrant sector and their needs in this respect in both the host and origin countries—providing a service at "both ends of the corridor"—the industry is also in danger of losing site of its commitment to social responsibility and the financial integration of migrants.

At the heart of the argument for financial stability and financial integration is the proposition that there is a lack of communication among stakeholders, namely academic and financial institutions, governments, Diaspora associations and other decision makers. As an insider, the author is well placed to probe further into the minds of the "elite"; the decision makers within banks, Diaspora associations and government, employing qualitative research to reveal the extent to which the landscape of the migrant business segment has changed (i.e. requiring a more sophisticated product that meets the needs of migrants throughout their entire life-cycle) and highlighting that the necessary adjustments to the migrant business plan and business model have been ignored because of poor communication and a lack of understanding of the current global circumstances concerning the remittances of migrants.

As the thesis points out, despite considerable evidence that migrants and their associated monetary flows is a central and enduring feature of globalization resilient to financial crisis, remarkably, scant attention is paid to it in the academic literature. The thesis addresses this "gap" by employing exploratory research in order to design an innovative business model and business plan for the migrant market, the benefits of which will be realised globally among migrants, the financial industry and, ultimately, in the development of a sustainable world economy.

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To The Nottingham Business School for facilitating a DBA programme functioning under a model that allowed a foreign student, who had the dream of undertaking a doctorate, to aspire to it. See the two paragraphs before the last in Section 4 of Document 6 “A Critical Reflection” where a suggestion is made to the NBS regarding the “globalization of academic knowledge”.

List of Figures

<u>Figures in Appendix 5</u>:

Abbreviations

AfDB	African Development Bank
AML	Anti-Money Laundering
ATM	Automatic Teller Machine
BCBS	Basel Committee on Banking Supervision
BdE	*Banco de España* (Central Bank of Spain)
BdP	*Banco de Portugal* (Central Bank of Portugal)
BIS	Bank of International Settlements
BM	Branch Manager
CEBS	Committee of European Banking Supervisors
CEC	Commission of the European Communities
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Commonwealth	Intergovernmental organization of 53 states
CPSS	Committee on Payment and Settlement Systems
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
CRM	Customer Relationship Management
CVP	Customer Value Proposition
D	Diaspora
DBA	Doctorate of Business Administration
DNA	Deoxyribonucleico Acid
EA-17	17 countries of the Euro Area
EC	Executive Committee
ECB	European Central Bank
EU-27	27 countries of the European Union
FDI	Foreign Direct Investment
FED	Federal Reserve of the United States
FSA	Financial Services Authority
G7	Group of Seven: a forum created for the governments of the world's seven economies
G8	Group of Eight: a forum created for the governments of the world's seven major economies plus the EU
GDP	Gross Domestic Product
GFSR	Global Financial Stability Report
IAD	Inter-American Dialogue
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
II	International Institution
IMF	International Monetary Fund
INE	*Instituto Nacional de Estatística* (Portuguese National Statistics Institute)

ISO	International Organization for Standardization
ITRS	International Transactions Reporting System
KYC	Know-Your-Customer
MIF	Multilateral Investment Fund
Migration DRC	Development Research Centre on Migration, Globalization and Poverty
MM	Marketing Manager
MTF	Money Transfer Firms
MTO	Money Transfer Operator
NGO	Non-Governmental Organization
ODA	Other Development Aid
OECD	Organization for Economic Cooperation and Development
P	Politician
PDPE	Private Debt Portfolio Equity
PFA	Personal Financial Assets
PSP	Payment Service Provider
RQ	Research Question
RR	Recorded Remittances
RSP	Remittance Service Provider
SBU	Strategic Business Unit
SEPA	Single Euro Payments Area
SME	Small and Medium-Size Enterprises
SQ	Strategic Question
SSA	Sub-Saharan Africa
STP	Straight Through Processing
SWOT	Strengths, Weaknesses, Opportunities and Threats
TMT	Top management team
UNCTAD	United Nations Conference on Trade and Development
UNESCO	United Nations Educational, Scientific and Cultural Organization
World Bank	The World Bank

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1 Synopsis of the thesis

1.1 Migrants and the banking system

The world has moved into an "Age of Mobility": it is predicted that trends in international migration will continue to rise and that immigration will increase for economic reasons; industries seeking to gain access to a global labour pool, and global firms that expect to be able to relocate expatriate employees with minimum disruption (Papademetriou, 2007: 20). On the other hand, it is predicted that workers of all skills-levels will migrate to wherever opportunities present themselves, and then, that many will remain in the host country for a lifetime. This thesis probes a specific area—the banking system and migrants—basically ignored both within the industry itself and within academia. This lack of attention is summed up by one interviewee, Mitri-II (see interviewees' profiles in Appendix 1), when he comments: *"I'm always surprised that something as old as migration would not be a topic of inquiry, a topic of interest either for researchers or for bankers!"*

The theme of remittances and migrants is relevant both to academia and to the business world: a phenomenon linked to the flow of people and to the flow of money, involving enormous sums ($483 billion in 2011 in formal channels and an estimated $225 billion through informal channels), which represent an important – huge – potential business segment. As Mitri-II stresses *"… the biggest innovation you're working on, is indeed the amount* [of money] *'moved around' in remittances"*, a situation corroborated by Victor-P, *"remittances are extremely important for us … my own personal experience"*. This dual fluidity has shown a consistent increase over recent decades; increased migration therefore has had an effect not only on society, but also on a major stakeholder – the financial system – which, as a result, has facilitated increasingly the movement of money around the world through remittances, although most bankers are not aware of those flows. A banker, Anthony-EC admitted, *"I should confess that I never searched them, but I also should say that it never came up to my knowledge"*. There is an opportunity here that this thesis grasps: the research demonstrated that current business models do not consider servicing migrants and their families in both the host and the origin countries. Most banks focus on migrants *or* their families and fail to tie-up the commercial activities between the two, a matter that links indirectly to informal channels of moving money around. The research shows that migrants' remittances represent a source of liquidity that could contribute to the financial stability of the formal banking system if an appropriate business model was in place: *"*[It] *is an extremely interesting business under the point of view of the funding and financial stability"* (Anthony-EC).

The qualitative research revealed that the landscape of the migrant business segment has changed. The change has "upset" the existing business model paradigm, and as a result, it requires "treatment", change, and adjustment. This is a field unexplored in both the academic and business worlds. The pressure to carry through the changes requires the time and effort of senior management, involving institutional adjustments and an attitudinal about-turn: on the matter of alerting senior management to the situation, an interviewee Victor-P says, *"Oh yes, definitely! Yeah! Pass the message!"* The pertinence of all these comments will become a lot clearer throughout the thesis, and the final outcome will be seen in Section 8, when the proposed innovative business model to address the migrant business segment is understood in the context of the research carried out.

It should be mentioned that the word "paradigm" is used as an extension to the common-sense usage in business, and not in the scientific and traditional meaning theorized by Kuhn in his *Structure of Scientific Revolutions*. Paradigm used in the context of this thesis reflects changes to the fundamental business landscape, stressing the issues involved, and the way the business world is seen from a practical perspective. It should also be noted that several intriguing gaps and barriers were "discovered' as a result of the research, anticipated in previous documents, and justified by one interviewee; David-EC when asked about the reasons behind the lack of attention to the migrant segment: *"This theme was probably not considered … let me put it this way, not a "sexy theme" when you compare "remittances' business" with "private banking" ... even the word is not sexy!"*

The DBA reflects a “journey” broken down into several documents that allowed for cross-fertilization of the gaps and barriers identified during the process, and then its “management” for inclusion and utilization. This set the “agenda” for Document 5, which although a standalone document, should be read considering the investigation and research of the global DBA project.

Despite considerable evidence that migrants and their associated monetary flows is a central and enduring feature of globalization, remarkably, scant attention is paid to it in the academic literature. Mitri-II recognizes this: [there is a] *“disconnection between the academic community and the banking sector”*. The review of the literature in Document 2 found that migrants and their finances were neglected in two core disciplinary areas: the economics literature concentrates on stocks and flows of money at a gross level but not in relation to banks as organizations, as an interviewee, Martin-EC admits: *“to be frank, I'm a completely ignorant about the recommendations published* [by international institutions]*”*. In the banking literature also the topic is little discussed. When migrants are the focus of discussion it has much to do with the focus of politicians, as Victor-P says: *“the point of contact* [when he was the European Union Commissioner responsible for Internal Affairs] *is money laundering ... the sordid part of the story ... the criminal one …”* This is a gap explored in the research.

From the above, it is clear that the thesis is exploratory research, which proceeds in large measure through qualitative forms of inquiry. Detailed quantitative work has been carried out in Document 4 to indicate the scale and nature of both migration and monetary flows, and this is drawn upon to indicate the significance of the flows (Appendix 5). However, what is of particular concern from a business strategy perspective is why such significance is underplayed both in the academic literature and in practice, namely in research and with regard to the importance of communication between the financial system and other stakeholders, noted by one interviewee: *“you say correctly* [it] *does not exist … bankers talking to researchers and vice-versa”* (Mitri-II). The lack of attention to knowledge-sharing in practice was one of the motivations behind this study, arising from the researcher’s many years of experience in leading both domestic and international business of a major bank. This position enabled access to senior figures in banks and also in major world institutions. Accordingly, a distinctive feature of this thesis is the way it draws upon insights from senior figures at the level of the boards of directors and executive committees of major banks, chairmen of international institutions, and a politician that was a former Commissionaire of the European Union responsible for migration, as well as chairmen of Diaspora associations. This is a difficult area for academic access, as Victor-P points out: *"banks don't show openness … they make the life of researchers difficult!"* Mitri-II shares this view, stressing: *"… understanding the thinking of bank managers* [it's] *'terra incognita!'"*

The challenges of engaging with elite players are discussed in Sections 5 and 7.1, which explains why this research is based on a pragmatic, realist approach. At the core of the thesis is a revealing exploration of the practice of major banks which, when combined with insights from major world institutions and set within the context of the literature on business models, confirms the existence of a number of significant gaps. These turn out to be problems with knowledge flow: a knowledge gap between policy-making institutions and governments (Thomas-EC: *"I am fed up of telling* [in relation to research, now a former] *the Prime Minister … but when I tell him things he doesn't like, he doesn't pay a lot of attention!"*) and the key players – the banks – in implementing such policies; and internal gaps in banks themselves, where customer information is fragmented and uncoordinated, recognized by May-MM who says that *"often there is tendency to neglect them* [migrants] *or to forget their business"*.

With regard to Corporate Social Responsibility (CSR), banks make clear that it is not valid, not their "responsibility", and so their actions support a public relations or philanthropic objective, a position Gil-EC confirms when he says: *"well … we are a commercial bank … there are some concerns as regards to financial integration, but the main purpose is, of course, the business logic* ['profits']*"* and by Martin-EC, who stresses, *"bear in mind that the bank has to be a profitable business",* which is a posture criticized by Manuel-II:*"giving back to the community you are servicing? ... 90 percent is lip service!"* These findings are addressed by the business model, offered both as a guide to practice, and it is hoped, a prompt for further research.

It is relevant to point out that the RQ and SQ (Figure 2) drafted at the beginning of the DBA did not mention a "business model". This emerged as a result of the research: at first there was a suspicion, which became more implicit by completion of Document 4. Document 5 explores the barriers and gaps, views, attitudes, postures, and culture that impede exploitation of the migrant business segment, and lays foundations for construction of a new and innovative business model. The reasons for the overhaul are made explicit with *"Mind the gaps on the virtuous circle at both ends of the corridor"* (Figure 11). Document 5, "frames and defines" the barriers and gaps in relation to senior management's [lack of] knowledge, and puts forward an argument to explain what has contributed to the shift in the paradigm. The SWOT analysis (Figures 14 and 15) relates directly to the business model, but it also 'interiorizes' the arguments put forward for the shift in the paradigm. Document 2 revealed surprising gaps in the literature – both in academia and the business worlds – relating directly to migrants and the banking system. Based on the research findings, the questionnaires were prepared (Appendix 7), drawing on the gaps identified in the critical literature review.

At one stage, the questionnaires focused only on the banking system as the major stakeholder, but Document 3 revealed that gaps and barriers existed *in and between* all stakeholders: banks, Diaspora associations, politicians and international institutions. This allowed for the theorization and conceptualization of the entire project, resulting in the scope for the business model (Figure 11), that was used to support the qualitative research findings, and which suggested the need for a new (or revised) business model, a view Gil-EC confirmed: *"actually* [the business model] *requires a change in the business approach"*. The research demonstrates that the current mentality of all stakeholders needs to shift; there has been a change in the paradigm, which requires taking the same view as the "pragmatic realist landscape" put forward by this thesis, in order to respond to the migrant business sector. The results of the quantitative research (Section 7) is upheld by the analysis (Figure 12), illustrating the interviewer's perception of interviewees' warranted knowledge and judgment on claims and /or evidence. These findings were then condensed, categorized, compiled, and analysed in the SWOT analysis (Figures 14 and 15). All the findings are articulated in a proposed innovative business model for migrants, the objective of which is illustrated in Figure

16: *"to bridge the gap between migrants and the banking system through an innovative business model to promote financial integration, financial stability, and profitability"*.

This is not yet a "technical business model", as it does not include the specificities of IT, segmentation, or CRM. The business model put forward here is the foundation: it stresses the need to understand current stakeholders; how to shift the bankers' narrow view of the current paradigm, and shows why this cannot be left to middle management. Manuel-II stresses the passive stance of banks: *"managing directors ... want you* [the international institutions or Diaspora] *to bring them the business model!"* His comment underlines the important contributions that academics and practitioners should make. The qualitative research demonstrates that there is an astounding lack of knowledge both within and between all stakeholder institutions, which projects an image of a lack of commitment. The gaps and barriers therefore suggest that bankers need first to understand the change in the paradigm, reframing their perception of the migrant business segment, before they can begin to address the technicalities.

The research carried out in the process of writing this thesis revealed some of the reasons why the critical gaps exist: a [lack of] communication between all stakeholders, between them all and academia, and a similar absence of coordination within the banking system itself; among individual banks and as a whole. The thesis does provide a solution to these gaps, and in conclusion, presents a business model designed to service migrants in both their origin and host countries. The model considers the potential benefits the migrant segment can offer the banking business, while also paying attention to the specific financial needs of migrants. It considers the coordination that will be necessary to commercialize the migrant segment, and the action that will be required in order to leverage the potential of the flows of remittances migrants offer; it considers the relationships between banks' headquarters and their presence in host countries, which may include subsidiaries, branches, representative offices or partnerships with other entities.

1.2 Recapping on the nature of the matter

This section will summarize the nature of the matter under consideration and recap on the research plan for Document 5, the conclusions of which form the basis for the business model [SQ 3; Figure 2] presented. The business model encompasses areas such as the liquidity, financial stability, and profitability of the banking industry, and includes recommendations for the way migrants could be serviced. Other considerations brought into play include management controls, monitoring, and awareness of coordination between headquarters and subsidiaries in the host country, and the lack of awareness within the banking system of recommendations made by international institutions on migration and the impact this has on business growth and security. Significantly, global demographics and economics show a resilience to accept the profundity of the economic crisis, keeping with trends in terms of people and remittances, that belong with the old world order.

Additionally, the announced European Union Capital Requirements Directive (CRD IV, 2008) imposes stringent prudential standards on the financial system. This undoubtedly impacts on the liquidity management in banks. There are also new variables to the equation that require consideration: the current, and not anticipated, sovereign risk (over which banks do not have control) that also is impacting on banks financial stability (Ferraz, 2011: 69–76). The IMF (2010a: 2) agrees with this point of view, saying that banks face new challenges due to the slow progress of stabilising their funding – directly impacting on liquidity. Furthermore, the likelihood of more stringent regulation of the banking industry in the future should be enough to motivate the industry into reassessing its business models; any distress may affect those banks that remain dependent on central bank funding.

The critical gaps found in the area of the banking industry and migrants are confirmed in the critical literature review: there is scant literature within university libraries; among books, academic journals, and research papers concerning this area of the banking industry and migrants (Ferraz, 2010a: 7). This thesis will open up the void still further and make transparent the “black-box” of this area, hopefully stimulating scholars to undertake research according to their discipline. The critical literature review revealed that a large body of literature exists in other knowledge areas concerning migration (e.g. social integration, health support, social security, religious integration, education, and language skills), but a lamentably small proportion relates to migrants in the financial system.

In terms of the banking business, the conclusions drawn point to the importance of the financial stability of the banking industry, thus the argument is justified, that by adopting an integrated, structured approach to the migrant business segment, banks would achieve greater profitability and financial stability. A structured view of both the origin and the host countries is developed through the use of theoretical concepts, and then the potential impact on the financial sector is seen in the business model where the potential profits that this market niche could generate are discussed.

The research and business model is designed for practical, professional implementation within the banking industry, and it is foreseen that banks will be alerted to an under-explored business niche that, if leveraged, would significantly contribute to both financial stability and profitability. This point may bring to mind business managers that fail to see the potential business opportunity in what is already in front of them; the concept relates to the ways in which banks monitor the business potential of different sectors and how they identify changes in the business paradigm. The (knowledge) gap identified in the research concerning the statistics, recommendations, and papers published by international institutions, which were completely unknown to professionals within the banking system, is a case in point.

It is also intended that the business model could be used as a flexible tool for existing service providers to the migrant market, and that similarly, it could be adapted for use by other business segments and other models currently used by banks.

Finally as an interpreter between the academic and business communities (NBS, 2009: 14), building the bridge that leads to and from the academic and the business worlds is paramount to tapping into the potential additional knowledge and opportunity that their mutual cooperation could provide. The research showed a stark lack of communication and coordination among stakeholders: academics, international institutions, Diaspora associations and banks, there being a visible divorce of the findings and recommendations made by international institutions, and an almost complete lack of concrete action towards implementing change. This was shown to have a direct impact on management, decision-making, and strategies in relation to the migrant market. In addition, the review of the current literature revealed that research relating to migrant financial services was largely absent from the debate.

1.3 Portugal: European Union periphery, broad finances, active Diaspora and neglect of remittances

Portugal is a nation with a large and active Diaspora: an estimated 2.5 million emigrants and 700,000 immigrants (including those that are illegal), representing over 3 million people in a population of 10 million. Portugal has a highly developed banking system, but an economy on the periphery of the European Union that is suffering from the negative impacts of financial instability. The country requires innovative approaches to leverage its assets and other characteristics of its economic potential, one such characteristic that is currently ignored lies in the remittances of the migrant business segment, which if addressed, could represent a contribution to mitigate the crises that is currently impacting on both the banking system and the economy (Ferraz, 2011: 79–80).

Focusing specifically on the investigation and bringing it all together, the objective is to evaluate the impact the trends and changes in the movement of peoples and their remittance flows have on the banking industry. The argument stands that the flow of migrants and their remittances could represent business potential for banks in terms of their contribution to profitability. Analysis of the trends included looking at secondary data available for the last 10 to 40 years and forecasted trends covering a four-year period (2010 and 2013) of the world's corridors (Ferraz, 2011: 27–60). The first analysis ascertained the size of the potential market available to banks, and the second allowed for an estimation of the potential growth, considering in the analysis the impact that a financial and/or an economic crisis may have on both the flows of people and their remittances.

Over the past decade, international institutions (e.g., World Bank, IMF, UNESCO and G-8) have begun to publish literature, including statistics and other recommendations, about migration and related themes. The literature is relevant to banks and to *all* owners of the formal networks that transmit remittances, and the industry should ensure that its decision-makers are aware of and adopt the recommendations of these agencies (Ferraz, 2010a: 49–55).

Also, in the last decade due to several reasons identified in the research, but most prominently perhaps with the introduction of the Euro, it seems that the banks began to neglect remittances – ignore their impact and undermine what they reveal in terms of broader finances – and focus instead on “fancier products and business areas” (Ferraz, 2010b: 38, 111). The ‘distraction’ of the introduction of the Euro also provoked a reduced attention and priority to relevant variables such as the loans-to-deposits ratios, liquidity management, financial stability and short-term versus long-term debt management. Other variables outside the control of the banks (e.g. sovereign ratings) also played their part.

Some banks – and both research and the current literature attest to the fact that very few are aware of the information published by international institutions – showed concern about the accuracy and utility of the statistical information on the flows of people and remittances. However, even assuming that the statistics do not reflect the reality, the reported volumes are sufficiently large to be relevant (Ferraz, 2011: 25, 111) and appear to demonstrate the important impact that migration has on global society (e.g. bankarization and financial integration) and in the financial system due to the volumes involved (e.g. financial stability and economic development).

1.4 Relevant key words, concepts, and definitions

Before moving on, it will help the reader to have some knowledge of the relevant key words, concepts, and definitions used throughout this thesis. These came about as a result of the critical literature review performed in Document 2 at the start of the research (Ferraz 2010a, 31–3 and Appendix 8) where the barriers and gaps were summarized, and then employed to construct the conceptual framework (Figure 1). The key words are as follows: *migrants*, *emigrants* and *immigrants*, *money flows*, *liquidity* and *financial stability*, *corridor*, *profitability*, *origin and host countries*, *financial integration*, *financial needs*, *portfolio of products and services*, *life-cycles*, *wealth-levels*, *economic development*, *informal channels*, *remittances*, *bankarization*, *financial integration*, *market segmentation*, *international institution*, *CSR*, *compliance* and *AML and KYC Rules*.

The following brief explanations outline concepts and definitions relevant to the thesis, framing their use in the current context, and familiarizing the reader with their meanings.

1.4.1 Migrant, immigrant, and emigrant

Several criteria relate to the concept and definition of "*migrant*", but the key is "country of residence" – a person that lives for a stable period in a country that is not their country of nationality (United Nations, 1998: 61 and World Bank, 2008). UNESCO (2009) classifies a "migrant", as one with "significant ties" to the host country, stressing that the decision to migrate must be taken freely. The OECD (2010a) database includes only permanent immigrants and excludes other types of immigrant.

The qualification "immigrant" and "emigrant" is applied to the same person. A person is an immigrant in the host country (country of residence) and an emigrant in the origin country (country of birth). "Migrant" is used generally throughout the thesis but refers to both qualities. A relevant component of the definition "migrant" is the concept of "residential stability". In the banking industry, this is usually applied after a year. After a long period of residence, however, the migrant may naturally become a "new resident" (or a "new-citizen" through a legal naturalization process), but the statistics have difficulty in identifying this segment of the population (Ferraz, 2011: 19–22).

People forced into migration and tourists, students, diplomats, and expatriates, as well as national migrants within a country, are not included within the scope of the thesis. Two factors relating to the statistics should be borne in mind: the United Nations (2006: 68) says that the "intention" to return home – also defined as "return migration" – applies when emigrants re-establish themselves in their origin countries; this factor may impact on the statistics relating to flows of people and remittances in the context of this thesis. Further, the definition "migrant" varies among different organizations, and this factor also impacts on the accuracy of the statistics. In light of this, the concept is explained above to frame with more precision the term used in the context of the thesis.

1.4.2 Remittance

The concept "*remittance*" is defined by BIS (2007: 54) as a cross-border, individual-to-individual transfer of money originated by a migrant. For statistical purposes, remittance transfers are not differentiated from other low-value cross-border transfers including small payments to/from businesses because remittance firms do not identify whether or not payments are person-to-person (BIS, 2007: 6) and appear to have no will to do so, as in business terms, it would not add any value to profitability. Similarly, it is not likely that the authorities, central banks and financial institutions find out about or log the purpose of a remittance when processing a transfer to a foreign country. The definition of a remittance therefore includes transfers from host to origin countries regardless of the destination, "remittance" being simply a transfer of money from one country to another by migrants [(E)+(Im) migrants].

In the banking system, a remittance is an "operational process" divided into two transactions: the "funding transaction" and the "payment transaction" (Khdiri, 2009).

Recorded remittances made through formal financial channels are transfers made through banks, Payment Service Providers (PSP) and Money Transfer Operators (MTO). The difference between these two types of institution is that the first two hold an individual's bank account from which money is withdrawn to execute a remittance; an MTO, on the other hand, does not provide bank accounts and therefore receives cash from the individual in order to make the transfer (BIS, 2007: 54).

The definition "remittances" was developed to reflect a "payment system" (BIS, 2007: 6). The term is a key factor of the data accumulated on migration because it impacts on the way migrants are reflected (or not) in the statistical database. It is also important to limit the concept to "international remittances" as these are the ones reflected in a country's statistics. Reliable data on cross-border financial flows has become a valuable source for understanding a phenomenon of increasing importance for both developing and developed countries. It is also the basis for the analytical research of this thesis focusing on the migrant market and the potential it offers the financial system in terms of financial stability and profitability.

1.4.3 "Corridor"

"*Corridor*" is a term used throughout the thesis, adopted in the language to refer to migrants and their remittances, found in numerous publications of international institutions (World Bank, 2010). As previously mentioned, the migration of peoples and flows of international remittances involves two countries: the host and the origin country. A virtual corridor links the two countries and includes the flows of people and remittances.

Each country owns fairly accurate information as to the relevance of migrant communities. This includes the number of emigrants living in foreign countries and the number of immigrants living in the host country, and covers the volumes of remittances received from host countries and those sent out to the origin countries.

The corridors vary from country to country in the number of people and remittance flows, and allow for identification of the most important corridors to a particular country or region. International institutions use the concept to accumulate and maintain statistical data. The data is extremely relevant to the banking system – among other stakeholders – in order to identify the potential volumes of business and then to consider them in the design of a business model.

1.4.4 Banking system

The *banking system* is a “network of commercial, savings, and specialised banks that provide financial services, including accepting deposits and providing loans and credit, money transmission and investment facilities” (BNET, 2011). It is the primary vehicle through which migrants straddle destination and home countries, interacting in a fashion that no other business is able to do.

Banks’ primary activity is to act as a payment and lending agent for customers. Non-banks that provide payment services, such as remittances firms, are not normally considered an adequate substitute for a bank account (Sullivan and Sheffrin, 2003). The thesis focuses on the retail-banking sector, i.e. banks with a network of branches providing services and products to a range of clients. Most banks treat clients in different ways as not all products are offered to all clients. The “value offer” is usually determined based on wealth, i.e. the amount of personal financial assets maintained at the bank. The focus of the thesis is mainly on the mass-market and affluent market segments, both of which are “volume business”.

The banking system is unique in its global network and infrastructure and its capacity to move money and information around in a safe, secure and trusted fashion. The financial system has had its capacity in place for many years, which Papademetriou (2006) says allows it to tie together sending, transit, and receiving countries for financial purposes and flows of money.

1.4.5 "Bankarization"

The financial inclusion of migrants in the banking system is determinant on minimising the potential negative impact of migration flows. "*Bankarization"* (a neologism used in the banking system) is a synonym of financial inclusion, a cornerstone for the integration of migrants. Bankarization is a concept that implies the inclusion of an immigrant in the financial system through a relationship with a bank, within which a bank account is the basic and foremost requirement for access to financial and non-financial products and services. Bankarization ensures that the migrant does not have a relationship with illegal and unsupervised individuals and/or entities, used to substitute the activities of banks.

The savings of migrants can represent an important and stable "liquidity basis" in terms of cash deposits into both the origin and host countries. This thesis looks at bankarization at both ends of the corridor – in the host and origin countries – the bankarization of migrants' families as well as migrants. It should be observed that there are regions globally where less than 10 per cent of the population is bankarized.

1.4.6 AML and KYC

IMF (2001) frames the concept of Anti Money Laundering (AML) as a process by which proceeds from criminal activity are disguised to conceal their illicit origins, defining it as an illegal transfer of money obtained through an outside party to hide its real source. Tavares (2010) says that European AML policy takes a preventive focus, which involves protecting the functioning of the financial system from pollution by laundering schemes.

BdP, 2008, adopted European Union directives to combat money laundering through the financial system, imposing several duty-bound procedures known as Know-Your-Customer (KYC), which includes identification, scrutiny, control, training of staff, and cooperation. The procedures impact from the moment a customer approaches the bank to open an account, obliging the bank to obtain information about the customer's risk profile, characteristics of the operation, and source and destination of funds. PWC (2011: 2) warns that the lack of controls over AML and KYC can bring about reputational damage and the risk of fines; legislation requires the adoption of a risk-based approach.

1.4.7 Cross-selling

The concept of *cross-selling* is defined by the *OED* (2011) as "the practice of selling additional products or services to an existing customer". The concept is influenced by elements that include the size of the business, the industry sector, and financial motivations.

The advantage of cross-selling for the customer is that s/he benefits from the efficiency and leverage resulting from using one provider for multiple services and products. For the bank, the objective of cross-selling is linked to the leverage of the client base, on one hand increasing the income generated by customers and, on the other, shielding the bank–client relationship (OED, 2011).

The cross-selling concept and its importance for the banking system is discussed in detail in Section 6.2.

1.4.8 Financial stability

The definition of *financial stability* involves several concepts that potentially impact on the financial system's resistance to perform its functions. The FSA (2011: 1) connects financial stability to the support of global economic activity, ensuring that it maintains the vital functions performed by the financial system in the economy, but liquidity emerges as a key element of financial stability in the banking system (Ferraz, 2010b: 49–55). Financial stability should provide mechanisms for payments – most transactions are settled through the financial system – and provide liquidity to savers and borrowers, and in addition, support investments and savings through debt and equity instruments (FSA, 2011: 2).

Another way to look at the definition and importance of financial stability is to consider financial instability, which as Schinas (2004: 16) suggests, makes the relevance of financial stability more visible. In the current-day financial crisis, the definition of financial stability includes variables that reflect an unanticipated change in the paradigm; for international debt markets, the sustainability of the public finances is of the highest importance to the financial stability of the banking system. The IMF (2010b: 3) warns that the transmission of sovereign risks to local banking systems could threaten global financial stability. Critically, remittance flows are an important component in restructuring bank debt. They offer potential in terms of financial resources to help banks deal with the debt crisis.

Having introduced these key terms, the next chapter outlines the Conceptual Framework and addresses the research questions.

2 Conceptual Framework, SQ, RQ and Document Allocation

2.1 Conceptual framework

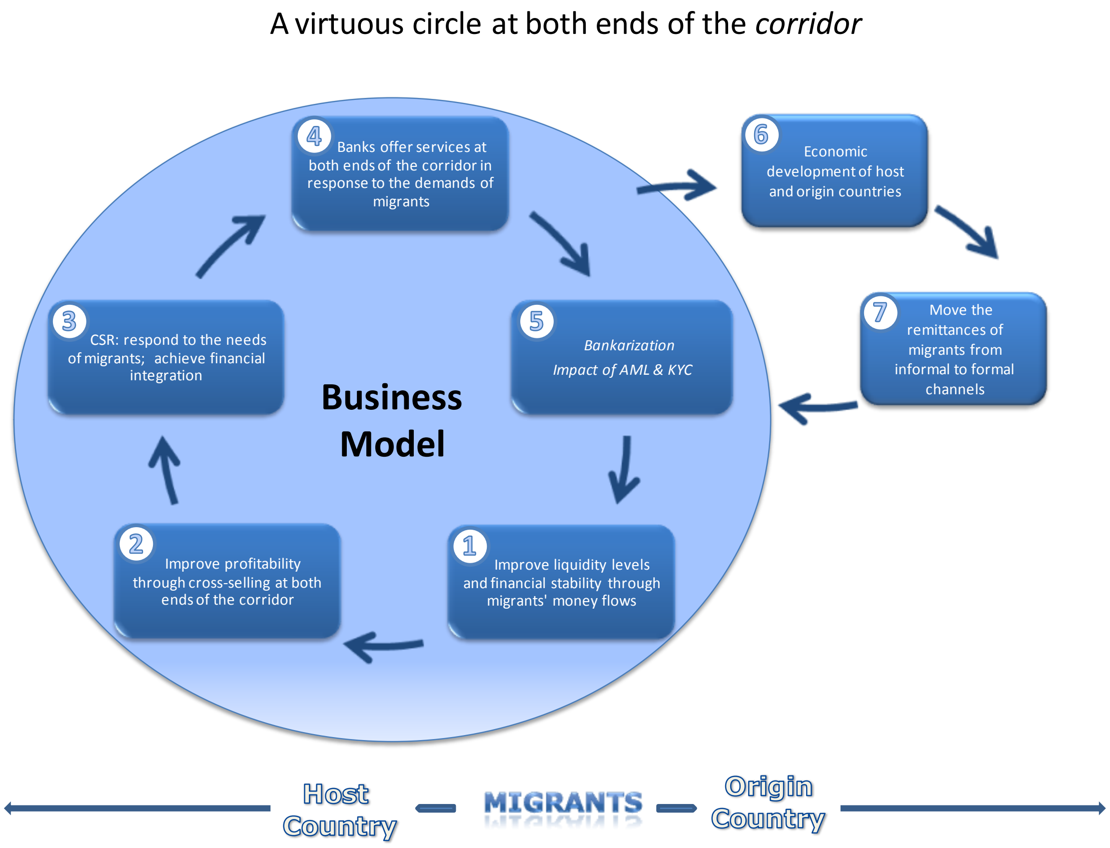


Figure 1 – Conceptual Framework: A virtuous circle at both ends of the corridor

The conceptual framework chart shown in Figure 1, above, is called *"A virtuous circle at both ends of the corridor"* because migration is an old phenomenon that has always impacted on the financial world —traditionally migrants remit money through the financial system. Papademetriou (2007: 1) writes that international migration affects almost all countries and that globalization can be considered a reflection of the increasing ease with which people, merchandise, and money flow.

The money flows of migrants that materialise into remittances represent the "tip of the iceberg"; they offer only the basic concept in order to understand the following:

- Remittance data is one of only a few historically available among a country's statistics, relating to information that correlates directly to economic development, in both the host and origin countries;
- For international organizations and countries, remittance statistics and data are historically officially recorded and maintained;
- For the global banking network system, money is the core business and a remittance is a cash transaction.

Figure 1 illustrates the process flow of a service for the migrant market. It calls for an alternative theoretical business model for banks to utilize to influence and improve financial stability, encouraging more focus on remittance liquidity and improving profitability, and servicing migrants through a network of coordinated banking systems. Bankarization and financial inclusion of migrants can be achieved through a consistent commercial approach, seen in the design of a products and services portfolio for migrants, as well as indirectly taking into consideration migrants' contribution to economic development. An interest in the financial industry led to identification of the following strategic question:

- *What should the banking industry do, through the migrant business segment, to increase profitability and financial stability?*

Research and analysis of migrant flows were the starting point of the research, allowing for a conclusion that accounts for the impact that the flow of people and the flow of money have on the financial world. Liquidity is the cornerstone of the financial industry, to which migrants can contribute if the conceptual framework for a business model is properly designed, developed, and executed.

The conceptual framework chart was conceived as a “virtuous” circle including the connection of two interlinking sub-circles: one focused “inside” the financial world, which is central to the business model (Figure 1), and another that, although focused on a world “external” to the banking industry, can still be seen as strongly influenced by the banking system. At the bottom of the conceptual framework, a two-way arrow indicates that the flows of interconnecting boxes – indicated by arrows – provide the “pathway” of the conceptual framework that could be considered in both the origin and the host countries. The corridors that link one country to another in terms of people and remittance flows, is particularly important to the research analysis.

The first box initiating the flow of the “virtuous circle” contains the idea: *“improve liquidity levels and financial stability through migrants’ money flows”.* The banking system is probably the most important vehicle for moving money and information around, having a worldwide network and an efficient, secure, and trusted infrastructure. The critical literature review (Document 2) showed that migrants have increasing volumes of money flows, a trend thought to be stable, and would contribute significantly to the liquidity and stability of the financial system. Furthermore, very often banks are not aware that international institutions publish recommendations concerning migrants, which means as a result, that banks do not adopt the recommendations or leverage the advice to the benefit of their business; in other words, they do not take the opportunity to improve liquidity levels and financial stability.

With this in mind, the second box that flows from the first, promotes the idea: *“improve profitability through cross-selling at both ends of the corridor”*, leveraging the flow of money from migrants identified in the first box. Countries are knowledgeable about migrant communities and do hold statistics relating to the number and volumes of remittances, which are the basis for identifying corridors. The cross-selling potential that the migrant segment could present, leveraging structures at both ends of the corridor, could be an important contribution for the improvement of profitability.

Moving from the second to the third box, the flow moves to the potential of a strategy of *“CSR: respond*[ing] *to the needs of migrants to achieve financial integration”* and the development of a product portfolio to offer the migrant market. The research explored how different stakeholders – the banking system, international institutions, politicians, and Diaspora associations – viewed the financial integration of migrants, and tried to determine if increasing the service levels offered to migrants would improve profitability in the banking system.

In the fourth box, *“banks offer services at both ends of the corridor in response to the demands of migrants”*, the gap identified in the critical literature review and in the qualitative revealed that many financial institutions have not identified the potential of the migrant business segment and have not so much as a notion of a product or service portfolio for the market, let alone offering one in a structured fashion. What might such a portfolio include? Financial and non-financial products and services for migrants at both ends of the corridor; servicing migrants’ needs in line with CSR, which would impact positively on economic development.

The concepts in the fourth box rely on banks looking beyond remittances as a service towards CRM, the potential of a relationship based on the premise of the “migrant as a customer”. Remittances are “an anchor product” – albeit a very important one – as these allow banks to easily identify the migrant sector that is already available to them. The fourth box derives, concomitantly, from another two:

- The fifth box is concerned with the *“bankarization and impact of AML and KYC”* of migrants. This objective finally closes the first circle, as this is the focus of the business model: to cover the “world of financial institutions” and the variables under its control.

  The fifth box promotes the concept of leveraging a portfolio that is specifically designed for the migrant market; what the product would contribute towards bankarization following AML and KYC rules, and offering the first step for immigrants on entering the host country to walk immediately into financial integration, giving immediate access to formal channels. This box has concomitant connection to–from the seventh box, and the sub-circle (“*Move the remittances of migrants from informal to formal channels*”) discussed below.

- The sixth box connects the first circle to the sub-circle *“Economic development of host and origin countries”*, which although outside the scope of the business model and including concepts that may be regarded as outside the direct control of the “world of financial institutions”, would, it is believed, still be strongly influenced by it. This includes the impact of remittances on economic development, stakeholders’ awareness of banking products and also the channelling of savings to finance economic development.

  The movement of money and information in a safe and trusted fashion is an important engine for economic development. It links together countries – from origin, through transit, to destination – and connects migrants, their families and employers, throughout strong and complex networks. The research carried out over the project together with additional research in this area, discussed below, indicates that cooperation among stakeholders is indispensable, contributing globally to sound political decisions and regulation, the adoption of the recommendations of international institutions, and the financial integration of migrants.

The directives of the seventh box, in the sub-circle, are outside the scope of the business model, but the *“Move the remittances of migrants from informal to formal channels”* interconnects with the fifth box that falls within the main flow (“*Bankarization and impact of AML and KYC*”), which has been discussed above. International institutions such as the World Bank, Eurostat, IMF, G-8, and IFAD produce statistics and information on migration and money flows, and develop recommendations for the ways in which the banking system should bankarize and financially integrate migrants. Both the literature review and qualitative research concluded that, generally speaking, banks are unaware of these recommendations and other information about migrants, such as the importance of capturing money currently processed through informal channels to formal ones.

The flow back into the fifth box finally closes “*A virtuous circle at both ends of the corridor*”. The model provides a conceptual framework that would influence and create improvement in the following areas:

- *Financial stability* of banks focused on the *liquidity* generated by remittances, leveraging the global financial system through coordinated networks.
- Financial inclusion of migrants through banks' observance of CSR and a consistent commercial policy, actively cross-selling, to improve *profitability*.
- Migrants' contribution to *economic development*, with the support of an adequate banking product and services, in both the origin and the host countries.
- Better security: AML and KYC; moving remittances from informal to formal channels.

In summary, the dynamic conceptual framework chart represents the flow of a process to enable the design of an alternative to the current services offered to the migrant market. It represents a theoretical business model that banks could adopt to support them in leveraging the flows of people – the customers – and the flows of money – the remittances –, which would influence and improve the financial stability of banks by focusing them on the liquidity migrants are able to generate. In addition, the business model promotes implementation of cross-selling strategies to migrant customers to improve profitability, and as a result, servicing migrants through coordinated banking system networks at both ends of the corridor – in both the host and origin countries. Furthermore, the business model supports the improvement of communication between international institutions, banks, Diaspora associations and politicians.

2.2 SQ and RQ frame and background

The strategic questions are allocated to three interlinking themes/strategic questions. From these, a number of research questions arose, as follows:

INTERLINKING THEMES / STRATEGIC QUESTIONS	FROM THESE A NUMBER OF RESEARCH QUESTIONS AND OBJECTIVES ARISE	DOCUMENT ALLOCATION				
		5	4	3	2	1
Focus 1 Migrant Flows – Demographic and Social – Macroeconomics Environment						
1. What strategic decisions should banks make about how to meet the financial needs of migrants profitably?	1.1 What demographic trends and changes are happening?	X	X		X	4
	1.2 What impact will demographic trends and changes have on the banking industry?	X	X		X	3 + 4
Focus 2 CSR / Financial Integration – Organisational and Managerial Context						
2. A banking strategy for the migrant business for the migrant business segment based on CSR / financial integration: business leverage or business constraint?	2.1 Should banks proactively address the needs of migrants at both ends of the corridor (in origin and host countries) in a socially responsible manner?	X		X	X	3
	2.2 What priority and importance do the various *stakeholders* involved give to this issue?	X		X	X	3
Focus 3 Financial / Needs of the Market and Customers' Needs – Managerial Operational Strategy						
3. How do banks improve financial stability and increase profitability in relation to the business needs of migrants in an increasingly competitive market?	3.1 What are the issues affecting the financial stability and economic liquidity of banks?	X	X	X		4
	3.2 What options are there for banks to meet the needs of the market; what do potential customers require and what evaluation models do banks need to employ in order to address profitability and the banking needs of migrants?	X		X	X	5

Figure 2 – SQ, RQ, qualitative and quantitative research plan distributed by documents

Based on the conceptual framework and the strategic and research questions, the academic and business literature for critical review in Documents 2, 3, 4 and 5 were identified. In Figure 2, at the right-hand side, there is a column headed "Document Allocation", indicating the research into the SQ and RQ carried out over the course of the DBA.

Under the heading "Interlinking Themes/Strategic Questions", **Focus 1** is "Migrant Flows – Demographic and Social – Macroeconomic Environment", related to which the following SQ was asked: "*What strategic decisions should banks make about how to meet the financial needs of migrants profitably?"* The importance of this SQ lies in the fact that strategic decisions taken by banks are usually analytical and dependent on the size of business and profits that a particular market niche could bring. Therefore, it is critical in the decision-making process to develop a business area for migrants where the demographic trends and remittance flows are known, as these are the basis for the sustainability of the business. To answer this SQ were the following RQ:

- *What demographic trends and changes are happening?* (RQ 1.1)
- *What impact will demographic trends and changes have on the banking industry?* (RQ 1.2)

Under the heading "CSR/Financial Integration – Organisational and Managerial Context" **Focus 2**, the SQ asked: "*A banking strategy for the migrant business segment based on CSR/financial integration: business leverage or business constraint?"* The objective of this question was to determine the role of retail banks and other stakeholders in the financial integration of migrants. To own a strategy for migrants based on CSR requires a number of measures both in the host country – for the immigrant – and in the origin country – for the family. With the objective of the SQ in mind, two RQ arose:

- *Should banks proactively address the needs of migrants at both ends of the corridor (in the origin and host countries) in a socially responsible manner?* (RQ 2.1)

- *What priority and importance do the various stakeholders involved give to this issue?* (RQ 2.3)

In order to answer RQ 2.1 the objective was to discover whether banks should be concerned with CSR and if the concept should be considered in their product offer for this business area. Analysis would necessarily include the role banks could take in the integration of migrants at both ends of the corridor. The RQ should be able to conclude as to whether CSR is simply a fancy managerial trend or if it needs be at the heart of the business culture and image for banks, taking into consideration that this business segment would likely be profitable (Boudet, 2008).

There are various stakeholders involved in the financial business segment relating to migrants, namely the migrants themselves, their families and businesses in the origin country, the financial institutions, non-financial institutions (i.e. post offices and telecom companies), money transfer firms, supervision authorities as well as, on another level, international institutions, NGO, Diaspora associations and governments, in both the host and origin countries. The objective of this question should be to discover what value different selected stakeholders place on the notion of whether banks should be concerned with CSR or not, and to assess the degree of importance they attribute to it. Based on the answers to the Research Questions, it should be possible to define to what extent the banks' product offers should consider this issue.

Professional interest in the retail banking industry led to the development of the third interlinking theme/SQ under the heading "Financial/Needs of the Market, Customers' Needs – Managerial Operational Strategy", **Focus 3**, the SQ asked: *"How do banks improve financial stability and increase profitability in relation to the business needs of migrants in an increasingly competitive market?"* The conclusions drawn from this SQ, could contribute to the banking industry's awareness of the migrant business segment and the ways in which it could be managed profitably, while also contributing to the financial integration of migrants.

The two RQ designed to answer this SQ were:

- *What are the issues affecting the financial stability and economic liquidity of banks?* (RQ 3.1)
- *What options are there for banks to meet the needs of the market; what do potential customers require and what evaluation models do banks need to employ in order to address profitability and the banking needs of migrants?* (RQ 3.2)

In relation to RQ 3.1, the financial stability of the banking system depends on a number of factors, but most pointedly is the factor that *liquidity* affects strongly financial stability. The old saying, "there are no banks without deposits" rings very true, but there is a positive contribution to be made by the deposits of migrants.

Determining the volumes and "where-abouts" of migrants' liquidity – as well as the cash flows generated by them – is a key step toward understanding how this business segment can contribute to financial stability. On the "assets" side of banks' balance sheets, the credit portfolios generated by migrants include: investment projects, micro-credit, mortgages and small and medium-size enterprises (SME), lending and consumer credit, as well as off-balance-sheet non-financial products, all of which can contribute to the financial stability of the system.

RQ 3.2 relates to the very decision made by banks to serve the migrant business segment. It takes into consideration all the answers and conclusions of the previous RQ: the relevance of migrants and their remittances; banks' CSR and the financial integration of migrants, including how valued the concept is among different stakeholders. In addition, conclusions drawn about volumes and "remittance corridors" will enable an assessment of the degree to which the migrant segment would contribute to financial stability. At this point, it should be possible to identify the needs of the migrant client, and to ascertain the best model to target profitably this market segment.

The research of the flows of people and flows of remittances were the basis to determine the impact they have (RQ 1.1, 1.2) on the financial industry. On the other hand, financial stability (RQ 3.1) is dependent on liquidity – the cornerstone of the financial industry – to which migrants can contribute. The following section looks at the impact the research could have on the business and academic worlds. Statements made by interviewees support the research's practical and theoretical implementation.

3 *Importance of the migrant business segment for academic and business research*

The topic of the thesis and its potential contribution to the academic and business fields was discussed in conceptual terms in Document 1 (Ferraz, 2009: 30). The critical literature review and the interviewees' statements supported further the belief that the research could contribute to the corpus of academic and business knowledge, revealing that there is fertile ground in this area that is as yet under-explored. Mitri-II (see List of Interviewees in Appendixes 1 and 2 for the quotes in this section, as well as in pp iv-v the meaning of the abbreviations 'hyphened' with the names) comments: *"remittances as a topic of inquiry in academic research almost did not exist …* [until] *it was "discovered" particularly by the World Bank … you are in a brand new area!"* (RQ 1.1, 3.2)

David-EC recognizes that *"there seems to be* ["exists"] *a growing attention to this topic* [remittances], although Anthony-EC seems to believe: *"I have to recognize that we are at a very early stage!"* According to Tim-D, the lack of attention banks currently pay to migrants happens *"very likely because they* [the banks] *don't do the research work you are doing … understanding the financial needs, the business potential".* Victor-P, acknowledges the lack of research, even among academics, and also sees the link between migrants and the banking system, an anomaly which he justified in part, saying: *"a very complex issue … I must say, it has not yet been fully researched and that's why it is so important to have this* [your research]*".*

Joe-MM recognizes the lack of commitment by banks: *"immigrants … a segment we should start studying, researching and thinking about"* (RQ 1.2); while Thomas-EC stresses that "*cash and savings* [remittances] *… migration is a very important matter… intrinsic to humanity"*, and Tim-D suggests that banks should be *"very careful not to fall into a discrimination stigma … we have to have that perception and intelligence to be inclusive"* (RQ 2.1, 2.2).

Other statements and ideas relevant to the research include warning banks about the importance of CSR and financial integration, and recommending it in future business models. Mitri-II says as "*you* [the researcher] *can demonstrate that they* [banks] *can be more active in the social responsibility area and make money …* [but still] *they* [banks and international institutions] *don't see how migration fits into their role"*. Thomas-EC recognizes that *"if migration was not possible, certainly, we wouldn't have such a developed world"*.

On the disconnection, gaps and lack of communication among agencies, Victor-P asserted: *"Yeah! The truth … I mean there are not too many connections between the world of migrants' research and the financial world"*. This was a view shared by Mitri-II: *"I know of virtually no academics that are actually interested enough in having their work adopted by banking institutions"*. Questioned about the reasons for the lack of academic papers linking migrants to the financial system, Mitri-II said that "*international institutions do more applied research, than academic research"*. Victor-P points out another reason: *"banks don't show openness … even to make the banks recognize they have not paid attention to such a huge potential market!"* (RQ 3.2)

Concerning the importance of the topic for banks, Gil-EC said: *"I am very glad to talk about this very interesting subject … the connection between the two words* [remittances and migrants] *it's the interesting part of the research"*. Mitri-II stressed that *"now the topic has become 'so hot' that there are different groups in the World Bank competing!"* Victor-P replied: "*Oh, definitely, research and act!"* Mitri-II fully supports the research and complements the idea: *"I certainly don't see banks becoming agents of change unless – here is where your dissertation can be very useful! You can demonstrate that they can be more active"*, while David-EC says: "*probably there was much ignorance, even from international institutions, and they have realized that they have to do more about this topic"*.

When questioned about the recommendations of international institutions, such as the World Bank, IMF, G8 or UNESCO relating to migrants, and the awareness of these recommendations in the banking system (RQ 2.2), research identified an astounding lack of awareness, such as the explanation given by Mary BM: *"in the bank there is no information about that; I never received it"*, or that of Peter-EC, *"I never had contact with those institutions and about their recommendations"*. When questioned about any contact with an international institution, Louis-EC replied, *"No, it's the first time that I* *talk about it"*. In relation to migrants and remittances' flows (RQ 1.2) Martin-EC confessed that *"quite honestly, I don't know the figure, although I know it's fairly expressive"*. David-EC confirmed the extent of the business: *"the* [money] *flows have been consistently maintaining their level ... that's not a surprise, but it's an amazing number!"* When discussing the potential of the migrant business segment (RQ 3.2), Louis-EC says: *"significant parts of the needs of this* [business] *segment are not fulfilled in the way I believe they should be"*, while Gil-EC acknowledges: *"you make the assumption it is underexplored, which I think, to a great extent, is the case"* (RQ 1.2, 3.2).

The research also identified a political barrier that relates specifically to the lack of awareness among both academia and the business world, which was mentioned by Mitri-II, saying: *"part of the reluctance of bankers to engage in immigration* [as a business segment] *is because they think their sponsors – governments – don't want them involved in an issue like migration ... migration is too divisive!"* Louis-EC offers depth to this view, saying: *"President Chirac has asked for studies of the migrant communities to characterize them under the financial view point ... a field where governments have to do work ... very little is done in the EU!"*

Manuel-II raises an issue relating to the passive stance of senior management: *"managing directors are open but they want more information, and they want you* [the international institutions] *to operationalize things more!"* This, surely, should be the responsibility of banks, which is perhaps what Mitri-II is stressing: *"... understanding the thinking of bank managers? OK...?!!!"* Nick-II warns that the lack of attention of senior management *"definitely could be the cause"* [of the ignorance surrounding the area of migrants' remittances]. While Mitri-II points out a possible remedy: *"... change has to come from the top and become part of the culture of a bank"*. David-EC supports the research, *"it's a pleasure to take part in the research of such an interesting topic ... it's good to know that there is a research being done into this topic"*; similarly Victor-P sees a future informed by the research findings: *"I hope your thesis will help* [as] *research is very important to create appetite for this market"*.

There are conflicting views about what the migrant market is worth from the bank's viewpoint according to some interviewees: Pierre-EC – from a bank in a host country –

mentions the importance of the migrant business segment, saying it is *"a matter very dear to me … an important business opportunity … banks* [should] *capture this business",* while Mitri-II asserts: *"the ideas that you're exploring … the banking sector does not see the potential of the immigrants as full-service customers and* [on the other hand] *immigrants, were not financially literate to actually see the banks' potential to help them".* David-EC expresses knowledge of the business potential of the market when asked about the word remittances, he said that it [brings] *"to my mind savings and migration … something that has grown in importance".* Mary-BM thinks along the same lines, saying *"the word remittances bring immediately to my mind savings"* (RQ 3.1).

Other views expressed about the importance of this business segment include Mitri-II: *"some people were saying, my God, this* [remittances] *is real money!"* Victor-P corroborates: *"volumes are extremely important".* Peter-EC asserts that remittances are *"a very, very important segment for the Portuguese banks",* while John-EC says that *"the word remittances brings immediately to my mind business opportunities".* Martin-EC extends it to other business areas saying, *"it is of great importance for banks, not only for funding but also for cross-selling"* (RQ 2.1, 3.2), while John-EC stresses the growing threat of competition, he also comments on the strength of the new business model mentioned by the researcher: *"the business model is fairly dynamic".* Gil-EC confirms the gaps identified by the research: *"actually* [the business model] *requires a change in the business approach".*

When asked specifically about the idea of servicing migrants at both ends of the corridor (RQ 2.1, 3.2), Louis-EC mentions that they are the *"only type of customers that have real financial needs in the new country* (RQ 3.2), *but also in their own* [origin] *country",* while Mitri-II commented: *"seeing migrants at the host end or the country of origin is very, very new … basically integrates migrants at both ends* [of the corridor] *and their remittances into the world"*; David-EC replied: *"that's a very good question!"* while Anthony-EC evaluated the situation: *"we have a lot to do on that … both in the host and the origin countries".* David-EC remarked that, *"I still recall the interview* [to a newspaper] *of a Portuguese bank CEO. His idea was to shut down operations* [in host countries] *but then realized the weight that the stock* ['deposits'] *of* *the migrants' savings had in his balance sheet and changed his strategy"* (RQ 1.2, 3.1, 3.2).

In summary, the contribution of the research to academic knowledge and to the business field is envisaged as follows:

- For the academic field: banks are frequently considered "non-transparent; a gap does appear to exist about what banks do – e.g. knowledge of the people and money flows and about migrants and their finance options – as banks appear to be "a little opaque". This presents an extremely viable gap in academic knowledge for the research to seek to fill.

  This was confirmed in the critical literature review, where very few papers, articles, books or chapters within books were found dealing with the matter of migrants and the finance sector; in general, literature was not found as a result of searching universities (Appendix 3) or searching for scholars working in the area (Ferraz, 2009: 7). The DBA should make this knowledge area more transparent, stimulate other researchers to look into it, and raise awareness about the lack of proactive cooperation between academic research and the banking system.

  Furthermore, by bridging the knowledge gap between the academic and business worlds, there is potential for mutual contributions as a result of cooperation between the two disciplines, as well as among other stakeholders, which was shown to have an effect on the management of knowledge held, and demonstrated by the way that banks relate to and service migrants. The knowledge gap and lack of cooperation and communication appears to be widespread among academia / academics / publications, international institutions, Diaspora associations and banks, evidencing a divorce about sharing information.

- For the business world: the research should highlight the importance of the migrant business segment for the financial stability of banking system, conducted in a profitable fashion, as a result of adopting an integrated, structured approach to address this business segment. This should be developed with a structured view of both the host and origin countries and be built upon theoretical concepts.

The following chapter looks at the overall context of migrants and remittances in relation to financial stability and the impact on the loans-to-deposits ratio.

4 The overall context: flows of people and remittances, financial stability and loans-to-deposits ratio

4.1 Flows of people and remittances

Appendix 5 complements this section with a detailed analysis of the flows of people and remittances as well as the research of its potential impact on financial stability; this analysis was performed in detail in Document 4, as part of the professional doctorate programme. Morris (2008: 458) suggests that quantitative investigation should be used when a number of reasons justify its support. This section explores the significance and consistent growth of migration and people flows and its relevance to the banking industry, using secondary data. Migrants amount to approximately 216 million people, representing 3.2 per cent of the world population (World Bank, 2010a: 18). The graph below shows that immigration in selected OECD (2010a; 2010b) countries has consistently increasing in percentage of total population (RQ 1.1, 1.2) throughout 1998–2008, representing between 4 per cent and 12 per cent, and in two particular countries 35 per cent and 20 per cent.

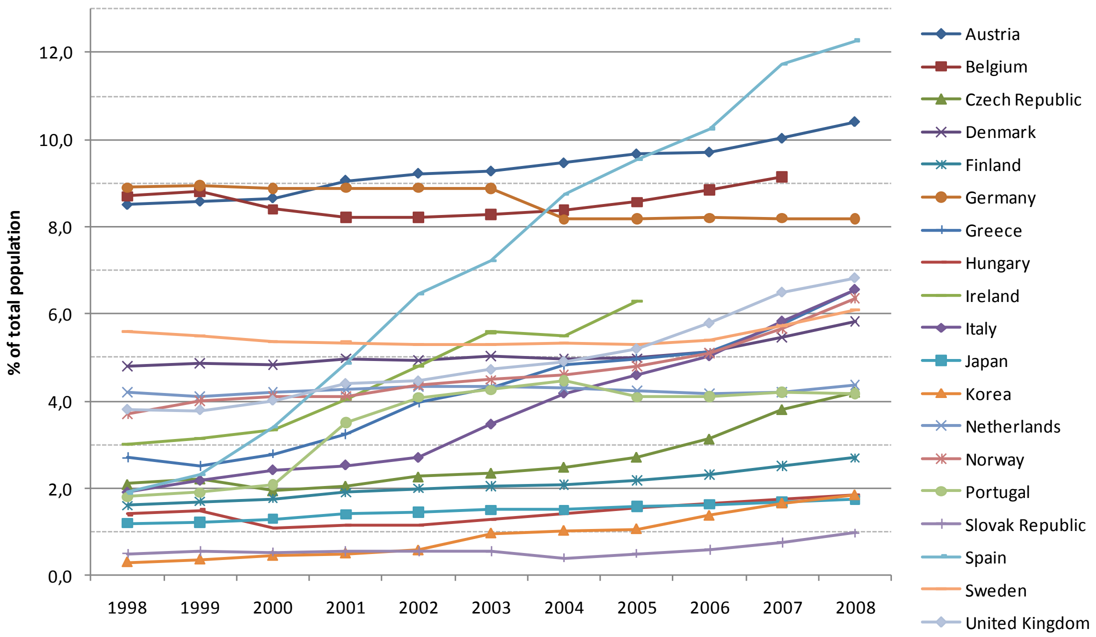


Figure 3 – Stocks of immigrants in selected OECD countries

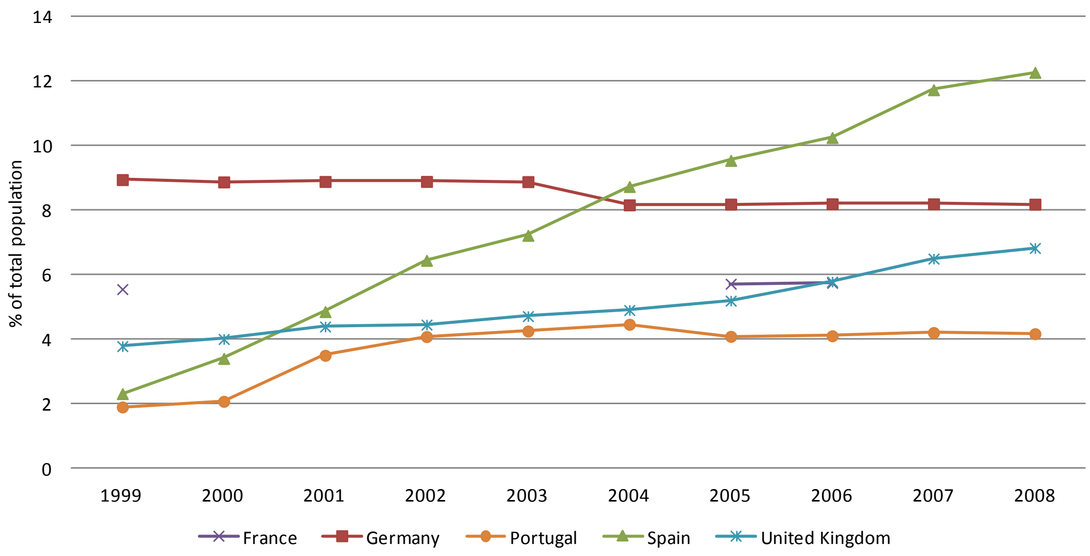


Figure 4 – Percentage of immigrants in relevant Portuguese corridors

To complement this analysis, Figure 4 shows the percentage and number of immigrants in selected Portuguese corridors over a period of nine years (1999–2008), showing its relevance as follows:

- Portugal (population of 10 million) has approximately 500,000 legal immigrants;
- Spain and Germany have between 5.5 and 7 million immigrants;
- France and the UK have between 3.5 and 4.2 million immigrants.

Illegal immigrants are not reflected in the statistics. If they were bankarized – and financially integrated – then the number of migrant customers would be even more relevant (SQ 1, RQ 1.1, 1.2). The Portuguese emigrants and immigrants living in Portugal are analysed in Appendix 5; Portuguese emigration to Europe represents 60 per cent, while European immigrants living in Portugal represent 29.6 per cent. As these statistics relate to the impact that migrants could have in the banking system, it is worth noting (RQ 1.1, 1.2) that migration will continue its upward trend, reflected in the consistent increase of its percentage versus populations.

The accuracy of the statistics on people flows has been discussed extensively as could impact the validity of the conclusions (Ferraz, 2009: 14, 16–8, 31, 91–4; 2011: 15–19; 119–21). However, even assuming a diametrically opposed conclusion, i.e. that the statistics do not accurately reflect the reality, the volumes are still sufficiently large to support a degree of latitude and a margin of error in the conclusions drawn about the relevance of migration and its impact on society and the financial system (RQ 1.1, 1.2).

The behaviour of remittances and forecasts are relevant to the banking industry; Figure 5 (below) shows the consistently increasing trend in the world's recorded remittances flows over a 39-year period (1970–2009) (IMF, 2009a) (RQ 1.1, 1.2). Officially recorded remittance flows are estimated to have reached $483 billion in 2011, up 7.5 per cent over 2010 ($440 billion), with a forecasted growth expected to continue at a rate of 7–8 per cent annually reaching $593 billion by 2014 (Mohapatra, 2011b: 15). In addition, such flows are under-reported, as there is evidence that remittances through informal channels (de Luna Martinez, 2005: 30–1) could represent at least another 50 per cent of formal flows (Aiyar, 2006: 85; World Bank, 2006). These figures also show the consistent resilience to the financial crisis (Ratha, 2010: 1; Mohapatra, 2011a: 1–9; Ferraz, 2011: 50).

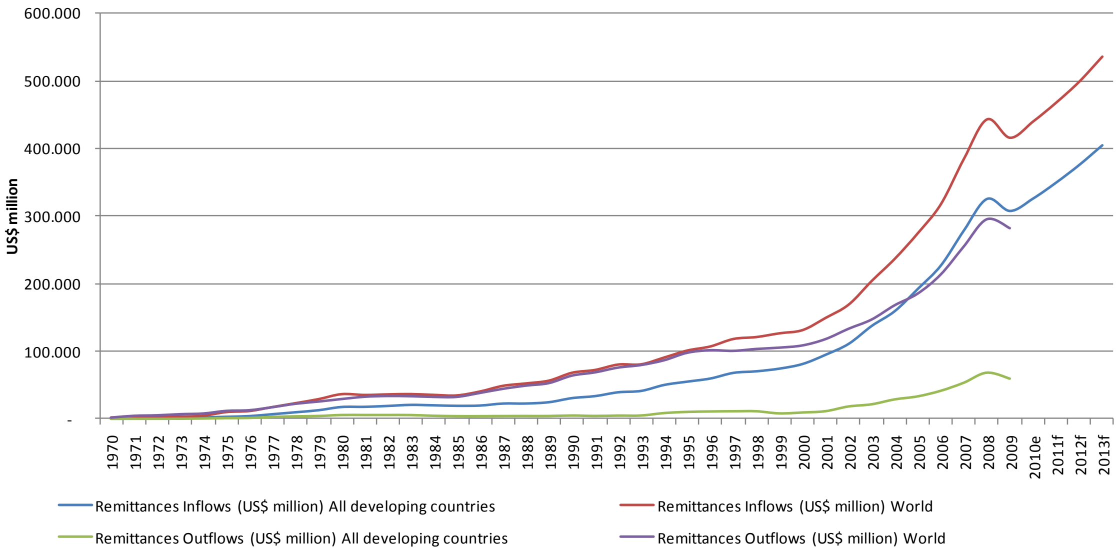


Figure 5 – World remittances outflows and inflows

Appendix 5 analysis the relevance of eleven corridors (RQ 1.1, 1.2, 3.1): Brazil, France, Germany, Luxemburg, Mozambique, Spain, Switzerland, US, Venezuela, and the UK (as well as Portugal), showing the trends in growth and resilience. The trends illustrate a clear increase in the flow of remittances although in some countries they vary (Ferraz, 2011: 47) (RQ 1.1). In 2009, the countries with the most substantial annual inflows and outflows of remittances were the following: France ($25 billion), Germany ($16.5 billion), Spain ($12.7 billion) and the UK ($3.6 billion); Luxemburg reports outflows amounting to $10.6 billion. Portugal showed inflows of $4 billion (reaching 266 per cent in that period versus previous period) and outflows of $1.5 billion (showing three times the outflow over 9-years period).

These figures demonstrate the importance of the growth in remittances in Portuguese corridors, and its impact in terms of liquidity volumes (Ferraz, 2010b: 49). The increase in remittances is a trend that has been consistent over the past decades and seems to project into the future. Ratha (2010b: 3) asserts that only if new migration slows over the next decade or so would remittances stop growing, but predicts that remittances will continue to increase as long as migration flows continue as they are currently (RQ 1). Research explored the qualitative reasons for the resilience of the market segment and the counter-cyclical nature of the remittance trend and the fact that, historically (as shown in Figure 6 below), migrants cope well with adverse shocks in the financial market (Ferraz, 2010a: 26); the results and the discussion about the forecasted outlook are discussed in Appendix 5.

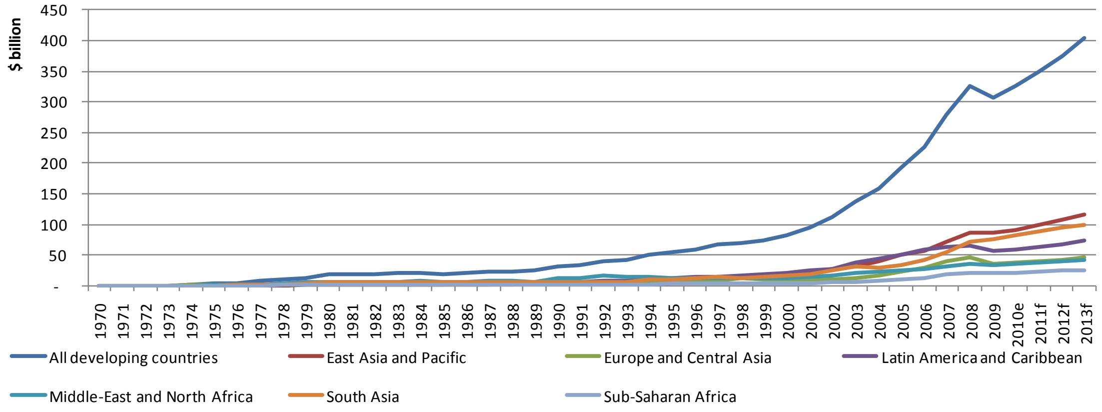


Figure 6 – Outlook for remittance flows to developing countries and regions

The outlook for remittances flows based on secondary data (IMF, 2009a; World Bank, 2010b; Ratha, 2010b: 14) indicates that the outlook for remittances until 2013 is projected to grow between 5.8 per cent and 7.5 per cent, although the most recent projection shows increases between 7–8 per cent until 2014 (Mohapatra, 2011b: 15).

The conclusion drawn, therefore, is that there is a clear growth trend for remittances, proving that they are stable flows of liquidity that (RQ 1.1, 1.2), together with the evidence put forward to illustrate the impact of liquidity on the financial stability of the banking system, which shows that remittances do have a relevant impact in the context of monetary policies, management of financial systems, and in the economy (RQ 1.1, 1.2).

4.2 Sovereign risk, financial stability, remittances and loan-to-deposits ratio

It is useful to recap on the literature relating to financial stability alongside that which deals with the flows of people and remittances, due to their common links with financial stability and similarity of sources; it could be said that they share the same "DNA" structure. The robustness of remittances makes for stable flows of cash (Gupta, 2007: 3) offering liquidity as a cushion to banks, which can help improve their levels of liquidity (RQ 1.2, 3.1). The research (Ferraz, 2010b: 49–55) revealed liquidity as a key element to financial stability. When the SQ were crafted in 2009, liquidity was not a major concern of the authorities and most banks, as adverse impact of the crisis on the financial stability, and, ultimately, its survival had not been anticipated.

The IMF (2010a: xiv) warned that economic conditions require scrutiny to avoid compromising financial stability, while the BdP (2010a: 52) reported that resources from central banks played an important role in mitigating liquidity shortages. This view of financial stability illustrates how the concept has grown to involve new variables, which reflect an unanticipated change in the paradigm, such as sovereign risk, GDP, public debt and deficit, banks' profitability, capital ratios and stress tests. The research was carried out to determine the role migrants could play as a source of liquidity as the main source of financing for Portuguese banks comes from clients' deposits, including remittances (BdP, 2009: 101; INE, 2010). Appendix 5 frames and discusses these issues, which reflect a drastic change in the financial stability paradigm.

The impact of sovereign risk on financial stability is a relevant shift in the landscape. The tensions in international markets as a result of doubts over the sustainability of several European Union member states' public finances profoundly interact with other elements of risk or vulnerability in the financial system the BdP (2010a: 23–5) warns, which is reflected in the financial markets with increased volatility and uncertainty (IMF 2010b: 3).

Figure 7 shows that G-7 sovereign debt levels as a percentage of GDP is (nearing a 60-year high between 1950–2010) reaching almost 120 per cent of GDP, thus alerting the European Union to the potential crisis: that public debt may spill over, across financial systems, impacting on financial stability (IMF, 2010b: 3; Ferraz, 2011: 68–70). European Union Treaties impose that this percentage does not exceed 60 per cent. Figure 8 shows all countries within the range of between 4.5 per cent and 10 per cent, the Euro Area average being approximately 6 per cent (Ferraz, 2011: 71–2), which is also well above the 3 per cent agreed in European Union Treaties.

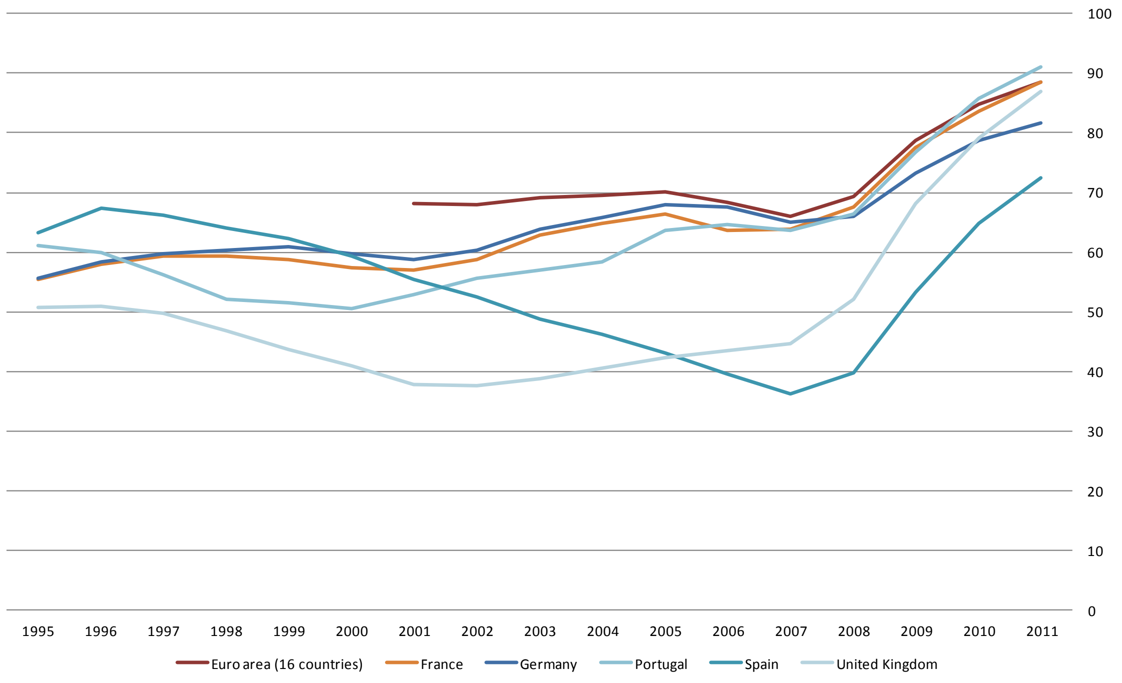


Figure 7 – Public Debt as percentage of GDP for selected countries

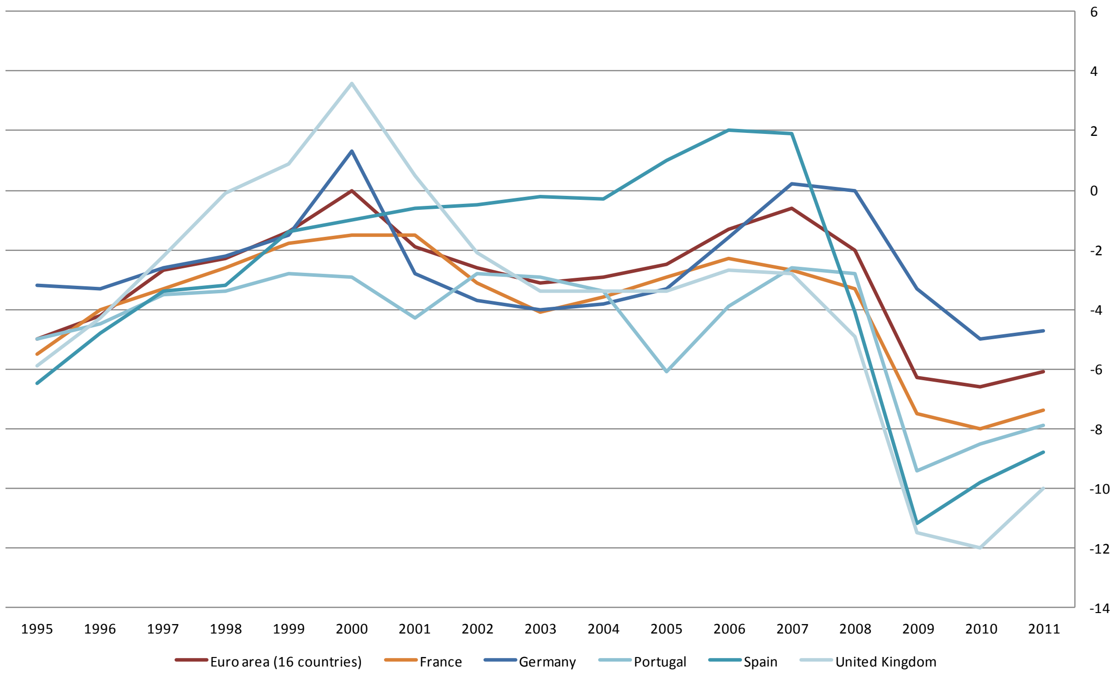


Figure 8 – Public deficit as a percentage of GDP

The conclusion is that sovereign risk interconnection with unsustainable public finances, means that countries may have difficulties accessing debt markets. This impacts directly on the financial stability of banks, and in turn, demonstrates the contribution remittances could make to financial stability. For example, the IMF currently factors into their GDP calculations the percentage of remittances flows; Ratha (2010a, 10–2; 2010b: 1) stresses the importance of this decision, because it recognizes remittances as a variable and reinforces its importance for countries facing financing gaps.

BdP (2010b) published data relating to the volumes of migrant remittances received through formal channels – Portugal's ten most important corridors – over a13-year period (1996–2009):

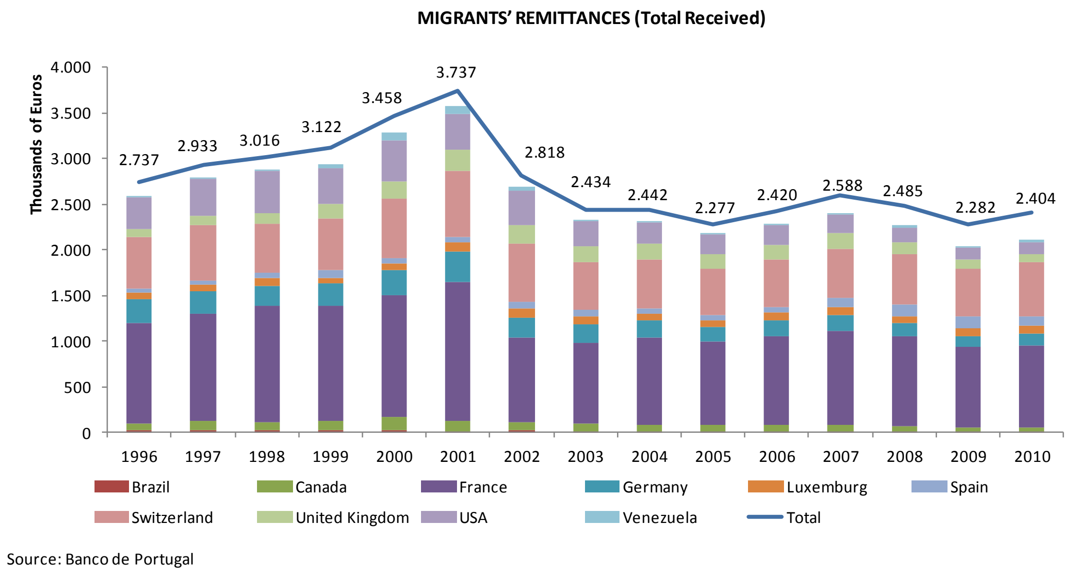


Figure 9 – Total migrants' remittances received by corridor

2010 showed an increase of 5.35 per cent (€2,404 million) over 2009, while for 2011, the BdP confirms that Portuguese emigrants will maintain the tradition of remitting money to Portugal; the first nine months of 2011 showed a negligible decrease of 1.29 per cent (€1,780 million) compared to the same period of 2010 (€1,803 million), (BdP 2011). Even with the economic crisis deepening, the traditional Portuguese corridors continue to show resilience.

The overall calculation of the nominal amount of remittances – adding them up over the 13-year period under analysis (1996–2009), and not considering any 'technical' adjustments – came to approximately €40 billion in the Portuguese corridors. The total equity and share-capital of five of Portugal's leading banks helps put these volumes into perspective when considering them in relation to their share-capital and equity, which at the end of 2010, amounted to €14 billion and €27 billion, respectively (Bureau Van Dijk, 2010). This figure, when compared to the €40 billion of remittances flows, demonstrates the relevance of remittances.

Although the variables *per se* – remittances flows, financial stability, and stress tests (Appendix 5) – appear to be unconnected, researching them separately but in the same time-frame has shown that they are intimately *connected*. Furthermore, it would seem legitimate to conclude that based on the combination of these variables, most banks still have not identified that the leverage of remittances flows has potential to contribute to financial stability.

On the other hand, the financial system was not about to forecast the financial stress that many countries' economies were about to experience – namely because of sovereign ratings – and which the banks in particular would face due to the closing, in practice, of debt markets and the difficulty of reducing the liquidity gap in the balance sheets. A review of the loans-to-deposits ratios of several banks led to the conclusion that they had a negative ratio and a strong need for liquidity, which is in line with the warning of the BdP (2010a: 89) that there are notable liquidity risks that derive from the downgrade of the sovereign risk; banks with negative loans-to-deposits' ratios (a bank that lends more than it captures in deposits), implies that its solvency strongly depends on capturing liquidity.

Appendix 5 includes the analysis of loans-to-deposits' ratios (Bureau Van Dijk, 2010) of Portugal's retail banks (over 70 per cent of the market) and Spain's (over 50 per cent of the market), allowing a comparison between two of the world's most efficient banking systems, both of which have significant negative liquidity gaps (Ferraz, 2011: 96–101), while the opposite is true for France, Germany, and the UK, where banks show highly positive loans-to-deposits ratios, reflecting a comfortable position in terms of liquidity, and meaning, therefore, that there is a lesser need to issue debt to raise liquidity. Hong Kong, Japan and Singapore show also a comfortable positive loans-to-deposits ratio (Ferraz, 2011: 98–99). It is for this reason that countries like Portugal and Spain, with negative ratios and a significant migrant market, could take advantage of leveraging remittances to increase levels of liquidity, and issue debt by using as collateral the future flows of remittances (Ferraz, 2011: 93–5).

The following chapter makes the justification for the research methodology and methods used in this research; discusses issues of language and knowledge in relation to the notion of "Anglophone hegemony", and raises some of the ethical issues related to the process of the chosen research method.

5 Research methodology, methods, and ethics

5.1 Discussion of methodology

The research methodology and methods were debated at length in Document 3 (Ferraz, 2010b: 7–28), and so unless relevant, this section will not repeat the argument. That argument included recognition of its uses, limitations, and strengths. This document is founded on a pragmatic realist approach, employing elite interviews (although not solely) as its central method. This approach also enables the use of quantitative data to identify opportunities where statistical data could be useful (Ferraz, 2011, 15–8).

As a pragmatic methodology was adopted for this work, a brief review of the study process will be outlined. Pragmatism was first put forward as a theoretical argument by Charles Sanders Peirce (1839–1914). The basic point of pragmatism is that truth is not determined by some fixed and external standards or essences, but rather it emerges from a process of interpretation (Mounce, 1997: 17–18). Peirce presents a structure for the idea of abduction, as a precursor to deduction and induction, in the way that "scientific knowledge" is created. Abduction is linked to the utilization of knowledge to identify a potential cause for a problem (Fisher, 2007: 321–2). For the current work, abduction was adopted for the conceptual framework and in the research and design of the business model, both of which were also informed by professional experience and research in previous documents over the DBA, which is explored and tested through empirical work in Document 5.

Pragmatism draws attention to philosophical views constituted by traditions in order to identify what is actually being claimed when certain properties emerge and are advocated (El-Hania, 2002: 24), while realism is a philosophical theory, partly metaphysical and partly empirical, which can be tested by experience but often goes beyond it (Leplin, 1984). Rescher (2000: 126) develops an argument for pragmatic-realism by advocating that the main objective of science is to present a model of reality that is useful, and stresses that realism represents a presupposition of inquiry. Pragmatism in the main is characterized by the relationship between theory and praxis, sharing a common interpretation of truth, complemented by their relationship in practice

(Van de Ven, 2007: 63) in order to provide a pragmatic justification for the realist stance (Rescher, 2000: 127).

From a social science perspective, John Dewey (1859–1952) also stressed the importance of the connection between theory and practice, taking a social and a community-based view of “theory and knowledge”. Theory should be tested through acting upon it, he advocates, and its truth, or otherwise, will emerge through the development of a social consensus. This is perhaps the core of pragmatism: there are no definitive or authoritative ways of determining truth; what is true is what is useful. However, usefulness has to be seen as a fairly noble concept, as usefulness is not the same as “expediency”. In other words, pragmatism does not mean “being pragmatic” in its everyday use of the expression. Pragmatic realism may also be argued to hold the advantage of having a more flexible and relaxed pluralistic and context-sensitive attitude (El-Hania, 2002: 24). In the current context a pragmatic-realist approach offered the researcher the opportunity to “find out more”, and “better understand” what is in the “black box” of the banking system; it was then employed to fill in some of the gaps relating to other relevant stakeholders – international institutions, Diaspora associations, and politicians.

The possibility of a pluralistic group creating “practitioner-meaningful” research is a position upheld by Van de Ven (2007: 274–8) but criticised by McKelvey (2006: 822), who says that practitioners find little value in academic research as they do not see the relationship between theory and practice. It would seem that McKelvey’s view reflects the “radical divorce” between academia and practice, whose inability to interject, collaborate, and leverage their “puzzle of skills” to the benefit of both fields of knowledge was apparent while carrying out the current research. This is one reason (among several others) why a pragmatic-realist methodology was adopted for the current work, to reflect the views of practitioners, which seemed to be the avenue by which the objective of the research would best be achieved. The research identified a gap between “knowledge and practice” in relation to migrants and the satisfactory fulfilment of their financial needs, and in seeking to rectify this gulf, the pragmatist approach employed was able to create links between the two, as advocated by Dewey and his ideas of pragmatism. The methodology chosen encompassed initiatives to proactively cross-fertilize knowledge and experiences focussing on the issues and complexities identified within the business world, which is achieved by way of a structured academic research plan, linked to practice, with the support of business schools. This route was followed diligently in the current research.

The current research, in taking the pragmatic approach, is not claiming that the identified gaps and barriers (Figure 11) and the proposed business model (Figure 16) are definitively true, but that they are re-educative, and challenge the existing paradigms. It is in this sense that Rorty's (1985: 168) stance can be seen to compliment the current argument, when otherwise his position might be seen as the reverse of the approach taken in the current research: this research holds that it is possible to identify mechanisms, patterns and dynamics between semi-stable concepts, while Rorty would refute this claim, and replace the patterns and relationships seen in society by the realist, with a constructivist approach where dialogue is re-educative. Rorty holds that dialogue is necessary to create solidarity, civility, virtuousness and to prevent the ideologically obsessed from gaining ascendancy and doing harm. He also asserts (1985: 168) that "knowledge" is not a "mirror of reality" – going against the grain of epistemological realism – and saying that there is not a one-to-one correspondence between the "reality out there" and "our knowledge of it"; that dialogue cannot lead to some objective truth or prioritisation of values. For Rorty, in other words, one cannot *know* reality; and the test of theory or knowledge is therefore not whether or not it is true, but whether it is "useful" in terms of maintaining a civil and decent community.

Rorty's notion of dialogue emphasises two things: firstly, he points out, as Mounce (1997: 185–9) noted, the importance of keeping the conversation going. If there is no objective truth to be discovered then it is necessary to keep the debate going and thus prevent a lapse into cynicism. As Gustafson (2000: 652–4) suggests, people considering ethical problems need to conduct a "tempered quest," strive continually, irrespective of the knowledge that the quest has an indefinite "end-point" in terms of its outcomes. Secondly, and this is where Rorty does support the current research: his approach emphasises that dialogue must be re-educative, i.e. applicable, which in the current work has been realized through the cooperation required of and the dialogue that has taken place among stakeholders. The communicative aspects of the research are reflected in the decision to undertake realist qualitative research for this document, in that people's desire for validated norms and standards, should be replaced by their desire for solidarity with others. Rorty (1985: 162) suggests his opponents should drop the idea of “the better argument” and accept that there is only “the argument which convinces a given audience at a given time”, a perspective that further supports the stance taken by the current research: developing, changing and implementing a new business model for the banking industry does demand a high level of communication, dialogue and mutual cooperation. This development and/or change of the business model for the migrant business segment is necessary in order to address issues such as corporate social responsibility (CSR) and the financial integration of migrants.

There was further reason to employ a pragmatic realist methodology in the current research: it focuses on a particular area within the financial system and, within this, a specific market niche – the migrant business segment – where various influences may distort peoples’ thinking and relationships, including stakeholders in different, although overlapping and related, professional areas. Also, an organizational culture is usually linked to “one particular organization”, whereas the present research relates to, and is transversal within, the financial system, specifically within retail banks – where there is potential to adopt a marketing and commercial strategy focused on migrants. However, in gathering the statements of interviewees, who belong to several organizations, their views were sometimes understood to be biased or different, according to the culture of the organization within which they worked; the particularities of a market, or as a response to different marketing objectives. This is another reason the pragmatic-realist methodology was chosen, as it produces research results appropriate to the characteristics and objectives of the research, a matter discussed in Document 3 (Ferraz, 2010b: 7–28).

Mutch (2002: 482), discussing the “nature of reality”, says that the primary concern of ontology is related to “what is”, while epistemology is concerned with “how we know what is”. On this subject, Tietze (2010) warns that in the ontological assumptions of interpretivist philosophy, reality is “somewhere” and is independent and separated from “knowing” or “conscience”. Epistemology, on the other hand, is the study of the criteria upon which one makes a decision about what “does or does not”; it represents a warranted claim about the world or what might be warranted knowledge. Interpretation of the information relates to the discussion of how the chosen method of research conditions or limits the use of interviews. Roulston (2010: 51) advocates that researchers will be better prepared for the interviews if they are consistent with their epistemological and theoretical assumptions about knowledge production. Another element that concerns epistemology, relates to the decision about what “does or does not” represent a warranted claim, which could include the banking system, and the way that migrants are served; or what might be warranted knowledge – covering the perception the researcher built up of the interviewees’ knowledge and its contribution to the research. This would justify the concern about the way in which the claims and/or evidence provided by the interviewees is evaluated, appraised and, eventually, judged.

Qualitative research data has been used in applied fields only since the 1980s, including in business studies, where it generally shifted to a more qualitative paradigm. Qualitative data then became a source of enlightening information, made up from rich explanations of undeniable quality, obtained from interviews organized into convincing incidents or stories, supported by a conceptual framework (Miles, 1994: 1–2). Pragmatism puts emphasis on practice and discourse, rendering meaningless discussion about the reality independent of human theories and conceptualizations; pragmatism, therefore, provides a philosophical framework to support a “realist interpretation” of reality (El-Hania, 2002: 22–3). This in practice could lead to collaborative research, involving sharing power and activities between researchers and other stakeholders (Van de Ven, 2007: 274). This was the methodology employed in order to answer SQ 3, the main Strategic Question of the thesis. Qualitative data has several strengths: it represents “real life”, providing insight into some of the underlying and less obvious issues, and revealing the complexity that underlies most situations (Manen, 1977). In addition, it is important to understand that there are further complexities in relation to the perceptions, assumptions, prejudgments, and prepositions (Miles, 1994: 10) of the interviewees, which presented in words and not numbers (Samra-Fredericks, 2010), may be open to interpretation, tempered by methodology.

Methodology is concerned with presuppositions, namely ontology and epistemology, which can influence the research methods adopted (Samra-Fredericks, 2010) and govern the rules of the research (Franklin, 1998: 448). Qualitative research deals with “real life” issues, in real time, on a day-to-day basis, in order to understand the different viewpoints and complexity of a matter. There are also the personal meanings that interviewees attach to the subject matter itself. Margolis (1995: 257) recognizes that an emergent order of reality includes any array of empirical phenomena that may be explained in terms of the adequate descriptive concepts, which is the case in the current work.

The decision to employ a number of elite interviews was, as Bellamy (2011: 2–3) observes, due to the interviewees being related specifically to the area of the research. Their backgrounds, areas of knowledge, interests, formal positions, and insight were relevant to the interview strategy chosen. Their input made a significant contribution to the research; most of them hold senior professional positions and could not, therefore, easily have been replaced. In addition, they are all well informed and articulate. Cultural entities, the banks for example, are emergent in their existence and can be accounted for in terms of other entities: the other stakeholders, the object of this research, and their powers; if they belong to the same emergent level of reality, then their emergence is specific to it (Margolis, 1995: 219, 257). This thesis reflects and encompasses “exploratory research” due to the fact that the mechanics and dynamic of it will directly affect banks’ business – their financial stability and profitability, it is argued – and it will also indirectly influence other stakeholders through financial integration, CSR, and legal and regulatory issues, all of which can be framed within the concept of pragmatic realism.

Mutch (2010) observes that, for realists, the world has an objective existence that people talk about more or less objectively. Fisher (2007: 41–9, 276) supports this idea, saying that the realist approach is often adopted in case studies’ research because realist researchers believe that the “knowledge” gained reflects reality accurately. It is appreciated that reality may be “distorted” if subjectivity impedes the knowledge process, but that the connection between knowledge and action can only be achieved through judgment and determination. This was another reason why the realist stance was adopted: within the banking industry, knowledge and action, good judgment and the ability to determine *what the reality* is that is being theorized, are all essential attributes.

The quantitative research in Document 4 supports the business model and complements the qualitative data, and although there is a divergence in the methodological-philosophical route, the real “pragmatic difficulty” was that of convincing bankers to adopt a business model for migrants that was not supported by basic quantitative-view evidence as to its dimensions, which would have been a barrier in ‘pragmatic’ terms. The first interlinking theme/SQ of the research relates to people and remittances flows and how they impact on the strategic decisions made by banks, and the impact of these trends and changes (SQ 1, RQ 1.1, 1.2) on the financial stability and profitability of banks. Many major banks have not noticed that migration flows have significantly increased and, therefore, have not identified the potential of approaching migrants’ financial needs in a structured fashion. It seems to be in the spirit of pragmatism and the DBA to follow up the findings of the research, and to seek to persuade senior management and other stakeholders of the usefulness of making changes to their business models, due to the gaps and barriers identified in the current migrant business model. This is why Figure 16 presents a rhetorical business model in preference to a technical one, which it is hoped will encourage banks not only to take the migrant business segment more seriously and in a more structured fashion, but also the stakeholders that gravitate around them. The business model is seen as key to ensuring that the dialogue develops, and the re-educative stance of Rorty’s constructivist approach does strengthen the pragmatic-realist stance in this regard.

Realist research does not always rely on statistics and, in practice, much realist research is based on qualitative case studies, the variables of which should then be analysed with the objective of identifying connections among them, and then to conclude “if and how” a variable is connected to another and influences it (Fisher, 2007: 41–9). The research performed on financial stability and remittances flows, when analysed individually seemed to have no impact, but when brought together, they constituted a qualitative puzzle of variables, which once interconnected and linked, led to important conclusions. This thesis adopts a pragmatic-realist qualitative research methodology.

5.2 Discussion of the research methods

The research methods were discussed at length in previous documents (Ferraz, 2010b: 18–24; 2011: 13–25). Bryman (2007: 706) recommends that the methods and analytical processes used in the research should include a number of intrinsic relevant issues. The following specifics were considered:

- How banks have organized to capture (or not) the migrant business; the business model adopted, and banks' awareness of the business potential of the segment.
- How other migrant-oriented stakeholders, including international institutions, Diaspora associations and politicians, influence, connect with, and communicate with banks towards the financial integration of migrants.
- The criteria adopted to select interviewees and negotiate access.
- The data sources, including participants' observations, semi-structured interviews, and how data will be collected.
- The approach taken to analyse the data, which involved an iterative process of generating inferences related to emerging themes.

Fisher (2007: 61–2, 152) outlines the decisions that should be made in terms of which research method to follow, linking the choice of the methodology to the methods, and demystifying the concept that connects realistic research to quantitative methodology, and interpretivist tendencies to qualitative methodology, concluding and advocating that a combination of research methods can be used in both approaches. The interview method was employed to exploit the contrast between "how to find out things" through research, versus "discovering things" through reading and reviewing literature.

Theoretical consideration of the interview process clarifies the design and development of the project (Roulston, 2010: 51). The advantages and disadvantages of several research methods were evaluated and, considering the objectives and the business area being researched, the interview method was chosen. Interview techniques include in-depth, open, and pre-coded interviews (Fisher, 2007: 159). The characteristics of both the unstructured and structured approaches to interviewing were reviewed.

Bryman (2007: 472–4) advocates unstructured and semi-structured interviews as two forms of qualitative interviewing, adding that “behind” any of these forms there is always a degree of “structure”. In the first, a “guide or *aide-mémoire*” is prepared and the interview is conducted as a “kind of a conversation”, while in the second, a list of the main topics to be covered is prepared as a “guide”. The language (jargon, slang) used by the researcher and the interviewee are often similar, and while the interviewee maintains the leeway, the researcher may pick-up on things said during the interview to go deeper or cover other particularities within the topic.

Unstructured interviews follow an in-depth and open model, while structured interviews follow a script that lists options for the answers. In an in-depth and open interview, the interviewee controls the direction of the interview, although the researcher can interject picking up on cues or leads. A pre-coded interview is rigid with the options to the answers predefined. The model that falls between the two is that of the semi-structured interview, which provides the framework of the topics to be covered, but gives latitude to the interviewee (Fisher, 2007: 159). Bryman (2007: 476) supports this method saying that the semi-structured technique offers more flexibility, while Prasad (1993: 1408–9) also defends this model, in as much as he believes researchers are able to maintain the focus of the interview and objectives while also some preconceived ideas may or may not be confirmed, thus opening up new avenues of research.

The current research can be regarded as an “exploratory study” due to the lack of existing research in the area in academia or in practice. This fact influenced the choice of the semi-structured interview method, selected as most appropriate for several reasons: to allow for follow-up interviews and/or another topic to be raised within the framework established, and for application of the probing tool in order to re-check statements and, as necessary, to return to ideas to delve deeper into particular areas or to introduce a new but related topic. These characteristics meant that genuine facts and ideas could be “squeezed” out of interviewees in order that a “true answer” was more likely to emerge than a “corporate politically correct” one. Bellamy (2011: 11) lists some other advantages of the semi-structured interview method for elite interviewing: it has a wide scope for non-scripted improvisation and is an ideal method to probe, challenge points, request examples, and ask the same question in different ways; it avoids rhetoric by allowing hypothetical scenarios to be posed and behaviour and actions to be identified, as well as assisting in interviewees' awareness about what they are saying, and why they may think in a particular way.

Challenges may arise in qualitative research, not least in the interviewer–interviewee relationship and the emotional issues that can emerge as a result, for which (Roulston, 2010: 179) provides strategies. The fact that the researcher works in the banking industry was considered both proactively and consciously when selecting the interviewees, in particular how the position would impact on the maintenance of neutrality during the interview process. Roulston (2010: 179–180) suggests that the best way to address this issue is to maintain a neutral viewpoint while still expressing empathy with participants, while Rescher (2000: 127) stresses that the adoption of empirical research demands a mind-independent reality. This guideline was followed both in the preparation and process of the interviews; the interviewer maintaining the position of "a good listener" that was positively sceptical.

Miles (1994: 6) advises researchers to make every effort to absorb data and information from "inside" the actors, listening to what is said and also observing the actor's body language in order to build understanding from what is not said, while also avoiding inclusion of the interviewer's preconceptions and views on the topic. Bellamy (2011: 10) supports Miles's approach, recommending that the researcher asks questions that respondents have privileged knowledge about, and that the answers are treated as opinions rather than definitive accounts, recollections rather than history. This technique was important for the current work: when opinions/recollections were offered, the researcher leveraged them to build understanding, ever mindful of personal associations with the industry, and employing a disciplined, appropriate approach throughout the process.

Another relevant facet of the process is that the interviewer is Portuguese, and English is not his first language. Meriläinen (2008: 585) warns about this, saying that the context affects the nature and forms of resistance in knowledge-work and, consequently, what often gets labelled as “organizational discourse” may be more readily understood as part of a particular social discourse. Bryman (2007: 498) recommends that when conducting an interview with someone whose first language is not English, the native language should be considered where possible as this avoids the interviewer missing relevant information due to concentrating more on translation than on the subject matter under discussion.

Meriläinen (2008: 587–9) raises another issue regarding the use of the English language, asserting that Anglophone contextual knowledge can play a key role in hegemonic practices and reflect an attempt to bring together strands of discourse into a set of meanings. Researchers from non-Anglophone countries, therefore, face an extra burden: building and maintaining a hegemonic discursive formation by constructing texts in what, for them, is a foreign language and perhaps a foreign culture. Therefore, they face a challenge of reframing their non-Anglophone data to make it more relevant to Anglophone audiences. This matter was given due consideration in the current research and provided justification for some interviews being conducted in Portuguese and translated into English (Appendix 2). That some concepts and expressions used in different languages may hold different meanings and provide different messages was also considered, and so when this occurred, the English meaning was placed in quotation marks within square brackets.

As mentioned, for the interviews, it was the perceptions that were being analysed and not the language. Mutch’s (2010) warnings on these two issues were addressed with the help of Roulston’s recommendations (2010: 179–80), and so the fact that the interviews were to be conducted among the “banking elite” and that some were going to be translated from Portuguese into English, meant that the SQ and RQ as well as the “barriers/gaps” identified were considered at the outset and used in the development of the questionnaire for the different stakeholders.

Access to elites within the banking industry could be regarded as a strength of this thesis, but the potential pitfalls that could occur were given due consideration to mitigate inaccuracies during development, processing and analysis. With regard to the interviewer–interviewee relationship, personal relationships with some interviewees facilitated obtaining the interviews, although the degree of the relationship varied.

Furthermore, some interviewees within the banking system stakeholder group belonged to competitors (of the researchers') bank and, therefore, it was relevant to ensure that the answers were not restricted or biased because of this, thus interviewees were assured from the initial point of contact that nothing they revealed would be used by the researcher to compete with their banks.

Similar considerations were applicable during interviews with representatives from Diaspora associations, international institutions, and the politician, as they were all asked to reply to questions that could have caused them embarrassment – such as, for example, when they were asked questions to which the answer could have been limited or biased by the perception of unjustifiable gaps on their side, or a seeming lack of awareness, or attention to the matter under discussion – but interviewees were assured that what was required was their genuine view even if it revealed a lack of awareness on their part to a particular issue.

5.3 Ethical reflections and considerations

Confidentiality is a main pillar of the banking industry where activities deal closely with the assets and liabilities of customers, all of whom expect to be treated discretely, and in such a way that their private details remain confidential.

The ethical considerations and reflections on the process of performing elite interviews were informed by Bellamy (2011: 5), whose recommendations cover the methodological reasons for seeking interviews, negotiating access, conducting the interviews, maintaining confidentiality and the retention of data. Appendix 6 includes the principle of confidentiality and the full information about the participants' right to withdraw from the research, as well as the signature on the consent forms.

Diener (1978) summarizes the ethical principles in business research that should be considered from the planning stages, including consideration as to whether the facts elicited could harm participants in the process. Miles (1994: 297) advises that ethical considerations should be dealt with well ahead, throughout the project and permanently present in the development, while Fisher (2007: 63–4) recommends that the researcher discuss data protection, privacy and confidentiality early on in the negotiations with individuals. Bryman (2007: 132), similarly, draws attention to the importance of obtaining informed consent. Due to the senior positions of the stakeholders involved, these issues were carefully considered at the planning stage of the research.

Fisher (2007: 64) also stresses that publication of the results of a research and availability to the public – to share knowledge and criticize the work – are the very principles of academic research and that, therefore, confidentiality agreements should be considered at the planning stage of the research. Bryman (2007: 134) takes the same line in relation to confidentiality and anonymity, due to the sensitivity of some of the material gathered during qualitative research (e.g. identification of organizations, people, and places), while Miles (1994: 292–4) insists that the process of ensuring confidentiality should centre on the protection of the individual or organization and be mindful of the potential damage identification could cause. Bryman (2007: 127–142) also refers to the importance of the specific ethics of business research and recommends observance throughout planning, fact-finding, and analysis, because the values and principles of the research can be a cause for concern. Grinyer (2002) defends anonymity in principle, although he appreciates that in particular situations it may cause stress to the participants if for some reason the interviewee would like recognition, which was not the case in this work.

In light of these recommendations, a detailed review of ethical issues was conducted, and confidentiality and anonymity were considered key elements to inspire confidence in the participants. The stakeholders selected for the research were chosen after careful consideration of which interview method to adopt, how difficult it would be to access the individuals, and what information they would require. It was important for the research to access stakeholders in banks, international institutions, the government, and Diaspora associations, with whom the approach employed was to use pseudonyms and not to make specific reference to organizations or geographic locations; if some sort of context was judged necessary, expressions such as “in my country”, “in a bank in an European Union country”, or “in a former Portuguese colony” was used.

It was clearly established with interviewees that only the researcher and his supervisors would have access to the transcripts, although it was explained that these may be viewed as part of the examination process. In this case, anyone gaining access would do so only in order to ensure that the overall project met academic standards, and would be bound by the same confidentiality. The right of interviewees to withdraw from the project, and that any data collected would then not be considered but immediately destroyed, was also established; participants were provided with the contact details of both the researcher and supervisors in the event of asserting their right of withdrawal. Appendix 6 includes the letter to interviewees and the consent form.

The ethical approval system in force was followed through the submission of the BLSS Graduate School – Ethical Clearance Checklist – Form A, for Documents 3, 4 and 5 all of which were approved.

The following section – the critical literature review – sets out to explore the literature concerning migrants and the banking system, and giving further justification for the research methods and methodology outlined above. This section unveils the gaps in information sharing, research, and available knowledge. It also focuses on the theoretical basis of business models and looks critically at current theories in relationship management and related business strategies.

6 Critical literature review

6.1 Link of the research results from previous documents to the critical literature review in Document 5

Using the anchor subject "migrants" the critical literature review employed Hart's (2008: 143) methodology to source relevant literature, which organised into sections, has been updated and reviewed to identify the connections of themes, theories and current research according to the research objectives: "*to analyse the flows of people and money and explore its impact on the banking industry".*

The research and relevant conclusions from previous documents are referenced to the critical literature review performed throughout this section, as well as linked to Figure 11 (crafted in Document 3 and adjusted in Document 5 as a result of the research). This 'bridges' and facilitates framing the issues, barriers and gaps that may emerge again in the qualitative research in Section 7, and that could impact the business model discussion and presentation in Section 8. The research focused on four areas among academic and non-academic literature, illustrated graphically, below.

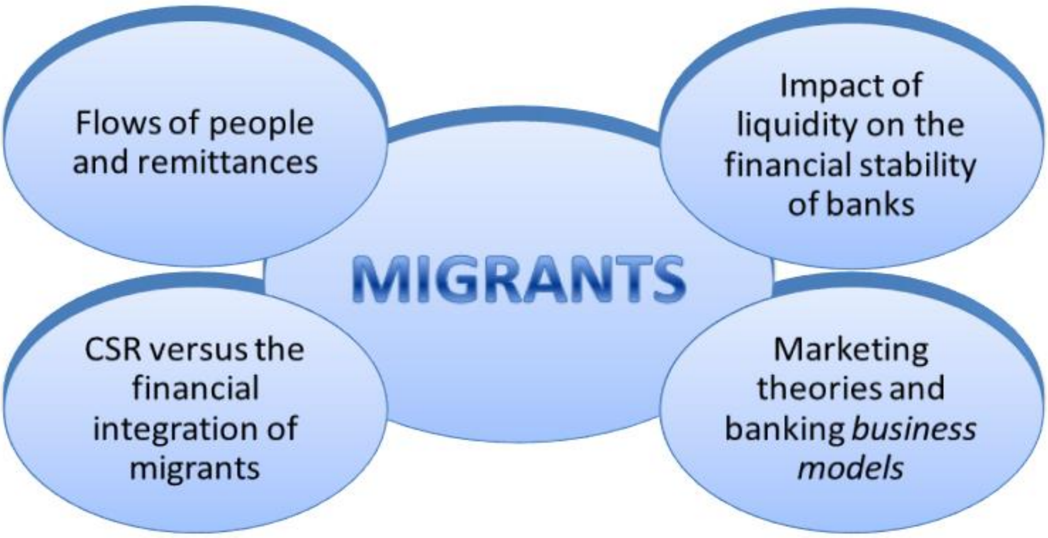


Figure 10 – Ellipses of Relevant Literature

The research into current migration flows was the subject of discussion in Document 4. Sources comprised mainly of the publications of international institutions, central banks and statistical institutes, among which was material concerned with demographic forecasts and the impact of the current financial crisis on the flows of migrants and their remittances (Ferraz, 2011: 27–32), the remittances flows themselves (Ferraz, 2011: 38–53) and the macroeconomic environment and its impact on the liquidity (Ferraz, 2011: 76–84) and financial stability of the banking system (Ferraz, 2011: 61–8). The research into the global labour force, and the significance of the volume of money it generates; how this impacts on the liquidity available, which in turn affects the liquidity of the banking system, belongs within the frame of the qualitative research: "*the flows of people and money and financial stability*". The current available literature, this thesis, and the business model (Figure 1) focus mainly on formal channels of people and money flows, but offers also some discussion of the informal channels in recognition of the importance of shifting transactions from informal to formal channels (Ferraz, 2009: 92–7; 2011: 20, 22–5, 41, 60, 116–19). A search of the literature and ongoing research within universities (Appendix 3) revealed a number of academic centres for research into the area of migrants, but these are focused on the social aspects of the subject: social integration, education, health, employment, legalization and forced migration. Minimal material was found that addressed migrants and finance; migrants and the banking industry or discussed the potential of this business segment.

CSR within the banking industry may be regarded a subject worthy of further research, particularly within the area that deals specifically with bankarization. Document 2 discussed concepts, definitions, and the advantages and disadvantages, as well as the practices adopted by banks in relation to the financial integration of migrants (Ferraz, 2009: 40–60). The current research revealed that society in general and banks in particular seem not to be fully aware of the economic and social relevance of the migrant business niche. It also demonstrated that banks are neither concerned nor focused on CSR with respect to this business sector. It appears that society and the banking industry are insufficiently informed about the potential of fully integrating the migrant business sector into the banking industry, and unaware of what it could offer in terms of human progress. This analysis and its conclusion are supported by extensive research into over twenty business models currently used by leading banks in Europe, the US and Australia (Appendix 4).

The theoretical literature on marketing and business models feeds into the current business approaches used by banks to some degree, although most banks' business models are considered to be 'non-transparent' (Ferraz, 2010b: 61–82). The conclusion drawn from this area of the research is that the banking system should adjust its approach to transparency and commitment, and with regard to the migrant business segment in particular, should recognize the potential of this business segment to improve liquidity and profitability, and appreciate the potential social contribution to human beings. Aspects of the banking industry including CRM, clients' needs and expectations, cross-selling and its impact on profitability, distribution channels and communication, internationalization, and CSR all offer weight to the other side of the argument are discussed below.

6.2 Business models, case-studies review and marketing theories

6.2.1 Definitions, and characteristics

The term "business model" has different meanings depending on the area of activity to which it relates. Pateli (2003) says that the concept has led to a plethora of publications that discuss it in different domains, while Schweizer (2005: 37–56) claims that academic research on the concept is sparse, although the expression is widely used. Osterwalder (2005: 2, 33) falls somewhere in between these two views, noting that there is a diversity of understandings, usages, and evidence of application for business models within the literature, but that the concept still requires explanation to clarify its meaning. The definition of a business model has been debated: some defend it as a concept supporting the logic of doing business; others consider it a link between strategy, business processes, and information systems, embracing a broad spectrum of organizational activities, from the operational to the strategic.

For Pateli (2004: 308) it includes the mission statement, shows knowledge of the target market, knows its value proposition, the resources required, and key activities, and shows a cost and revenue model as well as providing the value chain. Osterwalder (2005: 17) introduces a conceptual element that sees the business model as the link between strategy (including competition and implementation) and business organization and systems (how the elements of the business concept fit together). Rae (2001: 334) introduces the concept of “entrepreneurial management”. He considers implications of theory and practice on strategic management and promotes a culture of knowledge-sharing, by working in synergy within an organization and even leveraging other stakeholders’ skills and research, thus adding value to the current business model by stimulating and meeting customer demand. Greenberg (2004: 664) adds another dimension centred on CRM – the result of planning – how to craft a customer strategy, working with employees, counterparts, and suppliers, and demonstrating an ability to negotiate and manage cultures. For Johnson (2008: 53), the key resources of a business lie with its assets and capabilities, seen in its employees, technology, products, channels, and brands – all of which are identified in order to deliver the value proposition to customers – and once deployed effectively, create value for the customer and the company. But key to the success of the business model is the ways in which these values interact: the current research revealed that several banks had many of the key resources in place, but that interaction between them all, and leveraging them to customers, lacked.

Johnson (2008: 52–3) asserts that successful firms fulfil customer needs with an effective business model, a position Osterwalder (2010: 136) defends, saying that it should challenge “orthodoxies” to meet unsatisfied and hidden customer needs. Whether that model is explicit or not is defined by its interlocking elements that, when articulated, create and deliver value. Within this, the customer value proposition is the most important, because successful businesses create value for customers by providing them with the solution to their need. An understanding of the need must be in place in order to define the solution and carry out the processes to design and market it. Greenberg (2004: 63) shares this view, but sees the business model as a set of operating practices built around the idea of generating profits. It is the embodiment of a cultural ethos, an ingrained approach to business that crosses functions and technology and reflects corporate behaviour. The current research revealed (Ferraz, 2010b: 83) that most banks do not identify and address the specific needs of emigrant or immigrant communities, and thus do not recognize the business potential (Barriers 3.1 and 4.2; Figure 11).

A business model should link business strategy, defined by Smith (2006: 158) as a plan to determine where an organization aspires to be within a pre-determined time frame. Osterwalder (2010: 21) stresses that in order to satisfy customer needs, a business model may define the customer segment it seeks to serve. The design of the business model is then built around a strong understanding of customer needs according to customer segment. The same conceptual framework would not be applicable to, say, an industrial SME client, because as Pateli (2003) notes, an effective business model expresses the specific logic of a company. Banks already offer migrants remittance-processing services, commonly available only at one end of the corridor, mainly in the host country. The current business model envisages opportunities for cross-selling, and offers migrants a service at both ends of the corridor. The creation of a “customer value proposition” and an “operating model” is central to creating or re-modelling a business model, and because it should be specific to migrants, it could be offered to similar retail banks with minor adjustment for implementation.

Whether to build a new business model or alter an existing one is a “strategic decision” that Johnson (2008: 57–8) says demands “management awareness”. Models may be adjusted in order to disrupt competitor advantage or a new business model might be introduced to reinforce and complement the core business; deciding the objective of the business model is, therefore, foremost to its design, implementation, and success. Lack of “management awareness” is a gap identified (Ferraz, 2010b: 31), and is shown to limit recognition of the potential profitability of leveraging remittances (the anchor) through addressing the migrant business segment. The lack of awareness of the market and the absence of a “customer value proposition” were both addressed when conceptualizing a business model for the migrant segment. Most banks have the view of “a product” instead of “the customer”. Migrants should have access to a service in both the origin and host countries, not simply the offer to remit cash (Ferraz, 2009: 72, 80).

Research showed that even when a bank was found to be present in several countries, the products on offer were inconsistent, uncoordinated, and disparate (Ferraz, 2010b: 83); there did not appear to be a commitment to leveraging the migrant business segment in either the design, development, or strategy of what was on offer. There was also evidence that most banks’ marketing divisions did not know of any migrant-dedicated products and services. In general, products’ teams offer a sub-product for migrants (a product known as “payment transfers” that includes remittances) (Barrier 4.1; Figure 11), which reveal the gap that the products and services portfolio currently on offer to migrants is inconsistent with a global culture. Schweizer (2005: 3756) observes that business models evolve through a dynamic network of stakeholders: suppliers, customers, investors, and partners; a view corroborated by Greenberg (2004: 31), who notes that successful businesses evolve their structures and move from a reactive product-driven culture to a real-time proactive driven system. Clearly, the lack of communication identified among stakeholders and banks impacts on this area where gaps in cultural knowledge are further inhibited by a lack of attention to business model theory.

Davis (2011: ix) refers to the impact of the 2007 financial crisis and says that retail banking suffered less than other financial areas as a consequence of the strategic value seen in deposit gathering – a core business component of retail banking – in particular *sticky deposits* (a term used by Davis applicable to the retention by banks of remittances flows). While previously most banks were lending driven, banks that monitor and control *sticky deposits* contribute to their financial stability to replace other debt and capital financial instruments (Ferraz, 2011: 107). It is for this reason that a portfolio offer to the migrant business segment should address this matter, and why the business model should reflect this change in paradigm.

Pitta (2004: 518) recommends that businesses share information about customers, and that the practice should be applied with a high degree of integration among departments. This is because any negative actions within the value network may undermine the effectiveness of an entire unit. Hagel III (2002: 70) stresses that it is senior management’s responsibility to manage the process-network to facilitate collaboration and communication. Patzelt’s (2008: 208–9) consideration of the theoretical business model in relation to management competence sees the composition of the former turning on the performance of the latter. Johnson (2008: 55) advocates focus on “one-person-one-job” so that efforts are not diluted; an organization focused on a specific value proposition, Johnson asserts, can integrate its resources and processes to the advantage of customers. This idea relates to a gap identified in the research concerning the organizational structure (Barrier 4.2; Figure 11) to leverage the migrant business segment; a first-line managerial structure dedicated exclusively to the segment was not identified, and this may be another reason to explain the lack of commitment to the segment at senior management level, as focused on several business segments, their efforts and focus is diluted. The qualitative research raised further gaps (Ferraz, 2010b: 77, 84) in relation to this matter, demonstrating that competition, lack of compensation, and CRM; cross-selling and business coordination between headquarters and subsidiaries, did inhibit banks' ability to leverage the potential of the migrant business segment.

The business model considers the migrant business segment as an intrinsic element of internationalization, which Ghemawat (2005: 125) sees may pose tensions between advantages and drawbacks, a view supported by Porter (1996), who warns that such a strategy is about trade-offs between value-creation and the liabilities of becoming international. The trade-offs concern the organizational strategy taken at headquarters, and to what extent the organization should commit to internationalization – at the functional level or at the subsidiary level. The approaches differ depending on the organizational level proposed. Hymer (1976) and Dunning (1977) present additional arguments for internationalization, such as the motivation to exploit firm-specific capabilities: technological, management, and geographical advantages and, as Rugman (1976) points out, there is a possibility of generating cash-flow from international markets, which represents a benefit in terms of business diversification, thus lowering company risk. Banks with operations abroad tend not to leverage all the capabilities and skills within the organization due to several factors (Ferraz, 2009: 38, 40, 45, 62, 79, 80; 2010b: 47); these include a failure to identify the shift in the paradigm and adjust their business models accordingly (Ferraz, 2010b: 42–6). Banks should consider reviewing their business models to improve, also, profitability, at both ends of the corridor.

Ghemawat (2005: 73) says that international businesses should focus on the advantages of location, an attribute that distinguishes 'international' management. Focusing on cross-country advantage appears the most viable in terms of the current business model, as it focuses on the benefits of having operations in a pair – e.g. corridor - or group of countries. This is a similar view to that reflected in the strategic (SQ 2, 3) and research questions (RQ 1.2, 2.1, 3.2), advocating that banks gain a strong competitive advantage if they service migrants and their families at both ends of the corridor in a coordinated fashion. Migrants and their families should be supported at both ends of the corridor, but it is critical to ask what type of representation would offer the most adequate solution: a subsidiary, branch, a representative office, or the development of a joint venture or cooperative agreement with another bank. Rangan's (2004) notion of the "relational advantage space" seems to offer the solution to "foreignness liability", providing theoretical support to the notion of cooperation between two organizations – e.g. in the host and origin countries -. Location advantage considered in relation to servicing migrants at both ends of the corridor, suggests that maybe a combination of location-based advantages would improve competitiveness. The view expressed throughout the thesis is that there is a lack of coordination and leverage of banks' operations at one end of the corridor. Senior management is not fully aware of the migrant business, and its business potential at both ends of the corridor; a business model should capture its attention on a structured fashion, as well as leverage and manage that market in a coordinated fashion, transforming the segment in a truly competitive one with direct impact on profitability and liquidity.

Del Sol (2002: 5) points out that only some joint ventures between firms in different countries increase profitability, while others will only improve performance, because of their local knowledge. Dragan (2007: 30) points to particular business components, such as production capacity, distribution, and marketing that are easily organized across national borders in an array of cooperative arrangements, such as partnerships, subsidiaries, and shareholding relationships along the supply and distribution chains. Rangan (2004) regards these variables favourably because of the reduction of entry-costs into the market and an increase in cost effectiveness, while Hagel III (2002: 70) recommends that tapping into others' assets rather than building your own reduces financial risk, allows fast access to new markets, and ensures that the business is responsive to market changes and adjustments.

The research carried over previous documents showed that several banks with operations at both ends of the corridor had business models that did not fully leverage the business potential of the other location. This was due to senior management not reviewing the original business model in line with changes in the paradigm, which as noted, have been identified as failures in cooperation and communication with other agencies. Periodic review of the business model is seen as an essential component by Johnson (2008: 54), who in terms of "relational advantage space", recommends that before a business implements setting up another unit, operations should be reviewed, as existing processes and entrenched habits could block the implementation of the new business model.

The notion of integration is central to the thesis in terms of banks' profitability, liquidity and attention to CSR. Chaia (2009: 7–8) states that financial inclusion is not only determined by socio-economic, demographic, regulatory and policy initiatives, but that financial services providers will shape the landscape of financial inclusion too. As noted, many banks have not identified the shift in paradigm in any of its guises: political, financial, humanitarian, or social; the lack of communication among associations, and thus a lack of knowledge, have been identified as reasons why the financial needs of the immigrant market is ignored, underestimated, or not leveraged (Ferraz, 2010b: 89; 2011: 58).

Over the last decade, international institutions (World Bank, IMF, UNESCO and G-7) have published literature on migration, but most banks are not aware of this literature and do not adopt the recommendations. Bankarization of migrants and their families, attracting remittances from informal channels, and paying attention to CSR in their business models, could improve the liquidity and profitability of banks (Ferraz, 2010a: 112).

Opportunities may include identifying a gap – a product or service – and then filling it; possibility that is proactively created by building a more effective or efficient business model (Rae, 2007: 3). According to Johnson (2008: 52), breakthrough, game-changing products seldom emerge from established businesses, and this is why a new product usually requires a new business model; understood at a "granular level", the re-invented model would propose ways that people could get the job done. Research showed that some banks do have a business model in place to address the migrant business segment, but the models are no longer effective and fail to leverage the business potential: a possible solution may be to view the segment at a "granular level".

The main conclusions are as follows:

- There is relative consensus on the components of a business model (Pateli, 2004: 308) and agreement that a profitable business is the best early indication of a viable one (Johnson, 2008: 59). It can reflect the logic of doing business or outline a spectrum of organizational activities; successful firms fulfill customer need with an effective business model.

- A business model usually includes a mission statement, a target market and a value proposition, as well as the resources required, and the value chain (Pateli, 2004: 308) considering also a conceptual link between strategy, business organization, and systems (Osterwalder, 2005: 17). Rae (2001: 334) introduces the concept of "entrepreneurial management" to stimulate and meet customer demand, while Greenberg (2004: 664) advocates that this strategy should be supported by CRM. Research (Appendix 4) showed that most banks do not have business models to address the specific needs of the migrant business segment. A business model to service migrants and their families at both ends of the corridor would contain a combination of these elements.

- Adjustment of business models is not widely discussed in the literature, but they are shown to evolve, representing a network of stakeholders (Schweizer, 2005: 37–56) in changing environments. Reviewing an existing model does not mean it is threatened or that it should be changed or replaced; it is a complex process (Johnson, 2008: 57–58) requiring awareness at senior management level, and knowledge to decide whether to adjust or replace it.

- Partnering with firms in another country can increase performance because of partners' local knowledge (Del Sol, 2002: 5), an idea expressed in the strategic (SQ 2, 3) and research questions (RQ 1.2, 2.1, 3.2). International presence can rely on parent, subsidiary, and multinational advantage (Ghemawat, 2005: 81). Portugal's largest banks are not multinationals, but regional banks that have competitive advantage in certain countries, as geographical and historical links establish "relational advantage" and increased capability. This element should be considered when evaluating location advantage to improve competitiveness (Rangan, 2004), and in relation to targeting the migrant market, focus should be on markets that are culturally and historically "close" to the origin country (Ferraz, 2010b: 77, 84).

Cooperation with institutions at the other end of corridors in countries where a bank does not have a presence can be beneficial: the "foreign" bank can tap into the assets of the "native" one; access new markets quickly, reduce risk, and be responsive to changes and adjustments in the market.

- Opportunities include identifying a gap and proactively build a more effective business model (Rae, 2007: 3), which requires the understanding of the existing business model at a "granular level" when reinventing it (Johnson, 2008: 52), e.g. addressing profitability at both ends of the corridor. Over the last decade and due to several factors (e.g. introduction of the Euro), banks have neglected the migrant business segment lacking to identify "opportunities" in that market, by "just" focusing on fancier products and business areas instead.

6.2.2 Relationship Marketing, customer needs, CRM, cross-selling, portfolios, distribution channels, and internationalization

Relationship marketing is unlike traditional selling where a salesperson initiates the contact and controls the sales process. According to relationship marketing, all parties are responsible for initiating and managing the marketing relationship (Pitta, 2004: 512) – from the receptionist to chairman – and the customer is fully integrated into the design of the product and services (Leventhal, 2006: 430).

Amidst the ongoing financial crisis, a change in the business–customer relationship has occurred that requires coordination and control to leverage the potential business that will impact favourably on profitability (Barrier 2.2; Figure 11). Pitta (2008) notes that survival of the business is subject to understanding the opportunities created by change, including managing multiple relationships and working for the benefit of customers, resulting in higher income and profitability. Gummesson (2002) outlines another view based on relationship marketing that stresses that if a relationship is important there must be a commitment to making it work.

The migrant business segment is an area where relationship marketing applies for several reasons: distance from the origin country, the financial needs both of migrant and family at both ends of the corridor, and the emotional-value aspects banks can leverage, making this theory particularly applicable to the current context. Relationships involving the migrant business segment are more complex than other client areas because they are known to interact with more stakeholders. But for this reason alone, relationship marketing observance to broader coordination, responsibility, and control together with better management of staff, stakeholders, and nurturing relationships to leverage marketing potential, make it an applicable theoretical frame to consider (Barriers 4.2 and 6.1; Figure 11).

For Greenberg (2004: 59) effective strategies require a commitment to understanding customer need. Both Macmillan (1997: 140) and Ivens (2002) see the importance of the customer-need variable, as it is the difference between success and failure of a business niche and directly effects profitability.

Relationship marketing theory has much to contribute to the value and supply chain of a product for the migrant market segment: the recognition that ongoing relationships improve value, and that creating value in well-managed, long-term relationships involves acknowledgement of the influence of stakeholders and parties not directly connected with the value chain (Pitta, 2004: 512). Banks have much to offer besides: a trusted engine that has been known historically to move money and information around safely; its place in economic development – the ability to link countries – origin, transit, and destination – as well as migrants, their families, and employers through strong and complex networks. The research along the different documents concluded that cooperation among the different stakeholders is indispensable towards good political governance, compliance, and sustainability (Barriers 4.2 and 5.1; Figure 11).

In terms of Relationship Marketing, the literature review led to the following conclusions:

- Relationship marketing involves the whole workforce to sustain a competitive supply chain that manages lifetime customer-value, impacting favourably on profitability and ensuring survival of the business (Barriers 4.1; Figure 11).

- Interaction with other stakeholders drives profitability. A relationship-marketing model and the general properties of relationships, networks, and interactions can be applied directly to the migrant business niche (Barriers 2.2 and 4.1; Figure 11).

- Effective strategies understand customer need in order to deliver a "value proposition" that is better than competitors. Relationship marketing theory addresses the relevance of the customer-need variable in relation to the success of a business niche. Ferraz (2009: 62, 80) identified a gap in that most banks focus on the "remittance product" instead of the "migrant customer", therefore the financial needs of migrants are not met at both ends of the corridor (Barriers 4.1; Figure 11).

The following paragraphs offer an overview of the literature articulating notions of customer need, Customer Relationship Management (CRM), and development of an adequate product and services portfolio. Greenberg (2004: 40, 70) defines CRM as a strategy that provides an analytical approach to customer life-cycle management. This means that CRM can be seen as a "coordination tool", which recognizes the customer throughout channels, across products from purchase and service lines, and relies on customer feedback to support decisions about customer needs. Critically, information from customers is used to offer them a service that competitors cannot.

Earlier discussion about customer needs noted that banks segment clients, treating them in different ways according to their financial assets. Greenberg (2004: 680) acknowledges that financial institutions use customer lifetime value to distinguish between customer segments, to empower front-line sales, and ensure that customer asset portfolios are managed to maximize potential. Ivens (2002: 2) presents another aspect in relation to customer service, saying that expectations have changed over the years from quality or functionality (1970s) to brand and price (1990s), and that the expectation is one of service, information, and delivery.

Crucially, Leventhal (2006: 384–7) states that customer experience is the new differentiator that goes beyond mere customer satisfaction, warning that even satisfied customers can defect. If banks do not address the needs of migrant communities (Ferraz, 2009: 79–80) and continue to offer generic products to the migrant segment, then not only will levels of customer satisfaction be affected (Barrier 4.1; Figure 11), but competition will become a real threat, too, as migrants will use informal channels as an alternative (and many currently do) even though they may incur higher costs and take major risks when doing so.

Linking the variable of customer satisfaction to profitability (Barrier 2.1; Figure 11), Leventhal (2006: 432, 469) sees customer retention as more significant than profits from transactions. This is because it represents the difference between costs of acquiring customers and the benefits of costs of retention. Greenberg (2004: 48) agrees that retention is crucial and that the objective of CRM is to keep valuable customers rather than acquire new customers of unknown value.

Client retention and value are applicable to the migrant market. Migrants are already customers of banks, all banks need do is leverage their potential and make them more profitable. Srivastava (1999: 172) sees the topic as the fundamental basis of marketing: customer value based on the market offer is a consumer-value-centric attribute that should obsess the organization. Management therefore should consider future profitability with forecasted results (Davis, 2011: x) and build alongside it customer loyalty, based on a notion of customer profitability (Leventhal, 2006: 421).

Analyses of the importance of the migrant database within banks revealed (Ferraz, 2009: 79–80) that this business segment is not treated autonomously; also, CRM is not leverage, which confirms the critical stance taken in the literature review research that ‘CRM by itself’ is insufficient to manage and leverage customer relationships, as the advocates of CRM tend to present. It requires trained staff and incentives to its use. The interviews for Document 3 uncovered an intriguing contradiction: some interviewees said that their banks segmented their client database, but during analysis of the interviews, it became clear that most did not. “Wishful thinking” or “politically correct” answers may be why this anomaly occurred, but perhaps it is down to the fact that banks in host countries do not understand what is at the other end of the corridor. If the migrant database is not segregated, migrants are not identifiable, which means their full potential is undetermined (Barrier 4.1; Figure 11).

The critical literature review of products and services portfolios (Ferraz, 2010a: 71) led to the conclusion that product offers for migrants is focused on remittances, debit cards and bank accounts, with only a few exceptions, including mortgages and restricted offers of insurance. Overall, a plain vanilla product is offered to all customers, representing a significant gap (Barrier 4.1; Figure 11). Nunes (2003) notes that the sole focus on the product, often neglects emotional-value aspects provoking the loss of customers; today, however, marketers seem to assume that total customer experience and lasting customer loyalty are key elements to maintaining customer focus, creating preference and sustaining loyalty. There are, in general, two main approaches used by banks to classify customers: one based on the products and another based on customers. The latter is seen as the most appropriate and innovative to service migrants, this is because a portfolio designed specifically for them involves complexities as a result of coordinating both migrants and their families at both ends of the corridor (Barriers 4.1 and 4.2; Figure 11).

Leventhal (2006: 433) advocates CRM as an effective tool to maintain customer data, understand customer needs better than competitors, and identify the customer groups the business most wants to keep hold of. Looking at the ‘effective tool’ expression of Leventhal, it should be stressed that developments such as CRM can be criticized as fads and fashions that distract from addressing issues of values, priorities and cultures by focusing mainly on technical solutions or quick fixes. CRM involves wider needs, namely in terms of management and staff culture, and therefore, CRM should be seen as part of a wider paradigmatic change. For Greenberg (2004: 70), the difficulty lies in determining the appropriate RM treatment and identifying which segments to apply them to. Customer relationship anatomy differentiates customers based on their needs, and also applies the appropriate organizational approach determined by forecasting individual customer’s predicted value. In terms of migrants, it relates to the life-cycle, considering the innovative element represented by their families at the other end of the corridor, although customer relationship anatomy becomes more complex here, because the bank would need to know the customer in the host country and make additional efforts to simultaneously manage knowledge of the family in the origin country and other intrinsic relationships of the customer in the host country (Barriers 4.1 and 4.2; Figure 11).

Leventhal (2006: 422) says that the core of customer loyalty is based on several factors, one of which is trust. Trust is a cornerstone of the banking system; driving the global network, upheld by an infrastructure that has capacity to move money and information around in a safe and secure way (Ferraz, 2010: 3, 44, 76). Trust is an under-leveraged area at present among banks whose brand in origin countries is often strongly connected to elements of trust and confidence. Although banking products and services are seen as commodities that are easily imitated, a strategy focused on a bank's physical identity and emotional elements such as "trust" to enhance customer experience, is relevant because emotional bonds with customers are difficult to imitate (Leventhal, 2006: 399, 402).

The value of the customer is linked to the value the customer generates; the client is a source both of profit and loss, but if a bank fails to recognize that, then the issue becomes broader: banks maximise profitability by managing the customer, while in the migrant business segment, there is a lot of dormant value that has not been fully leveraged at both ends of the corridor. Payne (2001: 159) highlights three perspectives in the relationship of value and the value chain: creating and delivering superior customer value, customer-perceived value, and value of the customer for the firm. Each perspective influences the effectiveness of the other in a complex way, requiring coordinated action at management level. Pitta (2004: 518) supports the notion that these attributes of value maximise the competitiveness of the chain, but the research revealed a gap (Ferraz, 2010b: 84), (Barrier 4.2; Figure 11) in the coordination between headquarters and subsidiaries, as well as within the networks themselves (Barriers 4.1 and 4.2; Figure 11).

The review of the literature relating to customer needs, CRM, and products and services portfolios led to the following conclusions:

- Current generic CRM models within retail banking show limited knowledge of the changed global dynamic. There is no evidence of a dual perspective; seeing the cultural and economic advantages of servicing migrants at both ends of the corridor (Barriers 2.1, 2.2, 4.1 and 4.2; Figure 11).

The complexities of customer relationship anatomy are “exponentially more complex” when applied to servicing migrants and their families because banks must apply additional effort to manage knowledge of the family in the origin country and other intrinsic relationships of the migrant in the host country.

- Design of migrant products and services portfolio should include analysis of priorities, range, evolution, profitability, pricing and other elements, as well as how to leverage economies-of-scale to maximise profitability, which should be a formula that is repeated according to each geographic market. Emotional-value is present at several levels: trust in the vendor and product is one level where the banking system is known historically to move money around safely. Research demonstrated (Ferraz, 2010b: 3, 44, 76) that this issue is more relevant since the financial crisis.

- CRM requires effort to produce results, and in large organizations such as banks, can be beneficial in terms of management and extraction of customer potential. CRM requires senior management involvement. The workforce, products and services, the client database and technology must be regularly reviewed and updated. CRM is not an ‘automatic tool’ by itself that produces results; it requires on the top of technology, team work involving management and staff, understanding its benefits and leverage it in the management of customers.

Research over previous documents identified (Ferraz, 2010b: 84) poor coordination between headquarters and subsidiaries at several levels (Barriers 3.1 and 4.2; Figure 11). Communication at both ends of the corridor in order to leverage a client’s potential is virtually non-existent, representing an important gap in the process (Barriers 4.1 and 4.2; Figure 11).

- Research (Ferraz, 2010b: 83) did not identify a department dedicated to products and services for migrants. Products' teams offer a sub-product for migrants ("payment transfers" that included remittances) (Barrier 4.1; Figure 11). The failure to meet the needs of the migrant segment is put down to a lack of knowledge about the global economy.

The literature review focused on the importance and impact of cross-selling for profitability. This was a key component of Strategic Question 3 and Research Question 3.2 (Figure 2). The importance of cross-selling in the value-chain in the current context relates to migrants being linked to two countries. It is predicted that meeting the financial needs of migrants and their families at both ends of the corridor will impact on profitability and enhance customer loyalty.

Cross-selling takes different forms: a firm may sell unrelated services or products to the client in addition to those s/he already holds, or sell add-on services, where a supplier shows a customer the enhanced service-value of buying another product (OED, 2011). Information about the number and volumes of remittances made by migrant communities can be used to identify viable corridors, and as Davis (2011: ix) points outs, cross-selling potential deserves concentrated effort, which in the current context, relates to the migrant business segment and the potential to increase profitability.

Leventhal (2006: 435, 447) suggests that higher quality services improve margins by creating customer loyalty and increasing market share, leading to higher profitability and economies of scale. Peppers (1997: 32) sees profitability as an output of a "Discounted Net Present Value" – the lifetime value of a customer, while Blattberg (1996) introduces the concept of customer equity; a function that monitors volume of business, margins, and retention costs. The concepts reviewed above are all coincident in one element: the revenues and related profits (or losses) a customer generates throughout a lifetime.

Cross-selling introduces an element of risk because selling an inferior product to an existing client could disrupt a good client relationship. This is why it is important to ensure that additional products and services enhance the value customers already get from the organization, which in practice, is usually the case; businesses combine cross-selling techniques to improve this aspect (OED, 2011). These ideas tally with the research findings (Ferraz, 2010b: 57–8, 74), but the objective of cross-selling is to maximise profits, as for banks, products must make money. In cross-selling, marketers hope to discourage customer defection (Leventhal, 2006: 448), because as Pitta (2004: 513) warns, defection can be costly to businesses as the investment in the relationship is then wasted and building another one takes time.

The higher the cross-selling ratio, the harder it becomes for a competitor to enter into business with the customer, this is because the more a customer buys from a bank the higher the switching cost (OED, 2011). The cross-selling potential of the migrant business segment could entail leveraging structures at both ends of the corridor; an important contribution towards improving profitability, channel savings, liquidity, and finance development. Currently, banks mostly apply cross-selling in domestic markets, and do not adequately cover or coordinate the other end of the corridor (Barrier 2.1; Figure 11).

Pitta (2004: 510) sees enhanced value and supply-chain results from the reinforcement of marketing, with emphasis on customers, and through the integration of a renewed focus on customer value. This should be based on the four elements of customer orientation: relationships, interactivity, valuing customers over time, and customization. Costanzo (2003) notes that banks are trying to achieve the goals of a well-functioning CRM system – cross-sales and customer retention – in a more collegial and less technology-oriented way: organizing regular meetings to discuss and exchange information about the products, and servicing clients' needs from different areas of the bank. The idea of integrating migrants at both ends of the corridor corresponds well to Costanzo's notion of the client-sharing process, but the research identified a lack of coordination, even in banks with operations at both ends of the corridor (Ferraz, 2010b: 77, 84).

Cultural communication is another element that impacts on cross-selling and coordination between headquarters and subsidiaries. Ajami (2006: 15) points out that communication is frequently a problem among multinationals; expatriates often are unable to adjust to local culture either personally, linguistically and/or professionally, and managers of subsidiaries have difficulty in dealing with headquarters for the same reasons. One factor intrinsic to the migrant business segment relates to internationalization and cross-border relations at both ends of the corridor. Davis (2011: ix) considers as a priority upgrading branch staff to enable them to give advice to customers. Research showed a significant lack of attention by senior management in the monitoring and controlling of key success factors, namely cross-selling, liquidity-management, staff compensation and providing management information to subsidiaries (Ferraz, 2010b: 58–9).

The literature review of cross-selling and its impact on profitability led to the identification of several gaps in the literature and the following conclusions:

- A gap was identified concerning the impact of cross-selling on profitability specific to the banking industry. Literature about the topic in general was evident, but references specific to the banking industry are rare (Ferraz, 2010b: 57–61), (Barrier 2.2, Figure 11). Focus should be on cross-selling to the existing client base, coordinating the culture, strategy and ethos that will lead to understanding customer needs.

- The research prompted the idea of servicing migrants at both ends of the corridor in an integrated fashion. This currently represents a gap, seen as a key element to leveraging this market niche. The client-sharing process (Costanzo, 2003) was another gap identified (Ferraz, 2010b: 77, 84).

- A network of branches will attract clients, but achieving an interface among channels is a challenge (Davis, 2011: ix–x). Research identified a gap in relation to the lack of interface among channels (Ferraz, 2010b: 76), attributable to poor organizational structure, coordination and management between distribution channels at both ends of the corridor (Barriers 2.1, 4.1 and 4.2. Figure 11).

- The objective of cross-selling is to maximise profits; banks usually only launch products they believe will be profitable. Cross-selling enhances the value clients get from the organization and helps maximise profits, but the organization must ensure that the relationship with the client is not disrupted by poor service at either end of the corridor. Another benefit of increasing cross-selling ratios is that it protects against competition, as the more products the client buys into the harder it is to defect.

The importance of distribution channels in the value-chain links to the relationships migrants maintain with their host and origin countries. Here, internationalization may play a crucial role as it relates to the ways in which channels allow migrants and their families to access financial services in the corridor.

SQ 2 and 3 and RQ 2.1, 2.2 and 3.2 (Figure 2) identified a change in the paradigm and the lack of awareness by banks of the potential of the migrant business segment (Barrier 2.1; Figure 11). Dragan (2007: 21) confirms this by saying that cultural communication, including cross-cultural connections – within each country and internationally – gradually lost homogeneity, and that the narrow range of established distribution channels previously taken for granted, are no longer adequate. This has made these distribution channels insufficient to fulfill the financial needs of the migrant market (Ferraz, 2010b: 111–2): offering a remittances service is not financial integration, as this would involve servicing migrants at both ends of the corridor, a gap that many banks have not addressed. Another relevant gap was identified in the research (Ferraz, 2010b: 84) relating to the leverage potential of networks in host countries to service immigrants of other nationalities (Barrier 4.2; Figure 11).

Risk management and its mitigation, as well as regulation should be part of a long-term decision-making process towards internationalization (Davis, 2011: x). Greenberg (2004: 39) says that this can be more complicated when it involves an industry with specific processes governing its characteristics, which is particularly relevant to the financial industry after 9/11 with new AML and KYC rules demanding stricter controls over money flows and more data specific to the activities of customers and the sources of money. This matter is discussed in Document 3 (Ferraz: 2010b: 85–90, 95–6) and the qualitative research identified it as a barrier to the bankarization of migrants (Barrier 5.1; Figure 11).

The literature review of the distribution channels and internationalization in a strategy to service the migrant business segment led to the following conclusions:

- Distribution channels are important to the value-chain because migrants have interests in the origin and host countries (Barriers 2.2, 4.1, 5.1; Figure 11). A network of branches would attract clients: direct channels are frequently used to execute transactions (Davis, 2011: ix–x), (Barriers 4.1, 4.2; Figure 11). The absence of an interface among channels is identified as a gap (Ferraz, 2010b: 76) that affects organizational structures in host and origin countries.

- Lost homogeneity in cross-cultural connections has meant that previously established distribution channels are now unaligned. This is seen as a change in the paradigm, making traditional distribution channels inadequate for the financial needs of migrants (Ferraz, 2010b: 111–2), (Barriers 4.1, 5.1; Figure 11). Familiar banking brands already trusted among migrants in their origin countries should leverage the potential through a collaborative network that could provide personalised services to individuals that recognize the offer is coming from a trusted source.

- CRM should integrate processes and real-time interaction with the customer as the pivot. Banks in areas with large migrant communities that are already known “from home” should leverage the potential. Retail banks have failed to realize the change in the paradigm; networks that once captured liquidity are no longer identified as high priority, which is probably because senior management no longer see the true value of this business segment (Barriers 1.1, 2.1, 4.1, 4.2, 5.1; Figure 11).

- Crafting businesses fit for the changing environment represents a key component of international strategy – where no answer fits all – and, therefore, retail banks should consider the scope of geographical changes in their strategies (Barriers 4.1, 4.2; Figure 11). The leverage of the cultural/language element should be considered when analysing the business potential of particular corridors, as it is a solid base for trans-border cooperation that can facilitate cooperation beyond macro-regions. For example, Portugal maintains political and economic associations with six former colonies; there are also significant numbers of emigrants living in these locations and immigrants from the former colonies living in Portugal (Barriers 2.1, 2.2; Figure 11).

- Other regions to expand include those where a bank already has a presence, or in areas where new migrant trends suggest it is justified. This gap becomes more complex if the "host" country does not have a relationship with the "origin" country (Barriers 4.2, 5.1; Figure 11), thus requiring additional prudent planning.

- When considering internationalization, risk management and regulation are important factors that impact on the decision-making structures, and may present challenging considerations (Barrier 5.1; Figure 11).

6.2.3 CSR and the financial integration of migrants

Financial integration of immigrants poses challenges, not least that many lag behind in terms of educational achievement and enjoy less access to opportunities and economic benchmarks, creating barriers to their integration and increasing economic, social, and political marginalization (Papademetriou, 2007: 19). Organizations are increasingly aware of the need for socially responsible behaviour and are subject to greater scrutiny by their stakeholders (ISO, 2008: v). Verheugen (2009: 3) argues that while profitability is the main driver of business, it should be complemented by practices that contribute to the community, while Dahlsrud (2006: 8) states that socially responsible enterprises should balance the needs of stakeholders with the need to make profits.

International supranational institutions – World Bank, IMF, United Nations, UNESCO and IFAD – publish a range of literature that relates to costs and efficiency of transactions processed by the banking system and other operators, seldom reflecting on the area of CSR. Other literature touches superficially on the subject of financial integration and financial literacy, but not usually with reference to the banking system. Boudet (2008: 42–3) questions the approach financial institutions take towards CSR, asking whether their involvement is a fancy managerial trend or if it lies at the heart of their business culture and image. HSBC (2008: 4) appears to be aware of the matter, stating that the global financial crisis stressed the importance of managing the social and environmental impact of the business to benefit shareholders and society.

According to Fagen (2009: 1), remittances have recently attracted the attention of governments, donors and researchers, but the current research found that the exploration into migrant groups' contributions to the community, income-generation, and society was unsystematic. The role that the World Bank and the IMF could play in putting remittances and the migrant business segment in the upper tiers of an agenda to address the issue has been ignored, and in support of this assertion, the G-8 recognized the need for reform of the World Bank and IMF strategies (G-8, 2004b: 1).

Much research supports the assertion that there are social groups that experience inequality of opportunity, as a result of factors such as geographical [‘dis’]location (such as for immigrants), who represent under-used human capital resources. The weight of the statistics alone should lead (banks specifically) to be concerned about the strategic importance of social development, and while it is accepted that prioritizing profits is paramount to banks' strategies, improvements in areas impacting on society is also important (Rae, 2007: 3–5). Migrant integration should involve the community according to Birjandian (2005: 24), and banks are part of communities. The current research found an abundance of literature about the social and religious integration of migrants; language, social security, and healthcare also take priority, but there is virtually nothing on the financial integration of migrants. It appears that relevant institutions in the field have not been paying attention to the issue, and the void represents an important gap in the literature, or at least a gap that represents “unsystematic research”. Even the subject broadly defined, “education and financial literacy” revealed very little that discussed the financial side of migration.

McElhaney (2009: 32–3) recommends that development of a CSR strategy should involve senior management to determine the objectives, and that it should be built into an appraisal system. Turker (2009: 14) agrees, recognising that CSR development presents a major challenge, while Dentchev (2004: 4) warns that implementation should complement the strategic importance of stakeholders. Researching CSR policies of leading banks (Ferraz, 2009: 100), it appeared that few adopted genuine measures, and that most did not involve the input of senior management. Banks do not address the many recommendations of stakeholders, which directly relates to the gap concerning communication – or lack of it – among international institutions and the banking sector.

The literature research into banking practices showed that many of them hired consultants to prepare their sustainability reports (Ferraz, 2009: 50–1). The CSR strategy should be carried out in-house among staff to ensure that strategic plans and activities, as well as the ethos and culture of the organization, are at the heart of the policy report. Further evidence of the lack of attention paid to this area became clear while looking on banks' websites for sustainability reports: often the previous version was available, but not the current one, even if already published in print format as part of the annual report. The laxity may appear to be a symptom of senior management's disinterest and insensitivity to the importance of the topic, but also demonstrative of middle managements' lack of awareness of its relevance for society and migrants in particular.

The migration experience in the USA gives the country a leading position globally in this respect, but more important than the number of immigrants, is the country's ability to integrate them into society and the economy (Druker, 2001). Migrants and their families are a group that share a common adverse characteristic that causes them to not enjoy the same rights or opportunities as native citizens (ISO, 2008: 27). Bankarization is synonym of financial inclusion and a cornerstone of the financial and social integration of migrants. Bankarization applied to the migrant business segment implies inclusion into the financial system, and within that, a bank account is the most basic requirement for initial access to the financial world. The process of bankarization requires minimum financial knowledge, although banks could contribute to building on this limited knowledge.

Migrants face educational challenges as well as economic hardship, both of which impact on their family's well-being and makes life lived between two different cultures all the more difficult (Birjandian, 2005: 28). Educational success among migrants depends on the range of social policies in place (Ungerleider, 2005: 33), but teaching migrants and their families about managing their financial needs, could be an important contribution banks make to migrants' financial integration and social acceptance.

Papademetriou (2007: 4, 18) says that migration policies usually do not reflect the migrants' reality, while Comini (2008: 30) agrees that the financial system could play a key role in influencing increased bankarization and encourage savings and productive investments.

In countries where migrants have contributed to the growth of the economy and make up a sizeable part of the population, commitment by government to raise economic integration on the social agenda would ensure migrants are given fair treatment as reward for their contribution to economic growth (Papademetriou, 2005: 1–2). The banking system and supervision authorities could make more effort to attract migrants to the banking system without penalising those that are illegal. If migrants, regardless of status, were given the opportunity to open a bank account, and it was seen simply as a means to integrate them financially, it would protect migrants from illegal networks and capture their savings and remittances within the formal financial system. Furthermore, in origin countries, the bankarization of the family would make an important contribution socially; banks could invest profits in local development projects, and migrants' families would enjoy financial inclusion. Supervision authorities, responsible for imposing requirements that inhibit the bankarization of migrants, appear to be unaware of the world inhabited by migrants and their contribution to society. Once again, the gap in communication and in the dissemination of knowledge looms large.

La Caixa (2008: 6) has made some effort to contribute to collective groups, including migrants, known traditionally to have difficulty accessing basic banking products and other channels towards financial integration. BBVA (2009: 26) states that financial inclusion is an important contribution for new segments of the population to access financial services, but despite these initiatives, a gap has been identified because the current models do not cover both ends of the corridor.

Three conference presentations were reviewed (Ferraz, 2009: 101–3) focusing on this matter: one was organized by an international institution and the other two by banking consultants. Looking at the list of attendees, the first showed that over 95 per cent of delegates belonged to international organizations, while in the other two, over 95 per cent belonged to the financial system. These percentages suggest that international institutions and the banking system communicate within a narrowly defined stakeholder group.

Literature published by international institutions seems not to hold value for banks, which is difficult to accept, seeing as the current research into migrant remittances flows and financial stability demonstrates that the migrant business segment offers excellent potential for banks' liquidity and stability. When asked, some interviewees had interest in the subject although the industry itself does not own knowledge of the literature about this area. As stated, in banking, profitability is the objective, and if a return on investment cannot be demonstrated, banks will not consider it, but the circumstances are different here: the segment could offer excellent returns, but if banks are not aware of the literature, this must be the reason the gap exists; a lack of coordination and communication between stakeholders.

Financial institutions should define their role in relation to the financial integration of migrants as part of their CSR practices. Research suggests that banks do not feel it is their responsibility to adopt the recommendations of other stakeholders. Few academics explore the area of migrants and banking, and even if they do, it is given superficial coverage that considers one end of the corridor. This gap is considered in the business model. The question needs to be asked whose responsibility is the current lack of coordination and communication: does it lie with international institutions or the banking system? The chapter on the business model proposes a recommendation.

Having outlined some of the key dimensions of business models in this context as drawn from the literature, the next section uses this to structure the insights drawn from the interviews conducted with senior figures from the world of banking, international institutions, a politician, and Diaspora associations.

6.3 Case studies of banks, review and analysis

As part of the research, a case-study review was carried out and is summarized in Appendix 4 – “Current banks’ business models: selected case-studies”. It included conference presentations about migrants business delivered by banks’ representatives, research of websites making specific offers to the migrant market, and annual reports of those banks. These included banks focused on immigrants, on emigrants and immigrants, as well as those with interests in the host or origin countries. The objective was to review selected leading banks offer made to migrants and investigate their current business models.

The review of the case-studies in Appendix 4, as well as the research undertaken over the course of the doctorate, led to the identification of several gaps. The gaps indicated that most banks have failed to grasp that changes that have taken place in the paradigm with the regard to the migrant business segment. Banks have failed to change their stance in relation to this business segment, which has directly affected banks’ ability to be proactive towards these customers or fulfil their needs. Banks appear not to understand where their current business models are lacking; they seem unaware of when and how to leverage business potential from their business models, much as Johnson (2008: 52) points out: banks seem to be completely unaware that a new business model is required. Portuguese banks are an example of this: a nation with an active Diaspora but an economy suffering financial instability; the migrant business segment could inject liquidity into both the banking system and the economy, just as it did from the 1970s through to the 1990s.

Research showed that most banks do not offer a specific product and service portfolio (Ferraz: 2009: 62, 80 and Appendix 4) to address the migrant business segment at both ends of the corridor; instead banks focus on the “remittance product” instead of the “migrant customer” (Barrier 4.1; Figure 11). Most banks do not take the opportunity to cross-sell to migrants and their families, because they “mechanically” process one product – remittances – and offer low-risk products to migrants among retail networks. A gap (Barrier 4.1; Figure 11) was identified relating to the theoretical approach of relationship management, the application of which is absent from the migrant business segment.

The organizational structures of most banks do not include “first line” managers dedicated to the migrant business segment; similarly, there is no division of this segment within marketing departments. Migrants are generally offered a service that covers only one end of the corridor, even when the bank has a presence at both ends of this corridor. This observation suggests that the gap exists because of the lack of coordination and structure between operations at both ends of the corridor (Barriers 4.1 and 4.2; Figure 11). Davis (2011: ix) recommends that the focus should be on existing customer relationships, but many banks do not build relationships with their clients or understand their needs. Best practice implies a single-customer view across all the services used by a client: matching the customer to the need – including the preferred distribution channel – which is critical to success. Banks have not responded to the changed paradigm that directly impacts on their current business models, which may be due to the fact that networks previously viewed as important to capture liquidity are no longer identified as a priority (Barrier 1.1 and 2.2; Figure 11).

Analysis of conference material, as well as to banks’ annual reports (Appendix 4), identified a business model adopted by two banks – Deutsche Bank (*Bankamiz*) and UniCredit (*Agenzia tu*) – both of which have set-up specific networks for immigrants. Deutsche Bank is focused on Turkish immigrants in Germany, while UniCredit is dedicated to immigrants of any nationality living in Italy. These two models were included in the qualitative research, and will be considered and discussed in “Section 7 – the Qualitative research section; Barrier/Gap 4 – Both ends of the corridor”, in the area relating to segmentation.

The main conclusions are as follows:

- The review of the case-studies (Appendix 4) identified gaps, revealing most banks’ are less than proactive relating to the change in paradigm. Banks seem unaware of how to leverage business potential, not recognizing the change in paradigm. Research also showed that most banks do not have specific product and services portfolios to address migrants at both ends of the corridor, basically focusing on the “remittance product” instead of the “migrant customer”, as well as ignoring the opportunity to cross-sell to migrants and their families.

- The review of case-studies also revealed that the organizational structures of most banks do not include “first line” managers dedicated to the migrant business segment, and in addition, no autonomous migrant-market marketing departments were identified. Generally, it was found, migrants are treated at one end of the corridor, even when the bank has a presence at both ends. This may be as a result that previously these networks were important to capture liquidity, and that over the past decade, these have not been treated as a priority.

The following section considers current strategies in Relationship marketing, and looks at the role CRM can play as a tool to support leverage of the migrant business segment. It explores what the portfolio of specific products and services might be, as well as considering issues of distribution, which linked to internationalization, is seen as inherent to this market.

7 Qualitative Research: interviewees, interviews' analysis, gaps, and research conclusions

7.1 Interviewees, selection criteria, gender, the interview process, and analysing discursive material

This section will review the profile of the interviewees selected for the research and the criteria adopted for that choice, including issues of gender. Also, it will outline the interview process, the gathering of data and the analysis of the discursive material.

7.1.1 Interviewees, selection criteria, and considerations of gender

The methodology and method adopted involved qualitative research and semi-structured interviews respectively. Twenty-one interviews were carried out with several participants that fall within the concept of the "elite" (see Appendix 1 for interviewee profiles). Interviewees include banks (chairmen, CEOs, members of the boards of directors, members of executive committees and other senior managerial figures), influential international institutions (chairmen); a politician that held a senior position with responsibility for migration issues in the EU, and relevant Diaspora associations (chairmen), as follows:

- Banking industry: seven executives including CEO, members of the board of directors and executive committees, six marketing managers (in the area specific to the impact of cross-selling on profitability) and one branch manager, all with extensive knowledge and experience in the migrant and retail business area in both host and origin countries.
- Politician: one former European Commissioner for Justice and Internal Affairs whose responsibilities included migration policies and issues in the EU.
- International institutions: two chairmen and a divisional head of an institution dedicated to migrant research.

- Diaspora associations: three chairmen of relevant Diaspora associations; two with significant presence in Portugal, and the other an association comprising immigrants from around 100 countries.

The interview questions were crafted following analysis of the critical literature review and adjusted to suit different stakeholder interviewees. The gaps and the key words (Appendix 8) were identified because of their consistent use throughout the interviews.

The interviewees targeted, as mentioned above, were banking executives (the "elite"), marketing managers and a branch manager with extensive knowledge and experience in the migrant and retail business areas, both in the origin and host countries, and with the potential to reveal and produce relevant research results. From stakeholders in international institutions, the politician and the two chairmen also fall within the concept "elite". To represent the Diaspora, the decision was taken to interview three chairmen instead of migrants themselves. This decision was taken on the basis that the chairmen would have empathy with the migrant viewpoint while also being aware of the spectrum of barriers that might limit the relationship between the banking system and the financial integration of migrants.

Among the twenty-one interviewees, one was female and twenty were male. It is appreciated that this disparity does raise questions to do with the balance of power in the industry, and certainly in exposing the imbalance, does pose an ethical problem. It is accepted that the gender imbalance, particularly at board and executive committee levels in the banking industry, may well impact on the way the banking system approaches (or not) the migrant business segment. But the selection of interviewees was not based on evaluating the viewpoints between males and females: it was made following one main criterion; the "role and knowledge" the individual had in the selected stakeholder organizations. The imbalance in the current research, therefore, is a direct result of the fact that men and not women hold these senior positions and responsibilities among stakeholders.

It should also be mentioned that within the banking industry in Portugal, for example, the number of women on boards and/or on executive committees is very low (in the largest five banks representing over 80 percent of the market, there are 3 women among

91 members, representing 3.3%, in those senior positions). This phenomenon is more widespread in the European Union than is commonly anticipated (European Commission, 2012). The same result occurred with the selection of marketing managers in both host and origin countries. When selecting a European Union Commissioner with specific responsibility for migration, again, it so happened that this position was held by a man. A similar situation occurred with the selection of a representative of the Diaspora, where men chair the three most relevant Diaspora associations in Portugal. Recognizing the issues, one may wonder whether it would be easier “to sell” corporate social responsibility specifically with reference to the importance and relevance of the financial integration of migrants, and the proposed business model (Figure 16) to the banking system if [more] women were in senior positions, and senior management teams within banks were more balanced in terms of gender.

It may well be that other viewpoints would have emerged from the qualitative research if it had been possible to identify among the different stakeholders more female interviewees. It may have impacted on the outcome of questions to do with cross-selling and client relationship management, for example, and there is a critical perspective that suggests women may be more “sensitive” than males in relation to “selling and selling-support activities and tools”. It has also been suggested that this assumption of female “sensitivity” against males’ less sensitive approach is unethical in itself as it suggests that sensitivity has the power to manipulate people, which may diminish integrity between the business and the client. Other views suggest that the gender divide in these terms represents “pressure behavior”, inducing consumerism and eventually leading to exploitation. As it relates to customer relationship management, marketing theories claim to treat customers as “individuals”, while critics say customers are actually treated as “objects” in databanks regardless of gender. The gender issue within the industry is certainly one worth exploring, but it is beyond the bounds of the current research.

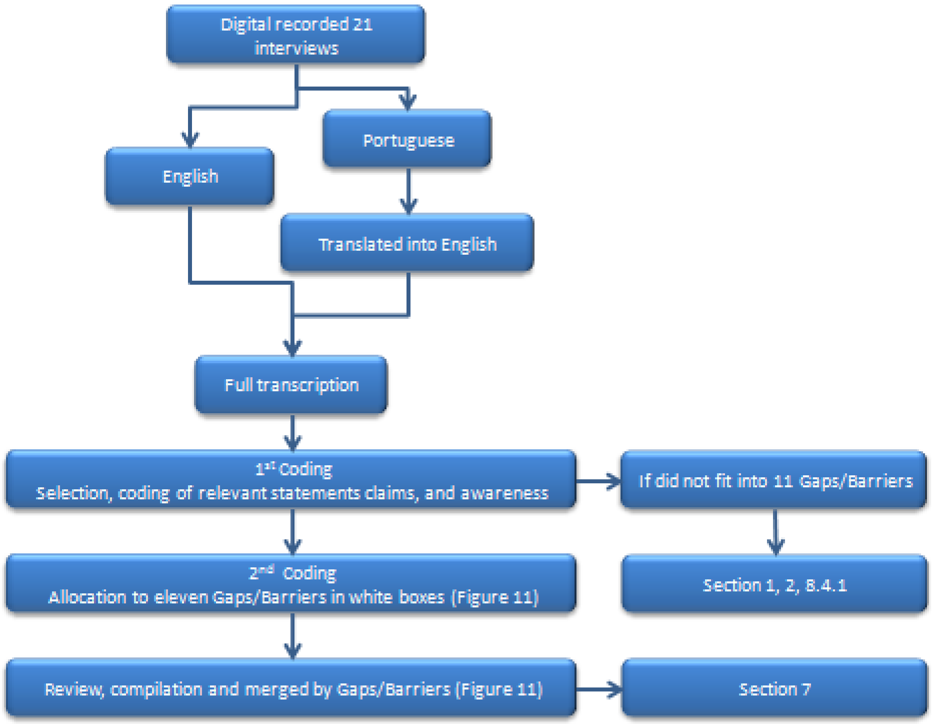
While the criticisms and issues outlined above are relevant, as mentioned before, the criteria for the selection of the interviewees was focused on the “role and knowledge” of the players in the selected institutions. A pragmatic-realist methodology was then adopted, which does then reflect the imbalance because females were not in senior positions. Had there been more women in senior positions, and had they met the main criterion based on their role and knowledge, they would have been invited to be interviewed. The critical literature review expressed critical viewpoints concerning corporate social responsibility (CSR), (Ferraz, 2010a: 39-59), corporate relationship management (CRM), as well as the outdated business model that is focused on a product – “remittances” – instead of the customer – “migrants and their families at both ends of the corridor”. This is reflected in the proposed business model (Figure 16), which has a strong element of socially responsible behavior in that it proposes that banks should be more responsive to migrants and integrate them into the scope of modern civil society through bankarization and financial integration, thus achieving a mutually beneficial business practice both for migrants and banks.

Awareness of these issues and the potential outcomes should not lead to a “speculative level of discussion”, but should be considered a limitation resulting from “facts” in the “gender structure” of the stakeholders selected for the thesis. To do otherwise would not genuinely reflect the “facts”. The business model should address the results and conclusions of the research “as they were”; otherwise the proposed business model could be regarded as a “wishful thinking business model” – instead of a “practical non-technical business tool” – as it would not reflect and recognize that “mostly male” is the gender generality to term the gender divide involved in the business (the “banking industry”) which is under discussion. It is “mostly males”, therefore, that the proposed business model is influenced by, and for the time being, it is “mostly males” that are to be persuaded to be sensitive to the issues raised and convinced of the merits of the proposed business model.

The principle of confidentiality was adopted for all interviews. Interviewees’ remain anonymous (Appendix 6) with pseudonyms used in place of names, and unidentifiable profiles that indicate responsibilities, the type of institution and level of exposure to migrant banking or migration organizations (Appendix 1).

7.1.2 Interviews process, data gathering, compilation and analysis of discursive material

Appendix 2 includes a summary of the tape recordings, transcriptions, language details and word counts. The diagram below illustrates the process of gathering and analysing the discursive material, which is described in the bullet points that follow it.



The description of the diagram above is as follows:

- The twenty-one interviews were digitally recorded.
- The interviews in Portuguese were translated (from digital tape) into English by the researcher, and 21 interviews in English (originally taped and translated) were transcribed in full (Appendix 2). The issue of language and interviewees is discussed in Section 5.2 – Discussion of the Research Methods.
- The discursive material was analysed by selecting the relevant results of the interviews. It was then structurally allocated, accumulating into one of the five blue conceptual framework boxes, which were then subdivided into the eleven gaps/barriers in the white boxes (Figure 11).

- After "coding" each gap/barrier according to the relevant statements of the interviewee ("1st coding"), the discursive material was reviewed, compiled, and merged into a gap/barrier ("2nd coding") generating the content of this Section.
- The discursive material that did not fit into the eleven gaps/barriers but which was nonetheless considered relevant to the research, was allocated mainly into three sections: "1 – Synopsis of the thesis"; "2 – Importance of the migrant business segment for academic, and business research"; and "8.4.1 Relevance of the thesis for academic research and the business world".
- The discursive material was analysed and merged into "research-text" presented in sections 7.4 through to 7.8., with conclusions drawn at the end of each section. The conclusions are "bridged" to Appendix 9 – SWOT Analysis, cross-referencing, and allocation to the business model "vectors", through cross-referencing the gaps/barriers.

7.2 Change in the 'Paradigm' and its impact on business models

It became apparent during the research that a new "reality" had evolved regarding the migrant business framework in relation to banking, and that an innovative and relevant new business model (SQ 3; Figure 2) was required. This section – "Change in the 'Paradigm' and its impact on business models" – was prepared as a result of interviewees' statements, ideas and their new approaches to the business sector.

The word "paradigm" is used by business consultants to stress that an adjustment is needed to the business model to reflect and respond to a new business "reality" in order that competitive advantage can be leveraged. The way the word and definition of "paradigm" is used in the thesis is an extraction and extrapolation to the business world of the scientific and traditional meaning used by Kuhn (1970). This "extension" to a common-sense usage of the word "paradigm" in business reflects specifically the changes to business fundamentals and the landscape. It is important in that it has impacted on the way that business is carried out in relation to a particular business model. The objective is to raise awareness about issues that may affect the way business is done, and it highlights the necessity to look at a world from a practical and common-sense view. The change in paradigm pinpointed regarding the migrant business segment in retail banking has a fundamental impact on the viability of the business model, where it is argued, the business model demands immediate adjustment to leverage potential from the migrant business segment in order to offer financial stability and liquidity to the banking industry. To leverage the potential, banks should provide an appropriate service to the migrant business sector – at both ends of the corridor – in line with best practice in CSR. The research provides evidence that the migrant business segment is neglected: the business model provides the framework to address the issue.

The interlinking themes relating to the flows of peoples and remittances (SQ 1, RQ 1.1, 1.2) are discussed in the "*The overall context: flows of people and remittances and financial stability*" in Section 4 of this document. Factors relating to why banks have neglected remittances and what "distracted" them have been discussed; put down in part to the introduction of the Euro. Banks' neglect of remittances and the way this impacted on liquidity has also been noted, put down in part to the belief that banks began to concentrate on "fancier products" and business areas (RQ 1.1, 1.2, 3.2). At this juncture, the pragmatic-realist approach elected will be useful. It brings to the discussion the comments of interviewees, providing a real-time narrative based on the perceptions of experts in their field in the real world.

David-EC, for example, makes a statement particularly relevant in this context concerning entry into the Euro: The *"… age of the Euro" … people thought those flows would decrease dramatically, but it didn't happen! It's amazing!"* Thomas-EC estimates *"probably a reduction around five per cent occurred".* As cited earlier, but worth mentioning again in the current context, is David-EC's statement about remittances: *"This theme was probably not considered, let me put it this way, not a 'sexy theme' when you compare 'remittances' business' with 'private banking'. Even the word is not sexy!"*

The research identified another important factor in the paradigm shift relating to the role international institutions should play as stakeholders (RQ 2.2), a topic linked to the gap identified in communications between international institutions and other stakeholders, such as the banking system, Diaspora associations, and politicians (Gap 1; Figure 11).

Louis-EC suggests that a new take on responsibilities is required: *"There is a lot of work to be done by international institutions … for instance support to the* [financial] *institutions that work in this business … very little has been done! Nothing to give incentives*". When asked about stakeholder "responsibility", Thomas-EC replied *"to be honest with you, I do not have detailed information about those matters"*; while John-EC states: *"the global view of the business* [banks] *could match the global view of the international institutions".* In relation to international institutions, Nick-II says: *"as far as my institution* [World Bank] *is concerned, we created a standards framework, suggesting to the financial institutions to make the market more efficient".* Mitri-II on the other hand, says: *"I don't know… perhaps it is information overload … they are not bridging and making a link to the financial system".*

This view is shared by Tim-D, a representative of a Diaspora association, who proposes: *"It means they* [international institutions] *really do not know the market because of the lack of communication".* Charles-D admits that there's a lack of communication – seen in the knowledge gaps in relation to statistics and demographic information: *"There are studies, but I think economic studies … to be honest with you, I never had access to them".*

These comments make clear that a change in the paradigm has occurred, and that there is a lack of communication and coordination among stakeholders – international institutions, the financial system, and Diaspora associations – involved in migration issues. This prevents migrants receiving a service fit for their needs, which can quite simply be related back to the lack of communication, impacting on the necessary knowledge among banks so that they can meet the recommendations of advisory stakeholders (Gap 1; Figure 11).

David-EC suggests a new avenue of opportunity for the banking system (RQ 3.2) *"We now have different patterns of immigrants in Portugal; more executives and highly skilled professionals".* This point is taken up from a different angle by Gil-EC, which the current thesis supports; that it is of no benefit in having a "one-product-fits-all approach", "[having] *the specific business concept, ensures that you serve based on the people that you identified in that business segment; you can't really just design a product and say: ok! That product fits all!"*

Another change in paradigm relates to the role that financial advisors could play in banking, although as mentioned above AML and KYC regulations do effect cross-selling, limiting the level of advice banks can provide to customers in some countries: Gil-EC states a point of view – not in line with the current practice – saying that banks *"don't pass the barrier of being* [becoming] *a financial advisor, because a bank is not",* while Anthony-EC takes a different view linked to the financial crisis and the level of trust that customers hold for the banking system: *"That's why at difficult moments we visit countries to explain to customers what is happening in the world and in the country ... to show clients that we are with them in good and bad times".* No other interviewee expressed this perspective of the "caring" banking system.

Another change in paradigm relates to how second- and third-generation family members among migrant communities are serviced; how they could be approached and their business leveraged, as the profiles of this area of the business segment are different to that of first-generation migrants. Louis-EC considered that *"the old idea that an emigrant would come to a country, stay here for five or ten years, work and then, go back home, is finished* ['over']*"*, while Mary-BM states that *"it's very different from the mentality of the first generation".*

In terms of how this matter relates to remittances to Portugal, Martin-EC laments the way in which liquidity from savings has been undermined, saying *"*[immigrants] *constitute family with nationals …* [and therefore] *the remittances sent were reduced and those savings kept in France".* This is a view shared by Peter-EC who says, *"Nowadays remittances are going down because the Portuguese* [emigrants] *are not any more the first-generation; now they are in the third- and fourth-generations".* Louis-EC, on the hand, recognizes that *"second- and third-generations continue to transfer* [to Portugal]". Anthony-EC defends a new business model: *"that it demands a very well designed strategy and efficient way of acting, involving and linking to us the second- and third-generations;"* while David-EC states that *"they* [second- and third-generations] *like to preserve their roots and their connections to the homeland* (RQ 3.2)*".* These comments are relevant to the context of how banks can attract and develop profitable relationships with these customers (RQ 2.1, 3.2).

Leveraging the potential of banks' networks abroad was another issue raised by some interviewees, a point that relates to how services can be extended to other countries where there are large migrant communities (RQ 3.2). Louis-EC says that *"In Europe most banks concentrate on treating the older migrant communities within Europe",* an important point that relates to the increasing age of the first-generation migrant community and the inevitable erosion of the client base. Anthony-EC also addresses the topic, anticipating action to balance the erosion, and promoting the notion of increasing the network potential: *"we are also trying to approach nationals of the country where Portuguese migrants live to leverage our structure there".*

Peter-EC in a similar vein states that, *"the bank is trying to maximize the commercial network by offering to other communities exactly the same products offered to the Portuguese",* and Mary-BM mentions that *"our bank serves two nationalities: the Portuguese and the Polish. The branch network deals with clients of both nationalities".* Anthony-EC stresses specifically the advantages of addressing this change in paradigm: *"we find it very interesting … allows enlarging our client base to nationals of those countries".*

A further change in the paradigm relates to the growing number of immigrants in Portugal (RQ 1.1, 2.1, 3.2) and other regions, which traditionally were "emigrant' countries". David-EC says that *"for historical reasons Portuguese emigrants are much more important, but immigrant business in Portugal has grown in importance … definitely!"* This view is shared by Peter-EC, who warned: *"*[it is] *something banks must take care of* ['must look at'] *… it is a business opportunity that must be dealt with in a proper way … just think about, for example, the Indians or the Chinese".*

Another relevant area of change is seen in the tax and other financial benefits emigrants once had, that over the last decade have been discontinued by governments. On this topic, Peter-EC says that *"we need to attract the Diaspora savings through tax benefits* ... [Diaspora] *bond issues have tax advantages",* while Pierre-EC remembers that *"the tax code and* [financial incentives to] *real estate provided incentives for immigrants to remit savings to Portugal",* while Peter-EC stresses this was an incentive *"to capture and manage the migrants savings … as you know, the emigrants are sensitive to taxes, as they reduce the yields".* This suggests a two-way gap (5.1): governments have not paid attention to the change in paradigm and not identified the gap; the lack of attention to this area by banks has meant that they have failed to alert the government of the barrier, and meanwhile, liquidity in the financial system is scarce.

The current business model does not offer a structured approach to address relevant aspects of the migrant business segment, including their families, at both ends of the corridor. The change in the paradigm has not been addressed in the structure of banks' services offered to this market segment, even though some banks already have operations in both countries: "at the ends of the corridor". May-MM remarks: *"there is a problem relating to the lack of attention to the relationship at the origin country …"* a point that Louis-EC agrees with, stressing that *"very few banks understand this* [importance of servicing both ends of the corridor] *and I believe very few deal with it properly".* Thomas-EC comments: *"banks with branches at both ends … it's much more efficient and easier to set up mechanisms to be close to clients".* In May-MM's view, *"leveraging the relationship at both ends of the corridor is 'the anchor' of the relationship".*

Serving migrants and their families at both ends of the corridor is related specifically to cross-selling. Many business models that were set-up in the 1960s and 70s did not consider cross-selling, at least not integrally, and attention was only paid to it in Portuguese retail banking at the end of the 1980s, when, and since then, adjustments to the business model has been minimal and have not concentrated on leveraging the potential of cross-selling techniques. This represents a further change in the paradigm. May-MM indicated, *"If banks at the origin country were careful* [planning] *cross-selling, profitability would improve".* Peter-EC corroborates: *"*[cross-selling] *impacts profitability of non-residents* [emigrants]*",* while Paul-MM recommends that banks should *"look at the client not in a 'static fashion', but in a 'dynamic' one …* [the bank should] *ensure that the customer's lifetime builds value".* John-EC offered an innovative solution *"the remittance is an 'attribute' … today remittances should be an attribute of a current account … used to cross-*sell *other products … for sure get his loyalty!"*

The entrance to the market of Money Transfer Operators (MTO) – the focus of which is mainly on remittance transfers – represents a threat to retail banking, resulting in a further change to the paradigm. This is a point raised by Peter-EC: *"Banks have a big* ["strong"] *competitor: MTOs charge a much higher commission, but they make the money available at a higher speed than banks".* Oleksandr-D agrees: *"remit money through* [MTOs] *... basically a monopoly ... other way is inter-bank transfers, that are cheaper, but take longer and are complicated ... requires an effort at the origin country, like having a bank account*".

Manuel-II takes the view that *"... we* [international institutions] *failed to provide the right link between migrants and financial services* [banks] *and until now we are at that stage!"* Solutions for this threat are suggested by a politician, Victor-P, who says if *"banks lower the fees they could broaden their market extraordinarily",* and Pierre-EC suggests that banks should rethink opening hours: *"the bulk of their business* [MTO] *is conducted at Saturday and Sunday ... but banks don't want to change their schedules!"*

Due to recent AML and KYC regulations, Manuel-II warns: *"today lawyers play a major role in banks ... they tell you* [senior management] *that immigrants pose a risk. If you want to make changes in the banking system you have to work with the lawyers".* This statement is another dramatic change in the paradigm, representing a barrier unless properly framed.

All the statements, ideas and new approaches quoted so far provide sufficient evidence to show that a change in the paradigm has occurred in relation to the migrant business segment. These include the recent trend in immigration to what were, traditionally, emigrant countries, the way this business sector is approached, segmentation in relation to second- and third-generations, the banks' advisory role, facing new market threats with innovative and practical changes, leveraging subsidiary networks to other segments – immigrants and nationals – as well as servicing them at both ends of the corridor, and considering the role lawyers play in all of this in relation to AML and KYC (SQ 1, 3).

The following section outlines the gaps identified, and introduces the Conceptual Framework that underpins the Business Model concept.

7.3 Scope of the business model: gaps 1–5

Figure 11 "'Mind the Gaps' *on the virtuous circle at both ends of the corridor"* presents the road-map of the Conceptual Framework (Figure 1), and highlights the gaps identified over this work. It is a copy of Figure 1 (blue boxes), with a summary of the key words that belong to the gaps in the numbered white boxes; the red triangles indicate the type of gap, be that a "lack of awareness and coordination", "lack of incorporation of theory into the business model" or "lack of communication about new regulation", all of which relate to the reasons behind the barriers and gaps identified in the white boxes.

The following sections outline the results in the same order as seen in the white numbered boxes. The same method is used in the Conceptual Framework chart, where, below the main title, the content of the blue boxes is indicated, connecting the conceptual framework to the barriers/gaps. The relevant conclusions of the research in the sections relating to the gaps/barriers (Sections 7.4 through to 7.8) are included at the end of each section and are referenced to Appendix 9. Section7.9 – "Bridging and referencing the conclusions in Sections 7.4 through to 7.8" links them to Appendix 9 – "SWOT Analysis, cross-referencing and allocation to the 'business model vector'".

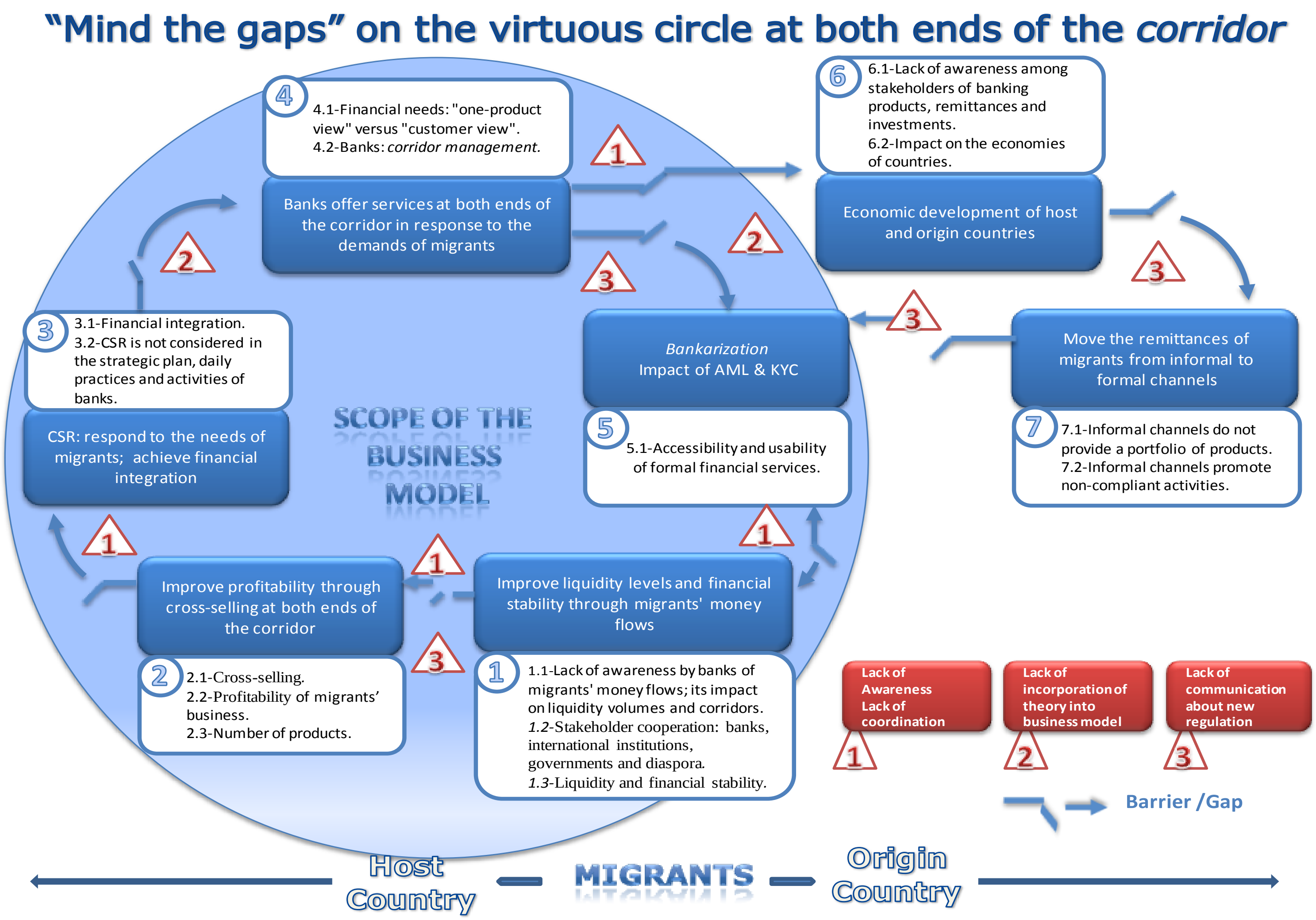


Figure 11 – "Mind the Gaps" on the virtuous circle at both ends of the corridor

7.4 Barrier/Gap 1 – Liquidity and financial stability

Conceptual framework: Improve liquidity levels and financial stability through migrants' money flows

The gap 1.1 (Figure 11) *"Lack of awareness by banks of migrants' money flows: its impact on liquidity volumes and corridors" relates to the RQ 3.1 and impacts on "the improvement of liquidity levels and financial stability using migrants' money flows".* The objective of RQ 3.1 was to research banks' awareness about migrant money flows and the opportunities that are there to improve liquidity levels and financial stability (Figure 11: 1.1, 1.2, 1.3). This includes connecting areas and data that currently appear to be dispersed, not compiled or that are analysed inconsistently, as well as banks' coordination, cooperation and communication with international institutions, politicians and Diaspora associations.

In relation to the relevance of migrants' remittances, Thomas-EC says it *"… is a huge amount of money, a brutality"*; Tim-D states that *"the figures are very significant"* and Mitri-II quantifies them as *"large amounts of cash"*. With regard to how important these remittances are to the origin country, Oleksandr-D states: "*obviously, the origin country is always interested in remittances",* while Charles-D states that they are *"very important for the country … it's an unilateral movement, as nothing goes out of the country … there is an entry of foreign exchange"*; Louis-EC stresses that *"it's absolutely essential … in the 1970s, even 80s…* [if] *they were not there, we would have gone bankrupt!"* Victor-P, a politician, stresses that *"remittances play a role in national development".*

In relation to the importance of remittances to Portuguese banks specifically, David-EC states: *"emigrants' savings are definitely more important for Portuguese banks than for the* [local] *banks at the host countries; also very important for the stability, especially liquidity".* John-EC says *"in* [my country], *the network is very strong capturing funding from remittances … very cheap* [money] … [for] *money-market funding".* Peter-EC warns that *"If they are not serviced properly, they go to local banks …* [this] *will disturb the equilibrium of the balance sheet … this is for sure!"* Thomas-EC says: *"Obviously,* [we have to] *pay a lot of attention to remittances* [otherwise] *we would have bigger problems … we are talking about a lot of money"* (RQ 1.1, 1.2).

There are different views relating to the lack of attention paid to the area by several stakeholders, for example Mitri-II thinks: *"it may have a lot to do with the fact that economists and development specialists have not yet seen the importance of remittances",* while Nick-II points to the complexity, *"the general infrastructure – rules and systems behind a complex world – ... not just a socio-economic phenomenon, but also a very technical and very delicate aspect of the economic life".* Manuel-II puts it down to *"many international* [governmental] *organizations have no idea of what they are talking about!"*

It is intriguing how the subject has been ignored, but bankers seem to recognize the error, as Pierre–EC states *"there is a lot to be done, a lot! It's completely under-explored",* A refrain carried through by May-MM: *"... I have no doubt about that! Compare the cross-selling ratio"*, and by Joe-MM: *"Both sectors* [emigrants and immigrants] *are under-explored in my bank … the bank only pays attention to emigrants when they visit us in the summer".* Victor-P, a politician, concludes that remittances represent *"important volumes … and missed opportunities* [as] *remittances are under-explored both by the banking system and, I must say, by migrant communities".* Nick-II takes a similar stance, *"the banking sector is not the more responsive sector in an economy; it really depends from country to country ... or are not able to explain to the technical people* [that]; *just answer: oh no, no this is not possible! It's too difficult; it's too complicated, there's no business case for us, etcetera".*

Clearly there is professional concern about the volumes and their importance when attention is drawn to the subject, Anthony-EC states: *"Expand*[ing] *internationally, obviously, we had in mind that the remittances were an important contribution for funding".* David-EC notes that similarly: "[remittances] *are a savings base … the single most important element in the balance sheet",* Peter-EC says "[remittances] *represent quite a significant percentage".* Pierre-EC notes intriguingly that *"there are banks divesting from areas where* [emigrants] *have a large presence … that is hurting* [the business]*".*

In relation to figures associated with volumes, Charles-D states: *"Remittances* ["to my country"] *are between €7–8 billion annually … even more because of clandestine agencies … the central bank doesn't know about these volumes".* May-MM supports these sorts of voluminous figures: *"around €2 billion in deposits at the origin country, although the* [accumulated] *reaches €7 billion. I don't know the total portfolio figure … migrants' deposits are sizable".* Manuel-II confirms the volumes *"… immigrants in Europe … basically €48 billion in savings".* About the potential client base within the market segment, Thomas-EC says: *"OK! Portuguese abroad … about 2.5 million … in Portugal, a minimum of 600,000 … you are talking about more than 3 million people in a country of 10 million".* Martin-EC states: *"Contrary to the expectation … migration flows are still growing".* John-EC refers to the reliability of the figures in a particular section of the migrant community: *"'Dekasseguis'* [immigrants from Latin America to an Asian country], *remit more than $6 billion annually … it is interesting that those flows are constant and over a period of 10 years we had very small variances in terms of the flows"* (RQ 1.2).

On people and money flows, Gil-EC stated: *"Portuguese emigrants … it's very, very sizable* [number] *… very important source of deposits and income … literally I would think we talk about billions … we're already talking about double-digits in percentages of people".* David-EC states: *"Flows are obviously important but … most important are the stocks* [of migrant deposits]*"*; an idea Peter-EC shares *"I can tell you that I know a specific bank that, on the deposit side, migrants represent about one-third of individual clients' deposits. It's a huge amount!"*

The research confirmed the gaps identified in the critical literature review, and raised other issues in relation to SQ 1 and 3. The main conclusions are as follows:

- There is broad inconsistency of awareness among banks about the potential of the migrant business segment, about capturing additional volumes of liquidity, and the contribution that the money flows of migrants could make to financial stability (Figure 11: 1.1). While all banking executives showed reasonable knowledge about the important contribution these money flows could make to financial stability, they also recognized that the business segment is under-explored, and most did not have an idea about volumes, which revealed a gap in awareness among senior management relating to the potential of the migrant business sector. [S1, S5, W1, O15 – Appendix 9]

- The politician, members of Diaspora associations and international associations showed a detailed – often very detailed – knowledge of both peoples and money flows and awareness of the importance of remittances – more from the perspective of the migrant – and were often critical of the banking systems' lack of leadership and vision in this area. [T1 – Appendix 9]

- Many host countries have foreign exchange controls in place and other local, legal rules that may represent a barrier to attracting remittances and banking business to the formal banking system. This requires planning to address the issue for each country where this situation could represent a threat. [T7 – Appendix 9]

As it relates to the gap 1.2 in Figure 11, relating to stakeholder cooperation: banks, international institutions, governments and Diaspora associations, SQ 1 and SQ 3 led to identification of a *gap* regarding the lack of cooperation among stakeholders – banks, international institutions, government, and Diaspora associations – and highlighted the lack of coordination among them to facilitate the financial integration of migrants, which inevitably, would increase the profitability of the banking system. On this matter *Mitri-II warned*: *"I think you will be disappointed here … so prepare for disappointment!"*

Researching the relationship between international institutions and the banking system, three interviewees showed different levels of knowledge about publications and recommendations. Louis-EC said that information published by international institutions was *"very few … very difficult to get … very poor … normally, their research is either obsolete, totally inaccurate or without interest",* while Pierre-EC said, *"I am aware of several recommendations … some very good … I just don't think they are widely known … dissemination is probably not done in the best way".*

Thomas-EC maintained that *“the main concern of the international organizations is the way banks integrate immigrants ... the way the financial sector supports them using the financial system both in the destination and the origin country”.* Other bankers and representatives of Diaspora associations seemed to be unaware of these recommendations, John-EC said: *“I am not aware of their policies or recommendations”,* while Martin-EC admitted, “*Quite frankly you catch me very fragile on that!”* Anthony-EC admitted, *“I should confess that I never searched them, but I also should say that it never came up to my knowledge. Maybe it's the way the bank is organized”*. David-EC made a similar confession *“I’m not aware of the exact actions international bodies have on this”*, and Mary-BM likewise said, *“and I don't have any knowledge or information about that ... the bank does not provide that information”*.

Mitri-II suggested that *“Occasionally, these institutions develop relationships with banks ... some of us felt international institutions had a role to play, which they were not playing”.* Trying to find reasons for this lack of cooperation, Victor-P said, *“probably banking does not come up in front ...* [also] *banks don’t look at migrants as a potential market”.* Nick-II raises questions in relation to this view in his reply: *“the reason why recommendations specific to the private sector are not accepted or adopted? I can’t really say ... could be the recommendations* [of the World Bank] *are uncomfortable for the private sector to adopt”*. Manuel-II thought *“it could be the international institutions if they knew how to do it ... but they don’t know so they don’t talk”.*

Regarding the relationship of international institutions with Diaspora associations, Oleksandr-D said: *“No ... I can’t recall being contacted by them ... they produce so much paper and don’t alert us* [Diaspora associations] *or send to us”,* while Charles-D stated *“we were never informed ... never got correspondence from the World Bank, other institutions or supervision authorities”,* Tim-D corroborates: *“no, there is no link ... from the EU? They are not accessible to everyone ... very complex ... people gave up on their offers ... they are not articulated with reality”.* Victor-P, a former European Union Commissary confirms this view: *“there is almost no connection almost no contact ... the* European Union *migrants’ agenda is so overburdened with such terrible priorities!”*

The communication between the banking system and Diaspora associations seems to present another gap, described by Charles-D: *"No, no, we don't have anything ... nothing structured ... it is actually very informal",* a statement support by Tim-D: *"No, organized pressure, no!"* Oleksandr-D refers to the low-level contact: *"the association spoke at the level of the account manager",* a stance for which Charles-D presents an argument: *"well, it's very low priority for us to link to the banking system ... the immigrants have other problems ... I don't think it is our responsibility ... why should I do it for the banks?"* Regarding a mechanism to ensure that senior management are aware of what's going on among the migrant sector Mitri-II states, *"the answer is probably not ... we have dealt with the middle-upper level management"*, and on the matter of alerting senior management to these facts Victor-P says, *"Oh yes, definitely!"*

Mitri-II and Manuel-II, both of whom are chairmen of international organizations, say respectively: *"if I tell you how many hours I've wasted in the last 25 or 30 years, trying to persuade my colleagues that financial institutions need to really engage the migration issue; ...* [banks] *have never been 'in the street' working* [on this]… [banks] *have this 'grand idea' of what they think things should be ... on the other hand, are in the profits' world ... look at the calculator, estimate your* [migrant] *net worth ... it's only this!"* Victor-P says that *"the point of contact* [when he was the European Union Commissary responsible for Internal Affairs] *is money laundering ... the sordid part of the story ... the criminal one ... and there is huge potential in the relationship between the banking system and migrants".* From the perspective of the banking system, Pierre-EC says: *"I think it deserves a much better relationship ... taking some ideas off the ground",* a point with which Nick-II agrees, "[there are] *critical entities in the system, that don't understand why we* [World Bank] *are taking those measures ... the dialogue with the private sector is essential!"*

In the past two decades, the Portuguese government cancelled the tax and financial benefits to emigrants, impacting negatively on their motivation to remit more. However, and despite banks' recognition of the importance of tax benefits, it does not seem they are communicating with the government for its re-introduction. Peter-EC says that bankers recognize that "[banks] *should have mechanisms to capture the* *savings of the Diaspora",* while Thomas-EC says that more attention should be directed towards "[creating] *incentives for emigrants to send more money back … incentivize the immigrants to keep their savings here* ... [including] *measures of national interest".* Among these comments on incentives, Paul-MM looks to the past when tax and financial incentives were in place: *"as there is another matter beyond our ability to influence … the tax system … migrants* [used to send] *money to Portugal because of a preferential tax treatment"*, while Peter-EC states that *"There is a shift of deposits to foreign banks … because of better tax treatment in other geographies ... money does not have a flag, it looks for yields".* Victor-P agrees, *"in the 1960s or 70s* [banks] *advised them on making use of tax benefits".*

The conclusions are as follows:

- International institutions such as the World Bank, IMF, G-8, and Eurostat all publish data about migration and related matters, but the gap shows that among stakeholders there is a lack of communication, resulting in poor quality knowledge about data and recommendations published within the banking system. This limits the leverage opportunities exploited by the banking industry for the migrant business segment. [S5, W2, W3 – Appendix 9]

- It is intriguing to discover that international institutions (and in a certain way the European Union Commission) communicate with governments, but show scant concern and commitment to transmitting to senior management at banks their work and conclusions. Banks do not appear to have a system to monitor this area. Diaspora associations are not contacted by international institutions, and this leads to a knowledge gap. The result is that there is an absence of communication among stakeholders involved in migration. [O2 – Appendix 9]

- Another issue concerns remittances and savings and the abolition of the tax and financial benefits that were once conceded to emigrants. The removal of these incentives impacted negatively on their motivation to remit, despite several banks recognizing the impact. It seems that there is a lack of communication between government and banks; banks could argue for the re-introduction of incentives, but this point in particular shows that the migrant business sector, although it is recognized as important, is not given priority in many banks. [O16, T3 – Appendix 9]

Remittances generate liquidity, an element that is intrinsic to financial stability (Figure 11: Gap 1.3) within the banking system. It is an issue given the highest priority in the banking system, central banks and supervision authorities today (Ferraz: 2011: 68–87), and one that affects operations both in the host and origin countries.

Thomas-EC stresses that *"deposits of emigrants at a point represented over 20 per cent of the total … around €7.5 billion".* Pierre-EC states: *"the weight of the deposits from emigrants was very, very high"*. At Anthony-EC's bank, *"non-residents* [emigrants] *represent between 13–14 per cent of our deposits,* [while] *immigrants is between 10–11 per cent".* Regarding financial stability, John-EC said: *"Oh yes, for sure, for sure! Obviously, a very strong contribution to financial stability",* an idea shared by Thomas-EC, who stressed that *"It's important* [for the financial stability] *… if remittances stop, we would need additional issues of bonds to raise funds ... today, to issue €7–8 billion is complicated"*.

According to May-MM, *"Migrants' deposits in our bank* [at the host country] *… are stable or increasing",* A viewpoint expressed also by Pierre-EC: *"... we kept our liquidity phenomenally well even to the surprise of the regulators ... our liquidity wasn't affected* [at the host country] *… fairly stable funds ... keeps surprising me!"* John-EC gives a similar recommendation: *"A tremendous stability* [of funds]*"* While John-EC says migrants' remittances are a *"very good for headquarters as a funding source".* Regarding the impact of the financial crisis, Peter-EC warns that *"we have to find a very solid sales argument to avoid the savings leaving the Portuguese banks".*

In reply to the question of financial stability, Gil-EC offers in reply: *"That's a very intriguing question ...* [as] *your zone* [EA] *has less stability than desirable".* Martin-EC sees the value: *"Remittances are a very important source of funding at both the host and the origin country ... basically having in mind the importance of funding* *remittances generate”.* David-EC also: *“The flows of money are still very expressive … in Portugal, it’s definitely above 20 per cent ... obviously very important … maintains confidence when talking of financial stability”.* Louis-EC sees the potential for development: *“It is* [remittances] *very important* [for the stability of the financial system] *for developed and developing countries*”, while John-EC says, *“I can tell you that the volumes* [from Portugal to my country] *are still very significant”.* Martin-EC states: *“I believe that the contribution* [to financial stability] *can be very important … mainly for institutions with operations in the host countries … and obviously that helps to solve their funding problems and consequently contributes to the stability of the financial system in the origin countries”.*

Gil-EC distinguishes between the impact of the remittances for the financial stability of the system for developed and developing countries: *“I would say, in the developing countries,* [the impact is] *very substantial; in the developed countries, marginal*”. This view is not in line with the rest of the interviews in relation to the importance of money flows (RQ 3.1). David-EC believes that, *“They are very important for banks worldwide, especially in countries like Portugal, which historically have important flows of migrants. I think it’s more important from the standpoint of the origin countries”.* Gil-EC adds: *“When people save money, typically, it's a stable liquidity source … do everything to ensure the money doesn't really flow* [away] *too much … that it is relevant for the system”.* Anthony-EC states that *“*[Remittances] *in our agendas are a factor that is very important for the stability of the system”,* and John-EC says *“I believe* [contribution to financial stability] *is extremely relevant … representing a significant percentage among several tools used to ensure financial stability”.* Peter-EC takes another angle, revealing what may represent a threat to Portuguese banks established abroad: *“Spanish banks are attracting the Portuguese liquidity to Spain offering excellent products and services”.*

Pierre-EC reflects: *“In the 1980s Portugal had a serious problem with the balance of payments; remittances were critical* [as a] *platform to attract these funds”,* John-EC says: *“foreign currency contributes strongly to the balance of payments, improving the currency reserves”.* Thomas-EC believes that Portugal today *“has a problem of the savings,* [which] *is a problem* [barrier] *to having liquidity”,* a point that Victor-P agrees with *“*[shortage of liquidity] *is a traditional situation … banks should be more* *involved with remittances",* and Peter-EC sees that, *"banks have to diversify funding sources ... Diaspora still has a tendency to save".* As Thomas-EC points out, *"*[remittances] *do not sort out the problem of the full funding ...* [but] *the money captured abroad represents over 20 per cent* [of deposits] *... therefore, a lot of money*".

The conclusions are as follows:

- There is agreement among stakeholders that remittances generate important volumes of liquidity and contribute to financial stability; they also act as a source of funds for the lending activity of banks. Central banks and supervision authorities put high priority on watching remittances, a phenomenon affecting operations at both ends of the corridor. Over the last decade, senior management in many banks have become increasingly distracted for reasons already stated, and have failed to update and adjust the business model for the migrant business sector in line with the changes in the paradigm, thus losing focus on this area of business. [O1, W4 – Appendix 9]

- The research suggests that bearing in mind the past experience of banks in capturing and retaining liquidity – representing a significant percentage of their deposit base – leveraging remittances could be considered again, particularly in view of the current financial crisis and the necessity to "invert" the Portuguese financial system's negative loan-to-deposits ratio (Ferraz, 2011: 95–100). Current business models do not appear to meet the needs of the migrant segment at both ends of the corridor; the proposed new business model introduces a conceptual framework that will facilitate the market and ensure that banks attract that liquidity. [O26, W18 – Appendix 9]

7.5 Barrier/Gap 2 – Cross-selling

Conceptual framework: Improve profitability through cross-selling at both ends of the corridor

As it relates to cross-selling (Figure 11: 2.1) Joe-MM says: *"The cross-selling concept is related to what clients need, but* [they] *never ask the bank",* for banks, cross-selling is the *"ability to equip clients with products – used as an 'anchor' – to sell other products, improving loyalty and levels of profitability".* Paul-MM enlarges on the concept: *"there are two perspectives ... the wish* [from the bank] *to cross-sell and the client that, sometimes, feels an insistent behaviour to buy something",* which as Pierre-EC points out is done *"with the objective of getting a good 'share-of-wallet' ... that's cross-selling ... a critical achievement".*

Joe-MM states that *"Cross-selling is very important and significant",* and as Pierre-EC points out, *"a customer with three products, on average, is 30 per cent more profitable than with one ... obviously profitability!"* Peter-EC says that *"Cross-selling is a basic element in banking ... maximizes profitability* [and] *increases the penetration rate in clients'* [portfolios] … *it is fundamental".* Paul-MM warns, though, that in spite of its relevance it is important to keep in mind that cross-selling *"can reveal a fairly aggressive stance compared to what the customer had in mind when starting the relationship".* This warning seems to confirm the view that some banks may go "over the line" as Anthony-EC confirms when he says: *"we adopt fairly aggressive practices of cross-selling",* which Paul-MM says could be the result of *"a commercial agent regard*[ing] *cross-selling as a duty, forcing it ... consequently using hard selling methods".* To overcome this potential problem, Pierre-EC recommends: *"... making sure you* [the bank] *understand the products a customer needs ... leasing, factoring, exports* [trade] *... a very targeted cross-selling effort",* and Paul-MM suggests that banks *"distribute the targets throughout the year, with a very focused programme".*

Business growth is a consequence of cross-selling objectives, as Paul-MM points out: *"in terms of financial needs there is no good reason for customers to have different profitability levels; therefore, there is an upside that my sales force should capture".* Nick II suggests that *"it has huge potential ... is not just to gather remittances ... it's also to cross-sell".* Anthony-EC says, *"cross-selling not only for profitability, but also for growth ... it is much more difficult to achieve new volume levels without cross-selling",* while Paul-MM recommends banks *"put on top of a deposit* *mechanics to guarantee funding stabilization, moving from a deposit to a savings account".*

In relation particularly to commissions and the cross-selling of value-added products from the host country, May-MM said that: *"cross-selling contributes very expressively for profits, mainly in commissions ... a lot of commissions ... very, very strong weight in profitability"*; while Anthony-EC stresses, *"there are no occasions for not cross-selling",* this is a view that should be shared at both ends of the corridor according to Paul-MM, *"as cross-selling ... represents very significant commissions* [and that] *added value products increase profitability, both on the side of the income, as well reducing risk".*

Pierre-EC says that *"cross-selling is the loyalty of the customer with the bank ... if the customer has five, six or seven products, he is less likely to change* [banks] ... *it also shows how pleased the customer is",* this is a view shared by Paul-MM, *"if we talk about the concept of cross-selling, we should also talk about another concept: 'lifetime value'* ... [the bank should] *have a loyalty programme for profitable clients ... the loyalty to the bank materialises using the concept of 'lifetime value'".*

A relevant issue was raised by Paul-MM that relates to the basic products with which clients should be equipped by banks in order to enjoy smooth operational relations: *"*[the bank] *can sell basic products, and value-added products ... it is not possible to have a client without full access to the bank. ... If a cost is charged* [for basic 'operational' products], *you put the client at risk of potential take-over by competitors ... deposits, cards, internet banking, multi-channel".* May-MM states: *"we have products available to leverage, anchor, and cross-sell other products. ... Deposits in Portugal and France for the same client, I would call 'double management'"*, while Paul-MM says that this practice reflects *"selling value-added products on top of mere transactional instruments ... if you are able to include saving products, that's fantastic ... but you are placing them on top of a product – the basic deposits account".* John-EC offers another perspective to not using remittances as the anchor, *"use other products to leverage remittances, as a cross-selling product, and not as the 'anchor' to cross-sell other products".* Gil-EC suggests that *"once you have a* *product – it can be remittances – and then it's more likely to cross-sell other products".*

Another aspect is the leverage in servicing both ends of the corridor and its impact on profitability, David-EC points out: *"It can be very profitable, especially if you look at it from the cross-selling standpoint".* Mary-BM says: *"Really there is not that concern* [cross-selling] *between the Portuguese and the French branches that service the same customer. If that coordination existed, it would strongly impact on profitability".* Martin-EC states: *"Clients that are well known by both operations – headquarters and subsidiary – have a very high business potential, because, then, we are able to get involved at both sides".* John-EC agrees: *"Profitability will depend a lot on whether or not both sides of the corridor are addressed".*

Anthony-EC mentions a barrier to *cross-selling*: *"If he* [the emigrant] *is not here* [in Portugal], *it is extraordinarily difficult* [to cross-sell]; *therefore, it is at the host countries that we have to pursue that objective".* Mary-BM adds a point relating to the ability a bank should have to preserve their customers, *"there is a concern about cross-selling, to avoid savings going to the competition and make them as profitable as we can, leveraging migrants' savings".*

As this relates to products, Peter-EC says: "*No doubt! The main products are deposits and savings* ... [as well as] *products associated to deposits, like retirement plans, bank assurance",* while Pierre-EC says that *"In Portugal, you get a mortgage, it's immediately obvious to negotiate the house insurance",* and May-MM: *"Mentioning that mortgage insurance has a strong contribution for profitability … apartment, personal insurance ... a mortgage for 20–25 years … you charge premiums over 20–25 years … an interesting example of cross-selling's profitability".* Anthony-EC mentions that, for example, in a Latin American country, *"the advantage in using credits cards not issued there* ... [makes] *it very easy to cross-sell credit cards … clearly a business opportunity in that country with a very specific financial situation".* This is an idea shared by May-MM: *"Credit cards are very important … clearly* a *financial instrument that leverages the profitability very strongly",* and Peter-EC confirms this, saying *"Cards … very big* ["good"] *sales argument".*

The conclusions are:

- In the main, marketing managers consistently recognized that cross-selling has become an important tool to maintain customer loyalty, offering lifetime value in the relationship, due to levels of satisfaction and involvement, and contributing significantly to profitability at both ends of the corridor, particularly through commissions and value-added products. [S2 – Appendix 9]
- One issue raised in relation to cross-selling is linked to the hard-sell practices that some banks could adopt, which may be at the very least uncomfortable for customers, affecting the bank–client relationship. This seems to originate where banks have not adequately borne in mind customers' needs. [W5 – Appendix 9]

The profitability of the migrant business sector (Figure 11: Gap 2.2) and the role remittances play in it, i.e. through cross-selling (SQ 3), and the impact that servicing migrants at both ends of the corridor could have in this area (RQ 3.1) are apparent to Gil-EC and colleagues *"a remittance is a very important product. ... Of course a very good business opportunity from an income perspective"*; for Louis-EC: "*Obviously, the* [business] *opportunity is enormous that this* [remittances] *can represent for banks. Well the profitability is – I think it's quite clear! It's one of the few businesses in the banking sector that is a very important source of commissions and fees with a very limited risk".*

Different views are expressed as to the importance of the migrant business segment, Anthony-EC says: *"I am convinced that this is a very important business segment",* while David-EC fears that *"this segment is under-explored".* Much of banks' profitability is related to the leverage it can achieve in terms of cross selling (Figure 11: 2.1 and 4.1). The research revealed as Martin-EC stresses "*what a bank can do with a migrant is much broader than a simple product called 'remittance'. Cross selling, it's clearly under-explored and* [remittances] *have a lot of potential. The remittances are clearly an 'anchor' to cross-sell".*

John-EC states: *"Cross-selling directs us right away to profitability … for us, is retail and profitability!"* Pierre-EC says *"Profitability? I would say it leverages a relationship based on several products".* John-EC says, *"Banks* ['in my country'] *give* [a lot of attention] *to this market niche because of commissions and funding … very careful ... always on the top of their accounts".* May-MM says: *"Remittances are highly profitable … supplies funding to the origin country, they pay us a commission ... a very interesting contribution to profits".* Pierre-EC states that *"this business was very important in terms of fees … an important component",* while Paul-MM stresses that *the definition of value-added is the essence of marketing … cross-selling adds to profitability* [resulting from] *commissions or financial margin".*

Victor-P says that "[migrants] *are customers with specific needs and it's a very interesting potential market for banks",* which is a belief shared by May-MM: *"some people think this is a marginal business … if leveraged could be a profitable relationship … a new source of profitability".* Pierre-EC says *"banks are* [looking at] *this business* [that] *has been growing … being an active player* [and] *very willing to capture* [this] *market ... is overwhelming, billions of dollars … it's incredible".* Peter-EC stresses: *"selling other products … impacting favourably on profitability",* while Paul-MM, in reply to a question about whether the objective of cross-selling is to achieve higher profitability through the client, answered: *"Exactly! In 'matured markets' it is much easier and less costly to sell more to the same clients, than to capture new ones".*

May-MM correlates the cross-selling ratio to volumes of commissions saying that *"on top of our core business – deposits and lending – we can make much more things … the weight of the commissions is high if the weight of the cross-selling is also high",* while Thomas-EC says*: "we are concerned about knowing how many millions we make … generally* ['in other banks'] *things are not working that way".* Paul-MM warns about *"the temptation to place all clients at the maximum profitability level ... you increase very, very strongly the probability not using 'hard-sell' practices ... 'synchronize' commercial behaviour with the objective of capturing maximum value for that relationship, for a long time".*

Nick-II says *“let’s be realistic and say that every business has to be compensated, because there are costs related to remittances”,* but this view raises doubts for May-MM, who suggests that *“probably, not charging some commissions would increase cross-selling … deposits are a highly profitable product … a little bit more flexibility would attract more savings”.*

The conclusions are as follows:

- Remittance is a very important product, representing a business opportunity for banks because migrants are customers with specific needs that, when leveraged, could represent a new source of profitability, as their growth, as shown, continues. From an income perspective, the banks mention commissions and fees, as well as the “anchor” to attract a customer, and cross-selling other products to generate significant levels of income over long periods. [O3 – Appendix 9]

- The view about the positive impact of cross-selling on profitability is consistent as it leverages a relationship based on several products. Banks should avoid the temptation to place all customers at maximum profitability levels and synchronise commercial behaviour to capture maximum value in that relationship over a period of time. [O14 – Appendix 9]

The number of products (Figure 11: 2.3) a client buys into should be one of the objectives of the business model. May-MM says that *“With 4–5 products, a client would be over break-even”,* while John-EC mentions *“Between 7–10 products … at least 4, very well calibrated in terms of fees and commissions to ensure break-even”*; Pierre-EC says that *“When I was marketing manager, close to 5 products, 4.5–4.6 was the standard”,* while Joe-MM mentions that *“3–5 products would be a magic number”.* Paul-MM recommends: *“about 4–5 products ... less products* [in cross-selling], *would be* [more] *difficult to break-even”.* The research suggests that the number of products that would provide break-even in terms of a customer’s profitability is fairly consistent. Peter-EC revealed: *“To be honest with you, I don’t know! I don't have a figure for the cross-selling ratio … we don't have it”,* which demonstrates that there is a lack of objectivity applied to cross-selling, and that often the strategy is not monitored by senior management, even in an area where there is unanimous belief that cross-selling is a key element in profitability.

Differences in the number of products cross-sold seems to be the result of the size of the bank and the cost structure, as expressed by May-MM: *"A different cost in the host and the origin countries, as operating* costs [for a non-residents] *are lower, in average terms, than of a resident client".* Anthony-EC says that *"On average, 3.7 products, while an emigrant 1.6 … reason for the gap? One is the* [characteristics of the] *host country … we analyse country by country"*; Paul-MM agrees with this, saying: *"I cannot calibrate the benchmark for the migrants … the average cross-selling index is always lower* [in the origin country]*".* Pierre-EC shares this view: *"Portuguese levels are lower than the subsidiaries",* and Anthony-EC recommends banks *"ensure subsidiaries have the same development level to increase the cross-selling ratio".*

Paul-MM raises an important issue regarding the calculations *"the cross-selling ratio* [a bank should] *distinguish two types: functional products, also called transactional, and value-added products to accompany a client along the financial life, it is key to equip the client with your offer and action tools".* This is an idea that could impact greatly on ratios, as this measure the penetration in the customers' share-of-wallet, which currently is not distinguished by banks. The difficulty lies in cross-selling products that are in the value-added category, as the objective of the other services is to provide tools to operate the account.

The conclusions are:

- The average number of products a bank should cross-sell to ensure maximum profitability from a client depends on the size of the bank and the cost structures that often are different in the host and origin countries, although marketing managers showed that consistency in these ratios was within a reasonable range. [O14, W6, W7 – Appendix 9]

- In calculating the cross-selling ratio, banks should distinguish functional from value-added products. This method allows for a transparent ratio, as it measures the penetration in the customers' share-of-wallet, as value-added products are more difficult to sell. The research also revealed that some banks are not aware of their cross-selling ratios, suggesting a lack of monitoring by senior management in an area where opinion elects cross-selling as a key element in profitability, which should be a component in the objectives of the business model. [W6 – Appendix 9]

7.6 Barrier/Gap 3 – Financial integration and CSR

Conceptual framework: CSR: respond to the needs of migrants; achieve financial integration

Focus 2 – Financial integration and CSR are addressed by SQ 2 (Figure 11: 3.1), including a banking-strategy model aimed at meeting the needs of the migrant business segment, including their families, at both ends of the corridor, and considering components of financial integration and CSR as well as the level of priority this area receives from stakeholders.

Interviewees consistently expressed that financial integration was important. For example, Tim-D relates directly to the fact that a *"remittance means often a compromise with whoever* [their families] *they left in the home country … they migrate usually because of financial needs",* Victor-P says: *"I am a believer in integration … there is a huge debate in Europe saying that all integration models failed … you have 14–15 million legal immigrants in Europe; illegal might be 8–10 million … being financially integrated is extremely important".* Thomas-EC recognizes that *"many* [migrants] *are fully integrated, or almost, but the majority are not",* an area that Oleksandr-D sees as the responsibility of banks: *"think the banks could help more the immigrants",* but who also recognizes that: *"we studied our community focusing on their life conditions, not about the financial side of their lives".* Manuel-II, from an international institution asks: *"how do you increase financial access? By increasing deposits … offering financial services … design a* *financial literacy strategy, mobilize their savings … generate profits to banks, but also improve the conditions of immigrants".*

Nick-II considers: *"Banks have a marginal role in the remittances market",* with Victor-P qualifying this position: *"a very complex and flexible world and that banks should not leave these markets for* [MTO] *or informal channels",* both these views are shared by Pierre-EC: *"informal agents process this business, so there is a lot to be done* [by banks] *… it's critical to attract remittances to financial institutions … these customers are subject to a lot of risks … people have lost money … often are object of exploitation".*

From the migrants' perspective, there are reasons for staying away from the formal financial system, according to Pierre-EC: *"some customers are afraid of financial institutions … want to live below the radar screen … that fear has to be eliminated".* Victor-P, a politician, says that *"sometimes they just 'put the money under the carpet,' because they are suspicious of banks … they don't trust them … because they don't find people prepared to be their interlocutors".* Tim-D, from a Diaspora association, says that migrants face *"a lot of difficulties to start a relationship with banks",* while Paul-MM's justification for that the situation is: *"remittances are a 'one-shot' operation … difficult to move them to a structured remittance process".* Two interviewees presented another argument concerned with migrants' educational achievements or social status, according to Tim-D: *"financial integration depends on their social status"*; and Thomas-EC stated: *"the new wave of migrants are people with different mentalities and levels of education and this impacts their ability to integrate …* [some] *have no fear opening a bank account in a foreign Portuguese bank".*

A bank account is seen as one of the primary instruments towards establishing financial integration, but on this matter, the research revealed intriguingly different views depending on the stakeholder asked. According to the banker Pierre-EC, financial integration *"is definitely a question of strategy … we could open an account with a valid passport",* while another banker, Paul-MM, agrees, a passport *"… helps sort out a problem",* Thomas-EC contradicts his colleagues on the issue of ID: *"there is a tendency not to accept immigrants without a resident's visa".* Thomas-EC's is the view confirmed by the Diaspora association representative Oleksandr-D, *"Yeah!* [the visa] *used to be* [a barrier] … [personally] *I felt they* [the banks] *didn't want to work with an immigrant".* Victor-P, a politician, stressed that: *"being integrated in the financial system is a tool to be integrated in the society"*, although recognizing that *"we* [the European Union Commission] *did not make specific recommendations about how banks should deal with migrants … there were few for integration".*

The representatives of international institutions also take the view that the banking system does not actively support the financial integration of immigrants, Nick-II states: *"yes of course! ... We recommend to all governments when we suggest measures".* And he continued "[in] *some countries the banking sector is really, really silent and a bit slower, so they do not want to change too much and are a bit opposed to changes".* According to Mitri-II, the system requires: *"to change that attitude, you have to establish successfully a cultural change",* but he also recognizes that communication within the banking system needs to be improved: *"*[international institutions] *need to talk more to bankers on this … bankarization and financial integration … making it part the financial life* [of migrants]*".*

Profitability is major in the equation for banks, Gil-EC says, banks *"basically try to facilitate the integration of people that migrate ... well, as a commercial bank, we design profitable products … that's of course the first approach".* Martin-EC says: *"bear*[ing] *in mind that the bank has to be profitable … conciliate these two objectives … profitability was always an issue".* Louis-EC suggests that profits must come before CSR: *"our role is the role of a financial institution, which main goal is to be profitable …* [and] *not let this social role have such an influence that could affect profitability".*

Profitability appears to take priority for banks even if the product is launched specifically to improve financial integration. Fisher (2010: 188) advocates that if a business model does not answer to certain social responsibility issues – i.e. to the financial integration of migrants – then it is necessary to ask whether managers should act according to "principle" even if it negatively impacts on profitability; when an organization acts on principle, it would then proceed to adjust its business model.

The "risk factor" is a high-priority consideration in the banking industry, but problems seem to occur even when migrants have a visa and have lived in the country for several years, as Tim-D points out: *"at the end of five years their lives start stabilizing, but when they go to the banks* [they] *still face very difficult barriers … a difficulty for integration is in respect to housing … a big opportunity to help integrate people".* Victor-P Says: *"My assumption is that banks look* [at migrants as] *potentially riskier customers than average customers,* [but] *let's be very clear, there are no markets without risk!"* Charles-D *"think*[s] *the banks have in their algorithm, a variable relating to migrants' credit risks … as risky clients",* while Tim-D says*: "I don't find solutions from the banks for the problems we* [immigrants] *face daily".* Nick-II stresses that [immigrants] opening *a bank account … will become very, very reliable customers and very confident* ["reliable"]. *There are banks that started offering credit after verifying that* [immigrants] *are able to send a remittance every month".* Victor-P suggests that *"a loan is a key element of integration … even during the financial crisis, migrants kept sending money back"*; Paul-MM states vaguely: *"migrants have specific characteristics in their risk profile",* and Thomas-EC complements the notion of the "ubiquitous migrant", saying the risk of migrants is *"obviously* [considered] *having in mind good risk-control practices".*

Financial literacy is an integral part of the process towards financial integration, because having opened a bank account, a migrant should then be able to understand banking services and products to achieve full financial integration, this Nick-II considers *"a very important social factor … the banking sector should use* ['dedicate'] *some resources for financial literacy … it should be done!"* Mitri-II suggests that *"including illegal immigrants, then they* [banks] *could basically teach sort of banking etiquette and services … it's about learning to use the bank, learning to relate it to everyday life, to their needs!"* Mitri-II also mentions an advantage for banks: *"even when they return home, they continue their clients".* Concerning where the responsibility lies in teaching financial literacy, Nick-II suggests that *"financial integration and financial literacy should be done through corporative bodies"*, not only by the banking system therefore; Mitri-II sees that responsibility is being shifted: *"international organizations, including the World Bank, see Diasporas as a means of sort of teaching an entire new community"*. Oleksandr-D suggests that the lead is being taken: *"we have a project in the association to have workshops about financial* *products".* Tim-D seems to put responsibility back with banks, stating, *"The financial system could have a different perspective and attitude",* which is an idea shared by Manuel-II: *"if you want to go beyond that* [offer of products and services], *then you* [banks] *should provide financial literacy, financial advice and citizenship education".*

Financial inclusion, however, does not appear to have high priority among banks: Thomas-EC recognizes that *"as far as I am aware, there are not a lot of measures",* while Gil-EC says, *"there are some concerns as regards to financial integration, but I would say the main purpose is, of course, the business logic".* The critical literature review (Ferraz, 2009: 53, 79–81) identified a few instances where banks use the expression *financial integration*, but even then, it appears that the definition in context did not include elements of the concept, which is confirmed by the qualitative research, as follows:

- Stakeholders consistently express the importance of the financial integration of migrants – achieved through a financial literacy process – recognizing the key role banks could play. However, a gap was revealed, in that all stakeholders "work and act separately"; do not communicate with each other, and when considering financial integration, do not do so at a senior level. The contradictions and inaction are intriguing: banks appear to agree with recommendations towards financial integration, but the research suggests that practically none of them take measures and steps to achieve the objective, although all stakeholders recognize that responsibility lies collectively. [O4, O18 – Appendix 9]

- The research identified a gap relating to banks' lack of awareness and "passive" stance towards understanding the full potential of the migrant market; this feeds into the puzzle stated above, but also relates to the level of cooperation among international institutions, Diaspora associations, and banks in taking a proactive role in the integration and education process. [O12 – Appendix 9]

- Financial integration is intimately connected to inclusion in the formal financial system, and as migrants' ability to remit money to their origin country is of high priority to them, it implies that migrants do use informal channels to achieve this objective. Among the many social disadvantages resulting from this for migrants, for the banking system, it is serious because the maintenance of liquidity is outside the banking system. [W9, O5 – Appendix 9]

- The "risk factor" is given high priority in the banking industry. Perceptions of migrant risk (Figure 11: 3.1) are split, with part of the banking system – headquarters – and other stakeholders taking opposite views. The latter present strong arguments that migrants represent fairly low risk, while banks appear to overvalue the risk. However, banking stakeholders in host countries appear to view the situation more in line with the positive view held by other stakeholders. [W8 – Appendix 9]

Even when migrants have a visa and have been resident in a country for several years living a stable life, they still face barriers. This includes the requirement to present a guarantor for a loan or mortgage, products that represent an opportunity where banks can help in financial integration. [W8 – Appendix 9]

CSR is not considered in the strategic plan, daily practices, and activities of banks (Figure 11: 3.2); social responsibility could be part of the process of financial integration, demonstrated through banks' awareness of the issues, and inclusion of CSR in their strategic plans. Stakeholders, such as international institutions and Diaspora associations, firmly believe that banks should be proactive in this area, Manuel-II, for example, says *"migrants are always intersecting on social responsibility ... migration has critical ethical issues of social responsibility"*; while Mitri-II believes, *"I don't have a problem with making money,* [but] *they* [banks] *must reflect the values of the society"*. From the Diaspora association perspective, Tim-D says, there is "*a lot of work to be done … how can the banking system contribute to overcome those dramatic situations? A very important question ... to be honest with you,* [social responsibility is] *still to be accomplished!"*

With the exception of two interviewees in the banking industry who understood perfectly what CSR is and talked enthusiastically about it, the overall impression was that most interviewees within banking did not have an understanding of CSR. John-EC said, *"That is a very, very important and an opportunistic question …"* while Thomas-EC said *"my bank is a mutuality association, and therefore we try to contribute to humanity".* Neither of these two interviewees even referred to profitability, mindful only of the responsibility towards society when asked specifically about CSR, while others showed more discomfort.

Sometimes the research revealed that the basic concepts of CSR are understood on issues such as communication, transparency, and language skills: Anthony-EC says: *"we make a point of honour* [on social responsibility] *… to be very transparent … talk to the immigrant honestly",* while Louis-EC says, *"of course, there are important responsibilities* [in CSR]*: the most important is the communication … the bank should speak the language* ['idiom'] *of the customer …"* John-EC says: *"*[My country's] *immigrants do not speak* [the local language] *… it's a very difficult language to learn, and therefore, the immigrants need assistance".*

Sometimes, it appears, concepts of CSR get mixed up with notions of corporate identity and advertising: Martin-EC states, *"We support many migrant associations ... sponsoring soccer games, cultural events ... a fairly intense relationship".* Mary-BM says: *"Banks are always concerned with being at immigrant events".* Peter-EC confirms this, *"Yes, it's very important ... you ask to have your flag* [flag of the bank] *we try to help promote these kinds of events".* From the perspective of other stakeholders, Charles-D says *"one of the demands was exclusivity … basically advertising ... an 'interested' contribution with strong limitations"*; Nick-II said that *"*[opening] *a bank account with the logo of the bank in the background ... they're promoting services ... it's fine, but it cannot be considered CSR … it would be hypocritical saying the bank is providing financial inclusion".*

From the perspective of international institutions, Mitri-II states: *"I don't see banks developing an explicit social responsibility model ... to reflect the values of the society in which they operate",* this is a view shared by Manuel-II, *"if you dig deep, you find* *basically two stances: one, we can call 'lip service' and the other 'socially-committed' enterprise ... giving back to the community you are servicing ...* [but] *90 per cent is* [lip service]*!"* Nick-II recommends that *"the resources should be productive for the community".* The practice followed by Thomas-EC's bank appears to be the exception – probably because it is a mutuality association – he says: *"we have volunteers to fight financing illiteracy in a partnership with a Diaspora association ... we channel them money we used to spend in Christmas gifts".* Charles-D criticizes banks' role: *"basically advertising! Social responsibility, which is a good idea,* [is] *seen as non-interesting!"*

Senior management's awareness about the importance of CSR in relation to the migrant business segment is referred to by Manuel-II: *"when I started, nobody wanted to listen to me, nobody cared!"* Mitri-II, similarly, says that banks view CSR negatively, *"*[banks seem] *more like the MTO rather than the banking sector".* Manuel-II suggests a way to alleviate the lack of awareness, *"decide the business model* [then] *go to a second stage which is the corporate responsibility ... a strategy to strengthen their* [immigrants'] *financial profile ... financial literacy ... it's about commitment to the community".* This view is shared by Nick-II: *"use financial literacy and financial inclusion as possible tools",* which is complemented by Tim-D's suggestion: *"one could be in agreements with* [Diaspora] *associations",* but this view is not seconded by Charles-D, *"what would motivate me to spend energies to make banks sensitive to their own business? I don't see a lot of sense in that!"*

As to the advantages for the banking system, Mitri-II thinks *"banks are a product of the society in which they operate ... those that do it, are likely to do better with immigrants ... smart banks realize that* [opportunity]*!"* While Manuel-II asks: *"what is your expected outcome? Strengthen the economic clout of the immigrants! Whatever mission they have* [should] *link it to migrants".* Thomas-EC agrees that, *"a good integration of the immigrants is positive for them and the country".*

The conclusions are as follows:

- In the main, it appeared that, in addition to being 'politically correct', many banking stakeholder interviewees showed scant awareness of what CSR involves, frequently bringing in concepts and practices that are not relevant to it. Most considered practices that would not qualify as CSR, as such, including dispersed philanthropic actions and other unstructured contributions for events. [O19 – Appendix 9]

- CSR concepts are not considered proactively in the strategic plans and daily practices of banks, nor have they been absorbed into banking culture in either the host or origin countries. Among senior management at banks, awareness and involvement in terms of seeing the importance for the migrant business segment, is practically non-existent. International stakeholders believe that this issue could be solved by including CSR in the business model. [W10, T1 – Appendix 9]

- CSR concepts are not considered consistently in products and the business model. Profitability takes precedence over CSR, which is considered among most banking system interviewees as a *sine qua non* element, even in products designed specifically to enhance financial integration (Figure 11: 3.2). Financial integration in the origin country was not referred to by anyone. Fisher's (2010: 188) statement regarding CSR and managers acting according to "principle" is brought into the frame. [O19 – Appendix 9]

- A gap was identified in the literature; no literature could be found relating to CSR specific to the migrant business segment in the banking industry. This also indicates that there is a lack of attention paid to the subject by academics, which may be why senior management within the banking industry pays little or no attention to the subject (Figure 11: 3.1, 3.2). [O6, W10 – Appendix 9]

7.7 Barrier/Gap 4 – Both ends of the corridor

Conceptual framework: Banks offer services at both ends of the corridor in response to the demands of migrants

Focus 3 covers SQ 3, covering the managerial, marketing, and operational side of the migrant business segment – including profitability and financial stability – and presenting an evaluation of banking models to see how they can address the needs of migrants. This is framed within the effective application of the marketing concepts identified in the critical literature review, and compared to and articulated within the results of the research. Discussion about product development will include strategies for customer segmentation, product offers, distribution channels and organizational structure in the host and origin countries, as well as CSR in relation to financial integration

With regard to banks' awareness of the importance of the migrant business segment (Figure 11: 4.1), Manuel-II says: *"*[they] *are saving, but they* [banks] *were not aware of this ... so they don't see any value ... this is why they are not offering financial products".* Nick-II holds a similar view, *"in some cases the banks do not enter this market because they think it's not profitable".* Oleksandr-D sees it much the same way, *"Diaspora sent* [to my country] *around €3 billion annually, very significant!"* And May-MM confirms that *"Things should be done in the origin country ... there are opportunities not explored".*

According to Victor-P: *"In the 1960s and 70s Portuguese banks started understanding business opportunities if they were close to the Diaspora".* Martin-EC says *"I believe the large Portuguese banks should have an area dedicated to migrants … I think* [the migrants' business segment] *is under-explored".* Mitri-II states: *"The banking sector did not see the potential of the immigrants … people that deal with financial institutions through remittances,* [use them] *simply as a mechanism to transfer money from point A to point B … not using the potential they have to develop this market …* [banks that] *engage in new activities are successful".* Pierre-EC shares this view, saying: *"we need to keep investing* [as] *there is an opportunity … I have been seeing it".*

As it relates to the structure in the host countries and the banks corridor management (Figure 11: 4.2) Thomas-EC says that *"the largest seven or eight banks have structures abroad to capture the business",* but Pierre-EC stresses *"that the attention it's not the same as 20 years ago … it's obvious!"* This last point highlights a position that the research into business models brought to the surface, which relates directly to why a new, adequate business model needs to be implemented: the changes in the global landscape.

This certainly seems to be the case with most Portuguese banks with structures abroad. Senior management did not pay attention, completely unaware that the migrant business segment was an important and lucrative one, and did not adjust the business model to meet the need (Ferraz: 2011: 111–5). Nick-II confides: *"Sometimes technical* ['staff'] *people know very well the issue, they are very passionate, very interested, would like to do something, but are not able to reach their higher levels* [senior management]. *Their proposals, their ideas, their projects are frustrated! This is an internal problem of communication in the bank".* The changes should come from the top, but most senior management appears not to show any enthusiasm, according to Mitri-II, *"I think this is a point you can push and you should push! … Part of the reason that banks perhaps did not think ... it´s ridiculous!"*

This view is confirmed by Paul-MM, who now addresses mergers: *"we assumed* [emigrants] *always send money back ... but the bank made acquisitions of large banks, having a very relevant share of the migrant market ... we did not pay attention to ensure a proper transition, and the business model lost efficiency".* David-EC has a similar suspicion: *"Probably when we had the mergers among Portuguese banks we didn't realize the importance the segment deserved",* which is a view shared by Thomas-EC, remembering that *"today's Portuguese brands did not exist at the time … a very interesting situation ... shows the lack of coordination and 'tensions' at the origin country … migrants didn't know the brands, didn't trust them … the communication was not properly done by the banks that acquired brands* ["banks"] *known by migrants, and later changed the name of the merged banks".*

This introduces a further element about leveraging the brand of the origin country; it relates to the notion of "trust" discussed earlier, which as Thomas-EC points out: *"*[knowing the brand is] *very important for the people because of trust".* Louis-EC also sees the potential of the "trust" aspect: *"*[the] *client sees in the financial institution at the host country something from his home country … identifies the host brand with the home brand; that's crucial!"* Anthony-EC stresses the importance of trust and permanence at both ends of the corridor *“Our ability of gaining and expanding business has a lot to do with the trust we transmit. We are very, very careful* [about confidence and trust] *because people that left 20, 30, 40 years ago, do not keep updated … and are fairly vulnerable to news. Therefore we keep a permanent presence at both ends, to maintain their trust in us”.* A similar viewpoint is put forward by David-EC: *“We lead the market and it’s funny because our market share in this segment, it’s the highest we have in any business segment, for reasons associated with the nature of our institution* [government owned] *and the presence* [network] *in* [the country]*”.*

In relation to the business model, John-EC says that his bank *“changed the business model, improving communication, making it more agile and flexible”,* while Paul-MM recommends *“re-engineering the commercial process, selling with focused strategy, or the product matching the particular cycle of a client or a group of clients”.* Manuel-II recommends *look*[ing] *at the migrant as a customer, sell* [them] *several products …* [banks] *are mistaken! They calculate profits simply looking at their net income, when actually,* [they] *should look at the range of services ... factoring that in! This is the point of departure for the business model”.*

Regarding the barriers identified in the business model used by banks, Pierre-EC points out that *“‘convenience’ is extremely important* [as] *they work all week … allow them to come to the offices* [‘branches’] *on Saturday or Sunday,* [otherwise] *you lose a window of opportunity …* [it’s] *another barrier, banks don’t want to change their schedules ...* [‘working hours’] *is key!”* Still on this issue, the viewpoint of Tim-D from a Diaspora association is relevant: *“immigrants spend a lot of time running back and forth asking why the money did not arrive yet … a big stress, a tremendous stress!”*

Victor-P mentions that banks are not fully prepared to deal with migrants: *“what does the bank know about Angola or Brazil? Nothing! They cannot make a positive case”.* Nick-II shares this view: *“well, they should be more practical ... requires training people working in the branches”,* a point recognized by Paul-MM, *“banks that were not concerned with training the staff to teach about products* [characteristics] *… lost their commercial trigger”,* a matter that could be addressed, as Mitri-II suggests by *"understand*[ing] *the development of the 'client–bank' migrant relationship ... turn them into bank customers in the traditional way".* May-MM warns: *"There is a strong problem relating to the lack of focus on those clients, not because the commercial structures do not exist, but because they are not considered with the adequate priority".*

On the subject of coordination and providing services at both ends of the corridor, John-EC points out, *"Coordination allows cross-selling, making the client loyal at both the origin country and the host country",* which May-MM agrees with, offering some suggestions as to what might be sold: *"we have most of the products available to leverage and 'anchor' cross-selling other products ... deposits in Portugal and France for the same client ... I would call 'double management'".* John-EC provides a different view from his bank: *"we are very careful at the headquarters and the branches; we provide a high quality level of service",* this is a view shared by Thomas-EC when he suggests *"look at clients in all their potential ... the business model to accompany them ... ensure a mechanism to service customers on the other side of the corridor".*

The objective of customer segmentation is to ascertain individual wealth and then to address customers according to their financial need in a structured, efficient and focused fashion. This strategy impacts positively on profitability, elements of the bank–client relationship and life-cycle.

Knowledge about migrants and the specific characteristics of immigrant communities is relevant to customer segmentation. Louis-EC says that *"*[migrants] *are a sociological group; very unique in economic terms* [and] *in financial terms ... their behaviour is not exactly the same of other groups. It's the only group that has financial needs and financial relations in two countries".* Anthony-EC points out: *"there are not common and strict rules that could be applied to the migration business segment. Therefore, we try to treat each market according to its needs. We cannot deal with the South African immigrants as we do the immigrants in the United States, or Brazil, or Venezuela".* Peter-EC has the opposite view: *"you cannot say that a Chinese or an Indian or a Cape Verdean or a Portuguese is different from the Spanish or French, as they have always the same needs".* And it should be noted that while these two statements at first seem contradictory, they do in fact complement each other because Anthony-EC is focused on “market specifics” and Peter-EC on “customer need” (Figure 11: 4.1).

Banks in the host country for Portuguese immigrants do not generally consider the life-cycle and wealth level of an individual migrant profile (i.e. academic or professional qualifications, age or income level), suggesting that there is a belief that a “migrant will be a migrant forever” (Figure 11: 3.1). Thomas-EC claims that *“Migrant life-cycles … it’s a very recent phenomenon”,* while Mary-BM says, *“also a big concern to capture young customers … the future of the bank … the life-cycle progressing”.* Paul-MM suggests *“organize*[ing] *clients by segments considering their lifestyles or life-cycles”,* which Gil-EC says it would help *“… to effectively deal with that segment … ensure systems and products effectively to answer their needs ...* [maintaining the] *competitive advantage”.* Joe-MM sees the *“need to profile a customer in depth, banking habits, behaviour, consumption profile ... offer solutions to fill that gap”,* while Anthony-EC suggests that *“to capture migrants, we have to have a very clear strategy and understand very well what* [the profile] *is of our emigration”*; a position supported by Manuel-II, *“profile the financial position of migrants’ ... demand and needs”*.

Mary-BM recognizes that *“the bank created account managers for certain business segments, which was something that we did not have a few years ago”.* Gil-EC states that *“there is a different degree of sophistication and* [that financial] *needs and people want to be addressed in a different way”,* recognizing that *“there is a lot of work still to be done”* (Figure 11: 4.1, 4.2).

With regard to the segmentation of databases, Paul-MM states *“Portuguese emigrants* [with] *an account in Portugal … I cannot identify that customer automatically, not even in the CRM … have to do it manually ... very difficult thing for us* [to identify] *relationships automatically … not even between husband and wife”.* Tim-D voices a particular suspicion, *“Do banks know where the immigrants work … the sectors … civil construction, public works, tourism? … Banks should offer specific products”.* The overall conclusion is that the migrant database is not segregated and, therefore, the full potential of a migrant is not identified.

Analysis of the literature in relation to segmentation identified a business model adopted by two banks – Deutsche Bank (*Bankamiz*) and UniCredit (*Agenzia tu*) – both of which have set up specific networks for immigrants. Deutsche Bank is focused on Turkish immigrants in Germany, while UniCredit is dedicated to immigrants of any nationality living in Italy (Appendix 4). When asked about these two models, the interviewees voiced unfavourable opinions about them: Victor-P said, *"the German approach can function with a very large ethnic community ...* [but] *for philosophical reasons, I am against systems that stigmatize communities … we do not have a hospital for migrants! I would not be even in favour of having a branch for migrants".* Peter-EC shares this view, *"both are very respectable institutions … probably concluded that business model would be profitable ... however, the trend is to integrate, to maximize the productivity through synergies".* Paul-MM thought, *"those two business models … I thought that was really strange … in the particular situation of Deutsche Bank, seems a fairly discriminatory model".*

On the issue of whether segregation was ethical or not, Victor-P said that *"You need people prepared to deal with the specificities of a client … but you need to treat them equally".* While Paul-MM found *"... financial integration and financial needs … one big problem is segregation … if an immigrant goes to a bank and there is segregation, you are not offering anything, you are taking away!"* Mitri-II thought: *"As a business proposition … it may reflect the facts on the ground, but in terms of integration, it shouldn't help much … I suspect* [those banks] *could get 80 per cent of the loans they get by having something far simpler".*

Louis-EC saw that segmentation was necessary anyway: *"There is an obvious segmentation: first-, second-, third-generations, which are, actually, segmentation based not only on age, but also in the integration level. There are products that are typical* [of each generation]*: first-generation tends to be savings products; credit products are more typical of the second-and third-generations".*

SQ 3 addresses the potential of servicing immigrants, Victor-P thought *"Banks should more clearly see immigrants as a potential market … a market with specificities but … an interesting potential market from the business point of view".* Anthony-EC saw the potential: *"because of the large size of this business segment* [immigrants], *as you can imagine, we cannot reach everyone, but the immigrants that we have as clients give us very interesting results".* Louis-EC agrees: "*you are in 'heaven' in what concerns to banking! Yes, I think the profit potential is enormous ... migrants coming from eastern countries are objects of fierce competition to service them",* which is also recognized by Paul-MM who said that immigrants in Portugal *"are very important! In my former bank they represent between 10–15 per cent of new accounts ... as there are not a lot of people entering into the market, they represent an important segment".* Anthony-EC recognizes the view; *"We have developed much more business with the emigrants than with the immigrants".*

In terms of a product and services offer, most banks adopt generally-used marketing concepts, and the products they offer are generally similar too, focused on remittances, cards, and bank accounts, with a few exceptions, such as mortgages and very restricted types of insurance. What banks offer are basic vanilla banking products to provide services for regular customers (Figure 11: 4.1, 4.2), (Ferraz, 2009: 67–84).

"There is no place like home", whether an immigrant, emigrant, resident or national, and banks appear to appreciate this fact, as Mary-BM describes: *"The clients like it very much and they feel the concern of the bank in keeping the Portuguese culture. In our branches, we always have something that has a reference to Portugal".* John-EC states: *"When we make these links and connections, we pick up people that used to live in those small towns and that left* [emigrated] *searching for a better life".* According to Peter-EC, *"In the cheques distributed, for example, in* [name of a former Portuguese Colony] *to immigrants, we design* [meaning: 'print'] *them with the map* [of the country] *... so when signing a cheque, it will make you* [the immigrant] *feel at home. On the credit card it is exactly the same; that helps to keep alive their country".*

With regard to product development and CSR, Mary-BM says, *"we were innovative ... to each 'youngster' that opened an account we donated money to plant a tree".* And Martin-EC states candidly, *"I would mention products to finance education,* *drivers' licenses ... but I must say that social responsibility was really only on that context and nothing else".*

As in all areas of banking, availability of certain products is linked to wealth, seen as a level of segmentation, and provided in the migrant market segment also depending on the level of wealth. Louis-EC states: *"When the migrant* [is] *no longer a migrant,* [but] *still has a financial relationship in the home country ...".* Gil-EC has a similar view, *"And slowly, the niche segment of the migrants' remittance starts to fade ... they basically go into the mainstream banking".* According to Peter-EC *"a wealthy immigrant or emigrant, we place* ['allocate'] *them in* ['to'] *the proper segment: a very wealthy one, goes to private banking",* and John-EC *"in terms of segmentation, we divide the market into three segments: private banking, affluent market, and mass market".* Martin-EC says that *"segmentation was based on the age, social niche, education, professional status and obviously life standards. This was the basis to have them segmented and also to identify the products more adequate to serve them".*

Paul-MM recommends segmentation in order to *"pick-up 1–2 million clients, segment them appropriately, organize a continuous 'commercial shadow' monitored with a CRM articulating sales forces' behaviour and direct channels ... have clients' behaviour and the prospective financial behaviour ... adjust permanently to the life-cycle",* a viewpoint complemented by Thomas-EC who suggests: *"have management information ... monitor the figures to ensure they make sense".*

On the question of whether banks are leveraging the full potential from the flow of remittances, Thomas-EC stated, *"we should have a bigger concern treating migrants as clients ... with deposits, and financial needs, ... loans ...".* Anthony-EC agrees that there's potential: *"... it's true! The matter has to be looked at market by market ... migrants are a very important source of liquidity and funding, obviously, to "fidelitize" them, cross-selling is important".* John-EC suggests a means of doing so: *"first, it is fidelity, client loyalty ... offering products that aggregate the emigrant outside".*

In relation to the product or the product portfolio itself, according to Victor-P, *"Banks should respond to this will of integration, paving the way with flexible products for* *savings".* Paul-MM sees the opportunity as a *"kind of Apple store business model: a basic version free of charge, and then, a full version that you have to pay for".* Thomas-EC says, *"I don't think the banking business should be limited to remittances".* Regarding a product portfolio, Victor-P questions the objective: *"how can I make the most of my money if I send it back to the country of origin?"* Gil-EC says banks have to *"make sure to serve* [customers] *based always on the people identified* [for] *that business segment".* Nick-II thinks *"that banks should start being a bit more creative about the products they offer to migrants. It is more focused; a top-down approach".* Anthony-EC suggests that it *"requires the analysis of specific markets, rather than to pick-up a package and sell in all markets",* while May-MM suggests that banks must *"identify the needs at the origin country – which are not necessarily the same at the host country – and leverage them as business opportunities".* According to Paul-MM, *"There are circumstances that make illogic particular products at the origin country",* which Thomas-EC saw likewise as, *"developing the business, trying to service clients as a global client".* John-EC recommended that banks should *"identify the financial needs* [of migrants] *for two to five years".*

As an example of taking a view segment by segment to define the portfolio offer, John-EC said: *"for the private banking, we have set up a small structure with specific products to address these market segments".* Peter-EC also viewed it in this way, *"of course,* [both in the host and the origin countries] *because I told you, we must look at those clients as a whole and not only what they are doing in Portugal".* Gil-EC recommends, *"So we have to look at both sides* [of the corridor]*".* When the research moved on to the offer of products and how to distinguish the marketing approach for immigrants and non-immigrants (Figure 11: 4.2), May-MM stressed that, *"the challenge is to find the proper balance of the offer at both ends of the corridor to leverage and extract value from the client on both sides".* Louis-EC offered the following advice:

> *What is so curious in terms of financial behaviour,* [is that] *it's not so different. Why? Because the migrant has normal financial needs at the host country … mortgage, an account to credit his salary …* [but] *they will always have financial needs at the home country …* [a bank should] *offer*

them a financial package comprising financial products at his host country and also at his home country.

According to Mitri-II, like any other customer, migrants look for a product that answers their needs, *"Immigrants look to banks to perform services that everybody else expects the banks to perform ... of course, geared toward their special needs".* Victor-P takes the same approach, *"view migrants as customers with specific needs".* Nick-II sees the migrant business segment as representing *"an opportunity to develop good business ... and start in a field that, in many cases, has not been explored".* Manuel-II warns: that the area is "*a 'vicious circle' ... the supply side* [banking system] *doesn't offer financial products and the demand* [migrants] *looks for them elsewhere".* From the bankers' side, Peter-EC introduces the profitability element, saying that *"I'm sure* [about the need of cross-selling] *you don't take it* [profits] *anymore from the interest rates; competition is very, very hard in this segment ... with margins shrinking ... we are more aggressive addressing these clients* [as] *the number* [of immigrants] *has increased".* Joe-MM sees the potential in the migrant market, that it *"constitutes a very interesting business segment ...",* while Paul-MM thinks banks should *"have a structured banking offer".* Thomas-EC recommends that banks should *"conquer these new migrants that have accounts in our banks ... that business is very important".* With regard to cooperation with Diaspora associations, Charles-D says: *"well, I keep telling you ... a business that is a problem of the banks!"*

From the viewpoint of the immigrant business segment, Anthony-EC sees that banks should *"look at the immigrant as a client and support his 'qualitative jump' to be an entrepreneur, addressing his business needs".* This is the view of Gil-EC also, who says "*suddenly you're talking with people that have set up their own business and, actually, have other type of needs".* David-EC thinks: *"these people like to be treated as any Portuguese ... have specific needs and you should have products targeting them"* (Figure 11: 4.1, 4.2).

Representatives of Diaspora associations, however, take another view, as Tim-D points out: *"banks do not support immigrants easily. Entrepreneurship ... an immigrant usually does not like to work for a long time for a third person ... they have ideas, but do not get financial support ... banks are unable to deal with immigrants* *who are entrepreneurs".* Oleksandr-D agrees that banks need to respond more proactively, *"yes, it's clearly important … they* [immigrants] *try to open their business, namely trade-related products".* These views are shared by Victor-P: *"We have migrants that want to be businessmen* [but] *it's always extremely difficult to get the support of the banking system".* Thomas-EC points out a possible reason to justify the banks' position: *"an important barrier … when they want to borrow, banks look at their tax returns, which do not justify their income … banks simply do not lend* [with inaccurate, low income]*!"* Manuel-II's view is that *"basically you look at the number of financial activities an immigrant engages in, and sending money home is just one ... you are going to do* ['sell'] *different things".* This final comment in particular suggests that banks should look at the customer in a broader fashion; take a view of the other products the migrant holds, such as savings, and consider it in the credit-risk analysis.

On the subject of maximizing networks and client life-cycles, Peter-EC reveals that *"the bank is trying to maximize the commercial network by offering to other communities exactly the same products offered to the Portuguese".* David-EC suggests that there are possibilities for product offers to be leveraged to immigrant communities in the origin countries: *"banks that are successful in servicing immigrants at the host countries are successful also in serving other immigrant communities … probably the products that our banks are able to create and tailor to the specific needs of these communities are at an advantage compared with the national banks".*

The matter of banks keeping abreast of the times is pinpointed by Mary-BM, who points out that, *"Second- and third-generations do not follow the same logic the first generation used to follow".* Louis-EC also points out the change in culture, *"first-generations continue to have the idea of savings ... second- and third-generations have another idea … why should I save if I can get a credit* [a 'loan']*?"* This consideration influences the product-design marketing strategy (Figure 11: 4.1) as well as the risk profile, which will impact on the product offer.

On the question of whether migrants present a risk higher than average, David-EC stresses that *"*[migrants] *have a higher tendency for saving ... tend to save more and* *that's the type of clients every bank dreams of".* And it is because of this reputation among migrant communities, that Anthony-EC believes *"we have to act correctly ... respect those people that worked and saved money very hard".* Nick-II thinks that immigrants *"are very, very reliable and trustworthy customers",* an opinion shared by Tim-D: *"immigrants comply with their obligations towards banks ... if we* [banks and Diaspora associations] *agree they are good costumers, then there is a very good ground to start".* David-EC says that *"migrants tend to be more compliant ... better clients of credit; it's amazing! More interesting in terms of risk profile ... very important because you can be more aggressive* [risk-wise]*".* The issue of risk is certainly a factor to consider in the design of products and the conceptualization of a business model. Among the migrant business sector, however, it appears that the risk factor increases even though among this group the credit-default ratio is below the average, as Manuel-II states, *"But* [marketing divisions] *will first talk to their lawyers! So, I'd like to design financial products for immigrants, and the lawyer tells you: 'Oh! But they are illegal ... that's a high risk!'"*

Another gap that was identified relates to banks' focus on the "remittance product" instead of the "migrant customer" (Figure 11: 4.1). According to Oleksandr-D, *"A bank* [of my country] *opened a branch in Portugal ... but they are not better or competitive ... strange!"* The research identified that most banks offer a basic, not a tailored product to migrants (Figure 11: 4.1): Louis-EC's view is, *"I think that's probably one very important mistake that a lot of institutions are doing ... yes, you* [banks] *should have specific products".* John-EC reveals that, *"to fight competition, we offer our clients other products on top of the remittances",* while Louis-EC recommends *"cross selling, using remittances as a kind of an anchor ... the more we are able to sell our customer a package, the better".* Martin-EC agrees, saying *"the business relationship with the migrants it's much wider ... remittances, could be the anchor for a much broader commercial relationship with them".* John-EC warns that new AML and KYC regulations can be barriers to cross-selling: *"in some countries regulations may forbid cross-selling particular financial products",* which is a view shared by Pierre-EC: *"in* ['my country'], *banks compensate low levels of cross-selling with a tremendous value per product or tremendous volumes for product".*

Among the interviewees, most recognized the importance of specific products focused on migrants, but the research revealed that they also recognized that their product offers were not well enough focused on the market (Figure 11: 4.1). Martin-EC was very aware of the competition element, *"The Portuguese immigrants are a very important target of French banks. Their portfolio, it's much bigger than the Portuguese banks can offer, as French banks have a very large portfolio".* John-EC was equally aware, *"They start understanding very well the benefits that competition* [local banks] *offers ... that' s the moment when we understand that we should not look only for the remittance".* Martin-EC says *"the local banks have conditions, advantages and financial muscle that allow them to offer better conditions",* which, Peter-EC said was *"one reason Portuguese banks went abroad ... 'fidelitize' those clients locally … this segment is a very, very important segment for the Portuguese banks today".*

The research showed that interviewees are well aware of local competition and have measures in mind to mitigate the threat in terms of product offers (Figure 11: 4.1). One possible measure lies in the relationship of the migrant to the origin country, namely packaging elements of nostalgia related to the origin country, as Mary-BM confirms, *"Customers love to be treated under the Portuguese spirit. The clients love gifts that remind them of the culture. In developing products, we give them a touch of nostalgia".* Anthony-EC provides another example, *"a link ... more traditional ... what we call the 'nostalgic market'".* According to Louis-EC, *"There are 'accelerators' linked to the home country ... a credit card* [that] *awards miles on an airline, a deposit that awards a donation in the home country",* or as Peter-EC reveals *"for* [former Portuguese Colony] *customers, we registered the brand* [of a] *credit card in their language; it means 'I love you,' something very friendly".* John-EC mentions a replication of a well-known product from his country, which keeps customers linked to their origin country, *"*[they] *try to replicate in Europe a product with the same characteristics we offer in* ['my country']*".* Taking advantage of the presence of the emigrants at the origin country, Gil-EC says that *"in August* [vacation period], *the banks would have seasonal campaigns to make immigrants feel 'at home' and they create emotional ties".*

As it relates to the organizational structure, Mitri-II stresses that *“banks able to offer services both here* [origin country] *and there,* [host country] *... are going to be the winners, because migration is not going away”.* Several interviewees from the banking system shared the view that a strong presence at both the ends of the corridor was critical to commercial success (Figure 11: 4.2). Among the many that recognized the importance was Louis-EC: *“very few banks already understand this ... very few deal with it in the proper way”*; Thomas-EC: *“it is impossible to be the first bank of the client if the bank is unable to service both ends of the corridor”*; David-EC: *“it’s definitely an advantage to be present* [at the host country]*”*; and Anthony-EC: *“it is extremely important to service the client at both ends of the corridor”*. Charles-D stated, *“I don’t know the percentage of migrants with a bank account in Portugal and in my country, but it makes a lot of sense”.* Peter-EC stressed that *“you must know how to deal with the two realities* [the host and the origin countries]”, and Martin-EC saw that *“for me, it’s clear that a bank without a representation at the host country is very limited in capturing the migrant business”.*

In terms of organizational structure to serve Portuguese emigrants and the immigrants in Portugal with different structures (Figure 11: 4.1), David-EC’s view was that *“we have basically two segments: the Portuguese emigrants and the immigrants in Portugal; both segments are very important”.* Peter-EC thinks that different areas of the banks should serve them: *“*[an area for] *the Portuguese living abroad and another for foreigners living in Portugal. ... The needs are not the same and the way to deal with them is not the same”.*

The ability to leverage the migrant business segment should be based on a structure abroad, according to Thomas-EC as *“without representation in the host country there is a very strong barrier entering into this segment”*; this point is picked up by Oleksandr-D who says *“*[‘we’] *have a bank account in Portugal, but it’s difficult to find a place* [a bank] *where we can remit”.* With regard to the physical organization at both ends of the corridor, David-EC says that *“historically not having a physical presence in a market was constraining us in having a market share compared to our natural market share”.* John-EC seconds David-EC: *“we concluded that was very important to have support at both ends of the corridor”.*

Anthony-EC and Martin-EC indicate the potential of remittance volumes as a strategic factor in deciding the level of representation abroad, a fact that Gil-EC underlines, *"If the size is very, very big, of course, it makes much more sense to put resources into it".* Anthony-EC says, *"Remittances are very important for the financial system, and at my bank; we obviously have to develop a strategy focused on clients that bring us remittances",* while Martin-EC says *"We try to leverage the remittances and use them as 'the rope' to tie the migrant to the bank"* (Figure 11: 4.1).

To solve the problem of servicing both ends of the corridor May-MM offers a possible solution: *"strategic partners, to channel that business ... generates commissions for those funds".* This is a view shared by Pierre-EC, *"Absolutely! You have to make things natural ... if you don't have a subsidiary or a branch you have to find the right partner that understands the business, the opportunity".* Gil-EC says, *"If you don't have a network in the country where the money is received, then you have to think about partnerships ... can be very interesting from a strategic point of view".* Peter-EC suggests, *"the best alternative is clearly an agreement with a retail bank, with a strong network at the origin country ... I don't see other ... less costly, much faster, ensures clients are served".* Thomas-EC proposes, *"To develop business with Portugal, they* [strategic partners] *work for us".* These views are shared by Nick-II, who says it *"requires a commitment to creating international links abroad to develop the business".* Anthony-EC expressed a different view on the matter, saying his bank adopted *"a policy, we do not have any link to local banks; we had an experience that was not very favourable, and therefore, we stopped that practice".*

In terms of the characteristics of strategic partners, Pierre-EC envisions *"a partner with a network covering the country to make sure the beneficiary can easily access the funds ... willing also to look at technology to make it profitable ... technology plays an important role".* Another model was suggested by Thomas-EC: *"Have a representative ... a commercial agent ... kind of a Portuguese desk ... have an account manager there that gives us priority and maintains the relationship".* Peter-EC saw that his bank *"has to find a counterpart there to serve those clients* [Ukrainian, Russians] *in the same way that we serve them in our own institutions* [banks] *abroad".*

Another characteristic of electing a partner is the coverage of the network, which according to John-EC, *"if you* [the bank] *don't have 'capillarity', the way to sort out those needs are 'partnership agreements,'* which Joe-MM saw as *"take*[ing] *advantage of numerous points of sale to gain the fidelity, make the client more dependant".* Louis-EC suggested *"Establish*[ing] *agreements with local banks. ... It's the only way* [at both ends of the corridor] *that the business will work;* [otherwise] *the business relation will be only wire transfers".* Martin-EC's thought on it was, *"When a bank is based in a host country with a stabilised structure and with a fairly stable portfolio of clients the relationship with those clients is not restricted to the remittance business".*

An interesting finding that arose from the research concerned banks' relationships with communities; the ways communities participated in or influenced the organizational structure of an operation in the host country. Gil-EC said *"We have structured memberships at community organizations but then the feedback comes in a very informal way".* David-EC stated, *"It's important to follow-up what's happening in the communities. The best way to do that is to have people from the communities working for the bank".* Gil-EC added on the subject, *"We have staff speaking various languages, which makes it a bit easier for them* [immigrants]*".* Louis-EC says, *"Basically you cannot deal with these communities if you don't speak their language; that's their rule, a golden rule. If you don't have it, you will not succeed".*

Research showed that commercial coordination and migrant databases are not leveraged between headquarters and subsidiaries, which although acknowledged as a key element to leverage the remittance business (Figure 11: 4.1, 4.2), seemed to attract scant attention from senior management, who appear to be unaware of the potential. According to Martin-EC, *"Cross-sharing information has to be done in banks that have operations at both ends of the corridor".* Gil-EC says that information *"from headquarters comes in on an* ad hoc *basis; I can't say there is a structured flow ... monitoring volumes and profitability ... but market development, market research, it comes on a very* ad hoc *basis ... there is lot to be done!"* Peter-EC shares the same view, *"Things are never as good as we would like".* Paul-MM recognizes that there is a problem relating to the cross-selling ratio to migrants in

Portugal: *“yeah, it’s much lower! It’s around one-*third *... I must also recognize that our IT system and marketing databases do not identify them ... the* database *does not provide the information ... family links are not easy to establish”.*

Victor-P says that in order to address the needs of migrants it is important to be able to identify them on the customer database: *“Definitely!* [as] *when it does not go well at one end, the relationship at both ends is at risk”,* while May-MM confirms that position, saying *“... the corridors have to be very well tuned”.* Martin-EC summarizes the situation:

> *I believe there is a huge potential of business when linking both structures: the headquarters in Portugal and the subsidiary at the host country. It is fundamental to have cross-information and share it! If we could share that information, obviously, that would potentiate the business relationship. The subsidiary is not aware of the commercial relationship back at the home country, and therefore, the subsidiary in France is not able to attract that immigrant as a customer.*

The relationship between headquarters and subsidiaries are a component of managing the corridors that should be considered when operating in the migrant business segment. Pierre-EC, Thomas-EC, and May-MM all agree on this point, Pierre-EC stressing that *“to motivate the staff* [at the host country] *they were remunerated with a percentage of the funds ... compensating for deposits sent to headquarters* [and] *to stimulate the maintenance of a stock* [of deposits] *there was a fee on it at the* [‘host country’]*”.* A similar process was mentioned by Thomas-EC, *“we have agreements in the most important countries ... they are paid by us to contact emigrants”.* May-MM says, *“The relations between parties are structured … paying a percentage based on volumes processed”,* while Martin-EC suggests *“having a kind of a desk and paying a commission to the bank at the host country”.*

Other interviewees, however, contradicted these statements; for them the outcome of subsidiary relationships has not been positive. Some, from the same bank, do not see that the implementation in host countries has provided employee incentives. This may point to failures directly related to the lack of a dedicated migrant business structure, without first-line managerial competence running it, negatively impacting on leveraging the business potential (Figure 11: 4.5). David-EC says that *"people* [banks' employees] *have to realize, especially in the domestic banking division* [in Portugal], *that they cannot just think about their local* [headquarters'] *balance sheet; they have to think globally of the relation between the client and the group* [including the interests of the subsidiary abroad]*"*. Martin-EC recognizes that *"*[there is] *a negative impact in the motivation of the staff working aboard, in terms of incentives to capture clients. They know that, in the end, 'the money will fly away' to Portugal".* Because of this, David-EC agrees implicitly to the critique recommending a practice or policy that could be followed to address this sensitive issue:

> *You have to have price transferring agreements between the subsidiary and the head office, not to penalise the local account managers; what is important is the overall relationship; and if everybody works together, they will come up with good results. It's very important to measure the importance of the business in the balance sheet of the subsidiary and of the bank* [headquarters]*; it's also important to have a policy for transfers* [of money] *and incentives.*

The statements quoted in this section – management of corridors – encapsulate interviewees' ideas and thoughts in terms of systems, procedures, policies, and products; understanding migrants' requirements in order to be able to operate at both ends of the corridor as well as a business segment that is under-explored (Figure 11: 4.1).

Mitri-II states: *"I mean this is virgin land! The bank that establishes itself as the migrants' bank, gains millions of new customers".* Louis-EC, an executive at a French bank dedicated to the migrant business segment, recognizes that *"I immediately think of it as a* [business] *opportunity that's not been quite explored* [financial portfolio at both ends of the corridor]*"*.

Martin-EC says, *"I would like to tell you about a lateral problem that is a conflict of interest that may exist between the subsidiary and the headquarters. If the funds are sent back to the headquarters, then the subsidiary is limited in the amount of money* *that it can lend. ... So, we have to be able to conciliate these two concerns".* May-MM sees, *"the strong focus on savings is a phenomenon at both the host and the origin country".* According to David-EC, *"They* [the subsidiaries] *have to know that they are working in an overall strategy for a banking group and not just look to their local balance sheet".* Mary-BM makes an interesting point, saying that *"the concern about stability is at the origin and at the host country ... so there is a concern of not sending* [remittances] *using the monies that are in savings accounts* [in the host country]*".*

The research (SQ 3) identified a gap (Figure 11: 4.2) in servicing both ends of the corridor even when the bank has operations in both countries. It confirmed that even with a structure abroad, communication between headquarters and subsidiaries (or branches) are unstructured. In relation to this, Martin-EC stated: *"there is not an aggressive* [coordinated] *commercial policy, as well as the lack of information-sharing between the subsidiary and the headquarters ... maybe I shouldn't recognize ... we requested information to headquarters ... but people in Portugal were busy ... this was not at the top of their priorities".* Mary-BM shares this view *"the strategy followed to address the migrant business segment is very sensitive! There is strong competition between the host and the origin countries* [headquarters versus subsidiaries]*"* (Figure 11: 4.2). She continues: *"There is also lack of communication, but I believe that it is a matter that is linked to the commercial objectives established in each country".* John-EC notes that *"*[servicing] *clients in Portugal and also in* ['my country'] *is good to maintain clients' loyalty to the bank. Also, this is very good for the profitability of both operations".* Gil-EC agrees that *"from a strategic point of view, definitely we can do more from a coordination point of view, in the different countries in which we operate".*

Paul-MM states, *"The migrants ... it's 'diabolical'! We do not have clear where the client 'belongs': to the host or the origin country".* This statement indicates the importance of customer management at both ends of the corridor, and reveals an operational issue of major importance for the success, fidelity, and profitability of the system, which is impacted by "customer ownership". According to Pierre-EC: *"Every time they come to a branch, our priority is to turn them to the bank in Portugal to immediately cross-sell",* and John-EC makes the point, *"we give very close attention* *to migrants and the coordination allows cross-selling, making the client loyal at both ends".* May-MM confesses, *"I admit there is a degree of 'cannibalization,' but 'cannibalization' is a bit illusory because the banking relationship can be complete at both ends".* The "ownership" of the client, which all interviewees seem to identify as a barrier to proper management of the corridor, represents a gap, probably due to senior managements' lack of attention.

Capturing liquidity and cross-selling at both ends of the corridor should take high priority commercially according to May-MM, *"as cross-selling stabilises the relationships … once you stabilise them, the deposits stabilise … the characteristic of strong focus on savings should be phenomenon in both the host and the origin countries".* This view is not put into practice in the origin country according to Joe-MM, as *"the objective is only to capture liquidity and savings … other [products] are ignored … they are considered 'customers of banks at host countries,' and, therefore, not considered in cross-selling campaigns".* Paul-MM thinks this is very likely to be because *"the 'relationship ownership' should be in the host country … is where, the basic financial needs should be addressed … in my experience it's very difficult, the client belonging to the origin country's account manager".* An additional difficulty is raised by Charles-D: *"bank accounts usually are completely independent",* an operational detail that may impact on the lack of interest at one side of the corridor, confirming the view that Paul-MM put forward that, *"motivation is different* [at each end of the corridor] *… the big problem is the client ownership!"*

With regard to availability of information about customer management at both ends of the corridor, Martin-EC states: *"the bank prepared some statistical information … tried to attract more clients, but we had limitations of staff … the statistics follow-up was not explored as it could be",* Mary-BM adds, *"we don't do it; really, we don't do it!"* and Pierre-EC agrees that *"… the relationship it's not always smooth … at the origin country they feel these customers are problematic in terms of administrative work … emigrants come to Portugal in the summer, when the branches are understaffed".* Mary-BM says, *"We have a lot of pressure, and the lack of communication* [between the headquarters and the subsidiary] *exists actually on purpose … and many times we damage the business because of this! Conflict of interest or lack of awareness? Clearly it is a conflict of interest!"*

According to Pierre-EC's experience, the cross-selling potential of the migrant business segment is *"migrants are likely to have higher cross-selling ratios than other customers".* John-EC says *"answering directly to you, the offer is lower … the number in Portugal is one-third of the cross-selling in* [my country] *… because of the dimension* [as there] *we have a larger portfolio to cross-sell".* This is a view shared by a Peter-EC from a Portuguese bank: *"it's much higher in Portugal … I don't know the ratios, but I know that they are higher … they do not have the* [Portuguese] *'palette' of products".* However, this view contradicts May-MM's, confirming this gap [that the migrant business in the origin country is under-explored], saying that it *"is much more leveraged at the host country … the ratio is one-for-two … in terms of profitability the host country captures more value".* These contradictory views from both sides of the corridor confirm that different banks – addressing the same market niche – show significant variance in cross-selling ratios. This suggests that there is certainly a gap relating to the fashion in which the migrant business segment is managed at both ends of the corridor, proving that there is room for improvement in capturing this business.

Another characteristic of this business niche is expressed by Thomas-EC, he says that migrants are *"a type of client that save a lot, a very active 'clientele' … the financial system disputes them actively",* which is a view Pierre-EC shares: *"*[emigrants] *don't negotiate conditions,* [they do] *leave funds for long periods and also consume* ['buy'] *other products".*

The conclusions on organizational structure, segmentation, product offers and distribution channel are as follows:

- The research revealed gaps in the organizational structure (Figure 11: 4.1, 4.2), even when banks have operations in both countries: one gap relates to the lack of structure and communication between headquarters and subsidiaries; the other relates to the fact that most banks do not have a first-line manager dedicated exclusively to the migrant business segment. This may explain why banks appear not to be focused on the business segment, and why they lost sight of the changes in the paradigm. This demands adjustment of the business model to ensure they remain effective in delivering value for the customers and profits, liquidity and financial stability to the bank. [O17, O20, O24, W11, W15, 17 – Appendix 9]

- The research revealed the importance of coordinated management at both ends of the corridor, and highlighted risks resulting from operational issues that originate from a lack of rules – and the [lack of] common sense among commercial agents, requiring training. Establishing clear boundaries concerning "customer ownership" is a major consideration in order to achieve customer fidelity and banks' profitability through cross-selling. [T4 – Appendix 9]

- Although one interviewee mentioned that a degree of "cannibalization" might occur, it was classified as a "bit illusory", because the banking relationship can be complete at both ends of the corridor. Another interviewee mentioned the fact that bank accounts are usually completely independent, which constitutes another barrier to the definition of "ownership". Therefore, customer's ownership – identified by most interviewees – is a barrier to effective management of corridors, representing a gap, reflects senior management's lack of attention to the area as a result of the non-existence of a senior-management structure in charge of this business segment. [W16 – Appendix 9]

- The research revealed contradictory views – at both ends of the corridor – resulting from the fact that different banks, addressing the same market niche, have significant variance in their cross-selling ratios, which suggests the gap may relate to the way the migrant business segment is managed by different banks in the same markets, proving the view that there is room for improvement in capturing additional business. [O11, W7 – Appendix 9]

- Second- and third-generation migrants represent a business opportunity at both ends of the corridor both in terms of general (dedicated) banking products and in the business niche, to support international commercial relations. [O25 – Appendix 9]

- The research suggests that the point of departure for the business model is to re-engineer the commercial process in order to capture volumes, by selling adequate products, using a focused strategy. Segmenting customers appropriately; maintaining a continuous “commercial shadow”, monitored by a CRM-articulate sales force, behaviour and distribution channels, and knowing customers’ current and prospective financial behaviour, which is then monitored and adjusted to suit their life-cycle, is the means to leverage the migrant business model. [W21 – Appendix 9]

- Furthermore, the research suggests that the reality for migrants today demands operational adjustments: one relates to convenient opening hours, availability, and the speed that remittances reach destinations, which are all value-added service levels offered by competitors, such as MTOs, currently not matched by banks in these areas. [T6 – Appendix 9]

- Another relates to staff training in branches, teaching them about the characteristics of the products, which is considered a key tool in building relationships with migrant customers. [S3, O21 – Appendix 9]

- A criterion for segmentation relates to individual customer’s wealth, which impacts on the type of products that are available to them. Retail banks usually have three segments: private banking, affluent market, and mass market. This criterion should then be segmented according to age, social niche, education, professional status, and life-style, in order to identify adequate products to serve migrants at different risk levels. The research showed that this segmentation is not adopted and, consequently, wealthy migrants are managed by a business segment that does not leverage their business potential. [W13, O7 – Appendix 9]

- There is potential to leverage networks to service immigrants of other nationalities in host countries as well immigrants in the origin country, and to maximize the commercial network by offering other communities similar products. [S6, O8 – Appendix 9]

- A business model was identified adapted for use by two European banks offering specific banking facilities to immigrant communities. Interviewees felt that the model could stigmatize communities, and that it could be regarded as discriminatory, having a negative impact on integration, in addition to not maximizing synergies in commercial and operational terms. [T2 – Appendix 9]

- Research demonstrated that having a strong presence at both the ends of the corridor is a criterion of the utmost importance for success in the migrant business segment, as it is seen as difficult to be the customers' primary bank without a presence in the host and origin countries (Figure 11: 4.2). Several interviewees – including some from the banking system – recognized that few banks understood how to manage this properly. [O10 – Appendix 9]

- If a country has a significant corridor and no presence in the host country, an alternative to capturing this business is to have strategic partners that channel the business. This would generate commissions for funds remitted, allow for a degree of cross-selling, and maintain customer loyalty in the origin country. The choice of strategic partner involves determining what characteristics are required to ensure good relationships and commitment to customers. Network coverage provides "capillarity", to take advantage of numerous points of sale to gain customers' fidelity, requiring minimal IT investment to develop and support the business. [O27 – Appendix 9]

- The importance of remittance flows as a basis for the subsidiary business, and the need for liquidity at headquarters (RQ 4.2), appears to present another gap as a conflict of interest between the operations in the host and the origin countries relating to liquidity was identified. [W14 – Appendix 9]

- A compensation system to the subsidiary and the staff to regulate the transfers of liquidity to headquarters is not structured (Figure 11: 4.2). The subsidiaries need to maintain levels of liquidity to ensure they are able to generate business locally –i.e. lending – and the rules are not clear about the liquidity levels to be kept and the impact on financial stability when funds are transferred to headquarters. This relationship is a component of corridor management that should be considered, reflecting senior managements' lack of awareness about a delicate issue that seems to affect the global interests of some banks. [O22 – Appendix 9]

- Bankers operating in host countries say that staff should be remunerated for motivational purposes when sending deposits to headquarters and stimulated in relation to maintenance in the stock of deposits. The relationship between parties – headquarters and subsidiaries – could be structured through payments to the host country at a percentage based on volumes transferred. This appears to fall into disarray due to the lack of organizational structure, which has a negative effect on leveraging the potential of the migrant business sector (Figure 11: 4.2). [O26 – Appendix 9]

- There is a lack of coordination between headquarters and subsidiaries, resulting in poor treatment of the migrants' databases and, as a result, CRM cannot follow this business segment appropriately. Furthermore, communication between networks to leverage the potential of a client in the host and the origin countries is poor or non-existent (Figure 11: 4.1, 4.2); the same applies to market research information, which is not cross-shared or distributed except on an *ad hoc* basis; available statistics are not followed-up and explored due to tensions in the relationship with the origin country, which views the migrant customer as "problematic". This demonstrates a need for structured coordination between headquarters and subsidiaries. [S4, W16 – Appendix 9]

- A gap was identified in relation to banks' focus on the "remittance product" instead of the "migrant customer" (Figure 11: 4.1, 4.2). Most banks do not identify and address the specific needs of migrants: the leveraging of the products portfolio is not adopted in a structured fashion; bank accounts and cards with a few exceptions, including mortgages and restricted types of insurance, represent plain vanilla products (complemented by Appendix 4). The products and services offer does not consider consistently interaction with other stakeholders, which would provide sensitivity to characteristics such as bankarization, financial integration, and CSR. [W18, W19 – Appendix 9]

- The research also revealed that local banks represent a competitive threat, as often, in Portugal, their product portfolio meets the financial needs of Portuguese immigrants better. Although banks' interviewees in host countries understood this threat, it does not appear that senior management in the origin country seriously consider it, very likely due to a lack of management coordination of the corridor. [O9, T4 – Appendix 9]

- Even when the bank is present in several countries and is represented at both ends of the corridor, the product offer seems inconsistent, uncoordinated, and disparate (complemented by Appendix 4). This means, therefore, that the design and development of the strategy is not leveraged. A reason for this may be that marketing divisions do not have a department dedicated to the migrant business segment. The product teams generally offer a sub-product for migrants (i.e. a product "payment transfers" that includes "remittances"), (Figure 11: 4.1) which results in an inconsistent strategic global vision of products adjusted to the financial needs of migrants. [W20, W21 – Appendix 9]

7.8 Barrier/Gap 5 – Bankarization and AML-KYC

Conceptual framework: Bankarization; impact of AML and KYC

The access and use of formal financial services is difficult (Figure 11: 5.1) and although informal financial channels are outside the scope of this work (Ferraz, 2010: 91–4), they are relevant to the discussion of the formal channels as they could represent approximately 50 per cent ($225 billion in 2011) of the volumes of formal channels (de Luna Martinez, 2005: 30–1; World Bank, 2006, 2009; Shaw, 2007: 3; Comini, 2008: 17). If the holders of informal remittance amounts were bankarized, the banking system would attract significant liquidity volumes. This is why it is relevant to understand from the point of view of different stakeholders why informal channels are used when it is clear that banks could benefit from the liquidity; migrants could remit money more safely and have access to other financial instruments, and the informal networks currently the target of AML legislation, would lose their influence in the migrant market (Ferraz, 2009: 5, 14, 17, 92–7; 2010b: 116–21), (Figure 11: 5).

Oleksandr-D reflects: *"EU Countries, but not Schengen ones ... huge volumes* [of remittances] *through informal channels",* these according to Manuel-II are also used for other banking activities as *"informal channels are higher in loans and savings than in remittances",* because as Nick-II points out, *"if migrants do not have credit* [from banks] *... they get credit, at very high rates, because banks do not offer ... informal loans, informal savings? Friends, family ... sometimes money launderers",* which Tim-D reminds us are *"very well organised ... some immigrants make this business their profession ... they lend money to each other".*

In relation to the enforcement of recent AML and KYC regulations, Mitri-II mentions that *"9/11 was a traumatic event, so every institution went far ... perhaps to protect itself a little further",* which as Victor-P points out, in political terms, *"fighting money laundering, financing of terrorists, criminal activities ...* [that's] *the point of contact between the banking system and European Union institutions".* Thomas-EC warns of the political implications too in that the *"phenomenon that will continue and should be carefully faced by politicians, as in the current globalization context, there is a concern of their integration".*

However, with regard to the new regulations, Victor-P says: *"Okay, we need some precautions, but it is a win-win situation... they feel integrated and useful",* Manuel-II thinks that, to *"reduce risk ... bankarize the person; there is a much more robust* *security mechanism in the* [formal] *system. The problem with banks is different: it's not regulation ... how much money can be made? Nothing to do with regulation!"* Pierre-EC from a US bank says *"compliance nightmares ... makes the business difficult",* which is an issue not recognized by Manuel-II, *"new rules make a migrant's life much more difficult in terms of bankarization ... it's at the bank's discretion to decide the identification required, not the governments'! It's up to the banks!"* Nick-II shares this view: *"*[immigrants] *have a lot of problems identifying themselves to comply with AML … find themselves excluded ... and the banking sector has no interest in capturing that segment ...not the right approach!"*

Victor-P says that informal channels are used due to *"probably a prejudice about the banking system … they just want to get their hands off such a world",* Nick-II says it's *"because they* [the banks] *do not like dealing with migrants".* From the point of view of Diaspora associations, Charles-D gives another reason: *"because they are less expensive ... this is our view"*; Oleksandr-D mentions a practical barrier: *"without a visa the banks do not even want to open an account for an immigrant".* Mitri-II suggests that *"making the bank part of how people* [migrants'] *think about their financial and their family's financial future would be a solution".* The view of Pierre-EC, from a bank, is that it is *"critical remittances are channelled through formal* [channels] ... *if not, the balance of payments is hurt".*

Opening a bank account seems to present issues, Charles-D says that *"to open an account ... is a very big problem",* a position to which Tim-D relates, *"usually banks do not open one without a visa … simply do not accept, and we* [Diaspora associations] *don't know why ... banks are inconsistent towards immigrants"*. Nick-II says that *"Banks should stop thinking migrants do not want to be bankarized ... opening a bank account is more a problem than a benefit".* Tim-D stresses that *"there are factors able to make the life smoother. Would it not be more advantageous instead of using the agencies* [MTO] *or informal channels?"* Pierre-EC suggests that one way to control the risk *"are accounts* [with] *products and service of limited utilization … certain basic services… no cheque book".*

With regard to bankarization and the risk immigrants could present to banks, Manuel-II states that *"lawyers are risk-adverse by nature, and there are also the risk* *managers; but it's not in the law, risk managers* [decisions]*"*, while Pierre-EC says *"multilateral agencies know this very, very well ... it's why they make a lot of effort to move them* [remittances] *from informal* [channels]*"*. Tim-D notes that it would create *"a very fertile ground* [to eliminate] *current barriers to bankarization",* while Charles-D mentions that *"the priority is bankarization, deal with immigrants as a normal client".* Thomas-EC agrees with the previous statement, mentioning his *"concerns for bankarization ... that would allow* [immigrants] *to remit money"*. Victor-P states that *"there are success stories ... individual initiatives, not a national policy from the government".*

The conclusions are as follows:

- Attracting transactions from informal agencies to the formal system is in the interests of banks, international institutions, politicians, and Diaspora associations. The research suggests that the banking system – beyond its general lack of awareness, as identified, about the potential for liquidity and other businesses in informal channels – seems to take a "reserved and distant" position on bankarization. This is in spite of recommendations by international institutions – identified as a gap in communication among stakeholders – which could be directly attributable to the lack of involvement of senior management in banks, impacted by a general lack of awareness about the changing paradigm and the potential of the migrant business segment. [O13, O23 – Appendix 9]

- If the owners of informal remittances were bankarized, significant volumes of liquidity would flow through the banking system, which is why it is relevant to understand the reasons – from the perspective of different stakeholders – for the use of informal channels. Banks could benefit, migrants could remit money more safely and have access to other financial instruments, and informal networks, currently the target of AML rules, would lose their influence over the migrant market. [T5 – Appendix 9]

7.9 Bridging and referencing the conclusions in Sections 7.4 through to 7.8 and in previous documents

The conclusions of Sections 7.4 through to 7.8 are systematized, referenced, cross-referenced, and summarized in Appendix 9: the SWOT Analysis, which is cross referenced and allocated to the "business model vector".

The SWOT Analysis includes the 61 relevant conclusions upon which it was constructed, developed and discussed. It includes the identification of the gap/barrier number organized according to the stakeholder(s) concerned – the banking system, Diaspora associations, migrants, politician or international associations – all of which were judged to be the "source" of the gap/barrier, and deemed to be "impacted" by it; this in turn informed the strategic and research questions, which led to the conclusions of this research. It also identifies the business model "vector" (Figure 16) and the previous document number where the research had already indicated gaps/barriers, as well as giving a reference to the relevant page numbers within these documents.

7.10 Perception of warranted knowledge and judgment

The interviews were employed to gather perceptions, not for analysis of the language used. The Figure 12 below indicates the author's perception of individual interviewees' warranted knowledge and judgment on claims and/or evidence as a result of the qualitative research analysis. Certainly this is subjective analysis, but it does provide insight and the interviewee profiles give validity to the results.

The results of the qualitative research exceeded expectations in terms both of confirming the barriers and gaps identified initially, and over the course of the work, disclosing other relevant information and gaps.

	Interviewee		1.1	1.3	2	3	4	5
International Institutions	Manuel	II	●	◑	◕	◕	●	◕
	Mitri	II	●	◕	●	●	●	◕
	Nick	II	●	◔	◕	◑	●	◕
	Victor	P	◕	◕	◔	●	◕	◕
Banking System	Anthony	EC	●	◔	●	○	●	○
	David	EC	●	◔	◕	◔	◕	◕
	Gil	EC	◑	○	◔	◔	◕	●
	Joe	MM	◑	○	●	N/A	◕	N/A
	John	EC	●	◑	●	●	◕	●
	Louis	EC	◕	◑	◕	◔	◕	◔
	Martin	EC	●	◔	◕	◔	◕	◑
	Mary	BM	◕	○	◕	◔	◕	◑
	May	MM	●	◑	●	N/A	●	◕
	Paul	MM	◕	◔	●	◕	●	◑
	Peter	EC	●	◕	●	N/A	◕	◕
	Pierre	EC	◕	◑	●	○	◕	◕
	Thomas	EC	●	◕	◕	●	◕	●
Diaspora	Charles	D	◑	○	◕	◑	◕	◕
	Oleksandr	D	◕	◔	◔	◕	◕	◑
	Tim	D	◔	◔	◔	◑	◕	◔

1.1 **Liquidity and Financial Stability**
1.3 **Stakeholder Cooperation**
2 **Cross-Selling and Profitability**
3 **Financial Integration and CSR**
4 **Financial Needs and "Customer view"**
5 **Bankarization and AML**

II **International Institution**
P **Politician**
EC **Executive Committee**
BM **Branch Manager**
MM **Marketing Manager**
D **Diaspora**

○ ◔ ◑ ◕ ●
Low → High

Figure 12 – Interviewer's perception of interviewees' warranted knowledge and judgment on claims and/or evidence

8 *'Mind the gaps': A virtuous circle at both ends of the corridor*

8.1 Stakeholders' view of banks involvement with migrants and the need for an innovative business model

The research is focused on the banking system. The business model is designed to be used by banks, and is perceived to make a contribution both to the academic and the business worlds. Document 3 researched qualitatively the banking industry as a stakeholder, while Document 4, researched the "overall context" in the banking industry of the flows of people and remittances and their impact on the banking industry. After analysis of that research results, further interviews were carried out for Document 5, including research involving international institutions, Diaspora associations, and a politician, as well as additional elements within the banking system. It was felt that it was important to have additional viewpoints and further information about the strategies available in relation to the connection between migrants and the banking system.

Appendices 9 and 10 "bridge" the research from previous documents to the current document. Appendix 9 includes references to Documents 2 through to 4, which relate to the 61 conclusions that comprise the SWOT analysis; Appendix 10 includes the references cited throughout Document 5 comprising selected research conclusions from Documents 1 through to 4. This is detailed according to section, document number, reference, including page numbers, as well as the page of Document 5 in which the reference is made. The conclusions below reflect the viewpoints of international institutions, Diaspora associations, and the politician about the banking system's involvement with migrants.

Interviews with stakeholder representatives from international institutions, Diaspora associations, and politicians provided insight into how banks could address the migrant business segment. Most interviewees agreed that it was difficult to access senior management in banks, and that banks do not give the migration phenomenon the attention it deserves. There appears to be a degree of "buck-passing", where responsibility for innovation seems to belong with other stakeholders, a comment made by European Union politician Victor-P criticising the level of communication between stakeholders and the banking system, is a case in point: *"*[his department had] *other terrible priorities in the European Union agenda for migration",* and, he added, *"the role of his department was over as soon as their recommendations had been published, only issues of high priority were discussed with governments and, sometimes, banking authorities".*

Diaspora associations do not communicate with the banking system at any level, but are aware that migrants experience difficulties with banks and that this impedes financial integration. They were critical of the lack of contact with international institutions and unaware of publications and recommendations by them. Failure to communicate with the banking system was put down to limited human resources and the need to deal with other priorities, but the view could be taken that it is down to poor prioritisation of their agenda, as it contradicts Diaspora concerns relating to financial integration.

Interviewees within the banking system generally took different, more rigid positions, depending on whether they were from the origin or the host country and where they were in the hierarchy. They all showed consistent viewpoints regarding the importance of the migrant business segment, but most were not aware of remittance volumes, recommendations from international institutions and cross-selling ratios at both ends of the corridor. At senior management level in origin countries, issues relating to corridor management – of high strategic importance – were not even mentioned, while marketing managers and senior management in host countries mentioned it as a relevant barrier in the business model.

With regard to the business model, they had been subjected to minor adjustments over time — i.e. the introduction of uncoordinated cross-selling practices and the launch of plain vanilla products – but a product portfolio for the migrant business segment was neither identified nor carried through, and the model has become ineffective. A gap was identified with banks, assuming emigrants would always remit money, but this did not happen as a result of acquisitions and the disappearance of well-known brands affecting "trust and confidence".

Most banks tend to reflect the business ethos – in terms of marketing concepts and management tools – of the origin country, as discussed in the critical literature review. The research concludes that this is not an effective strategy to capture the migrant business segment in terms of customer segmentation strategy, product offer, or organizational structure, and that the coordination between headquarters and subsidiaries and distribution channels at both ends of the corridor, including banks with relevant operations abroad, needs to be addressed specifically to the market.

The lack of awareness among management in banks is due to poor internal communication; there is a low degree of knowledge among management about the migrant business segment and a lack of communication among international institutions and between banks and other relevant stakeholders. This has had direct impact on the [non-] construction and development of an adequate business model for migrants. One reason for the poor communication and planning may be due to middle-managements' dismissal of the subject – seeing it as "peripheral" or of low priority. As Mutch (2008: 39) points out, the focus on tacit knowledge demonstrates the importance of certain groups of managers, namely middle management, in articulating knowledge in organizations. Much of the poor levels of planning and communication can, however, be put down to a "corporate-cultural ethos" and this may relate a "short-sighted attitude", a "comfortable seat with the firm" and personnel that are reluctant to change or see change, or just a simple lack of creativity or innovative spirit. It could, however, lie with the "new blood" as much as the old.

Rae (2004: 493), for example, seems to suggest that part of the problem may lie in the education system, a problem that similarly relies on leadership, good communication, and planning. Rae points to schools' curricula and focus, and suggests that many educational institutions do not to prepare students for involvement in corporate [and banking] entrepreneurial activity [and culture]. Students do not therefore get taught how to take a perspective on, or how to address notions of responsibility in business culture, or how to apply it to their everyday activities, day-to-day jobs, and duties – as it demands creative and business skills that belong to the "DNA" of entrepreneurship.

The lack of creativity, proactivity, and entrepreneurial risk-taking might, therefore, be a part of the reason why senior management have not been informed about the potential of the migrant business segment. It could also be due to the proximity and integration of the personnel responsible for the business model; as Lindgardt (2008: 4) indicates, responsibility for business-model innovation is usually remote from the business and operational areas, or excessively close, generating low incentives to readdress and change the business model. The importance of innovation in business cannot be underestimated. Innovation can be impaired by an "organizational mind-blindness" constituting a barrier, as pointed out by Smith (2006: 280), who stresses that innovation is not only "intern" to a particular organization, but a process demanding a high level of "inter-firm" integration – networking – as a company does not operate in isolation. Osterwalder (2010: 61) complements this view, adding to it a dynamic of "speed and quick market availability", which is seen as a key factor towards successful product innovation. All of these views seem to provide possible explanations for the lack of communication, planning, creativity, and innovation among stakeholders in the migrant business arena. Ironically, one thing that all the stakeholders managed to communicate in the research was that they saw themselves much as if they operated in isolation; and within organizations themselves, the lack of communication revealed by the research was surprising.

8.2 SWOT analysis: support for an innovative business model

The Figure below presents a summary of the interviewer’s perceptions of interviewees’ warranted knowledge and judgment on claims and/or evidence. Each perception is placed in an area of the table entitled “*Overall links of the research components to the proposed business model*” depending on how they relate to the overall research summary, the proposed business model, the barriers/gaps illustrated in Figure 11, the SQ and RQ (Figure 2), how the perceptions related to the business model currently adopted by most banks, and how they relate to the proposed business model that seeks to address the barriers and gaps identified by the research.

“Mind the gaps” at both ends of the corridor	Strategic Question	Research Question	Business Model			Proposed business model
			Critical Literature Review	Qualitative Research	Current model (Appendix 4)	
1 Improve liquidity levels and financial stability through migrants' money flows						
1.1 Lack of awareness by banks of migrants' money flows; its impact on liquidity volumes and corridors	1-2	1.1-2.1	◔	◑	◔	●
1.2. *Stakeholder cooperation: banks, international institutions, governments and diaspora*	2-3	2.2-3.2	○	○	○	●
1.3 *Liquidity and financial stability*	1-3	1.2-3.1	●	●	◔	●
2 Improve profitability through cross-selling at both ends of the corridor						
2.1 *Cross-selling*	3	3.1-3.2	◔	◕	◔	●
2.2 *Profitability of migrants’ business*	1-3	1.2-3.2	○	◕	◔	●
2.3 Number of products	2-3	2.1-3.2	◕	◔	◔	●
3 CSR: respond to the needs of migrants; achieve financial integration						
3.1 *Financial integration*	2	2.1-2.2	◑	○	○	●
3.2 CSR is not considered in the strategic plan, daily practices and activities of banks	2-3	2.1-3.2	◑	○	○	◕
4 Banks offer services at both ends of the corridor in response to the demands of migrants						
4.1 Financial needs: "one-product view" versus "customer view"	2-3	2.1-3.2	○	◔	◔	●
4.2 Banks: corridor management	2-3	2.1-3.2	○	◔	◔	●
5 Bankarization Impact of AML & KYC						
5.1 Accessibility and usability of formal financial services	1-2	1.2-2.2	◔	◑	◕	●

Figure 13 – Overall linking of research components versus proposed business model

Research into business models currently employed by banks (Appendix 4) revealed barriers and gaps confirmed in the interviews and the critical literature review. Stakeholder interviewees totalled twenty-one. Most agreed that the current model is inadequate. The critical literature review showed that within academia, articles, books, and current research there is scant focus on migrants and the financial system.

The answers to the RQ in relation to the SQ were compiled into 61 relevant conclusions (Appendix 9). The dispersion and variety of the conclusions presented a complex array that needed validation: would the results provide the necessary information to design an innovative business model based on the current model, or was the business model itself definitively threatened and irrecoverable? To clarify this doubt scientifically, a SWOT analysis was employed to answer that concern, based on Appendix 9, it allows for the conclusions to be organized qualitatively to identify the weaknesses, opportunities, strengths, and threats of the current business model, considering the objectives of SQ 3:

> *"How do banks improve financial stability and increase profitability in relation to the business needs of migrants in an increasingly competitive market?"*

Business models evolve, requiring regular review and updating, as they are defined through a dynamic network of stakeholders (Schweizer, 2005: 37–56); this is true for Greenberg (2004: 31) too, from the stakeholder perspective: businesses evolve quickly in their structures and thinking. This appears to be what has happened (or has not happened) to the business model implemented by banks in the 1960s and 1970s.

To support and consider the theoretical components of the business model, the SWOT analysis indicates the "strengths" and "weaknesses" as seen from two perspectives: the "internal world" of banks and the "external world" of the market, concerned with business "opportunities" and "threats". In relation to business, opportunities are defined as the result of one's action to change, improve, or take advantage of a situation. Opportunities are apparent to those who recognize them, using knowledge, experience, and behavior to create a new venture within an industry that is already known and understood (Rae, 2004: 497; 2007: 3). In as much as this relates to banks, it would appear to be applicable to the current discussion. Banks are faced with an entrepreneurial opportunity: the migrant business segment, which they could exploit and should address as a business opportunity, beginning with a new business model. Schweizer (2005: 41–2), with reference to the business model says that it is a tool fundamental to the efficiency of an organization; it reflects what it does and why it does it, which echoes Rae's (2007: 3) notion of the 'opportunity' often being there if only it is recognized.

The following are the main points in relation to the SWOT analysis:

- The gaps are classified according to: strength, weakness, opportunity or threat and are allocated to one of the four vectors – financial stability, profitability, involvement of senior management and the management of corridors (Figure 16).

- A "qualitative" classification on a scale of 1–5 is provided to grade the items included in each component (strengths, weaknesses, opportunities and threats) of the SWOT analysis: 1 reflects a "product view" while 5 – the most important in the criteria adopted – reflects the "customer view". The ratings were allocated to each strength, weakness, opportunity or threat and, within these, to the four vectors defined for use in the business model, motivated by the research findings, according to: financial stability, profitability, involvement of senior management and management of corridors.

The accumulated components, "61 relevant conclusions" of the SWOT analysis, showed the following results:

Strengths	6
Weaknesses	30
Opportunities	13
Threats	7

The weaknesses and opportunities of the current business model used by most banks are higher (43) than the strengths and the threats (13). While the strengths identified by the "internal world" are important to minimise the threats identified by the "external world"; in the current context, it seems relevant to focus on the opportunities that compliment the strengths (19), and redesign the business model to eliminate the weaknesses to strengthen the opportunities (43) presented by the migrant business segment.

Appendix 9 supports this analysis and is the basis for the production of the qualitative research presented in Figures 14 and 15. The first shows the number of strengths, weaknesses, opportunities and threats, framing the "nominal" balance that applies to the four vectors of the proposed business model (Figure 16). Figure 15, on the other hand, illustrates the qualitative analysis of the research results and the conclusions as to whether a new business model is required and its potential to support business development.

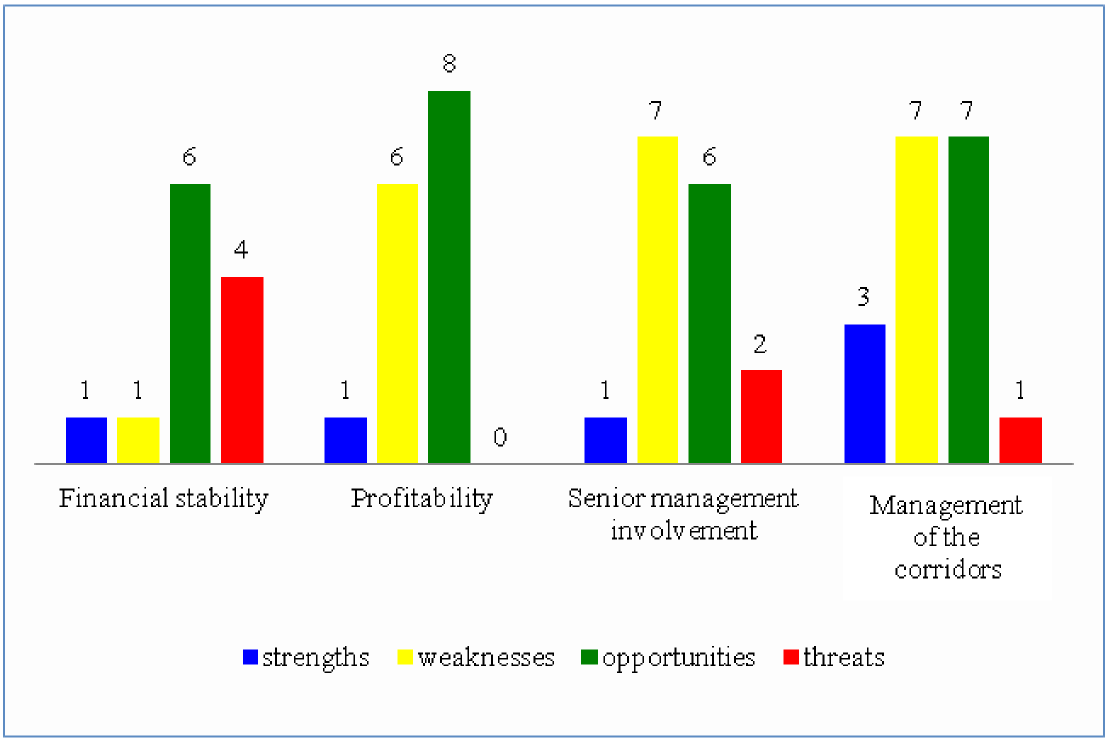


Figure 14 – "Nominal" SWOT analysis by "vectors" of the proposed business model

With regard to potential business development, the opportunities (13) are a significant combined with the strengths (6); used together (19) they are powerful to leverage the strengths. The four vectors reflecting strengths/opportunities range from 7 to 10 qualitative conclusions, which combined with the weaknesses, gives an even higher range of between 8 and 17. These results demonstrate that changing an existing business model or adopting a new one could improve efficiency due to the range of opportunities (to be pursued) combined with the strengths (to capture opportunities) and weaknesses (to be eliminated/addressed to capture the opportunities).

Figure 15 presents a 'refined' angle view of the qualitative conclusions taken from Figure 14, allocating to each one of the four vectors of the proposed business (Figure 16) involvement of senior management and management of corridors – the components of the SWOT analysis. It includes a qualitative classification on a scale 1–5 in relation to strengths, weaknesses, opportunities, and threats. The smaller circles indicate lower ratings from a "product view" approach, while the larger circles represent a business model focused on the "customer view". This suggests that a shift of focus from the "product" to the "customer" would impact significantly on banks' approach to the migrant business segment.

Figure 15 – "Qualitative" SWOT analysis by component of current business model

From a qualitative angle, the analysis highlights the conclusions drawn from Figure 14: "opportunities" have a greater number of large circles, complemented by the fact that there are more large circles than small ones in "strengths" and "weaknesses". However, analyses and interpretation favours the "customer view" approach to leverage the migrant business segment, supporting the need for changes to be made to the current business model for the migrant business segment to respond to the changes in the paradigm.

There are some threats that relate mainly to macroeconomic policies and legal environments, which may limit business development in certain countries, although they relate to services and product development. There is also a relevant threat relating to the customer view, linked to the banks' reputational risk, as stakeholders (but not banks) are critical of the lack of leadership and vision shown to the financial needs of migrants. As Fisher (2010: 189) warns, it may not make sense to change a business model when it generates profits unless it is foreseen that a social element might damage corporate image and reputation; as this contributes to long-term profitability, this threat requires senior management consideration in the business model.

Analysis of why efficiency deteriorated, why banks began to neglect remittances and ignore their potential in terms of broader finances, relates to changes in the migrant landscape and business (Ferraz, 2011: 111). There are many causes that can affect the business model; but in this situation, *"the structures implemented abroad in the 1960s and 1970s were eroded in the 1980s"* (Mitri-II), and the shift in priority meant less attention was paid to relevant variables. They include namely, loans-to-deposits ratios, liquidity management, financial stability, and short-term versus long-term debt management, as well as other variables outside banks' control (i.e. sovereign ratings), (Ferraz, 2011: 68–75, 80–3, 95–100, 104–5).

Aligning the conclusions of the SWOT analysis, a notable scenario for business model innovation is identified: to overcome the weaknesses by pursuing the opportunities. The latter form the largest component in the final analysis, suggesting potential to eliminate the barriers and gaps identified in the research by replacing the current "product view", offering minimal strengths, with the "customer view". In the analysis, the threats are less when focused on products and services rather than on customers, which reinforces the belief that an innovative model is required that conceptualizes and theorizes the changes in the landscape and the business paradigm to address specifically the financial needs of migrants and their families. This corresponds also with CSR, leveraging the relationship between banks– acting as a bridge – for the financial integration (bankarization) of citizens and professionals in the host and the origin countries.

The proposed business model (Figure 16) articulates and coordinates the research conclusions, distributing them along the objective vectors: financial stability and profitability with opportunities well balanced and distributed along each one. This demonstrates that increasing strengths can generate financial stability and profitability, but shows that the commitment of senior management and the adoption of a customer view at both ends of the corridor is required, as this is where the weaknesses were concentrated. In addition, the profitability vector reveals weaknesses that will be overcome if the focus is on the customer. Although the current product focused business model may be profitable, improvements can be made to contribute to financial stability and profitability.

The strengths are concentrated in the management of corridors. Many banks already have much of the necessary infrastructure installed: branches, networks, banking outlets; offers of selected services and products and IT platforms that could be leveraged if a customer view is adopted. There are some threats that relate to financial stability because of policies and regulation, but these do not conflict with the opportunities and strengths and the weaknesses that need to be overcome, as the proposed business model would be adjusted to eliminate the threats.

The research conclusions support a theoretical approach to the business model as proposed by Strategic Question 3 (SQ 3), with its practical implementation leveraging a convergence (at both ends of the corridor) that will contribute to financial stability and profitability; encourage banks to adopt an approach in line with CSR, and which will impact positively on the economic and social development of two countries at the same time.

8.3 A business model to bridge the gap between migrants and the banking system: a contribution to financial integration, financial stability and profitability

In order to build the theoretical business model for the migrant segment, the research components were analysed, compared, collated, and then applied to it. The business model implements an innovative value proposition that is applicable to the "product view" business model currently used by most banks, or it can be utilized to launch a new business area. The model is based on the concept: "*From product to service, leveraging structures abroad by using the capabilities of headquarters*". The process is illustrated in Figure 16. The title of the final result is:

- *"Bridging the 'gap' between Migrants and the Banking System: an innovative Business Model to promote financial integration, financial stability and profitability".*

The challenge is to devise an innovative business model to change current practice and bring about the positive benefits envisaged for both migrants and banks. Smith (2006: 6) frames the concept of an innovation—moving a project from invention, that is from the 'laboratory' (research stage), and getting it ready for the market—a key element of a project's "newness", which subjacent holds the concept of an "inventive step". Osterwalder (2010: 78) adds to this the concept of "multi-sided platforms" that bring together two or more "distinct but interdependent" groups of customers (e.g., migrants and their families at both ends of the corridor), creating value (e.g., offering a portfolio addressing their needs) as intermediaries by connecting these groups (e.g., through platforms in both the host and origin countries). All these facets are reflected in the proposed business model (Figure 16).

The current research may be viewed as an innovative concept that has led to the crafting of a "non-technical business model", "non-technical" because it excludes detailed IT, customer segmentation, or CRM components, as it is known that these technicalities will be influenced by the characteristics of particular banks. As Smith might see it, the current research has revealed several "inventive steps". These include identification of the lack of knowledge among current stakeholders and evidence that the bankers' paradigm requires shifting in terms of knowledge, attitude, and practice. How to promote better dissemination of knowledge and help implement the paradigm shift needs to be a priority of the business model. The research also showed that areas of responsibility and decision-making were not in place. In fact, leadership in general lacked awareness, specifically in the migrant segment – and surprisingly – it was not felt that responsibility could be left "in the hands" of middle management to warn senior management. The investigation concluded that in both the host and origin countries, in most situations, middle management do not own the knowledge, leverage, or power to influence and implement change. Nor do they feel inclined to warn senior management that there has been a change in the fundamental landscape: the "old" paradigm under which the current business model was crafted has gone; a change or adjustment of the current business model is urgently needed, or the launch of a new business segment should be a priority in retail banks.

The results of the research demonstrate that the findings will make a valid contribution to both academia and business practice. The qualitative research revealed that international institutions, Diapora, and politician believe that senior management displays an intriguing lack of knowledge and awareness about the current situation regarding migrants and remittances. This, apparently, results in the perception among stakeholders that there is a lack of commitment among banks to exploit the market. These gaps and barriers, therefore, suggest that first and foremost there must be change in the "cultural paradigm" within banks, and that this change must take place among senior management; reframing the way they perceive the migrant business segment. Only then will it be possible to move to technicalities, an area where banks already own the expertise and infrastructure.

The research suggests that senior management should be alerted to the potential of the migrant business segment and encouraged to see how it can ease the current financial crisis by introducing the much needed liquidity from remittances – contributing to financial stability – and how adequate monitoring of the business can ensure it meets expectations in all areas: profitability, CSR, and security. The revealing and intriguing findings of the research will now be discussed and demonstrated in detail supported by the conceptual and theoretical framework so far put forward.

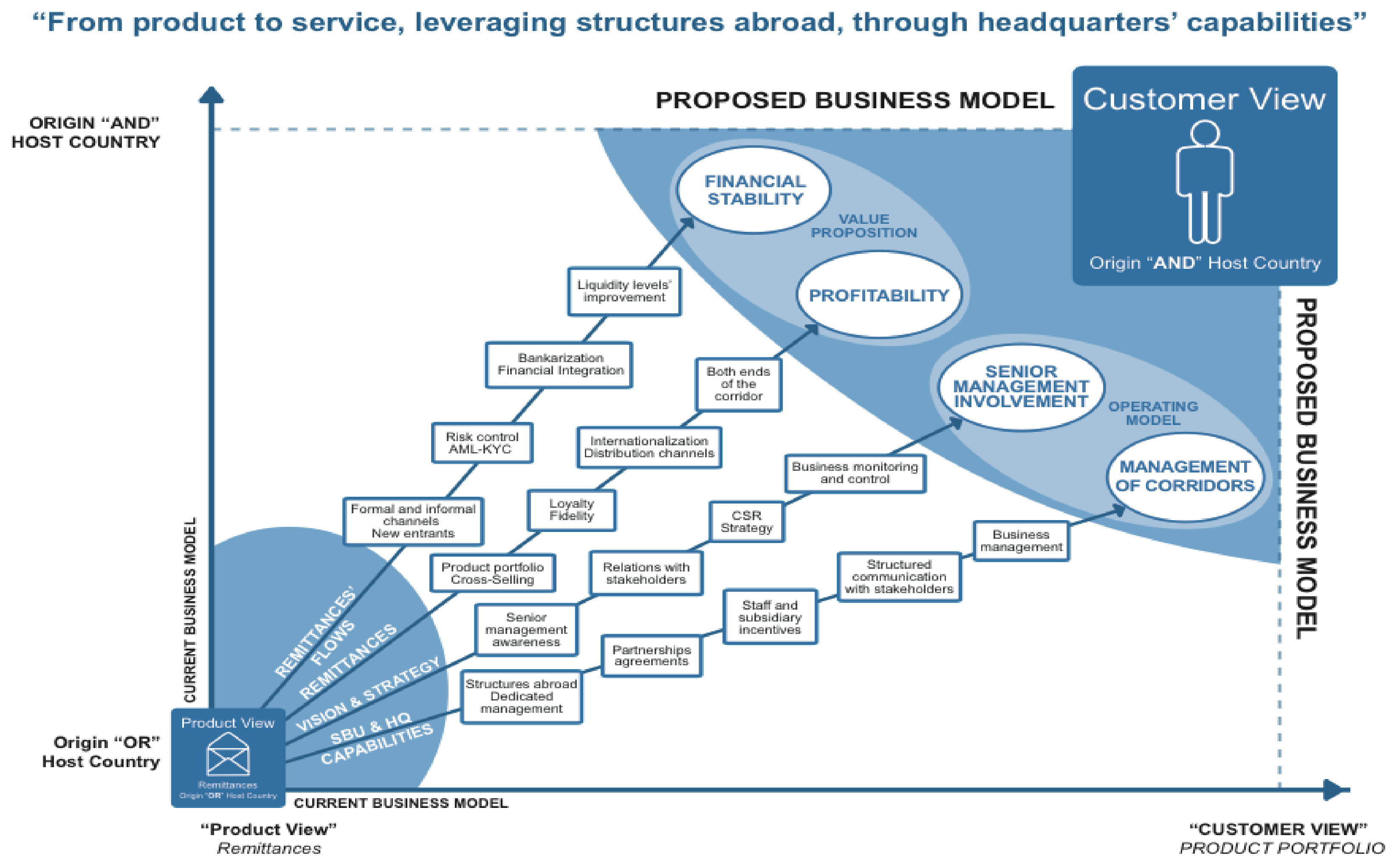


Figure 16 – Evolution from "product view" to a "customer view" business model at both ends of the *corridor*

An effective business model should reflect the logic of doing business, linking strategy and operational processes (Pateli, 2004: 307–8); it should articulate the value proposition; provide a solution and a process to get it done, and present the offer (Johnson, 2008: 52–3). To ensure effective management and organization to carry through the process, Smith (2006: 242) suggests that a multi-disciplinary team is indispensable. The business model should encompass a set of operating practices to generate profits, being culturally ingrained across functions (Greenberg, 2004: 63) and, according to Margretta (2002: 3–4), it will reflect what a company does to generate profits.

To achieve these objectives, the business model proposed here includes two axis and four vectors. Axis *y* and *x* at point *0* represent the host “or” the origin country and the “product view”, respectively, while their *end-points* represent the host “and” the origin countries and the “customer view”. Axis *x* and *y* are linked (top right) by a dotted line to illustrate that the business model takes a “customer view” approach at both ends of the corridor. The four vectors comprise the components of the business model: financial stability and profitability are the strategic objectives of SQ 3, while involvement of senior management and management of corridors were both identified as essential operational components to enhance the business models most banks currently maintain, to help leverage current structures abroad by utilizing capabilities of headquarters and establish objectives by effective management. The business model is built around the main objectives of SQ 3 and designed in relation to the findings of the Research Questions, shifting focus from the “product view” – remittances – to a “customer view” – to offer services and a product portfolio that services both the host **and** the origin countries instead of the host country **or** the origin country.

The value proposition and the operating model introduce the offer and the mechanics that will deliver it:

- The value proposition represents *what* the bank is offering and to *whom*, it includes: (i) targeted segments and needs; (ii) the product portfolio; and (iii) profitability (Lindgardt, 2009: 1–2). The value proposition is represented by the dotted line in Figure 16; linking both ends of the corridor. The product portfolio

– designed to maximize leverage of the migrant business segment – is represented by the two vectors financial stability and profitability.

- The operating model addresses *how* banks will deliver the *offer*, including: (i) how to deliver customers' demands; (ii) the price, deals within the configuration of the banks' assets and the costs of delivering the value proposition; and (iii) the organizational structure to maintain competitive advantage (Lindgardt, 2009: 1–2). These elements are reflected in the two vectors "involvement of senior management" and "management of corridors".

8.3.1 Value proposition: "Financial Stability" and "Profitability" vectors

The IMF (2011: ix) has warned that risk to financial stability has increased substantially, which is of great concern to the banking system and financial authorities. Migrants' remittances generate liquidity and can contribute to financial stability if the business model proposed here is adopted. Figure 16 illustrates the components banks could implement to take advantage of the migrant segment and increase financial stability. These are described below.

Formal and informal channels and "new global competitors": remittance flows of emigrants are the source of liquidity for the "financial stability" vector and were the main reason banks established structures abroad in the 1960's and 1970's. Increased flows of immigrants to formerly traditionally emigrants' countries (i.e. the UK, Portugal, Spain and Ireland) are considered business segments with high growth potential. Banks have minimal awareness of volumes processed through informal channels and largely appear to ignore threats of new global competitors (i.e. MTOs, MTFs, PSPs, telecommunications firms and other non-supervised entities) that attract large volumes of business away from banks: remittances appear not to constitute a priority for banks.

Research revealed that Portuguese banks already have a significant percentage of migrants' deposits on their balance sheets that they could leverage, and as Osterwalder (2010: 200) advocates, a good understanding of the environment would allow for an evaluation of all the different avenues that a business model might exploit. This is why the proposed business model alerts banks to the need to address informal channels and new global competitors (Appendix 9: O01, O05, O13) which are shown to represent major competitors ("threats") within the migrant market. Moving these remittances to banks' deposits will increase liquidity volumes and impact positively on financial stability. Banks are aware of the current immigration phenomenon, but need to focus on the needs of the migrant business segment, targeting migrants' liquidity at both ends of the corridor. This recommendation relates to the following concerning AML and KYC legislation.

<u>Risk control and AML and KYC</u>: the policies and procedures relating to credit risk approval and enforcement of compliance rules applied by many banks in relation to AML and KYC seem excessively conservative. The former appears not to consider stability, the credit security profile and specific characteristics of most immigrants, many of whom are well-established in host countries, as for the latter, the demands made on immigrants concerning ID are considered to go beyond the requirements of the law. Research suggests that after 9/11 law departments and compliance officers constitute a significant barrier to bankarization and financial integration.

The business model proposes that risk control is reassessed and monitored periodically to ensure consistency and fairness, as management in the host country consider that the credit risk of a migrant is overrated by headquarters. This could be done through analysis of a migrant's credit default rate, introducing an algorithm reflecting their credit-risk rating, in line with the results of the previous analysis. AML and KYC practices should be monitored and appraised regularly, involving legal departments and compliance officers, planning and commercial departments, under the direct supervision of senior management.

The objective would be to reassess levels of immigrant default in credit obtained compared to other types of customers, and to review and monitor AML–KYC rules from the perspective of what ID is required to open a bank account. These recommendations would facilitate bankarization and financial integration. A potential barrier relates to what extent banks can influence AML and KYC rules, but better communication between banks and the authorities would encourage the involvement and cooperation of all stakeholders in this field.

<u>Bankarization and financial integration</u>: bankarization is the first step to bringing immigrants into the controlled environment of the banking system, reducing the influence that informal networks have over them. The immediate “interim-financial integration” that bankarization offers by opening a bank account is also important for banks as it attracts remittances and cross-selling of other banking products (i.e. consumer credit, mortgages, and deposits) that are outside the informal systems – contributing to financial stability – and representing new business opportunities that will impact on profitability.

The proposed business model suggests that the banking industry defines the meaning of the term “financial integration”. Research showed a wide misunderstanding of the concept among professionals even though the term is central to any CSR programme, including financial literacy programmes as financial inclusion tools.

Both bankarization and financial integration are intimately related CSR [strategy] concepts (addressed in the senior management vector). Banks’ current involvement with Diaspora associations appears to be limited to philanthropic contributions and uncoordinated and unstructured CSR and marketing activity. The proposed business model recommends that banks need to improve awareness of both concepts in order to see the benefits of developing financial inclusion programmes, such as the financial integration of migrants and their families by meeting their needs at both ends of the corridor, and seeing the competitive advantage of doing so.

<u>Improvement of liquidity levels</u>: banks should communicate with other stakeholders – another innovative idea of the business model- to improve awareness of the consistent and forecasted growth in the movement of peoples and remittance flows and the liquidity it generates. Remittances are a relevant contribution to the financial stability of

banks and the banking system as a whole. Another aspect of remittance flows is the leverage potential for both banks and countries: forecasted remittance flows could be used as collateral to issue private and sovereign debt (i.e. Diaspora bonds, at Ferraz, 2011: 93–5) to increase liquidity levels.

The components of this vector would contribute to liquidity levels and improve financial stability if banks change their approach to both the emigrants and the immigrant business segments in both origin and host countries. This vector is intimately related to the operational model in terms of its implementation and monitoring.

The following paragraphs present the recommendations of the innovative business model, discussing the second vector of the value proposition: "profitability". For the vector "financial stability", "remittance flows" was the starting point; for "profitability" the "remittance product" is the starting point.

<u>Product portfolio and cross-selling</u>: banks currently focus on remittances and cards with a few exceptions that include mortgages and restricted types of insurance; all in all, they offer a plain vanilla product that does not identify or address the specific needs of the migrant business sector and, therefore, does not leverage the business potential. Rae (2001: 334) advocates that a business must be focused on constantly identifying potential opportunities. It does this by staying close to the market it services; through innovation – products and services – and by implementation of new business models. Research revealed that most banks do not have a marketing division dedicated to migrants; the product team offers a sub-product for migrants (i.e. a product denominated "payment transfers" that includes remittances). The result is the lack of a consistent, strategic global vision of products adjusted to the financial needs of migrants, confirming the view of Johnson (1987) who stresses that "logic" often takes for granted customers' needs.

Even when a bank is present at both ends of the corridor, the product offer seems inconsistent and uncoordinated. The cross-selling ratios at each end of the corridor are inconsistent and are not monitored, restricting cross-selling potential, which is currently limited (to remittances) because of the lack of a dedicated services and products portfolio, in addition to a lack of interaction with other stakeholders.

In order to leverage the potential of the migrant business segment, the proposed business model builds on the significant impact cross-selling has on profitability, and notes the improvements it could make at both ends of the corridor. For a bank to achieve high cross-selling ratios at both ends of the corridor, it must be equipped with a wide range of products and services suited to the market in both countries, including those available to other customers of the same wealth segment, products designed for the specific needs (i.e. of migrants and their families) and then it will gain a share-of-wallet of the customer that will increase profitability.

<u>Loyalty and fidelity</u>: both concepts link strongly to CRM, but also relate to the services and products' portfolio and cross-selling. Although customer loyalty and fidelity are not directly linked to the number of products a particular customer has, the number of products a customer buys into certainly holds the customer to a particular bank. Research identified a competitive threat from local banks to subsidiaries in the host countries as their product portfolio is wider and covers better the financial needs of the immigrants.

The proposed business model recommends establishing cross-selling objectives to improve customer retention through loyalty and fidelity and contribute to profitability. Additionally, specific products developed for migrants and their families should consider CSR concepts (i.e. financial literacy, credit sustainability) and include "emotional" elements linked to the origin country (i.e. familiar symbols at the branch in the host country, picture on a credit card from the origin country), as well as matching or bettering the offers available at local banks.

<u>Internationalization and distribution channels</u>: are interconnected concepts in the migrant business segment. Banks established subsidiaries in Diaspora countries around four decades ago and although these structures have not been exploited over the last ten to fifteen years, they still exist and could be leveraged. Most banks maintain basically the same business model focused on remittances, but do not segment customers based

on their wealth and life-cycle through distribution channels. Similarly, most banks tend to adopt generally the same marketing concepts, although the research suggests that application of those concepts is not capturing the migrant business segment.

The proposed business model recommends better management of customer segmentation to offer a services and products portfolio that addresses different needs dependent on wealth and life-cycle at both ends of the corridor. Segmentation should also allocate customers to different distribution channels depending on their needs at each end of the corridor. A segmented database would allow leveraging immigrants in host countries and the potential to leverage networks abroad and service related immigrant communities in the origin country. A bank in the host country that does not have a presence in the origin country may consider a partnership agreement with a bank in the origin country to enable servicing migrants' families in the origin country.

Segmentation is commonly linked to determine the wealth levels of individuals and decide what products and services they are offered, but it could be applied to impact positively on CRM, fidelity and cross-selling potential of migrants and their families in a similar way, by segmenting family networks across borders.

<u>Both ends of the corridor</u>: this innovative concept relates to most areas of the business model, but mainly to cross-selling and distribution channels. Current business models do not incorporate the concept of "servicing migrants and their families in both the host and the origin countries" as a key component, as most banks focus on migrants "or" their families but do not tie-up the commercial activities between them; they may focus on the host or the origin country but do not coordinate business activities between them.

The concept under discussion to service migrants and their families at both ends of the corridor as represented at the endpoint of axis *y* in Figure 16 should be viewed in conjunction with the "improvement of liquidity levels" in the "financial stability" vector as well as with the "products portfolio and cross-selling" in the "profitability vector". The convergence of these components suggests that banks should consider these conclusions to build a business model for their migrant market niche.

Conclusions of the value proposition: the vectors “financial stability” and “profitability” appear to head in the right direction, as Lindgardt (2009: 1) asserts, leveraging structures and new competitive approaches to add value for customers will bring about changes to business models. Another perspective for leveraging structures is related to a “corporate entrepreneurship culture” which motivates employees to identify opportunities. This allows personnel to leverage resource networks and promotes risk-taking actions (Rae, 2001: 326), which can be leveraged through [banks] corporate networks, seen as “social capital” by Rae, and based on particular individuals that have access to resources (Smith, 2009: 10). The corporate awareness advocated by Rae and Smith appears to suggest that there are innovative opportunities for banks to grasp, employing their already available resources (infrastructure, staffing, know-how, technologies, security, emotional-value assets, and trust), which could go towards mitigating the foreseen threats that the current climate seems to pose for financial stability and profitability, and which could be positively addressed by exploitation of the migrant business segment.

The proposed innovative business model envisions a strategy “framed” at the end of axis *y* by “origin and the host country” and which crosses the end of axis *x* with “product portfolio” – joined by a dotted line at the right-hand edge to represent moving the focus from a “product view” to a “customer view” strategy. This will contribute favourably to both financial stability and profitability and influence how banks redesign and develop strategies to address the migrant business segment.

8.3.2 Operating model: involvement of senior management and management of corridor vectors

The two vectors that radiate from the “current business model” position begin with “vision and strategy” and “SBU and headquarters capabilities”, progressing to the operating model with “involvement of senior management” and “management of corridors”. Lindgardt (2009: 5) confirms the importance of these two vectors, noting that when two or more elements of a business model require change to deliver value in a new way (as proposed in the value proposition), it involves a multi-dimensional and coordinated set of activities, which is why executing such innovations is a challenge. The challenge is recognized by Rae (2001: 328), who states that a "mission" – resulting from a "vision" – emphasizes values that are linked to an operational component of a business model. Osterwalder (2010: 14–15) complements this concept by saying that the business model should describe the logic behind the ability of an organization to create, deliver, and generate value; it should describe a concept that everybody understands, but not over-simplify the complexities involved in it, while Daruvala (2012: 3) says that it translates 'how' banks operate and the work is done. This is a matter discussed later in this section. Figure 16 illustrates the operating model banks could adopt to ensure involvement by senior management in redefining the vision and strategy, ensure effective management of corridors, and leverage structures abroad through the capabilities of headquarters, all of which would improve financial stability and profitability. Figure 16 illustrates the components to effectively implement both vectors as discussed below.

<u>Senior management awareness:</u> senior management (CEO, boards of directors and executive committees, MDs or general managers) lost sight of the importance of the migrant business segment and its business potential, rendering the current business model ineffective, because it has not responded to the change in the paradigm – still the 'old' in their minds and culture - and lacks the vision and strategy necessary to leverage this business. Major reasons for this relate to the lack of monitoring of the migrant business segment, the changes that have taken place; the distractions already discussed (i.e. introduction of the Euro and attention to "fancier" areas) and the fact that the weight of remittances on balance sheets and profit-and-loss accounts has been ignored.

In addition, management lack information and do not follow up on recommendations published by international institutions and politicians. This is due in part to the fact that middle-management does not prioritize this business segment, failing to inform senior management of it, and the changes that have taken place. Furthermore, middle management is not sufficiently knowledgeable about the recommendations and the changes in the paradigm themselves, and it is the culmination of these factors that has resulted in the lack of awareness about changes in the paradigm, which require the current business model to be redefined.

The proposed business model suggests consideration and action from the top; senior management should evaluate the contribution this segment could make to financial stability and profitability, defining a consistent vision for the business and a strategy to pursue it, monitoring it regularly.

Relations with stakeholders: most stakeholders demonstrate low or zero concern about communicating with each other, assuming that the “communication initiative” is the responsibility of other stakeholders, and offering different reasons for this stance. This poses a question about who should break this cycle.

One common sense solution could be that who produces the information ensures it reaches interested parties. However, the proposed business model advocates that banks initiate the change in culture because it is in banks’ interest to attend to the business segment, and, also, they already own structures that can monitor macro- and microeconomic situations and manage financial information. Further, banks should ensure that recommendations from international institutions, as a result of G-8 and G-20 directives (indirectly, governments) are adopted, as this relates to their CSR ‘obligations’, a point discussed below.

CSR strategy: involvement by senior management in relation to CSR – another innovation - is practically non-existent; in the main, current practices do not qualify. This matter relates to financial integration (bankarization) recommended on the financial stability vector of Figure 16. CSR concepts are seldom considered in product design, with profitability assuming a *sine qua non* criterion, even with the few products specifically focused on financial integration. Also, the financial integration of migrants’ families in the origin country is not considered.

Research has shown that global and regional banks hire consultants to prepare CSR and sustainability reports, demonstrating senior management’s lack of attention to CSR ‘conceptual obligations’. Fisher (2010: 188) points out that a test of a firm’s commitment to CSR is its willingness to adapt a business model to consider it. The innovative business model suggests senior management review their current CSR practices and begin to implement measures for absorption of migrants and their families into banking culture. Banks could consider financial literacy programmes in cooperation with Diaspora associations; proactive financial integration programmes for migrants and their families in the host and origin countries, offer micro-credit for recently arrived entrepreneurs, and begin a structured cooperation with Diaspora associations.

Business monitoring and control: rarely does senior management monitor the migrant business and virtually none monitor the effectiveness of their current business model, even when they already have subsidiaries in the host countries. The proposed business model recommends that both issues are addressed periodically to capture the business of migrants and their families at both ends of the corridor.

The "vision and strategy – involvement of senior management" vector comprises all the components necessary for business monitoring and business-model efficiency: raising awareness among senior management about the migrant business segment at both ends of the corridor. In terms of organizational roles, Smith (2006: 242) instructs that the responsibility of a project leader – a concept that can be extended to the leader/manager responsible for the Migrant Strategic Business Unit (SBU) in the proposed business model – is to monitor performance and take action at management level when required. This statement and the issue under discussion is intimately related to the "management of corridors" vector, the starting point of which is to consider the establishment of an SBU focused on migrants and in the ways in which "headquarters' capabilities" are leveraged.

Structures abroad and dedicated management: banks in countries where a Diaspora has existed for many decades already have structures abroad, including a number of banks, subsidiaries and branches. These already-established banks may also have holdings (under their management) in banks abroad, focused on retail banking in general, but without any particular focus on the migrant business. These structures are now managed under a business model that has lost focus of the changed paradigm and, therefore, lost efficiency. The second group of such structures (created over the last ten to fifteen years until the focus on migrants business vanished) approaches remittances simply as payment transfers. These are often managed by a local executive committee, CEO or general managers with minimal influence over senior management, and there is often no fully-dedicated management structure at headquarters and thus no input from senior management in the decision-making process.

The proposed business model considers these structures precious assets (significant investments have already been made in staffing and infrastructure) that if leveraged, could be turned into efficient structures to address the migrant market segment. To achieve this objective in both the host and origin countries – where the immigrant phenomenon shows potential – senior management should appoint a first-line manager or a member of the executive committee that reports to the CEO, although this is dependent on the relevance of the migrant deposits and other business within a particular bank. Associated with the necessity of a fully-dedicated management structure coordinated at both ends of the corridor, is consideration of the situation when the customer straddles both operations. In this case, compensation to staff and subsidiaries in the relationships maintained at both ends of the corridor should be considered, as proposed below in “Staff and subsidiaries incentives”.

Partnerships’ agreements: in opposition to the previous point and in relation to the new wave of immigrants from corridors that have emerged over the last decade (e.g. Asia, Eastern Europe, Latin America, and North Africa) within the EU, many banks do not have an existing structure in those countries, which presents a barrier to servicing migrants and their families at both ends of the corridor – a key component of the value proposition of the proposed business model. The alternative suggested by the research is to build strategic partnerships in the origin countries, much as Osterwalder (2010: 109) suggests, through “open business models” that can be used to create and capture value by cooperating with outside partners.

This solution only partially identifies the strengths of the proposed business model, but has the advantage of allowing evaluation of the business potential and the stability of new corridors, in order to be able to come to decision about establishing a structure in those countries immediately, eventually, or never. It would ensure that customers in the host country are properly serviced in their origin country, building loyalty and attracting to formal channels their remittances and other business, which currently is perceived as being processed through informal channels.

Staff and subsidiaries incentives: most banks do not manage their subsidiaries and staff incentives for the transfer of liquidity to headquarters in a structured fashion, or coordinate cross-selling to customers, managing financial stability in the origin country only. This results in a conflict of interest between subsidiaries and headquarters, impacting negatively on the business, a fact about which senior management seems to be unaware.

The proposed business model considers that these components of the management of corridors should be managed in a structured fashion, reflecting the awareness of senior management to a sensitive issue that seems to affect the global interest of banks; these issues link to the need for an SBU dedicated management structure in the migrant business segment.

Structured communication with stakeholders: communication among stakeholders is practically non-existent in practice, and does not consider business drivers such as vision, strategy, and financial integration. The proposed business model recommends control of communication by senior management, while a dedicated management structure concentrates at an operational level on the migrant business segment – the management of corridors – to ensure that information reaches high-level decision-makers. This includes contact with Diaspora associations, and recommendations published by international institutions, to impact on the vision and strategic objectives and support CSR initiatives.

Business management: market research information is provided on an *ad hoc* basis; it is not systematically produced and shared, mainly as a result of tensions between the host and origin countries, the former often holding the view that migrant customers are "problematic". Information is frequently regarded as "useless" by subsidiaries, due to the lack of coordination, monitoring, and control over the global strategy of the bank and its objectives. In most banks, the treatment and monitoring of the migrant database and CRM is weak or non-existent, resulting in poor client relationship marketing. In addition, as mentioned, there is no monitoring of the statistics and recommendations published by international institutions.

The proposed business model recommends that banks track and monitor their migrant database, CRM, and portfolio-product development, and leverage the potential of migrants already within their networks. This would require establishing rules for the production of management information, as well as business objectives (number of accounts and cross-selling ratios, and leveraging the product portfolio at headquarters) in order that information is shared at both ends of the corridor. Good communication and cooperation with stakeholders – Diaspora associations and international institutions – concerning findings, statistics, and recommendations, systematically analysed and shared, would support this new culture.

Conclusions of the operating model: the current business model responds to a point raised by Mutch (2008: 20), who says that managers have little time or inclination to reflect on what might be needed, tending to rely on what already exists; assuming that, that is, what they *ought* to use. The proposed business model sees that the "management of corridors" vector begins with the establishment of an SBU focused on migrants, and specifically plots a way that headquarters' capabilities could be leveraged jointly with the "vision and strategy" vector to improve financial stability and profitability. Smith (2009: 1) says that innovation requires access to a range of resources, demanding more than technological expertise. Lindgardt (2009: 1–2) stresses that business-model innovation must be cultivated systematically, sufficiently supported and explicitly managed; it is not enough to only restructure the functional initiatives. Osterwalder (2010: 212, 258) shares this view, saying that a business model is a key management activity that allows for evaluation of the market position; it should alert management to the need to adapt accordingly, and the strategy team should monitor business models and their evolution as a means to assess the need for adjustments or recommendation for a complete change. Cross-functional re-design of how business is done ensures that value is delivered, and this constitutes a key component, which the proposed business model has addressed in recommending that the task of servicing migrants and their families at both ends of the corridor requires the commitment of senior management and a dedicated management structure.

8.3.3 Recapping the strategic questions: has the business model research filled the gaps and overcome the barriers?

Throughout the research, the strategic and research questions have been under permanent scrutiny. Strategic Questions 1 and 2 were "subsidiary strategic questions" as the answers to them would "frame and influence" the "main strategic question", SQ 3: The first SQ relates to people and remittance flows: *"What strategic decisions should banks make about how to meet the financial needs of migrants profitably?"* The second relates to CSR and financial integration: *"A banking strategy for the migrant business segment based on CSR/financial integration: business leverage or business constraint?"*

Based on the first two strategic questions, SQ 3 focused on financial stability and profitability, as follows:

> *"How do banks improve financial stability and increase profitability in relation to the business needs of migrants in an increasingly competitive market?"*

The gaps and barriers emerging from the research have been summarised in "*Mind the gaps in the virtuous circle at both ends of the corridor"* (Figure 11), leading to the potential need of developing the components for a new business model – an idea not considered when the strategic and research questions were prepared, namely SQ 3 - to present a value proposition and an operational model. As part of this conceptualization and theorization process, a SWOT analysis (Figures 14 and 15) was developed to put into perspective the conclusions emerging from the research (Appendix 9) in answer to the questions posed by the SQ.

This informed the conclusion that there is a need to change the business model currently in use by banks, a view shared by Daruvala (2012: 3) by saying that [new] 'forces of change' will impose on banks to reinvent their 'core' banking business. The innovative business model (Figure 16) has evolved from the research carried out into the flows of people and remittances. It has considered the roles of different stakeholders in relation to migrants, and the contribution a structured business model for the migrant business segment could make to financial stability and profitability – the value proposition – achieved through the involvement of senior management and adequate management of corridors – the operating model.

8.4 Academic research, practice and final comments

8.4.1 Relevance of the thesis for academic research and the business world

Initially there was a suspicion that the migrant business segment in banking was under-developed, but during preliminary research to evaluate the importance and relevance of migrants' remittances both in the business world and academia, it became evident that the area was under represented among academic research papers and business literature, a concern that presented an interesting opportunity for further research and analysis.

The choice of topic is influenced by the researcher's employment within the banking industry, which means he has an "insider" position offering access to banking stakeholders – another area under-explored by academics that is often put down to the industry being "opaque" and difficult for scholars to access.

This thesis contributes to academic knowledge in the field of migrants and their financial business, hopefully motivating research both by academics and stakeholders into an area under-explored and lacking clarity; scant dialogue, lack of dissemination of information and debate. As Mutch (2008: 207) points out, ways of knowing are taken for granted and "black-boxed" by organizations – they just become part of the culture – and this is what the current research suggests has happened within the banking system.

Banks' primary objective is to make a profit. A strong argument is required to convince senior management about the profit potential of the migrant market segment. This aligns with Van de Ven's (2007: 1–3) view concerning the ways that research can contribute to knowledge in scientific and practical arenas, in business schools and in management, transferring and diffusing knowledge into practice. This is a view shared by Simon (1976: 335) who promotes the idea that research incentives should seek to promote advances in the scientific and practice arenas. This is an objective of the current thesis, particularly in the field of migrants and their families, and the application of academic research to the practice of banking.

Generally speaking, banks underestimate the scale and potential of migrants' liquidity flows, its consistency during financial crisis, and, consequently, the contribution migrants' remittances can make to financial stability and profitability, this is probably because, as Johnson (1987) warns, the dominant "logic" often fails to change to meet new circumstances, which can prevent change, to the point that it becomes irrecoverable; banks' current business model is at risk of this unless action to retrieve it is taken. The knowledge gap that emerged from the research led to a possible solution and identified ways banks could overcome the threat, requiring changes to their current business model. It is a challenge to abandon a historically successful business model that still produces results, but as discussed in the critical literature review, the point at which a business model should be changed is rarely clear, requiring cultural and organizational adjustments with input from the most senior members of the organization.

Lindgardt (2008: 3) suggests that a way to mitigate the challenge is to replace a failing, dominant, single business model with multiple models that include services and product portfolios addressed to different market segments. Taking this route would encourage recognition of the migrant business segment, its segmentation at both ends of the corridor, and ensure that the dramatic changes that have taken place in the global migrant landscape and the business paradigm – as yet not identified by most banks – is recognized.

This thesis holds interest for those involved with fields of knowledge management, academic research, and debate, in that it highlights the "disconnection" among stakeholders and with the banking system in particular. Smith (2006: 294), citing Freeman, asserts that the soul of innovation is based on a network of public and private institutions – e.g. the stakeholders identified in this thesis – whose activities and interactions play a key role in it. The research identified that a relationship did not exist and that networking among stakeholders was negligible where it concerned the migrant arena. There also appears to be a lack of consideration to banking itself within academic research. In many ways this can be understood as a problem of knowledge management, institutional dynamics, where the management of knowledge is particularly significant. Economics appears not to recognize the importance of knowledge translation from international institutions to the banking world and other stakeholders, which could be because stakeholders regard organizations as closed systems, and therefore, do not pay sufficient attention to the way banks – as organizations – read the environment in which they operate.

This thesis makes a further contribution to academic and business research with regard to CSR in banking. There is scant literature to be found about CSR in the banking environment, which may explain why, among banks, there is a misunderstanding of the term and a lack of awareness about their responsibility; what it entails, specifically in relation to the financial integration of migrants. ISO (2008: 6) defends the notion that the impact of an organization's activities – e.g. the banking system – can be affected by its relationships with other organizations within their sphere of influence. The banking system does need to address its position on this matter.

Van de Ven (2007: 234) questions the reasons why management practitioners do not use scientific research and points out that too often managers are unaware of the evidence. Rae (2007: 5) suggests that new knowledge translated into business is slower than it might be because of a lag between the creation and adoption. This was a concern of the interviewee Manuel-II: *"they were not aware of this ... so, they don't see any value"*. In addition, scientific knowledge is often not presented in a way that is easily applied to practice, as Manuel-II offered: *"managers are open but they want more information"*. This work has attempted to identify bridges to overcome these barriers and gaps and incorporated solutions into the design of the business model.

8.4.2 Final comments, influencing stakeholders and further research

The business model reflects the findings of the research, presenting it from several angles and reflecting the thoughts, views and experiences of relevant stakeholders through interviews focused on Portuguese and foreign bankers and middle-management experienced at both ends of the corridor, as well as other Portuguese and foreign stakeholders, all of whom understand the complexity of the migrant population and the difficulties they face, expressed in many different views, thoughts and opinions.

The proposed business model is designed to be ‘generic and transversal but specific’ and ‘structured but adjustable’; it is not ‘rigid’ but intended as a ‘guideline’, offering a value proposition and the operating model that will be of more relevance to some banks than others. Its adoption should consider the particular profile and situation of each bank and corridor, to include namely the following main criterion: the size of the Diaspora, the number of people using particular corridors, the volumes of remittance flows, the size of the bank and its branches network, the business focus, and the CRM capabilities. The model is innovative moving the focus from “product” to “service”, leveraging structures already established abroad through the capabilities of headquarters.

The researcher is Portuguese and necessarily, therefore, the research reflects this influence, but this is not thought to distort the transversal application of the model to countries with a similar profile and characteristics in terms of migration: a corridor is a corridor at any country. The model would be applicable to European banks with corridors between Europe and other continents. Europe has relevant global and regional banks with operations within other European countries, and an affinity with markets in a diversity of continents and countries, including the presence of French and Italian banks in Africa and Eastern Europe, Spanish Banks in Central and South America, Austrian and German banks in Eastern Europe, Portuguese banks in Brazil, South America, and former colonies in Africa.

The task may pose a challenge to senior management as it seeks to open the “black-box” of banks’ business models, disrupting the culture of stability and resistance to change for which the industry is well known. Sheldon (1980: 62) warns that organizations that function in “stable mode” are usually unable to adapt because they see change as a threat; they reflect “closed systems” that reject information that implies their partial failure as this impacts on their perception of stability. Sheldon also observes that evidence of the death of an existing paradigm should imply the need for fundamental change, which does appear to be the case with the current business model that does not respond to, nor leverage, the migrant business segment.

The recent Euro crises is relevant as remittances and other transactions of migrants within the Euro Area (many originate in the Euro Area and migrate within the Euro Area) are mostly in Euros and do not require foreign exchange policies and controls, but while the Euro still operates along with the all other currencies for the time being, dismantling of the Euro Area has been considered as the crisis escalates to the political level, aggravating the inherent risks. To conclude, therefore, on the conceptual and theoretical validity of the ideas expressed within the proposed business model, and considering the extreme scenario of the Euro Area collapsing, one might ask how this work – its objectives and contribution to academic knowledge and practical application in the financial industry – would stand-up? The answer is that it would stand-up and would become even more relevant if another 17 currencies were to be introduced in circulation. The most important reason is the need of foreign currency, with the correspondent exponential increase in importance of the countries' trade and payments balance. This would certainly require the re-introduction of foreign controls and policies over currencies – just like before the Euro was introduced, when governments and retail banks used to prioritize remittances with high ratings, maintaining control over their contribution to the trade and payments balance, as well as its availability to pay for imported goods and services, and hold-up public debt issued onto foreign markets.

The thesis also highlights the question of what processes are necessary to draw attention of senior management in banks to the migrant business sector, and how senior officers and politicians of international institutions and Diaspora associations can communicate and engage. Thornton (2004: 92) discusses the ways in which institutional pressures limit the identification of problems, and draws attention to the different market conditions that determine the organizational strategies and structures required to address the matter. The interviews in the current research were a small step; they did go some way to making powerful decision-makers more aware of the issues; some interviewees are now more aware of the potential migrants represent for their institutions than they were.

Furthermore, whenever the opportunity arises – in meetings with banks and international institutions and conferences – the researcher raises issues identified in the research so that those present become more sensitive to some of the issues. The author intends to continue research in the area, publish papers for general professional readership, and maintain relationships – build bridges – between the academic and business worlds and with international institutions.

The conceptual framework (Figure 1) reflects the process that enabled the design of an alternative theoretical business model for the migrant business segment (Figure 16), which banks could adopt, "refocusing" the value proposition and the operating model in the following flow:

- Supported in the *flows of people* – potential customers – and in the *flows of money* –remittances;
- Would influence and improve banks' *financial stability* focused on the *liquidity* migrants are able to generate through extended networks and families that stretch across borders (rather than on individuals within the host or the origin countries) through their *bankarization*, helping to channel money flows from informal to formal banking channels.
- Improve *profitability*, by focusing on sales and adopting *cross-selling* strategies to the *migrant business niche* – migrants and their families – servicing them through coordinated banking networks, at both ends of the *corridor*– both in the host and origin countries;
- Through a structured and improved *communication processes* among stakeholders, namely international institutions, Diaspora associations, and politicians;
- Integrating financially migrants and their families through a proactive, genuine and well structured CSR policy, leveraging Diaspora structures and contacts;
- Under a well-orchestrated operating model to coordinate involvement by senior management and the management of the corridors.

The issues discussed in this thesis relate to stakeholders directly involved with migration as much as they do to academia. Even acknowledging that "institutional [academic] logic" assumes that the field has already been explored, the current research demonstrates the opposite is true and that there is plenty of fertile ground for further research into the banking system, communication among stakeholders with common objectives and interests, knowledge management, and CSR particularly in the banking system. Further research and additional knowledge and debate can only make the system fairer for migrants that face barriers when accessing the banking system; it may eventually lead to financial integration. For banks, the relationship will provide badly needed financial stability and profitability.

Appendix 1 – Interviewee pseudonyms, profile and type of bank or institution

The Figure below details the interviewees' pseudonyms and offers a brief outline of past and current responsibilities indicating the type of bank or institution with which they are involved.

Interviewee pseudonyms	Interviewee profile	Responsibilities	End of the *Corridor*
1. Victor-P	Currently a partner in a well-known law firm and an academic. Victor has been very involved in politics for much of his career, having been an European Union commissionaire for justice and internal affairs, responsible for migration issues (5 years), member of parliament in his country (26 years), a member of the European parliament (2 years) and minister (4 years). He was also a judge at a high court (5 years). Currently chairman of the board of directors of several companies, as well as president of shareholders' meetings of several financial institutions and companies. Victor holds a law degree and masters in political science.	Politician and former European Union commissionaire responsible for migration	-
2. Manuel-II	Manuel is chairman of an international institution and an academic. He has conducted extensive research, policy analysis and advocacy on issues relating to remittances' flows and migration; Manuel is also chairman of a regional section of the US Foreign Service Institute. He holds a PhD, is a professor at Georgetown University and senior researcher at the Institute of Migration Studies. He has published widely, namely about remittances and migration.	International institution and academic	-
3. Mitri-II	Mitri is chairman of an international institution dedicated to the study of migration and member of the board of the Transatlantic Council on Migration, board member of the International Forum for Research and Policy on Migration, as well as adviser to European Union member states on migration. He has held senior positions at the OCDE Migration Committee, US Immigration Policy and Research, and at the International Migration Review. Mitri holds a PhD and has taught at several universities. He has published more than 200 books, articles, monographs, and research reports on migration topics.	International institution and academic	-
4. Nick-II	Nick holds a senior position at The World Bank. He has performed extensive work on remittance markets in host and origin countries. He also holds responsibilities at the Global Remittances' Working Group, and participates in technical-assistance projects for remittances. Nick holds a degree and a masters in economics.	International institution	-
5. Anthony-EC	Member of the board of directors and of the executive committee with responsibility for the commercial area, including the migrant business sector, for a top-5 retail bank in an European Union country. Previously he was	Retail bank focused on	Origin

	Deputy-CEO of the bank and regional commercial manager. He has over 25 years' professional experience.	emigrants	
6. David-EC	CEO and member of the board of directors of a bank in a former Portuguese colony. Former managing director of the international division of a top-5 bank in an European Union country, with responsibility for its subsidiaries and offices overseas, including several that focus on the migrant business sector. Former CEO of banks in former Portuguese colonies and in Latin America. Formerly a commercial manager of the retail banking network for a top-5 bank in an European Union country. He has over 22 years of professional experience.	Universal bank	Host & Origin
7. Gil-EC	Member of the board of directors and of the executive committee of a retail bank in North America. Former board member of the executive committee of a retail bank in an European Union country. Former managing director of an investment bank. He has over 20 years of professional experience in banking.	Retail with focus on migrants	Host & Origin
8. Joe-MM	Marketing manager (2003–2011) of top-6 retail Portuguese bank. Previously commercial manager of the retail network, and a representative of this bank in international organizations in the marketing field, and a speaker at numerous conferences in Portugal and abroad. He has over 25 years of experience in the banking sector.	Marketing manager	Origin
9. John-EC	Currently CEO of a bank focused on migrants in an Asiatic country; former CEO of the Portuguese subsidiary of a top-3 Latin American bank focused on migrants living in European Union and in Asia. Former deputy-CEO in an Asian country. Former Regional Manager. He has over 30 years of professional experience.	Universal bank; subsidiary focused on migrants	Host & Origin
10. Louis-EC	Member of the board of directors and CEO of a French bank in France, subsidiary of a top-5 French universal bank focused on the migrant business sector. Marketing manager of a subsidiary of a top-3 bank in a former Portuguese colony. Former investment banker. He has over 20 years of professional experience.	Retail with focus on emigrants	Host & Origin
11. Martin-EC	Member of the board of directors and of the executive committee of a development bank. Former member of the executive committee of the French subsidiary of a top-5 Portuguese universal bank, with responsibility for the commercial area. Deputy general manager of the international division in Portugal. He has over 35 years of professional experience.	Retail focused on migrants	Host & Origin
12. Mary-BM	Currently is a regional manager in the international division; former branch manager of a subsidiary of a top-5 universal French bank focused on the immigrant business sector. Former manager at the emigration division in a top-5 bank in a European Union country. She has over 12 years of professional experience.	Retail bank focused on migration	Host
13. May-MM	Marketing manager (10 years) of a subsidiary for a top-5 French bank focused on the migrant business sector in Paris. Previously, was a bank-assurance product manager (at an insurance company), product manager at a mass-market retail network, and deputy manager during the launch of the internet banking site of a top-6 Portuguese retail bank. He has over 20 years of marketing experience.	Marketing manager	Host
14. Paul-MM	Currently Paul is CEO of a firm operating in marketing and communication. Paul was marketing general manager (2000–2010) of a top-5 retail Portuguese bank with responsibility for advertising, marketing campaigns, product development, pricing strategy, competition analysis and operatives involving CRM. Paul also led the rebranding of the bank in eight countries. Previously, Paul was a journalist (1985–2000). He was a lecture of institutional communication (10 years), and published several papers and books. He holds a degree in law and several post-graduate qualifications. He has over 30 years of professional experience, 11 of which in banking.	Former retail bank marketing manager	Origin

15. Peter-EC	President and CEO of a subsidiary of a Portuguese bank in a former Portuguese colony, CEO of the banking holding company for a top-5 bank in an European Union country, senior advisor to the board of directors, and a member of the board of directors of a development bank. His professional career has been mainly in the commercial area and general management. Former CEO or general manager of subsidiaries or branches in eight countries over 27 years. He has over 30 years of banking experience.	Member of EC Retail banking focused on migrants	Host & Origin
16. Pierrot-EC	President and CEO (2000–2010) of a North American subsidiary of a top-6 Portuguese bank. Previously, Pierrot was general manager of the international division; general manager for branches in the USA, Madrid and London, and international bank officer. Pierrot holds a degree in management and has over 35 years of professional experience.	CEO of a retail bank focused in migrants	Host
17. Thomas-EC	Chairman and CEO of a top-6 Portuguese bank (6 years). Previously a member of the executive board of directors responsible for the migrant business sector (8 years) for a top-3 Portuguese bank, having previously been managing member of the board of directors (including responsibility for migration), director of the international division managing the migrant business sector (10 years), and holding several other positions in different areas of the bank. Thomas holds a degree in law and has over 40 years of banking experience.	Chairman and CEO of a retail banking	Origin
18. Charles-D	Chairman of the largest single-nationality Diaspora ONG association in Portugal since 2000. An immigrant, Charles has lived in Portugal for over 15 years. He is a mechanical engineer working for a private company operating in the industrial-quality area.	Diaspora association	Host
19. Tim-D	Founding chairman (of Portuguese nationality, married to an immigrant) of an ONG-immigrant Diaspora association since 2001, with a wide network in Portugal (Lisbon, Beja, Coimbra, Ericeira and Albufeira). Tim is an academic (electronics engineering field) who began working in the field of the social integration of immigrants in the mid-1990s. This association he founded represents 96 nationalities.	Diaspora association	Host
20. Oleksandr-D	Oleksandr is chairman of a relevant Eastern European country Diaspora Association (3 years) and was previously a director of the same association, established in Portugal (7 years). An immigrant, Oleksandr has lived in Portugal for over 12 years and holds a degree in economics. Professionally, Oleksandr works in the trade business between his country and Portugal.	Diaspora association	Host

Appendix 2 – Identification and summary of taped interviews, transcripts, language details and word counts

DOCUMENT 5 - Summary detail of Interviews performance (Original or Translation to English)

				ORIGINAL	ENGLISH			PORTUGUESE (Original)			Words' Count		
	Nº	**Name**	**Language**	**Tape File**	**Time Size**	**Transcription**	**Nº Pag**	**Time Size**	**Transcription**	**Nº Pag**	**Original**	**1st Coding**	**Final Coding**
International Institutions and Politician	D30	Manuel	ENG	WS550030.WMA	0:47	Doc5_030_Manuel.doc	17				4.880	2.775	2.300
	D32	Mitri	ENG	WS55032.WMA	0:57	Doc5_032_Mitri.doc	18				7.153	2.656	2.242
	D31	Nick	ENG	WS550031.WMA	0:33	Doc5_031_Nick.doc	9				3.863	2.102	1.777
	D61	Victor	ENG	WS550061.WMA	0:38	Doc5_061_Victor.doc	13				5.202	1.580	1.121
Banking System	D24	Anthony	PORT	WS550024.WMA WS550027.WMA	0:18	WS550027.WMA		0:45	Doc3_027_Anthony.doc	11	5.074	1.781	1.648
	D35			WS550035.WMA	0:12	WS550047.WMA		0:16	Doc5_047_Anthony.doc	4	1.733	539	425
	D20	David	ENG	WS550020.WMA	0:58	Doc3_020_David.doc	14				6.026	2.191	1.788
	D15	Gil	ENG	WS550015.WMA	1:06	Doc3_015_Gil.doc	18				9.514	3.723	2.356
	D39	Joe	PORT	WS550039.WMA	0:07	Doc5_039_Joe.doc	2				600	300	229
	D23	John	PORT	WS550023.WMA WS550026.WMA	0:49	WS550026.WMA		1:04	Doc3_026_John.doc	14	6.491	2.023	1.762
	D48			WS550048.WMA	0:22	WS550051.WMA		0:15	Doc5_051_John.doc	4	1.716	848	537
	D50			WS550050.WMA	0:01	WS550052.WMA		0:15	Doc5_052_John.doc	4	1.681		
	D16	Louis	ENG	WS550016.WMA	1:00	Doc3_016_Louis.doc	16				7.053	2.228	1.775
	D17	Martin	PORT	WS550017.WMA	0:55	WS550025.WMA		1:05	Doc3_025_Martin.doc	14	6.348	1.916	1.529
	D22	Mary	PORT	WS550022.WMA	0:22	WS550028.WMA		0:27	Doc3_028_Mary.doc	8	3.046	1.192	840
	D33			WS550033.WMA	0:25	WS550038.WMA		0:33	Doc5_039_May.doc	7	3.573	1.584	1.091
	D34	Paul	PORT	WS55034.WMA	0:53	WS550040.WMA WS550046.WMA		0:34 0:45	Doc5_040+046_Paul.doc	17	8.510	2.533	1.867
	D19	Peter	ENG	WS550019.WMA	0:46	Doc3_019_Peter.doc	13				4.858	1.826	1.521
	D57		PORT	WS550057.WMA	0:37	WS550058.WMA		0:42	Doc5_058_Peter.doc	11	4.517	915	732
	D36	Pierre	ENG	WS550036.WMA	0:46	Doc5_036_Pierre.doc	14				5.786	357	1.574
	D37			WS550037.WMA	0:14	Doc5_037_Pierre.doc	5				1.828		
	C29	Thomas	PORT	WS550029.WMA	1:52	WS550053.WMA WS550060.WMA		0:49 0:53	Doc5_053_Thomas.doc Doc5_060_Thomas.doc	11 13	5.581 6.122	2.169	1.569
Diaspora	D54	Charles	PORT	WS550054.WMA	0:35	WS550055.WMA		0:30	Doc5_055_Charles.doc	8	3.277	1.043	816
	D56	Tim	PORT	WS550056.WMA	0:48	WS550059.WMA		0:53	Doc5_059_Tim.doc	13	6.263	1.322	922
	D62	Oleksandr	PORT	WS550062.WMA	0:47	WS550064.WMA		0:39	Doc5_064_Oleksandr.doc	12	4.658	840	540
					17:02		**139**	**10:32**		**151**	**125.353**	**38.443**	**30.961**

Appendix 3 – List of universities researched for relevant literature

Georgetown University: Institute for the Study of International Migration
Harvard University: Center for International Development
Indiana State University
ISCTE - Instituto Universitário de Lisboa
KU Leuven: HIVA-Higher Institute of Labour Studies
Norwegian University of Science and Technology
Nottingham Trent University
NOVA - Universidade Nova de Lisboa
Oxford University
Princeton University: Center for Migration and Development and The Mexican Migration Project (MMP)
Social Science Education
Stanford University: Inter-Ethnic Relations
The Centre for Applied South Asian Studies
University of Amsterdam: Center for Latin American Research and Documentation
University of Iowa: Center for International Finance and Development
University of Manchester: Centre for Applied South Asian Studies (CASAS)
University of Navarra/IESE
University of Utrecht: European Research Centre on Migration and Ethnic Relations (ERCOMER)
University of Warwick
University of Wisconsin, Madison

Appendix 4 – Current banks' business models: selected case-studies

Bank	Bank profile	Current business model
Australia and New Zealand		
Westpac	Westpac, a leading bank in Australia and New Zealand, is considered an example of a bank that addresses the migrant business sector. On its website, Westpac has a page offering basic advice to emigrants: the advantages of opening a bank account in the origin country (Australia and New Zealand), legal requirements (in the UK and/or in origin countries), and which mentions higher interest rates (without specifying), tax benefits and information on fees related to basic transactions. The banking practice in Australia and New Zealand charges for transactions into and out of a bank account. Westpac offers a monthly flat-rate for unlimited transactions, which is also applicable when customers maintain a minimum balance on their deposit accounts. This practice, although available to all customers, can be particularly advantageous for migrants as most other banks charge for the use of ATM and international transfers, and use currency rates above the market rate when transferring funds, which, in addition, if a customer uses another network, can attract very high charges. Westpac has dedicated teams to deal with migrants in London, Singapore, Mumbai, Hong Kong, Shanghai and Beijing, assisting with opening a bank account and dealing with other banking enquiries (Westpac, 2009; 2011b).	The product offered by Westpac is limited, and it is easy to conclude from the website that it is only focused on remittances and mortgages. One office in London covers the whole of the UK, appearing to provide a limited banking service to customers. There is a low level of transparency in the information available on the website, which, furthermore, appears to cover the basic needs of emigrants without offering any information about immigrants.

Ireland		
BoI Bank of Ireland	Having identified immigrants as a business opportunity, the Bank of Ireland researched the market and listened to what the financial needs of this business sector might be. In 2007, the bank then selected a pilot branch and developed a package including a bank account, ATM access, consumer credit, insurance and product holdings, as well as hiring bilingual staff and producing relevant literature, such as brochures, in other languages appropriate the market (Byrne, 2007: 5–17; BoI, 2011).	The Bank of Ireland's business model is focused on immigrants. Ireland is a country where immigrants (420,000 in 2010) represent 9.5% of the total population, 72% of which are from the EU. The Bank of Ireland offers a very limited service, likely because as a country of emigrants, the business model of the Bank of Ireland concentrates only on the business sector of immigrants in the host country.
Portugal		
Millennium bcp	Millennium bcp (Banco Comercial Português) is the largest listed Portuguese bank (850 branches), having six offices in Brazil, Germany, South Africa, Switzerland, UK and Venezuela,, and retail subsidiaries in Angola, Greece, Mozambique, Poland, Romania and the US, as well as private banking operations in Switzerland and Turkey (Castro, 2008). The 2008 and 2010 *Annual Report* as well as the website states that the products offered to emigrants are deposit accounts, cards and mortgages (Millennium bcp, 2009; 2011b).	It appears that this is a plain vanilla product package, showing scant commercial awareness, commitment and priority in addressing this particular business sector. The bank could leverage its presence in the former colonies (Angola and Mozambique) and Poland and Romania (corridors with significant number of immigrants in Portugal), but it seems Millennium Group does not have any dedicated products to offer them, although it appears that in the countries where Millennium bcp has subsidiaries, it would have a strong competitive advantage in this respect. It also appears that there is no coordination between the

		bank's headquarters and subsidiaries with regard to leveraging their retail networks towards the migrant business sector. This may be evidence that the bank does not proactively address this sector.
CGD	CGD (Caixa Geral de Depósitos) is state-owned and Portugal's largest bank (approximately 750 branches), with branches and offices abroad in Belgium, Brazil, France, Germany, India, , Mexico, Shanghai, Switzerland, the UK and Venezuela, as well as three retail banks in Angola, Cape Verde and Mozambique (former Portuguese colonies). CGD is focused on the Portuguese emigrant business sector (called "Residents Abroad"). Deposits represent the equivalent to 32% of the market share. Savings accounts, deposits, structured products (a kind of savings account), consumer credit and mortgages constitute the CGD portfolio for emigrants. CGD has a call centre in Portugal with a free-phone facility when calling from abroad (CGD, 2008: 43-4; 2011b). CGD claims to provide customers with personalized services. CGD states also that it can service Cape Verde's emigrants through its subsidiary in there (CGD, 2008: 62–3).	The products offered are fairly limited, although the deposits volume is relevant to the Portuguese market. In addition, while reference is made to services for immigrants in Portugal, CGD does not specify the products on offer in order to show that it achieves what is stated in its 2010 *Annual Report* (CGD, 2011b). What CGD says it offers appears to be "full of good intentions", while in practice, what it provides is limited in scope. CGD has subsidiaries in former Portuguese colonies, but does not leverage its presence in order to proactively capture the emigrants and immigrants business sectors by offering to service them at both ends of the corridor, in both the host and the origin countries.
BPI	BPI is Portugal's fifth largest bank (550 branches in Portugal) with offices in Canada, France, Germany, Luxembourg, South Africa, Switzerland, the UK, USA, and Venezuela. These offices are directed towards Portuguese emigrants, offering access to savings accounts, investment and credit solutions (BPI, 2008: 23; 2011).	There is some passing reference on the BPI website and in the *Annual Reports* to the possibility of emigrants obtaining savings accounts and credit solutions and benefiting from some tax advantages, but without offering in any detail support for any of these statements. Banco BPI does not make any reference to the immigrant business sector.

Poland		
PKO	PKO is Poland's largest retail bank, 51% state-owned, with the largest network and market share in Poland. PKO is the only Polish bank servicing Polish emigrants in the UK (Polańska, 2009: 4–5). There is a high retail banking concentration in the UK with 80% of customers serviced by the five largest banks. It is difficult for local UK banks to acquire new customers (new business comes from switching) and Polish migrants (1 million) constitute an attractive target for UK banks. However, the response to this growing market has been focused on facilities such as opening a bank account and remittance services, while also making available basic information in Polish on their websites and recruiting a number of Polish staff (Polańska, 2009: 11–4). PKO identifies the products of use to emigrants as the following: money transfers, mortgages in Poland, and bank accounts in the UK and Poland. PKO has also identified the three main problems migrants face when opening an account with a UK bank: lack of proof of address, lack of credit history and the language barrier. On the other hand, Polish migrants have strong financial links with their country of origin and require daily banking services both in Poland and in the UK (Polańska, 2009: 10–1). The PKO business model makes the following key assumptions: the need to address the most important banking needs of Polish migrants; focus on Polish customers, but targeting UK clients also to develop a product complementary to those currently on offer in the UK; provide Polish products and establish a strategic alliance to sell UK products (Polańska, 2009: 16–7).	The main corridors of Poland are with the UK (690,000), Germany (490,000) and Ireland (200,000). Within the EU-27 there are approximately 2 million Polish immigrants. In the UK, the average annual income of 70% of migrants is above £12,000, and over 25% earn more than £25,000. Approximately 44% have university degrees, most performing tasks below their capabilities (Polańska, 2009: 5–7). The product offered by PKO is limited: bank accounts, remittances, and mortgages in Poland. Additionally, as illustrated, Poland maintains very important corridors with several European Union countries, but PKO does not address any other markets. Furthermore, PKO does not consider the immigrant business sector in its business model. In reviewing this case study, it can be concluded that this bank offers a product portfolio that includes a bank account, a money transfer account and a debit and money transfer card. In addition, some literature is available in Polish, giving it a competitive advantage in terms of communication. PKO complements this offer with online banking, mortgages in the country of origin, as well as a dedicated call centre.

Germany		
Bankamiz - Deutsche Bank	Germany has a Turkish community of over 3 million immigrants (representing over 19% of the immigrants in Germany), which is followed by the Croatian, Polish, Russian and Serbian communities (20%). These communities are concentrated in regional clusters, ensuring the bank advantages in terms of both accessibility and word-of-mouth visibility. Based on this, Deutsche Bank decided to set-up a bank named "Bankamiz", dedicated to Turkish immigrants, which it considered a particularly attractive target group (Laucks, 2009: 3–4). The mission of Bankamiz is to align itself with the needs of the Turkish community through over 50 branches serviced by Turkish staff, and to design products with an "emotional" touch (current accounts, savings, consumer credit and credit cards). The product strategy is based on the standard products already offered by Deutsche Bank with minor adjustments to incorporate a Turkish style. Deutsche Bank's overall objective was to acquire new customers, increase profits, diversify and support integration (Laucks, 2009: 7–12). ***Note:*** *As discussed in the qualitative research (Section 7) of Document 5, the business model described was not considered, based on discussion of its advantages and disadvantages.*	Deutsche Bank in Germany set up a business model through a specific brand called *Bankamiz* with over 50 branches; a small network when compared to the dimensions of its entire network in Germany. The brand was specifically aimed at Turkish immigrants and the host country, with a product focused mainly on remittances and other basic products. The *Bankamiz's* case review revealed that Deutsche Bank had adjusted a few standard products to include "emotional" marketing. This banking model differs from a regular retail banking model, having the format of a dedicated network. On reviewing carefully this case – namely the way the model is built in terms of innovation, product strategy and integration of immigrants – it is clear that the model fails to address these components. The product-design strategy is based on the standard products of Deutsche Bank, leading to the conclusion that integration is difficult when the immigrant is served through a separate network; furthermore, the model fails to address the three cycles of the life of an immigrant and it is insufficient to assume that by placing a picture of Istanbul on a credit card that the migrant is financially integrated. In addition, this specific banking model designed to serve the Turkish immigrant community in Germany, does not address the financial needs of migrants in their origin country.

Italy		
Agenzia tu Unicredito	Unicredit, the largest retail banking group in Italy with retail subsidiaries across Europe, followed a strategy of establishing a dedicated 10-branch network in Italy for immigrants through a brand named *Agenzia tu* ("Your Agency") (Tamburini, 2009: 4–10; Agenzia tu, 2011). The business model is based on products and services designed to satisfy the needs of customers and assist them in financial integration. The product presents a value proposition of trust, transparency and simplicity based on services and products that include a bank account, ATM card, cheques and money transfers – positively encouraging foreigners to integrate socially and economically. Agenzia tu focuses on customers' needs in terms of their not necessarily understanding and sharing a common language and culture, and satisfying these needs with simply designed products (Tamburini, 2009: 4–10; Agenzia tu, 2011). ***Note:*** *As discussed in the qualitative research (Section 7) of Document 5, the business model described was not considered, based on discussion of its advantages and disadvantages.*	Unicredit in Italy set up a business model with a brand named *Agenzia tu*, comprising a 10-branch network, which is small, compared to the dimensions of total network. The brand is focused specifically on immigrants in the host country, and the product on offer is mainly focused on remittances, although in the case study of *Agenzia Tu* it is concluded that the product is not directed towards a specific migrant community in Italy. The *Agenzia tu* model recruits staff of various nationalities, speaking different languages, and therefore, has staff from several different cultures at the same branch. In this respect, the business model appears to attempt to cover "under the same umbrella" anyone that is an immigrant, not differentiating among immigrants from Asia, Europe or Latin America and, therefore, without specific consideration that migrants of different cultures may have different financial needs. It appears in conclusion that the bank's objective returns to the treatment of remittances as the product offered is basic. The model fails to incorporate anything related to CSR, namely genuine financial integration, and does not cover the financial needs of the migrant in his/her origin country.

United States of America		
Wells Fargo	Wells Fargo is a leading US bank with the largest retail network in the US (6,500 branches), focused on the immigrant market segment ((Wells Fargo. 2011b). Ayala (2009: 3–6) asserts that the US immigrant population has its origins in Latin America (43%; of which 12% are from Mexico), Asia (25%) and the European Union (14%), holding approximately 33.5 million bank accounts. The Hispanic population reached 45.5 million in 2008, up from 35.7 million in 2000. Ayala (2009: 9–18) suggests that the key elements of a successful retail bank are the cultural references, language capability, product knowledge, understanding of remittances, adequate sales incentives and training, as well as treating and managing remittances like any other product line. Wells Fargo plans to leverage their well recognized remittance brand, support the growth and retention of ethnic households, and maintain a dominant position in the remittance business through the promotion of *Wells Fargo Express Send Service,* through which beneficiaries can easily access their money (Ayala, 2009: 17–8).	Wells Fargo is a retail bank with 9,000 branches in the US, with a very large number of bank accounts belonging to immigrants. Wells Fargo dedicates its attention to this banking sector by focusing only on immigrants (particularly those from Latin America) and on the remittance product. The case-study reveals that their only focus is on remittances, whereby they aim to become the market leader. However, Wells Fargo does not identify that this product is only the “tip of the iceberg” or acknowledge that it is a product with low margins due to the competition that the remittances market has experienced with the entry of MTO and other non-financial institutions (e.g., telecoms and other non-supervised firms) into the market. Remittances are a “volume business” that could be used as an anchor product to service the migrant business niche, providing value-added products with higher margins. In summary, a criticism of the Wells Fargo business model is that it appears to only focus on the host country, where even there, it only covers the remittances product.

Spain		
La Caixa	La Caixa is a leading Spanish savings bank with a large network (5,500 branches). Among its clients are more than 860,000 immigrants ("new-residents") that remit through La Caixa annually approximately €680 million. La Caixa's objective is to work with immigrants to neutralise their distrust and suspicion of the financial system. It will do this by learning more about their economic, cultural, social, and family structures, thus adapting their products and services to the financial needs of the migrant market (Faus, 2009: 2–5; La Caixa 2011b). Faus (2009: 7–8) advocates the establishment of partnerships with financial institutions in destination countries, which will ensure the timely arrival of remittances, as well as introduce migrants to the banking system of the origin country. La Caixa has already developed a specific service of remittances ("*Caixagiros*") based on bilateral agreements with leading banks. La Caixa offers international transfer cards allowing deposits and access to bank statements, as well as enabling international transfers using ATM (Faus, 2009: 19; La Caixa 2011b).	The review of the Spanish market focused on the three largest banks (La Caixa, Santander and BBVA), which are also considered Spain's leading banks with some focus on the migrant business sector. Immigrants in Spain have grown in the last eight years from 924,000 to 5.3 million, representing over 11% of the population. They are geographically concentrated in Cataluña, Madrid, Valencia and Andalucía (78%). Remittances grew from €2.1 (2001) to €7.5 billion (2008), of which approximately 70% went through banks and 30% through remittance firms (Alonso, 2008: 2–6). The main origin countries are Latin America (42%), Africa (26%), Eastern Europe (18%) and Asia (14%) (Faus, 2009: 2–5). The research reveals that La Caixa does not have an international network able to serve migrants in their origin countries, raising the question of what would be the best model to serve the migrant banking sector – which currently represents 8% of their customers – in their origin countries (La Caixa, 2011b). La Caixa states that its objective is to serve migrants, but when critically reviewing the product it offers, its services are basic, covering remittances. This is because La Caixa's prime concern is for the customer to open a bank account, for which they provide an international card that has the capability of remitting money to the origin country (La Caixa, 2011b).

BBVA-Bancomer	Statistics show an increase in migration and an increase in income for migrants, making it imperative, therefore, that the migrant workforce is integrated into the formal economies of developed countries considering, as a result, that the mission of BBVA is to provide high-quality remittances' payment services (Moises, 2009: 3, 14). The largest remittance corridor in the world is the US–Mexico corridor, which represents 36% of the total remittances received in Latin America. BBVA-Bancomer processes over half of the remittances sent to Mexican banks (Moises, 2009: 7–9). In Spain, BBVA has the third largest network (3,024), having a very extensive presence in Latin America with subsidiaries operating in retail banking (4,337 branches). The website, written in both Spanish and Catalan, offers "Foreigners" (*Extranjeros*) a bank account, debit card, ATM access and repatriation insurance in case of death (BBVA, 2011).	The review of the approach of BBVA and Santander Groups highlight an example of two banks with the largest networks in Spain – and two of the largest in the world – including countries with which Spain has very important corridors, and that do not leverage the power of their strong networks to capture the migrant business. The BBVA and Santander Groups do not address the emigrant sector in a structured fashion, but treat it as they would a regular client; thus not addressing the specific financial needs of the migrant sector. Overall, it would appear that BBVA offers a more complete package, but one that still represents a plain vanilla product.
Latinoenvios Santander	*Latinoenvios* Santander (*Latin Remittances* Santander) is the second largest remittance firm in Spain, while Santander is the largest bank in terms of assets and its network (13,660 worldwide branches) (Santander, 2011b). The bank plans to attract the migrant sector to its network and consolidate its relationship with them. *Latinoenvios* and the Santander banking offer include current and savings accounts, a debit card, ATM usage and money transfers within Spain and the European Union (Alonso, 2008: 1–12).	

Appendix 5 – The overall context: flows of people and remittances, and financial stability

A) The flows of people and the flows of remittances

a. Flows of people

This appendix supports Section 4 to illustrate further the significance and consistent growth of migration flows and its relevance to the banking industry.

Authorities try to control flows of people into the country – immigrants – the reality indicates that a significant number of immigrants are not included in the statistics (Migration DRC, 2010). Comini (2009: 3) makes a very interesting (and to the authorities probably very frustrating) statement about statistics on migration "*people move, statistics lag behind"*, adding that the statistics on migration are a challenge, because in a number of countries the data on migration lacks quality, although one could counter-argue that is better to hold data of low quality than no data at all.

Figure 1a (RQ 1.1) lists the top 25 inflows and outflows in percentage of migrants – host and origin countries – in 2007 (Migration DRC, 2010) in decreasing order:

Country	Outflow (%)
Russian Federation	6.89
Mexico	5.77
India	5.16
Bangladesh	3.89
Ukraine	3.35
China	3.31
United Kingdom	2.39
Germany	2.32
Kazakhstan	2.05
Pakistan	1.95
Philippines	1.93
Italy	1.87
Turkey	1.72
Afghanistan	1.49
Morocco	1.47
Uzbekistan	1.34
United States of America	1.28
Egypt	1.24
Poland	1.18
Algeria	1.18
Viet Nam	1.14
Portugal	1.13
Indonesia	1.04
France	1.02
Belarus	1.02

Country	Inflow (%)
United States of America	19.71
Russian Federation	6.82
Germany	5.2
Ukraine	3.95
France	3.57
India	3.57
Canada	3.25
Saudi Arabia	2.99
United Kingdom	2.77
Australia	2.41
Pakistan	2.41
Kazakhstan	1.72
Hong Kong	1.54
Cote d'Ivoire	1.33
Iran, Islamic Republic of	1.32
Spain	1.24
Israel	1.13
Jordan	1.11
United Arab Emirates	1.09
Malaysia	0.99
Palestinian Territory, Occupied	0.95
Italy	0.93
Netherlands	0.92
Switzerland	0.89
Argentina	0.87

Figure 1a – Inflows and outflows' top 25 countries in percentage of migrants

The results of the analysis are:

- The three countries with the largest number of emigrants are: Russia (6.89%), Mexico (5.77%) and India (5.16%), totalling 17.81% of the outflows;
- The three most frequented host countries are: USA (19.71%), Russia (6.82%) and Germany (5.20%), representing 31.73% of the total inflows of immigrants;
- Portugal holds 22nd position in terms of origin country (1.13%) and comes 51st in terms of host country. It is relevant to note that the population of Portugal is approximately 10 million, of which an estimated further 5 million people are emigrants, although statistics show less than 50% of that figure.

This analysis indicates (RQ 1.1) that migration continues to be a global phenomenon, and that the motivation to move country has been present and consistent throughout the years.

Immigrants in selected OECD (2010a; 2010b) countries, for 1998–2007 are illustrated in a graph (Figure 4), it shows that, overall, immigration has been consistently increasing in terms of percentage against the total population (RQ 1.1 and 1.2) throughout the period (1998–2008) in almost all countries. In terms of the current research, the conclusions to be drawn from this are as follows:

- Immigrants in 2008 represented between 8% and 12% of the total population of Austria, Belgium, Germany, and Spain and between 4% and 8% of the total population of Denmark, Greece, Ireland, Italy, The Netherlands, Portugal, Sweden and the UK.

- Immigrants in 1998 represented 35% and 20%, respectively, of the population of Luxemburg and Switzerland, and it is for this reason that they are not shown in the graph, as the percentages are well above the average, and would distort the other flows. The percentage of Portuguese immigrants in Luxemburg and Switzerland shows how relevant immigrants are, as these countries are also important Portuguese corridors.

- There is a continued increasing trend in the number of immigrants in the 20 selected OECD countries, as well as an increase in the percentage they represent in the national population. There is a limitation relating to France, an important corridor for Portugal, and Poland, a country that does not disclose data.

Additionally, adults not served in the banks in high-income OECD countries still represent 8 per cent of its population (Chaia, 2009: 5) of which migrants certainly represent a significant percentage.

To complement the secondary data analysis of global flows, Figures 2a and 6 show the percentage and number of immigrants in selected Portuguese corridors over a period of nine years (1999–2008), to draw a conclusion as to its relevance, as well as the size of the immigrant and emigrant populations of Portugal.

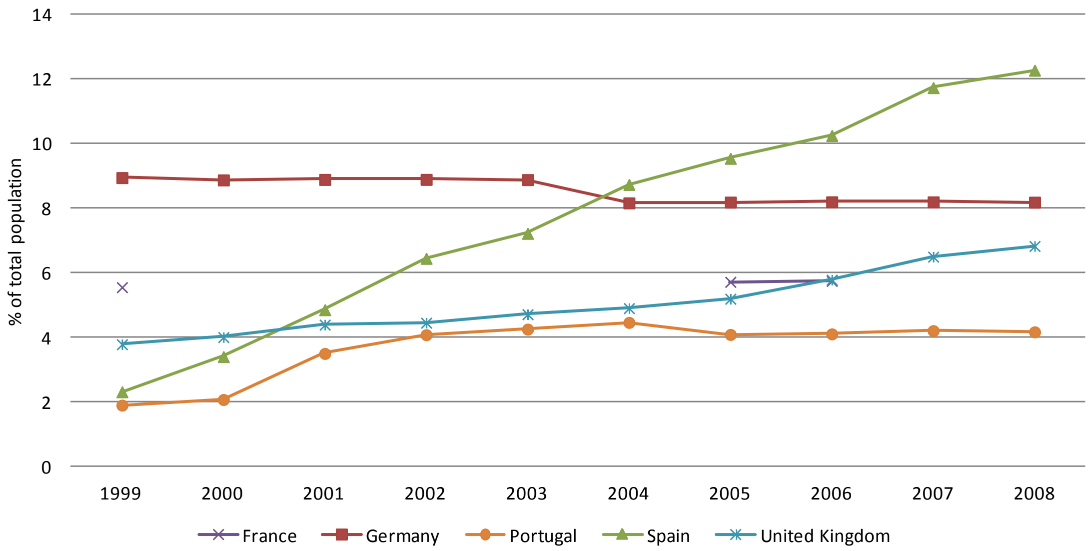
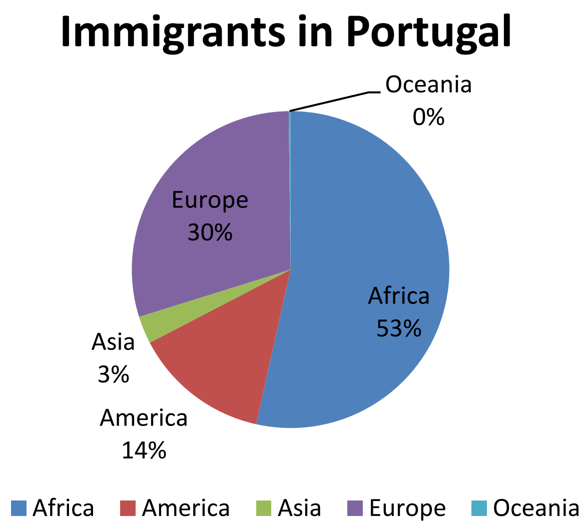


Figure 2a – Percentage of immigrants in relevant Portuguese corridors

Looking first at the percentage of legal immigrants represented among the total population of France, Germany, Portugal, Spain, and the UK (most data is unavailable for France), the growth trend or maintenance of a flat percentage is evident, representing between 4 per cent and 12 per cent of the total populations of these countries (RQ 1.1).

Illegal immigrants are not reflected in the statistics (Figure 4), but to give two examples of this reality, it is publicly recognized that the number of illegal immigrants in Portugal is almost equal to the number of legal immigrants, totalling over 7 per cent of the population. The second, relates to Portuguese living in France: the statistics reflect a figure of around 650,000 emigrants, while Portugal considers that figure to be well above 1.2 million people. This represents a significant number of people that are not addressed by the banks in an analytical and structured fashion. If they were bankarized – which the research has concluded does not happen among most illegal or legal immigrants – and that therefore they are not financially integrated, then the number of bankarized migrants would be even more relevant (SQ 1 and RQ 1.1 and 1.2).

The Portuguese emigrants and immigrants living in Portugal were analysed (Migration DRC, 2010), with the objective of researching and understanding the most important regions for the Portuguese-wide corridors by continent, which are as follows:



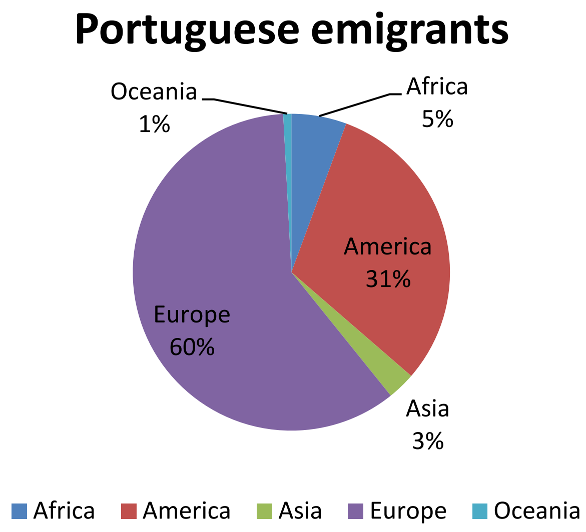


Figure 3a – Migrants' Portuguese wide-corridors by continent as percentage of origin and host countries

The Figure above shows the following in terms of Portuguese-wide corridors by continent:

- Portuguese emigration to Europe represents 60 per cent, mainly to France, Germany and Spain, which is clearly higher than the number of European immigrants living in Portugal (29.6 per cent), a result that is very likely to effect the balance of remittances between Europe and Portugal.

- The continents with the second highest number of Portuguese emigrants are the US and Brazil (31 per cent) representing the least balanced proportion, with less than 15 per cent of immigrants from these continents in Portugal.

- In Luxemburg and Switzerland, the percentages of migrants against the total populations are higher, reaching 35 per cent and 20 per cent, respectively.

As these statistics relate to the impact that migrants could have in the banking system, the following points are worth noting (RQ 1.1, 1.2):

- Migration will continue its upward trend due to globalization, easy transportation, and countries offering better living conditions, and migration will continue to be an option for people from all social origins and professional levels. This is reflected in the consistent increase, even during periods of crisis, in the percentage of immigrants versus total populations (RQ 1.1).

- In relation to the potential impact that migrants could have on the banking system, it is important to underline (RQ 1.1, 1.2) the relevance of migration in a global society and for the financial system, due to the volumes of people flows involved. This reality is linked to bankarization, identified as a barrier (3.1, 5.1; Figure 11) mainly due to the lack of financial integration of migrants. The resultant conclusion to draw is that the number of immigrants as customers would be greater if banks addressed this market niche in an analytical and structured fashion.

b. Flows of remittances

The objective of the remittance flows analysis is to conclude on its relevance for the banking industry. Remittances represent significant cash flow movements that in 2010 amounted to approximately $440 billion, only considering the formal channels (RQ 1.1, 1.2).

It is relevant to stress that immigrants are an *inbound flow of people* that generate an *outbound flow of money*, while on the opposite face emigrants are an *outbound flow of people* that generate an *inbound flow of money*. Statistically, the same person is treated differently depending on what side s/he is seen from: whether viewed from the host country (control over *flows of immigrants*) or from the origin country (control over *flows of money*).

Index numbers allow for understanding and evaluation of a particular environment using secondary data over long periods. They are also useful for showing movements in numbers over a time-period (Buglear, 2005: 256–7). This statistical basis is used to support the significant of the behaviour of remittances, as well as to estimate the forecasts; it was also used to justify the business model (SQ 3), with the objective of determining the potential of the migrant market segment.

Figure 5 was prepared to show the consistently increasing trend in the world's recorded remittances flows over a 39-year period (1970–2009), based on the IMF (2009a), (RQ 1.1, 1.2). In 2010, they reached $440 billion, a level that is in line with the peak of 2008 ($443 billion), while in 2009, this amounted to $415 billion (down by 6.3 per cent from 2008). The forecasts for 2012 and 2013 are $500 and $536 billion respectively. These figures show the consistent resilience of this market segment to the financial crisis (Ratha, 2010: 1; Mohapatra, 2011a: 1–9; Ferraz, 2011: 50). Officially recorded remittance flows are estimated to reached $483 billion in 2011, up 7.5 per cent over 2010, with a forecasted growth expected to continue at a rate of 7–8 per cent annually reaching $593 billion by 2014 (Mohapatra, 2011b: 15). In addition, such flows are under-reported, as there is evidence that remittances through informal channels (de Luna Martinez, 2005: 30–1) could represent at least another 50 per cent of the recorded, formal flows (Aiyar, 2006: 85; World Bank, 2006).

To conclude concerning the relevance of remittance flows, eleven corridors were selected (RQ 1.1, 1.2, 3.1): Brazil, France, Germany, Luxemburg, Mozambique, Spain, Switzerland, US, Venezuela, and the UK (as well as Portugal), as they are countries with relevant corridors. The objective is to show the overall shadows and trends of the lines throughout the different corridors in terms both of consistency in growth and resilience, even in periods of financial and economic stress. The findings are as follows:

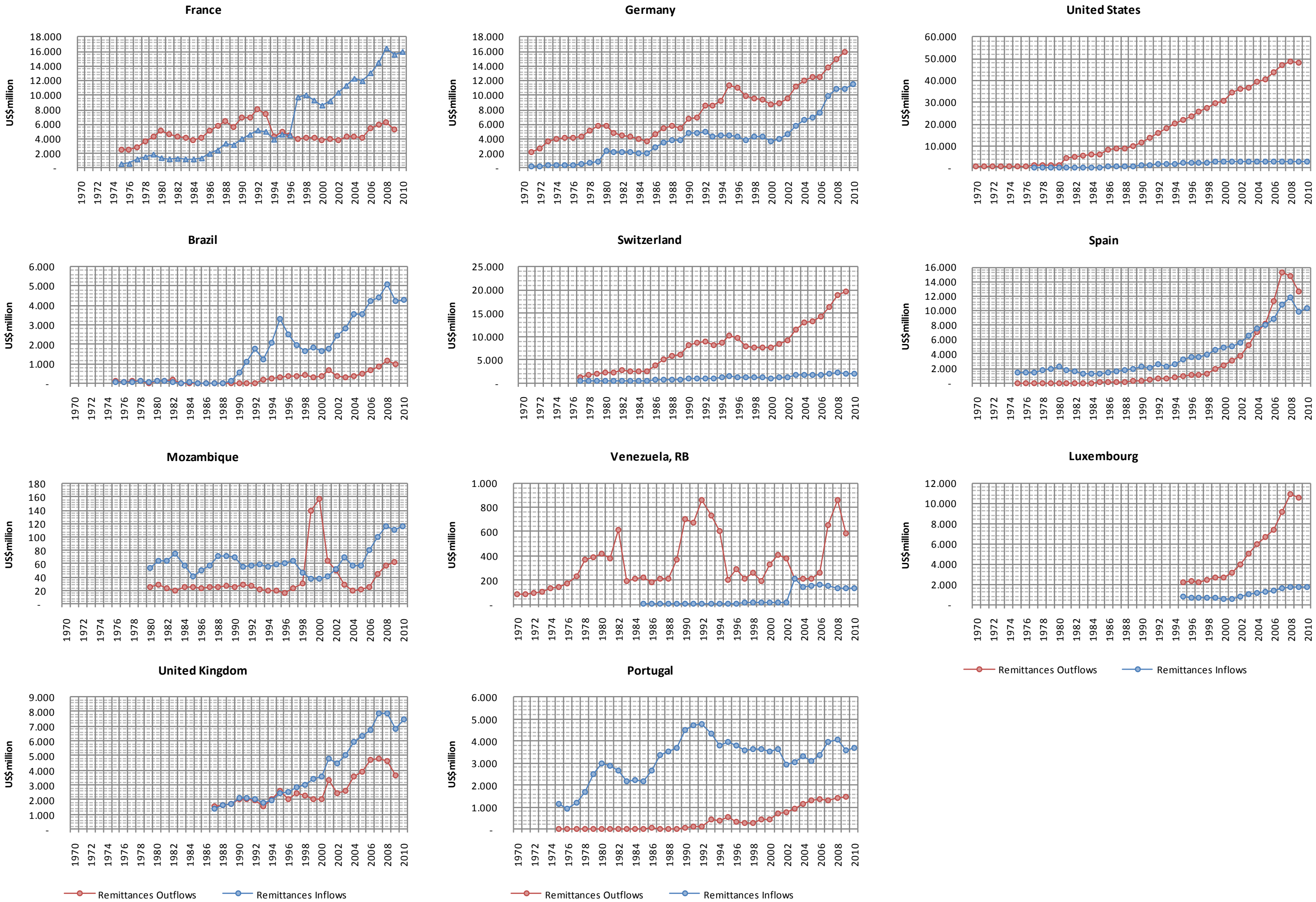


Figure 4a – Remittances' Portuguese-wide corridors by continent as percentage of origin and host countries

The trends shown in the graphs illustrate a clear increase in the flow of remittances although in some countries they vary (RQ 1.1). This is due to different reasons, for example, the economic conjuncture, currency exchange and controls in countries such as Venezuela and Brazil, and events linked to migration laws, for example in the US with visa controls, versus free movement in the European Union (Ferraz, 2011: 47).

In 2009, the countries with the most substantial annual inflows and outflows of remittances were the following: France ($25 billion), Germany ($16.5 billion), Spain ($12.7 billion) and the UK ($3.6 billion); Luxemburg reports outflows amounting to $10.6 billion.

In the same year, Portugal showed *inflows* of $4 billion (reaching 266 per cent in that period) and outflows of $1.5 billion (showing three times the outflow over 9 years). These figures demonstrate the importance of the growth in remittances in Portuguese corridors, complementing the conclusions with regard to the potential of servicing this customer segment, as well as its impact in terms of liquidity volumes (Ferraz, 2010b: 49). However, this new reality about the outflows of immigrants shows a decrease in the net amount (inflows minus outflows) over the past 20 years (1990–2010) from approximately $5 to $4 billion, leaving Portugal (“officially”) with a decreased liquidity as the result of “net remittances”.

Banks did not realize the impact of these changes on their liquidity and, therefore, now require a business model to incentivize immigrant customers to maintain savings in Portugal and also to leverage the potential of servicing immigrants in both the host and the origin countries. The increase in remittances is a trend that has been consistent over the past decades and seems to project into the future. Ratha (2010b: 3) asserts that only if new migration slows over the next decade or so will remittances stop growing, but predicts that remittances will continue to increase as long as migration flows continue as they are currently (RQ 1).

Research explored the qualitative reasons for the decline in remittances in 2009 and also the quantitative resilience of the market segment. Remittances registered a double-digit growth, and the 2007 economic crisis only moderately affected the 2009 flows. These findings show the counter-cyclical nature of the remittance trend and the fact that, historically, migrants cope well with adverse shocks in the financial market (Ferraz, 2010a: 26). Adding further to this argument, Ratha (2010b: 3–7) says that the long-term migrants produce the most remittances.

Meins (2009: 4–7) justifies the resilience of remittances even in periods of financial stress as follows: immigrants ability to deal with adversity is due to spending less money, moving jobs to sectors less affected by the crisis, moving to other regions, working more hours, having multiple jobs and using their savings if needs be to continue remitting, all of which makes remittances more robust than other money flows. Gupta (2007: 3) shares the view that remittances are “robust”, referring to them as stable flows and asserting that immigrants send *more* money home at times of economic distress.

Figures 5a (below) and 6 reflect a time-series of 39 years (1970–2009), showing the remittance flows forecasts for 2010–2013 as well as the forecasted growth rates:

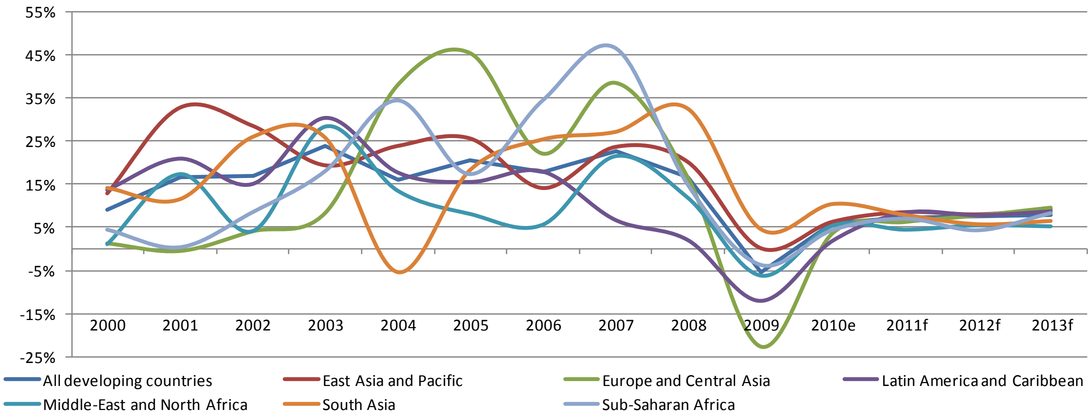


Figure 5a - Forecasts for remittance flows’ growth rate percentage

The outlook for remittances flows based on secondary data (IMF, 2009a; World Bank, 2010b; Ratha, 2010b: 14) indicates that the outlook for remittances until 2013 is projected to grow between 5.8 per cent and 7.5 per cent. The conclusion drawn, therefore, is that there is a clear growth trend for remittances, proving that they are stable flows of liquidity that (RQ 1.1, 1.2) together with the evidence put forward to illustrate the impact of liquidity on the financial stability of the banking system, shows that remittances do have a relevant impact in the context of monetary policies, management of financial systems and in the economy (RQ 1.1, 1.2).

B) The impact of liquidity on the financial stability of banks

It is useful to critically recap and review the literature relating to financial stability alongside that dealing with the flows of people and remittances due to the links between the flows of money and financial stability, the similarity of sources and the nature of the overlaps; they share the same “DNA” structure.

The robustness of the flow in remittances, even during periods of financial crisis, makes for stable flows of cash (Gupta, 2007: 3). These flows could offer a cushion to banks in terms of liquidity. Furthermore, they offer an important opportunity for banks to the migrant market niche as a lucrative business segment resilient to crisis, which can help improve levels of liquidity within the banking system (RQ 1.2, 3.1).

The research (Ferraz, 2010b: 49–55) revealed liquidity as a key element to financial stability, which at the economic level also, specifically in terms of the sovereign risk of countries, was shown to strongly influence the strengths and weaknesses of financial institutions. When the SQ and RQ were crafted at end of 2008, liquidity was not a major concern of the supervision authorities, central banks or the banks in general, because the potential adverse impact on the financial stability, solvency and, ultimately, survival had not been anticipated.

Should further confirmation of this oversight be needed, it was only well into the crisis, that the central banks began to consider seriously and methodically implementing controls to monitor the liquidity management of banks. Before this time, it had not even been seen as an area for concern, but as Fernandez-Bollo (2009: 11) points out, one could not even find an European Union Directive on the subject. Completion of the Directive was expected in 2009, but as the end of 2011 approaches, it still has not been published.

The IMF (2010a: xiv) has warned that current economic conditions require close scrutiny and policy action to avoid compromising financial stability, while the BdP (2010a: 52) reports that resources from central banks play an important role in financing institutions, reflecting also the importance of banks’ resources to the liquidity of the ECB in mitigating liquidity shortages. This view of financial stability illustrates how the concept has grown to involve new variables, which reflect an unanticipated change in the paradigm, such as sovereign risk, GDP, public debt and deficit, banks’ profitability, capital ratios and stress tests.

While the liquidity variable is still seen as the most relevant in relation to the flow of remittances, research did include analysis of public finances: the international public debt and deficit, specifically in the EU, and particularly in the Euro Area (EA), and the impact of these components on sovereign risk – because it is now understood to affect “indirectly” financial stability.

The research was carried out to determine the relevance of liquidity to the stability of the banking system, and the role migrants could play as a source of liquidity. Research also looked into the supervision authorities and the attention they paid to monitoring issues of financial stability currently. The BdP (2009: 101) discloses that the main source of financing for Portuguese banks comes from clients’ deposits, including remittances, and therefore the deposits of migrants are a crucial element (INE, 2010).

a. Impact of Sovereign risk on *financial stability*: a change in the paradigm

The tensions in international financial markets as a result of doubts over the sustainability of the European Union member states’ public finances profoundly interact with other elements of risk or vulnerability in the financial system. Within such a framework, a risk that eventually became relevant to the stability of the financial system on a global level is associated with tensions pertaining to sovereign debt markets observed since 2009, reflecting increased volatility and uncertainty in the financial markets (BdP, 2010a: 23–5).

These new variables justify the notion that for the international debt markets the sustainability of public finances is a highly important factor in the financial stability of the banking system, becoming even more relevant when it is remembered that banks do not have control over these variables that are shown to influence them so negatively, but that governments control them. It is because of these new variables that liquidity plays such an important role, currently, to hedge the impact of these elements. The IMF (2010b: 3) warns that the transmission of sovereign risk to local banking systems threatens global financial stability, but remittance flows are an important financial resource that could be used to shore-up the system while it surmounts the difficulties faced during restructure of banks’ debt.

The literature review began with an exploration of public finances. Here it was shown that G-7 sovereign debt levels as a percentage of GDP is nearing a 60-year high (1950–2010) reaching almost 120 per cent of the GDP, thus alerting the European Union to the potential crisis: that public debt may spill over, across financial systems, impacting on financial stability (IMF, 2010b: 3; Ferraz, 2011: 68–70). European Union Treaties impose that this percentage does not exceed 60%, but among the G-7, four are European Union member states with three in the EA. The graphs shown (Figures 12 and 13) are the results of reviewing the literature (European Commission, 2010) on the public debt as a percentage of GDP, both include data for a15-year period (1995–2010) from France, Germany, Portugal, Spain, and the United Kingdom, and the Euro Area average. Figure 7 shows Germany with a ratio below 80 per cent and the others range between 80–90 per cent, well above the 60 per cent stated in European Union Treaties.

This demonstrates that high public debt raises concerns that impact on sovereign risk and, consequently, financial stability. France and Germany, both highly industrialized countries with large banking industries, saw their financial stability strongly affected because of the lack of liquidity in several banks (Ferraz, 2011: 70). Portugal and Spain are related in economic terms – e.g. representing each other's largest trade partners and both with highly efficient banking systems. The UK, as another highly industrialized country with a strong banking sector, is similarly affected largely by the financial crisis because of the lack of financial stability of several large- and medium-size banks that were nationalized. Figure 8 shows all countries within the range of between 4.5 per cent and 10 per cent, the Euro Area average being approximately 6 per cent (Ferraz, 2011: 71–2), which is also well above the 3 per cent agreed in European Union Treaties.

The conclusion reached is that the sovereign risk of countries with higher debt ratios versus GDP and which, in addition, have high deficits in their public finances, face difficulties accessing debt markets; this impacts directly on the financial stability of banks, and in turn, clearly demonstrates the important contribution remittances could make to financial stability. For example, the IMF currently factors into their GDP calculations the percentage of remittances flows, as well as considering the growth rate, in determining the level of a country's rating; Ratha (2010a, 10–2) stresses the importance of this decision, because it recognizes remittances as a variable, representing more than 4% of GDP in 2008 in several countries. The IMF's decision to monitor public finances and factor in remittances to calculate sovereign ratings, debt sustainability and credit-worthiness, analysis then used by the rating agencies, could be leveraged by governments and the banking system. As Ratha (2010b: 1) asserts, the resilience of remittances flows during the crisis reinforces the importance of them for countries facing financing gaps, i.e., negative loans-to-deposits ratios.

The research also revealed that little work has been done to measure the contribution of banks to systemic liquidity risk (IMF, 2010b: 37, 44, 66), and that careful management of sovereign risk is essential to financial stability in the future. It also highlighted another risk factor for banks that could derive from more stringent liquidity-management regulation to reduce liquidity risk (BdP, 2010a: 91). Furthermore, the contribution of Ratha (2010a: 10–2, and 2010b: 1) brings to the debate on liquidity requirements, an important element concerning the condition of banks' liquidity management, which concludes that high levels of public debt are impacting on banks' financial stability, which indicates that a dramatic survival strategy is required as a result of a high-speed change in the paradigm.

b. Portuguese corridors: importance of flows *versus* selected financial ratios

The BdP (2010b) published data relating to the volumes of migrant remittances received through formal channels – Portugal's ten most important corridors – over a 13-year period (1996–2009). The graph is shown in Figure 9, showing that a reduction of 9 per cent occurred in 2009 (€2,282 million), with 2010 showing an increase of 5.35 per cent (€2,404 million). The data for 2011 (BdP, 2011) shows that Portuguese emigrants continue to demonstrate their savings capacity, maintaining the tradition of remitting money to Portugal. The first nine months of 2011 show a negligible decrease of 1.29 per cent (€1,780 million) compared to the same period of 2010 (€1,803 million). France continues to be the largest corridor, with its remittances totalling approximately €679 million in the first nine months of 2011, a small decrease of 2.3 per cent versus the same period of 2010. The US represents the third largest corridor – reflecting a different migrant mentality in terms of savings versus consumption and investment, while Switzerland the second largest corridor, showed an increase of 20 per cent for the same period in 2009, while the first months of 2011 shows an increase of 11 per cent versus the same period of 2010. Even with the economic crisis deepening in 2011, the traditional Portuguese corridors continue showing resilience of remittances flows. The BdP (2010b: 120) points out three of the main reasons why deposits are an attractive activity for banks: they generate income from commissions, represent cheap liquidity, and are a stable source of funding. This data confirms that remittances are an important source of liquidity, complementing the results of the research (Ferraz, 2010b: 49–55) relating to the importance of their contribution to the financial stability of the Portuguese banks.

Another angle relates to the accumulation of remittances as savings in the origin country as well as in the host country, and in the investments of emigrants. An overall calculation of the nominal value of remittances – adding them up over the 13-year period under analysis (1996–2009), and not considering any corrections for inflation, currency exchange rates or discounted cash-flows – came to approximately €40 billion in the Portuguese corridors. The total equity and share-capital of five of Portugal's leading banks helps put these volumes into perspective when considering them in relation to their share-capital and equity, which at the end of 2010 amounted to €14 billion and €27 billion, respectively (Bureau Van Dijk, 2010). This figure, when compared to the €40 billion of remittances flows, demonstrates the relevance of the contribution specifically to the financial stability of the Portuguese banking system and the country's economy during the 1970s through to the 1990s.

The Committee of European Banking Supervisors (CEBS, 2010: 8) and the BdP (2010c: 1) conclude that the aggregate results of the stress tests suggest that the European Union banking system is resilient, although this outcome is due in part to the continued reliance on government support by a number of institutions, but the uncertainties of the current path of macroeconomics should not be seen as a reason for complacency (Ferraz, 2011: 88–92).

Although the variables *per se* – remittances flows, financial stability and stress tests – appear to be unconnected, researching them separately but in the same time-frame has shown that they are intimately *connected*. Furthermore, it seems legitimate to conclude that based on the combination of these variables, most banks still have not identified that the leverage of remittances flows has potential to contribute to financial stability, impacting favourably on the results of the stress tests.

c. Loans-to-deposits ratio analysis

When the SQ were prepared, the financial system was a long way from forecasting the stress that many countries' economies were about to experience – namely because of sovereign ratings – and which the banks in particular would face due to the closing, in practice, of debt markets and the consequent difficulty of reducing the liquidity gap in the balance sheets.

A review of the loans-to-deposits ratios of several financial systems led to the conclusion that they had a negative ratio and a strong need for liquidity, which is in line with the warning of the BdP (2010a: 89): that there are notable liquidity risks in the Portuguese banking system that derive from the potential downgrade of the sovereign risk. With regard specifically to the issue of financial stability [RQ 3.1], banks with negative loans-to-deposits' ratios (a bank that lends more than it captures in deposits), implies that its solvency strongly depends on capturing liquidity.

The analysis of loans-to-deposits' ratios (Bureau Van Dijk, 2010) analyses five of Portugal's largest retail banks (over 70 per cent of the market) and six banks in Spain (over 50 per cent of the market), allowing a comparison between countries that have two of the world's most efficient banking systems. Portuguese banks have significant negative liquidity gaps, while only one large Spanish bank has a positive liquidity gap (Ferraz, 2011: 96–101). This supports the need for the Iberian banks to focus on capturing liquidity to reduce their dependence on international debt markets that closed in April 2010 for markets such as Portugal.

The opposite is true for France, Germany and the UK: the banks in these countries show highly positive loans-to-deposits ratios, reflecting a more comfortable position in terms of liquidity, and meaning therefore that there is a lesser need to issue debt to raise liquidity. Asia, Hong Kong, Japan, and Singapore show a consistent and comfortable liquidity position reflected by their positive loans-to-deposits ratios (Ferraz, 2011: 98–99). It is for this reason that countries like Portugal and Spain, with negative ratios and a significant migrant market, could take advantage of leveraging remittances flows to increase their levels of liquidity, and issue debt by using as collateral the future flows of remittances as discussed in "Diaspora bonds: a debt instrument to leverage remittances flows" (Ferraz, 2011: 93–5).

Appendix 6 – Letter to the interviewees and consent form

Lisbon,

Duarte Ivens Pitta Ferraz is conducting research at Nottingham Trent University, the purpose of which is "the analysis of the migrants' business segment in the banking system".

During this research project, bank managers will be interviewed and the interviews will be tape-recorded. If during the interview you do not feel comfortable, please let the interviewer know that you would rather not answer the question.

Every participant in this research project will be asked to give written consent before participating. Participation is voluntary and is appreciated. If you have any questions before, during or after the interviews, you should not hesitate to contact the interviewer.

Each participant will be informed about the data that will be collected using audio means. All the data will be destroyed after the project is completed. Before that, the data collected will be treated anonymously. All names, organisations, and places will be changed. Normally, only the researcher and his supervisors will have access to the transcripts, although under exceptional circumstances, they may need to be viewed as part of the examination process. In all cases, those who have access will do so in order to ensure that the overall project meets academic standards and they will themselves be bound to maintain strict confidentiality.

Every participant has the right to withdraw from this project without giving reasons for withdrawing. Under these circumstances, the data provided by the participant will not be considered and will be destroyed. If you wish to withdraw, you should contact the interviewer or, alternatively, the supervisors.

I can be contacted by e-mail: duarte.ferraz@hotmail.com

Supervisors:
Professor Alistair Mutch (alistair.mutch@ntu.ac.uk)
Professor Colin Fisher (colin.fisher@ntu.ac.uk)
Nottingham Trent University
Burton Street
Nottingham NG1 4BU

CONSENT FORM

Name of site:

Please read and confirm your consent to being interviewed for this project by initialling the appropriate box and signing and dating this form

1. I confirm that the purpose of the project has been explained to me, that I have been given information about it in writing, and that I have had the opportunity to ask questions about the research ☐

2. I understand that my participation is voluntary, and that I am free to withdraw at any time without giving any reason and without any implications for my legal rights ☐

3 I give permission for the interview to be tape-recorded, on the understanding that the tape will be destroyed at the end of the project ☐

4. I agree to take part in this project ☐

Name of respondent	Date	Signature
Duarte Pitta Ferraz Researcher taking consent	Date	Signature

Researcher contact details: Duarte Pitta Ferraz, e-mail: duarte.ferraz@hotmail.com, Mobile: +351 96 400 2 800

Supervisors contact details: Professor Alistair Mutch (alistair.mutch@ntu.ac.uk) and Professor Colin Fisher (colin.fisher@ntu.ac.uk), Nottingham Business School, Nottingham Trent University. Burton Street, Nottingham NG1 4BU, United Kingdom

Appendix 7 – Guide for the interviews (banking system stakeholders)

Good morning/good afternoon

QUESTION 1

I would like to thank you for your availability for this interview, during which we will talk openly about matters and activities that are linked to our professional activities.

The interview will not have rigid rules. We should regard it as a conversation between two professionals, with a similar activity, in which we will touch on matters without the constraint of having preformatted and much-focused questions that would impose on you the answer to a specific matter.

Actually, before we go to the main subjects I would like to ask you to tell me, in a general fashion, as a Banker (or banking employee), when you hear the word "Remittances", what images, opinions, business opportunities or other matters come to your mind?

TOPICS:

- If in the answer the word "**Migration**" is referred, I will ask the interviewee to go deeper into it.
- If in the answer the word "**Migration**" is not referred, I will go back to it.
- Still talking about "**Remittances**", if you link it to the word "**Migrants**", I would like you to let me know what comes to your mind… I would ask you to tell me what comes to your mind because of the association of these two words: **Remittances and Migration**?
- What do you think about the actions, general policies, and recommendations of **international institutions** like the World Bank, the IMF, G-8 or UNESCO, on the subjects of Remittances and Migrants?

QUESTION 2

Now, I would like to change a little the focus of our conversation and ask you to be more specific and detailed about the **Remittances' business segment**, i.e., the migrants (emigrants and immigrants), about the relevance, importance and impact of the **money flows generated by the migrants**, at both the origin and the host countries…, as well as in a global fashion, what is the importance that you think the retail banks in general (in the world) attribute to this business segment at the **host and the origin countries.** I also would like you to let me know what comes to your mind on these matters, specifically about the Portuguese Banks…

TOPICS:

- Would you let me know the idea you have about the **number of migrants** in the world, European Union or Portugal?
- Would you let me know the idea you have about the estimated **volume of money flows** generated by migrants in the world and in Portugal?
- Being that **financial stability** is currently a concern of the central banks, would you let me know what do you think is the importance these flows (Remittances) could represent for the stability of the financial system?
- What do you think about the **profitability** of the Remittances? …And **Migrants' business segment**? Would you let me know about your perception of this business segment, namely on the **under-explored potential** it has?
- **International institutions** (World Bank, IMF, UNESCO, Universities…) publish papers, statistics and other material about Migrants… what are the current **practices and policies of your bank** in systematically analyzing them.
- Also, in adopting the practices recommended at those **international forums** about migrants.

QUESTION 3

Now I would like to ask you to talk about the thoughts you have in relation to the **type of banks** that have a specific business area **dedicated to the migrants** business (emigrants and immigrants)… what are the **limitations and constraints** in addressing this type of business resulting from the type of bank (retail, investment, small versus large branch network), the dimension and consequently the potential of the Migrants' business, the **geographical** context, the **cultural** specificities of a particular migrant community (e.g., the use of **informal channels**)… and **other** related topics to this…

TOPICS:

- Barriers the banks have in **servicing migrants** (emigrants and immigrants);
- Do you think the banks have **geographical strategies** (at both sides of the "corridors", i.e., at the host and origin countries) or **cultural strategies**? Or otherwise this business segment should be addressed and treated as similar **business segments** (mass market, affluent market or private banking)?
- Talk to me about the strategy to be followed, if any, at both the **origin and the host countries**… would you talk to me about the **business potential** you believe exists if this is done.
- Is your bank aware of the volumes of Remittances that flow through **informal channels** and if so, what are you doing to attract them to the formal financial system?

QUESTION 4

Now I would like you to talk to me about matters linked to the **strategy** followed to address the Remittances and/or Migrants' business segment, namely in terms of the banking **business segment** under the point of view of the offer to this market niche, as well as the **portfolio of products** to answer the **migrants' financial and non-financial needs**… including also the ways in which the bank covers the needs of the different **life-cycles** of the migrants to answer current and future needs and **financial integration**… and other topics that you think are important in this area.

TOPICS:

- Which practices in terms of **customer segmentation**, on the side of the **product offer and client segmentation**, are effectively being followed?
- How does your bank ensure that it is aware of the **financial needs of the migrants**, on the side of the **product demand**, and which systems are in place to ensure that this awareness is effectively maintained?
- What are the policies at your bank to ensure that the Remittances are used as an **anchor** and leveraged to **cross-sell** other products?
- Tell me examples of products that are specifically conceived to answer the business segments identified by you, and how they answer the financial needs and **migrants and their families** and contribute to their **financial integration**? At both the host and the origin countries?
- What do you think about involving other **stakeholders** (migrants associations, Diaspora, banks at the other extreme of the corridor) when developing the strategic product offer?
- What are the practices and what do you think they should be, in terms of **specific actions** to be implemented, both in the origin and the host country?

QUESTION 5

To conclude, I would like to ask you to talk about the **Corporate Social Responsibility** of your bank in terms of the inclusion of values, changes in policies, procedures and other specific actions in the development of products to be offered to migrants and their families… i.e., the practices your bank follows to support a better integration, namely the **financial integration**, of the **migrants and their families** through their ***bankarization*** and other financial integration mechanisms… also, how do you communicate with the migrants and their families… whatever occurs to you on this matter of Corporate Social Responsibility.

TOPICS:

- Would you give me **examples of values** that are considered by your bank?
- Which **specific products** designed for migrants and their families **include Corporate Social Responsibility values** and examples of them?
- In what **ways do you integrate these values** into the products designed for migrants and their families?
- What are the practices of your bank in terms of **communicating** properly with migrants and their families, in both the host and the origin countries?

Appendix 8 –Key words identified in Document 2 – Critical literature review

Box (Fig. 1)	**Conceptual Framework**	***Summary description of Barrier* and/or *Gap***	**Key words**
1	Improve *liquidity* levels and *financial stability* through *migrants*' *money flows*. Improve profitability through *cross-selling* at both ends of the *corridor*.	Lack of awareness by banks of **Migrants' money flows**, **liquidity** volumes impact and ***corridors*** (Ferraz, 2009, 24). Contribution migrant business could make to the **financial stability** of banks (Ferraz, 2009: 29–30, 88).	Migrants Money flows Liquidity Financial stability *Corridor*
2	Improve *profitability* through *cross-selling* at both ends of the *corridor*. Respond to the needs of migrants; achieve *financial integration*.	Lack of awareness by banks of the potential **profitability** in the migrant business sector that could be brought about by leveraging remittances (**"anchor"**) through **cross-selling** into this business sector. Most banks have a view of "one product" instead of the view of the "customer" (Ferraz, 2009: 72, 80). Migrants should be offered access to products and services in both their **origin and host countries**, and not only be given the opportunity to remit cash. In this way, migrants can be better served, achieving **financial integration**, while increasing **profitability** (Ferraz, 2009: 72).	Profitability Cross-selling Origin and host countries Financial integration
3	Respond to the needs of migrants; achieve **financial integration**. Banks offer services at both ends of the *corridor* in response to the demands of migrants.	Literature on **CSR** in the banking industry does not specifically address the migrant sector. This suggests that researchers give the subject of CSR, migrants, and the banking industry scant attention (Ferraz, 2009: 53, 58–9). CSR concepts (**financial integration** and **sustainability** in the host and origin countries) are not considered in the strategic plans or daily practices of banks, nor absorbed into banking culture, due to the lack of involvement by management: only a few banks have voluntarily and genuinely adopted concepts of CSR (Ferraz, 2009: 48, 51, 54, 56). CSR concepts are not considered when designing or offering products to migrants, with the exception of philanthropic initiatives (Ferraz, 2009: 80-1).	CSR Financial integration Sustainability Life-cycle
4	Banks offer services at both ends of the *corridor* in response to the demands of migrants.	1. Banks focus on the **remittance** "product" instead of the **migrant** "customer". Either banks are unable to offer a structured package or do not cover the **host and origin countries**. They negate cross-selling to migrants and their families and do not offer a full **portfolio of products and services**; basically, banks focus on "mechanically" processing one product: *remittances*. Therefore, banks do not leverage the business opportunity between *corridors* and thus miss out on profits that could be available by servicing the "migrant as a	Portfolio of products and services Level of wealth Host and origin countries Immigrants

	Economic development of host and origin countries.	customer" (Ferraz, 2009: 62, 80). 2. Banks do not identify and address the **specific needs** of different migrant communities (**immigrants**), as the services offered are very similar to those for general customers. The database of migrants is dispersed within banks, and as a result, **client relationship management (CRM)** does not leverage the full potential of this business sector (Ferraz, 2009: 79-80). 3. The **market sector** is not designed to take into account the **life-cycle** and level of **wealth** of migrants, namely their individual profiles (e.g., academic education, profession, age, or income level). The "migrant will be a migrant forever" (Ferraz, 2009: 80). 4. Certain banks make a brief reference to "**products for migrants"**; another aspect could be the development of the cultural and scientific skills of migrants and their families, but banks seem distant from this concept (Ferraz, 2009: 54). 5. In relation to the **organizational structure**, a first-line division dedicated exclusively to the migrant business sector was not found. This suggests either a lack of commitment or failure by management to recognize the potential of this business sector (Ferraz, 2009: 79-80).	Market sector Organizational structure **CRM**
5	Economic development of host and origin countries. Impact of AML & KYC in moving remittances from informal to formal channels	1. Lack of a joint strategy between the monetary supervisory authorities and banks in developing countries. If the remitting and recipient countries cooperate, they could leverage the potential of **remittances**, thus improving liquidity (Ferraz, 2009: 24, 29-30). 2. Lack of **communication and coordination** between **international institutions** and the banking system to ensure that banks (that own formal networks to transmit **remittances**) know about and adopt their recommendations and policies (Ferraz, 2009: 32, 38-40, 57).	Economic development International institutions Remittances Communication Coordination
6	Banks offer services at both ends of the *corridor* in response to the demands of migrants	1. Lack of **communication** among stakeholders (scholars, international institutions, Diaspora, migrants associations, banks and other stakeholders). There is visible evidence of a *divorce* between research, findings, statistics, international institutions, scholars and banks (Ferraz, 2009: 38, 40, 45). 2. CSR concepts in relation to product design: addressing both **financial integration** and the **financial needs** of migrants and their families (e.g., *bankarization*); not currently used to competitive advantage (Ferraz, 2009: 57). 3. The banking system lacks a proactive approach in addressing the issue of **informal channels** and moving remittances to formal channels (Ferraz, 2009: 73–4). 4. Literature on migrants, integration and finance does not address the financial integration of migrants. The focus of the literature at present is on social and religious integration, language skills, social security and health care. Financial inclusion	*Bankarization* Financial integration Informal channels Financial needs CSR Compliance and AML Rules

	Bankarization and financial integration	does not seem to concern banks; while the literature review identified few situations where the expression “financial integration” was used, when it was used, the meaning intended appeared to fall far short of addressing the concept of financial inclusion (Ferraz, 2009: 53, 79–80, 81). 5. The Banking industry does not appear to systematically consider the recommendations published by international institutions (e.g., World Bank, IMF, G-8 and the United Nations) of being innovative and applying CSR as a competitive advantage (Ferraz, 2009: 57).	

Appendix 9 – SWOT Analysis, cross–referencing and allocation to "business model vector"

Strengths	Document 5 – Gap/Barrier (Section 7)			SQ	RQ	Proposed Business model 'vector'	Cross-reference to Documents 2–4	
	Number	Source	Impact				Documents	Page
S1 Stakeholders agree that remittances generate important volumes of liquidity that contribute to financial stability, at both ends of the corridor.	1.3	All stakeholders	Banking System	2	2.1–2.2	Financial stability	2 3 4	14–20 54–55 74, 87
S2 Marketing managers see cross-selling as an important tool for lifetime value, as it leverages a relationship based on several products, contributing significantly to profitability at both ends of the corridor.	2.1	Banking System	Migrants (origin & host countries)	3	3.1	Profitability	3 4	60 107
S3 Training staff in migrants' products improves the ability of building customer relationships at both ends of the corridor.	4.1	Banking System	Migrants (origin & host countries)	3	3.2	Management of Corridors		
S4 Leveraging headquarters technologies (including CRM, databases, systems, etc.) and operations and installing other infrastructure, should not require large investments.	4.1–4.2	Banking System	Banking System	3	3.2	Management of Corridors	4	87
S5 The potential for aligning the recommendations of international institutions, views of politicians and the concerns of Diaspora associations with the banking system's strategy seems high.	1.1–4.1	International institutions, Diaspora, Politicians	Migrants (origin & host countries)	2–3	2.2–3.2	Involvement of Senior Management		
S6 Existing structures abroad (subsidiaries, branches and representational offices) could be leveraged to develop and improve a new business model for the migrant business market.	4.2	Banking System	Migrants (origin & host countries)	1–3	1.1–3.2	Management of Corridors		

Weaknesses	Document 5 – Gap/Barrier (Section 7)			SQ	RQ	Proposed Business model 'vector'	Cross-reference to Documents 2–4	
	Number	Source	Impact				Documents	Page
W1 The potential in the migrant business segment is under-explored.	1–3	Banking System	Banking System	1.1	1.1	Involvement of Senior Management	3	57
W2 Lack of communication among stakeholders (international institutions, banking system, Diaspora associations and politicians), results in a lack of awareness of data, statistics and recommendations published by international institutions**.**	2	All stakeholders	Migrants (origin & host countries)	2.2–3.2	1.2	Involvement of Senior Management	3	89, 93
W3 Most banks lack systems to monitor publications and data produced by international institutions publications and data**.**	1	Banking System	Migrants (origin & host countries)	1.2	1.2	Management of Corridors	3	93
W4 Over the last decade, a large number of senior management in banks have lacked awareness of changes in the migrant business paradigm and as a consequence have not adjusted their business models, losing efficiency and focus**.**	3	Banking System	Banking System & Migrants (origin & host countries)	3.1–3.2	1.3	Involvement of Senior Management		
W5 The lack of planning in relation to customers' effective needs may affect customer relationships due to cross-selling practices that may be regarded as hard-selling.	2.1	Banking System	Banking System & Migrants (origin & host countries)	3.1	2.1	Management of Corridors		
W6 Calculating the cross-selling ratio, most banks do not distinguish between "functional/transactional" and "value-added" products**.**	3	Banking System	Banking System & Migrants (origin & host countries)	3.1–3.2	2.3	Profitability		

Weaknesses	Document 5 – Gap/Barrier (Section 7)			SQ	RQ	Proposed Business model 'vector'	Cross-reference to Documents 2–4	
	Number	Source	Impact				Documents	Page
W7 Some banks do not monitor cross-selling ratios, considered an important contribution to profitability and, therefore, a relevant component of the business model.	2.3	Banking System	Banking System	3	3.1–3.2	Profitability		
W8 Other stakeholders, namely international institutions and Diaspora associations, as well as banking executives in host countries, consider that the migrant credit risk is overrated at banks' headquarters.	3.1	Banking System	Migrants (origin country)	2	2.1–2.2	Financial stability		
W9 Even migrants that have achieved stability in their lives face barriers to obtain loans, namely being asked to present guarantors. Cooperation in this respect could present opportunities for banks to help with the financial integration of migrants, while also increasing profitability.	3.1	Banking System	Migrants (origin country)	2	2.1–2.2	Profitability		
W10 There is a lack of awareness and involvement of senior management in banks about CSR strategy and practice, which currently rarely is considered in banks' strategic plans.	3.1	Banking System	Migrants (origin & host countries)	2	2.1	Involvement of Senior Management	3	66
W11 Most banks do not have a "first-line" focused exclusively on migrant business.	4.2	Banking System	Migrants (origin & host countries)	1	1.2–3.2	Management of Corridors	3	84
W12 The business model requires that the commercial process is re-engineered to capture volumes through a focused services and products portfolio strategy.	4.1	Banking System	Migrants (origin & host countries)	1, 3	1.2–3.2	Management of Corridors	2	46–59

Weaknesses	Document 5 – Gap/Barrier (Section 7)			SQ	RQ	Proposed Business model 'vector'	Cross-reference to Documents 2–4	
	Number	Source	Impact				Documents	Page
W13 Migrant customers at both ends of the corridor are treated by most banks through a mass-market network that segments according to wealth. This does not leverage the wealth of migrants or leverage the "share-of-wallet" potential.	4.2	Banking System	Banking System & Migrants (origin & host countries)	3	3.2	Management of Corridors		
W14 The importance that liquidity represents for financial stability and the ability to carry out business creates a conflict of interest for both headquarters and subsidiaries affecting the management of corridors.	4.2	Banking System (origin country)	Banking System (host country)	3	3.1	Management of Corridors	3	60
W15 There is a lack of coordination between headquarters and subsidiaries in maintaining and monitoring a migrant customer database. As a result, CRM does not operate as a commercial tool to monitor the business segment.	4.2	Banking System (origin country)	Banking System (host country)	3	3.2	Management of Corridors	3	84
W16 Market information is prepared and circulated on an *ad hoc* basis. The information is not shared or explored due to tensions in the relationship with the origin country, which tends to view migrant customers as "problematic"; this demonstrates the need for involvement by senior management to coordinate headquarters' and subsidiaries' commercial strategy.	4.2	Banking System (origin country)	Banking System (host country) & Migrants (origin & host countries)	3	3.2	Involvement of Senior Management	3	60
W17 Cross-selling coordination and segmentation is not approached in a structured fashion, impacting negatively on customer fidelity and, therefore, profitability.	4.1–4.2	Banking System (origin & host countries)	Banking System (host country) & Migrants (origin & host countries)	3	3.2	Profitability		

Weaknesses	Document 5 – Gap/Barrier (Section 7)			SQ	RQ	Proposed Business model 'vector'	Cross-reference to Documents 2–4	
	Number	Source	Impact				Documents	Page
W18 Most banks focus on the "remittance product" instead of the "migrant customer" and do not, therefore, identify and address the specific financial needs of migrants.	4.2	Banking System (origin & host countries)	Migrants (origin & host countries)	3	3.2	Profitability	3	83
W19 A service and products portfolio is not offered in a structured fashion; basically, it includes bank accounts and cards, sometimes mortgages and *bancassurance*, and other basic vanilla products.	4.2	Banking System (origin & host countries)	Migrants (origin & host countries)	3	3.2	Profitability	3	61, 83
W20 Even when the bank is present at both ends of the *corridor*, the product offer is inconsistent, uncoordinated, and not interlinked, reflecting a lack of involvement and monitoring by senior management.	4.2	Banking System (origin & host countries)	Migrants (origin & host countries)	3	3.2	Involvement of Senior Management	3	61
W21 There is not a marketing division (or a department within it) specifically dedicated to the migrant business segment; usually, there is sub-product for migrants (i.e., a product denominated "payment transfers" that includes *remittances*). The result is a lack of a consistent strategic global view, making available products adjusted to fit the financial needs of migrants.	4.2	Banking System (origin country)	Migrants (origin & host countries)	3	3.2	Involvement of Senior Management	3	83

Opportunities	**Document 5 – Gap/Barrier (Section 7)**			**SQ**	**RQ**	**Proposed Business model 'vector'**	**Cross-reference to Documents 2–4**	
	Number	**Source**	**Impact**				**Documents**	**Page**
O1 There is significant potential to capture additional volumes of liquidity from several sources including: informal channels, immigrants (in new destination countries) and from "new entrants" (MTO, telecom and other non-supervised entities).	1.1	Banking System (origin & host countries)	Banking System (origin & host countries)	1–3	1.1–3.1	Financial stability	3 4	93 57, 60
O2 The transmission to banks of publications, recommendations, and conclusions does not constitute a priority for international institutions (including the European Union Commission); they view the issue narrowly, limiting themselves to dialogue with governments, even though banks could be fundamental tools for implementing their recommendations.	1.2	International institutions	Banking System (origin & host countries) & Migrants (origin & host countries)	2	2.2	Profitability	3	93
O3 Migrants have needs the same as any other customer, complemented by specific needs as a result of their characteristics (financial integration, family in the origin country and financial needs at both ends of the *corridor*) .If leveraged their remittances would represent a new source of profitability, acting as an "anchor" to a strong bank–client relationship, generating revenues for long periods. The lack of focus by management on the migrant business segment impairs this opportunity.	2.1–4.2	Migrants (origin & host countries)	Banking System (origin & host countries)	2–3	3.1	Management of Corridors	3 4	60, 66 55–6, 107
O4 Stakeholders "live and act compartmentalised" not communicating with each other, and when doing so, it is not at senior management level.	3.1	All stakeholders	Migrants (origin & host countries)	2	2.1	Involvement of Senior Management		
O5 Most reasons for the use of informal channels, MTO, PSP and other new entrants, results from the lack of financial integration into the formal financial system, leaving significant volumes of liquidity outside the banking system that could contribute to financial stability.	3.1–3.2	All stakeholders	Banking System (origin & host countries) & Migrants (origin & host countries)	1–2	1.2–2.1–2.2	Financial Stability	3 4	98 56–7, 60, 62

Opportunities	Document 5 – Gap/Barrier (Section 7)			SQ	RQ	Proposed Business model 'vector'	Cross-reference to Documents 2–4	
	Number	Source	Impact				Documents	Page
O6 CSR papers addressing specifically the migrant-banking segment are almost non-existent, demonstrating that the area is very likely underexplored, which may also, partially, justify the lack of awareness among senior management in banks.	3.1	Academic research	Banking System (origin & host countries) & Migrants (origin & host countries)	2	2.1	Involvement of Senior Management	3	66
O7 Migrant customers are not segmented by channels distributions (being allocated to mass-market networks) but by consideration of their wealth, including age, social status, education, professional position, and related life standards. This is the result of a lack of adequate management of the *corridors* that focus on the global nature of this business segment.	4.1	Banking System (origin & host countries)	Migrants (origin & host countries)	3	3.1–3.2	Management of Corridors		
O8 Leveraging networks to service immigrants of other nationalities in the host countries as well as immigrants in the origin country represents a business opportunity that appears to be under-explored.	4.1–4.2	Banking System (host country)	Banking System (host country)	3	3.1–3.2	Profitability	3 4	60, 84 56
O9 Banks that are able to answer the specific needs of migrant communities will have competitive advantage compared to local banks, i.e. if the bank has a presence in the migrant's origin country to leverage those structures (e.g. a Portuguese bank in France, also with a subsidiary in Poland, servicing Polish immigrants in France).	4.1–4.2	Banking System (host country)	Banking System (origin & host countries)	3	3.1–3.2	Profitability	3	83
O10 A strong presence at both the ends of the *corridor* is a criterion of the utmost importance to be successful and profitable, as it is very difficult to be a customer's primary bank if the bank is not present in the host country.	4.1–4.2	Banking System (origin country)	Migrants (origin & host countries) & Banking System (host country)	1–3	1.2–3.1–3.2	Profitability	3	60

Opportunities	Document 5 – Gap/Barrier (Section 7)			SQ	RQ	Proposed Business model 'vector'	Cross-reference to Documents 2–4	
	Number	Source	Impact				Documents	Page
O11 *Corridor* volumes represent a key factor for deciding a migrant business strategy, focused on customers that remit; this would leverage remittances as "the rope" to tie the migrant to the bank.	4.1	Migrants (host country)	Banking System (origin country)	1–3	1.1–1.2–3.1–3.2	Management of Corridors	4	56
O12 A product and services portfolio should consistently consider the results of interaction with other stakeholders, as this provides sensitivity to the characteristics of the migrant business segment, specifically in relation to *bankarization*, financial integration and CSR issues.	4.1	International institutions, Diaspora, Politicians & Banking System	Migrants (origin & host countries)	3	3.2	Involvement of Senior Management	3	61, 89
O13 Attracting transactions from informal to formal channels is a concern of international institutions, politicians, and Diaspora associations; if informal channels' amounts were *bankarized*, banks would attract significant volumes of liquidity.	5.1	Migrants (origin & host countries)	Banking System (origin & host countries)	1–2	1.2–2.1–2.2	Profitability	3 4	89, 93 57, 60
O14 Commercial activities are not *synchronized* to capture maximum value in a lifetime relationship. Most banks are often tempted to cross-sell to customers constantly to achieve maximum profitability levels, with no regard to the effective customer need at that particular time.	2.1–4.1	Banking System (origin & host countries)	Migrants (origin & host countries)	3	3.1–3.2	Management of Corridors		

Opportunities	Document 5 – Gap/Barrier (Section 7)			SQ	RQ	Proposed Business model 'vector'	Cross-reference to Documents 2–4	
	Number	Source	Impact				Documents	Page
O15 In the banking industry and among some stakeholders there is inconsistent awareness about remittance volumes flows and its importance and potential contribution for financial stability.	1.1	Banking System (origin & host countries)	Banking System (origin country)	1–3	1.2–3.1	Financial stability	3 4	98 58, 102
O16 Banks recognize the importance of tax and other governmental financial benefits that were granted to emigrants in the past and attracted remittances. But banks do not use their influence to persuade governments of its reintroduction based on its potential contribution to financial stability. These volumes are often channelled to countries with more favourable tax legislation.	1.2–4.1	Politicians	Migrants (origin country) & Banking System (origin country)	1	1.2	Financial Stability	3	46, 87
O17 Current business models in most banks do not answer the current financial needs of migrants and their families at both ends of the corridor, as the change in the business landscape changed, without the required change in the business model.	3.2–4.2	Banking System (origin & host countries)	Migrants (origin & host countries)	3	3.2	Management of Corridors	2	77–8
O18 Banks do not have a structured plan to achieve financial integration of migrants, although some of them recognize their responsibility in doing so, and their key role to bring it about as a social contribution, benefitting migrant communities through financial literacy programs.	3.1	Banking System (host country)	Migrants (host country)	2	2.1–2.2	Involvement of Senior Management	3	98
O19 CSR concepts are not considered consistently and there is no strategic vision incorporating it into the design and management of the product portfolio. *Profitability* assumes a leading role, even when products are focused on financial integration both in the host and the origin countries.	2.1–4.2	Banking System (origin & host countries)	Migrants (host country)	2	2.1	Involvement of Senior Management	2 3	46–59 61, 66, 89

Opportunities	Document 5 – Gap/Barrier (Section 7)			SQ	RQ	Proposed Business model 'vector'	Cross-reference to Documents 2–4	
	Number	Source	Impact				Documents	Page
O20 There is a lack of awareness among senior management and, consequently, a lack of commitment to the migrant segment business, seen as a result of senior management having "lost sight" of changes in the landscape paradigm, which demanded changes to the business model to ensure its effectiveness, and restructuring of organizational processes.	4.2	Banking System (origin & host countries)	Migrants (origin & host countries)	1–3	1.2–3.2	Involvement of Senior Management		
O21 The characteristics of migrants require operational adjustments, including: opening schedules, capillarity, improvements in the speed of remittances to reach destinations, AML–KYC processes. This would attract customers to banks that currently use other operators to process remittances and other business.	4.1–4.2	Banking System (host country)	Migrants (host country)	1–3	4.1–4.2	Profitability	3	89
O22 The commercial coordination and management of customers in the host and origin countries to leverage their potential is low or non-existent. This is due to conflicts of interest between staff at both ends of the *corridor*.	4.2	Banking System (origin country)	Migrants (origin & host countries)	3	4.2	Management of Corridors	3	60
O23 The banking system assumes a "reserved and distant" position on *bankarization*, which may be the result of a lack of engagement by senior management in banks; bankarizing migrants with less 'red tape' would attract new liquidity into the formal system.	5.1	Banking System (origin & host countries)	Migrants (host country)	2–3	5.1	Financial Stability		
O24 Interviewees, including those from the banking system, recognized that few banks have adequate, dedicated management structures to manage corridors effectively.	4.1	Banking System (origin country)	Migrants (origin & host countries)	3	4.1	Management of Corridors	2	77–81

Opportunities	**Document 5 – Gap/Barrier (Section 7)**			**SQ**	**RQ**	**Proposed Business model 'vector'**	**Cross-reference to Documents 2–4**	
	Number	**Source**	**Impact**				**Documents**	**Page**
O25 Second- and third-generation migrants represent a business opportunity at both ends of the *corridor* both in terms of general (dedicated) banking products and in the business niche, to support international commercial relations.	4.1	Migrants (host country)	Banking System (host country)	1–3	4.1	Profitability	3	63–64, 69–73
O26 In the past, banks captured and retained greater volumes of liquidity, but this still represents a significant percentage of deposit bases for some banks, and could be leveraged again. Incentivizing the maintenance (in Portugal) of immigrant deposits would contribute to liquidity levels, reducing the loan-to-deposits ratio.	1.1–4.2	Migrants (host country)	Banking System (origin country)	1–3	1.1–3.2	Financial stability	4	62, 99–101, 104, 106–7
O27 A bank without a presence in the host country is limited when developing a migrant business niche. An alternative to this is to operate with a strategic partner to cross-channel business; generating cross-selling and commissions seems to be an alternative most banks could consider.	4.1–4.2	Banking System (host country)	Migrants (origin country)	1–3	4.1–4.2	Profitability	3	76–9

Threats	Document 5 – Gap/Barrier (Section 7)			SQ	RQ	Proposed Business model 'vector'	Cross-reference to Documents 2–4	
	Number	Source	Impact				Documents	Page
T1 Other stakeholders besides banks demonstrated a high level of awareness about the potential of remittance flows for financial stability – and expressed knowledge about what migrants could represent for banks in terms of CSR policy; the role banks could play in social development and financial integration of the migrant community.	1–2	International institutions, Diaspora, Politicians	Banking System (origin country)	1.1–2.2	1.1	Financial stability	3 4	66, 94 102, 106
T2 International institutions, Diaspora associations, and politicians are fairly critical of the lack of leadership, vision, and strategy banks show towards the migrant business. This view of stakeholders may represent a potential threat to banks' reputational risk.	2	International institutions, Diaspora, Politicians	Banking System (origin country)	1.1–2.2	1.1–2.2–4.2	Involvement of Senior Management		
T3 Abolished tax and other financial benefits conceded to emigrants in the past have been progressively eliminated, which has impacted negatively on emigrants' motivation to remit to the origin country; opting in preference for other geographies that offer more advantageous tax treatment for savings and wealth management.	2	Politicians	Banking System (origin country)	1.2	1.2	Financial Stability	3	46, 87
T4 There is a competitive threat from local banks, as often their product portfolio better meets the financial needs of immigrants, although it seems that management in the origin country does not seriously consider the business potential, very likely due to a lack of management coordination of the corridor.	3	Banking System (host country)	Banking System (origin & host countries)	3.2	4.2	Management of Corridors	3	55, 83

Threats	Document 5 – Gap/Barrier (Section 7)			SQ	RQ	Proposed Business model 'vector'	Cross-reference to Documents 2–4	
	Number	Source	Impact				Documents	Page
T5 Banks consider AML and KYC rules a barrier to *bankarization*. Other stakeholders advocate that banks interpret the rules well beyond the law, identifying also compliance officers and law departments as over-empowered structures (mainly after 9/11) that are not challenged by senior management about their interpretation of the rules and legislation.	2	Banking System	Migrants (origin & host countries)	2.1	5.1	Involvement of Senior Management	2 3	93 89
T6 MTO, PSP, MTF, telecom firms and other non-supervised operators process remittances more speedily than banks. They offer a better service than banks for remittances, which reach beneficiaries in the origin countries including remote locations quickly and for which you do not need a bank account. This reality detours liquidity volumes from banks, affecting the levels of liquidity they capture.	3	Migrants (origin & host countries)	Banking System (origin & host countries)	3.1	1.2–4.2	Financial stability	2 3	13, 19, 32, 91–3, 96 89
T7 Many host countries have foreign exchange controls in place and other local, legal rules that may represent a barrier to attracting remittances and banking business to the formal banking system. This requires planning to address the issue for each country where this situation could represent a threat.	3	Politicians	Migrants (host country) & Banking System (origin country)	3.1–3.2	5.1	Financial Stability	3 4	89 58

Appendix 10 – References from documents 1–4 included in document 5

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1.2	Recapping on the nature of the matter	4	(Ferraz, 2011: 69–76)	14
		2	(Ferraz, 2010a: 7)	14
1.3	Portugal: European Union periphery, broad finances, active Diaspora and neglect of remittances	4	(Ferraz, 2011: 79–80)	16
		4	(Ferraz, 2011: 27–60)	16
		2	(Ferraz, 2010a: 49–55)	17
		3	(Ferraz, 2010b: 38, 111)	17
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1.4	Relevant key words, concepts, and definitions	2	Document 2	18
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1.4.2	Remittance			
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NOTTINGHAM BUSINESS SCHOOL

Doctor of Business Administration

COHORT 10 – 2009/2012

DOCUMENT 6

"A reflective journal"

"Bridging the 'gap' between Migrants and the Banking System: An innovative Business Model to promote financial integration, financial stability, and profitability"

5 January 2012

Supervisors:

Professor Alistair Mutch

Professor Colin Fisher

Student:

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Abbreviations

DBA – Doctorate in Business Administration

NBS – Nottingham Business School

NTU – Nottingham Trent University

RQ – Research question(s)

SQ – Strategic question(s)

SWOT – Strengths, weaknesses, opportunities, and threats

Table of Contents

1 Relevance and reasons for electing the topic of migrants for the thesis

There was an interesting and unexpected reward for electing the topic of migrants and the banking system. Discovering that there was a dearth of research into the subject was motivational in itself, but then, during the research process, the subject took on more relevance as the current economic crisis among EU countries progressed. Those countries with a strong presence of Diasporas and relevant corridors seemed increasingly to be the subject of speeches made by politicians and supervision authorities – appearing it seemed to me to link directly to the crisis involving migrants and the banking system and banks' financial stability and profitability.

The reason for choosing the topic was a consequence of an invitation in 2008 to deliver a talk at a banking seminar, under the title "Remittances". Performing a superficial "investigation" in preparation for the talk, the volumes of people and remittance flows and the astounding percentage migrants' deposits represented for my bank's balance sheet, came as a real surprise. The discovery prompted questions, what if the banking system as a whole and Portuguese banks in particular, were leveraging the liquidity volumes remittances represented and properly leveraging the migrant business segment?

Without a structured plan, newspaper articles, general literature, and basic information on migration started to become relevant. It became increasingly evident to me that migrants' remittances were attracting the attention of money transfer operators whose outlets in Lisbon and other European capitals were noticeably growing. This was intriguing: these firms were establishing themselves with a visible degree of capillarity in a short space of time, just as Portugal had started to attract immigrants; the logical deduction was that this business had to be profitable.

Based on the superficial investigation, intellectual and personal curiosity grew as the business potential this segment of the population represented to the banking industry and the impact it could have on the economy, social development and financial integration of migrants became apparent. At that time, the suspicion was that banks were not taking full advantage of this business niche as they had done thirty or forty years before, and at the same time, the issue of social responsibility in relation to what this business meant in terms of its potential for human progress, seemed to be neglected by the industry.

This all fitted well with Fisher's (2007: 31) recommendations to choose a research topic that is of interest, thus avoiding motivational and commitment issues, and to make sure that the topic is of interest to external audiences. It was necessary to identify a topic for the doctorate that would contribute both to the academic and business worlds. Three ideas where submitted and pared down to the final decision: to research the topic "remittances and the banking industry", that, as a result of the research in Document 2, evolved to "migrants and the banking system".

At least three personal factors have probably influenced the choice of subject: personal experience of immigration (Angola and the USA), an expatriate (Spain, Greece, and Turkey) and a national-migrant in Portugal (Lisbon and Porto). In addition, there is a family history of migration since the seventeenth century – from the UK (curiously enough from Nottinghamshire and Oxford), USA, South Africa, and Portugal. Lastly, a personal experience relating to financial integration is also relevant: having migrated to the USA to become an audit manager for a highly reputable US manufacturing company in New York, I had a bank account with a large US bank into which my salary was paid on a monthly basis. Approximately six months later, I submitted a credit card application (to which was attached a letter of recommendation from the same credit card company in Portugal), but the application was declined due to my not having built up a credit record in the USA. Considering, then, that many migrants are not in such a fortunate position – a professional post with a substantial salary – it is fair to conclude that barriers to financial integration represent barriers to social integration and lack of answers to the basic financial needs of migrants.

The main interest despite all of this, however, is a professional commitment to the banking industry; I work within it and want to contribute to its future growth and development. The primary Strategic Question (SQ) contains the ingredients to achieve the objective:

> *"How do banks improve financial stability and increase profitability in relation to the business needs of migrants in an increasingly competitive market?*

2 A reflective journal

2.1 Document 6 preparation and learning approaches: the "mechanics"

Document 6, written on completion of the five documents, reflects on the research process as stated in Document 1.

Document	Completion date	Document 6 drafting
1	23 June 2009	24 July 2009
2	8 January 2010	28 January 2010
3	1 June 2010	14 June 2010
4	4 January 2011	8 January 2011
5	17 December 2011	18 December 2011

This Document presents a summary of the difficulties faced and the benefits gained; the adjustments and changes made while in the process of researching ideas and topics. The summary of the "journey" covers the researcher's perception of his intellectual development – shifts in values and understanding – concerning both the subject and the process of doing research.

There is a section for each document submitted, numbered and captioned with a title to reflect the feelings of the student. Its objective is to reflect a "genuine view" as each document was completed.

The template (NTU, 2004) "Discovering how you learn: your approach to learning", described how everyone perceives and processes information differently; there is not a "best way" to learn; as individuals, we arrive from different academic backgrounds and professional experiences, and also use a number of different learning styles according to the objective. This is useful insight, whether performing academic research or carrying out professional duties. It certainly will be borne in mind to frame decisions in the future whether personal, academic, or business.

2.2 Research allocation of SQ and RQ and research in a foreign language

In Figure 1, the column "document allocation" represents the initial decisions made about the direction the research should go, decided in Document 1. However, over the development of the work, particular areas needed further clarification, presented in the columns numbered 2–5 in Document 5 (2012: Figure 2). The main changes made in this regard were justified by the following:

- The plan was to undertake qualitative research for RQ 1.1 and 1.2, but during the interview process, the connection between financial stability and liquidity emerged as a relevant topic. Quantitative research I felt would complement the qualitative conclusions to RQ 3.1, providing a qualitative view of the issue and showing its interconnection with other variables.

- The plan was that the qualitative research of Document 3 would include interviews with all stakeholders involved with migrants. Then, having carried out the critical literature review (Document 2), I decided to interview only "bankers/bank managers" initially to get their insights into the RQ first. For Document 5, I interviewed the remaining stakeholders, contrasting the results of the research in the previous document. Document 5, therefore, includes additional interviews with "bankers/bank managers", that includes other members of the board of directors or executive committees and marketing managers (RQ 3.2).

My first language is Portuguese, the language used for most of the interviews (Ferraz, 2012: Appendixes 1 and 2), therefore, was Portuguese so as not to impede extraction of relevant information. The decision to conduct interviews in English depended on the language skills of the interviewee. Recordings were made of all the interviews, they were transcribed, and then translated by the student; if a literal translation could be misleading an "accurate meaning" was placed in a square bracket between quotation marks.

A concern at the beginning was that the scope and complexity of the research might have dispersed the focus of the thesis, mainly in relation to the number of components of the business model. The student overcame this challenge by using a kind of theoretical constraint, careful not to lose sight of the “spider’s web of knots”, but using it to design and draw the proposed innovative business model.

3 The journey through the five documents submitted in fulfillment of the DBA

3.1 Document 1 – The unknown academic venture: “scientific” fear and confusion, stress, golf, and expectations …

This section will cover the evolution and progress of Document 1. Having not been in direct contact with a learning environment for several years it was with some hesitation that I began to contemplate developing Document 1. Preparing six such documents was a terrifying prospect – weekend golf was out of the question – the handicap would deteriorate, hence the title of this section: *“The unknown academic venture: “scientific” fear and confusion, stress, golf, and expectations …”*

The cohort comprises students from several countries and areas of business, in addition to the professors, and my personal supervisors. Skype conference calls were an interesting way to communicate with colleagues; I enjoyed the interchange of ideas and all the different ways of problem solving and decision-making, a process that focused on *how* to make a decision instead of *which* decision to make.

Faced with the preparation of Document 1 “scientific” fear finally struck: where does one start? Co-Leader Professor Colin Fisher offered outstanding guidance and inspired enthusiasm and confidence, and then the plan and structure for document began to develop. With many years experience in business, I have always believed that ideas become clearer once one starts writing: I postponed writing several times, until the day came when I felt time was running away. I took a week’s vacation, locked myself in at home and started! After breaking that barrier, I gained the confidence to keep writing almost every day. I also made an effort to “critically believe” that the doctoral process was a life-enhancing project, as important and demanding as my day job, where I am required to produce documents and make decisions permanently. I then made the decision to show the same commitment and discipline to the DBA as I do my job. This allowed me to reassess my priorities in managing all the demands of studying, work, family, and social life. So far, I have been able to find a balance, although it required a few sacrifices – less golf, dinners, leisure trips – for strong prioritization of work and an even more disciplined life.

Completely new to me was the process of change between the student's values and understanding and the process of research. I had to develop the initial idea of the strategic and research questions before I could test the basis of the concept, at which stage I researched the literature in print and on the internet. During this process, I followed the recommendations of Fisher (2007: 107) and his advice about challenging basic assumptions even when it ends up confirming that the belief is sound. I soon realized that one needed to be careful about the material selected for reading, but soon after, I identified reliable sources of literature and websites to research.

One thing I did not do well initially was the referencing for Document 1. Although Professor Alistair Mutch (2009a) had stipulated the importance of formatting the references properly before submission, I had not fully understood the importance, and I had to resubmit the document with a revised list of references. It was fortunate that the supervisor had been strict on this issue, had it happened in Document 2, the situation would have been irrecoverable, I'm sure, and my place on the DBA could have been put in jeopardy.

By the end of Document 1, I was already noticing the change in my thought processes:

- Better planning of professional, academic and personal priorities;
- Improved concentration and better discipline, more able to execute different tasks in a variety of fields;
- Appreciate the importance of critical thinking, looking at views and issues from different angles;
- Able to accept (and give) positive, balanced and constructive critical feedback.

3.2 Document 2 – Critical literature review research: the discovery of a new world!

Having attended classes in relation to the preparation of Document 2, I kept in mind its objectives while developing, structuring, and writing up this section. To achieve this, I reviewed and studied my class notes and handouts, checking my understanding of the task with my supervisors. I endeavoured to approach the research in a disciplined manner, realizing the importance of the document, and knowing it would be demanding considering its objectives. I then estimated the number of hours it would take to complete. I needed to get a grasp of current academic thinking around the areas of business practice, management and business studies; I would need to acquire the ability to argue effectively and prepare the critical evaluation, in addition to understanding the theoretical concepts that I wanted to use over the development of the research.

The working title for the DBA was *"Dual Perspective Field ("DPF")* – [the initials of the student] -*: A banking business approach to bridge the gap between banks and migrants"*. To identify the literature and develop the conceptual framework, I selected the range of fields that I needed to review: international organizations, publications on migration focused on demographic flows, macroeconomics and financial stability, and centres for migration studies in universities. Other areas included CSR and sustainability – as I knew I wanted to consider this in relation to the design of banking products for migrants – as well as marketing and banking business models, including current financial institutions' focus and presentations at conferences.

I prepared a summary of the methodology I would use, considering the characteristics and complexity of the three focused, interlinking themes/strategies (Ferraz, 2012: Figure 2), and followed Mutch (2009b) who advises that one should select the relevant concepts, the criteria to evaluate, and the evidence to critically challenge the assumptions. I also adopted a personal "guideline" to help construct a critical argument, reducing down the material to a basic description and theme, which I then applied to the arguments of the three areas of focus. If the material was particularly relevant, however, I expanded the description to facilitate my own understanding of the issue. Fisher (2009: 33) defends this method, saying that development of a radical critique is based on challenging assumptions and conventional ways of doing things; while Samra-Fredericks (2009) says that common-sense views should be challenged, which is what I attempted to do when tackling the current approaches of financial institutions in relation to the migrant business segment.

This approach generated a number of relevant findings, which I put into sections and sub-sections as it became clearer how they were interlinked (Hart, 1998: 143), this enabled me to see the connection of ideas, evaluate them, and thus identify the connections of concepts among researchers. Following this methodology, under the anchor topic "Migrants", I then grouped the information into three main academic and business areas as follows: (i) demographic and remittance flows, macroeconomic environment and impact of liquidity on the stability of the banking system; (ii) CSR and sustainability; and (iii) marketing and the banking business.

Document 2 was demanding in terms of time. When I realized this – in spite of my professional experience and my ability to manage time and stress – I decided to enrol on a two-day training programme: “How to manage your time better”. This was good decision. It improved my time-management skills and made me more disciplined about monitoring the milestones for the development of Document 2.

Preparing this document was rewarding, opening up a “new world” and providing intellectual stimulation and enjoyment. To begin with, I had the same lost feeling, but with the guidance of my supervisors, I then understood the way to approach and perform the critical literature review. The research presented different ideas, philosophies, and points of view, both in the academic and the business worlds. The limitations and depth of both worlds, my heightened awareness of human thought, predicament and situations, and the surprising confirmation of my suspicion that there was a lack of awareness and lack of opportunity for migrants within the banking system, and the importance of these finding for management in organizations, were all inspirational.

Finally, the quantity, quality and variance of sources for literature – statistical data, the internet, business and academic papers, books, newssheets and reviews – gave me a better understanding of informatics and the way that knowledge interlinks. Gradually, I became more adept, learning about new theoretical concepts and research techniques, which consequently, meant that I became better at considering different angles of a particular situation. I paid attention to the recommendations of NBS (2009: 22) to demonstrate competence in academic writing and technique, formulating professional and managerial arguments that could be practically and academically validated in line with the standards expected at doctoral level. These are the reasons for the title of this section *“Critical literature review research: the discovery of a new world!”*

3.3 Document 3 – Methodology, methods, ethics, conceptualization, understanding, knowledge management, and gaps …

Document 3 should demonstrate an ability to understand and perform qualitative research in line with the research questions (NBS; 2009: 37), the planning of which is carried out with the guidance of supervisors, and should reflect the recommendations of Document 2. The document must be relevant in relation to the conceptual framework, and contain the reasons why I took the decision to reformulate and draw a new framework that incorporated the dynamic flow of ideas and concepts based on the strategic and research questions, around which the questionnaires were prepared. This represented a new challenge that led to the conceptual framework *"'Mind the gaps': on the virtuous circle at both ends of the corridor"*.

Research included social, statistical, theoretical, methodological, and ethical literature, presenting some challenging themes and difficult ideas. The research revealed a new world to me, presenting me with thoughts and ideas that I put into practice, and which, I hope, will be a useful addition to the corpus of knowledge in management and academia, improving professional practice and the lives of the migrant community. Samra-Fredericks (2010) writes about how qualitative research appears to be like good teaching, and that textbooks are best understood by learning to perform effective research, incorporating their procedures, strategies and tricks (Becker, 1998) into one's own research practice (Seale, 2004: 1).

Mutch's (2002: 482) ontological discussion on the "nature of reality" and Tietze's (2010) warning to researchers about making ontological assumptions were both useful and enlightening. The epistemological question – whether or not the banking system served migrants – meant that my warranted beliefs needed debunking, just as my perceptions of interviewees' knowledge and their contribution to the research, needed guarding against subjective analysis (Ferraz, 2010: 100) to maintain objectivity. Miles (1994: 6) was useful in this respect, recommending that the researcher should absorb the data but avoid preconceptions and views on the topic.

On choosing the most appropriate method, Fisher (2007: 61–2) outlines how to select the right methodology to match the methods, demystifying concepts that link realistic research to quantitative methodology and interpretivism to qualitative methodology, advocating that both can be used in both approaches. I adopted a realist methodology for the qualitative research and elected the semi-structured interview technique. It was risky, but it seemed to be the most appropriate method to “squeeze” information out of the interviewees; get to the genuine facts and ideas, and prompt a “true answer” and not a ”corporate politically correct” one. On occasion, I interviewed individuals who work for a bank in direct competition with my own, which drew my attention to how one must hold back values to gain understanding during the research process. To ensure that all interviewees were comfortable enough to be open and transparent, I made clear from the outset that nothing they said would be used to compete against them. I asked them to give their genuine views, which resulted in the revelation of important information not identified in the review of the literature.

The interviews could have presented ethical dilemmas, for which Miles (1994: 297) offers useful advice, saying that when dealing with ethical considerations one should prepare well ahead and keep the responsibility (of privileged information) present over the research, while Fisher (2007: 63–4) recommends negotiating terms of reference with individuals. A detailed review of the ethical issues concluded that confidentiality and anonymity were essential elements in order to convince participants, particularly in view of the confidential nature of the banking business.

Language presented a challenge, as discussed by Meriläinen’s (2008: 585–7), whose comments about context and resistance in building knowledge in the Hegemonic (Anglophone) language, was influential as I went about conducting the interviews. Researchers from non-Anglophone countries certainly do face an extra burden when expressing non-Anglophone data and trying to make it relevant to Anglophone audiences. This was an extra burden, challenging and demanding, but it did increase my awareness and sensitivity towards other cultures and language structures.

The main areas of learning in Document 3 are as follows:

- Developed knowledge in qualitative research, different methodologies and the methods that would best meet the research objectives, as well as its uses, limitations and strengths as non-survey based research.

- Acquired philosophical understanding of human agency; the nature of casual and interpretative understanding of the social world.
- Recognition of ethical issues to prepare and develop the research.
- Brought together the results of the critical literature review concerning the strategic and research questions; applied the results of the qualitative research and identified and analysed the impact of the barriers and gaps on the research.

These are the reasons why this section is entitled *"Methodology, methods, ethics, conceptualization, understanding, knowledge-management and gaps ..."*

3.4 Document 4 – statistical and psychological issues, time-series and significance, human factor and behavioural impact

The learning objectives of Document 4 (NBS, 2010b: 2) included understanding the methodological implications of the hypothetical-deductive system, the development of competence in survey-based research methods, and awareness of statistical and psychological issues – recognizing its uses, abuses and limitations – as well as identifying opportunities for the use of mathematics and statistics.

Buglear (2005: 603) warns about the risk of using secondary data that does not fit the requirements of the research. Based on the critical literature review, I concluded that most of the data I sourced was relevant as it contained global demographic data. Buglear (2010) also warns that secondary data has some caveats in its reliability that requires a critical approach to verify its scientific prestige, and for this reason, I sourced data only from reliable sources such as international institutions. As recommended by Fisher (2010: 2), the research for RQ 1.1 and 1.2 took a quantitative realist approach, presenting hypotheses and graphs. Morris (2008: 39) specifies between the use of primary and secondary data; I opted for the latter, as it appeared to be the most appropriate to answer the RQ.

Morris also (2008: 458) recommends using quantitative investigation to support figures for a line of argument based on quantitative grounds. The assessment of the potential of the migrant business segment specifically relates to the ways in which banks make strategic decisions based on the size and potential profits of a particular business. The RQ required the use of a large amount of data over a long period relating to volumes in flows of people and remittances and information to do with financial stability published by institutions. As Morris (2008: 458) says, quantitative methods are effective when dealing with large amounts of data, an idea confirmed by my supervisors. Bryman (2007: 325–6) also advocates use of data, saying that large amounts are collected by organizations and that interest in it is growing among business management researchers.

Furthermore, a relevant variable within RQ 3.1 was the subject of retrospective quantitative research leading to conclusions about certain concepts, such as financial stability relating to countries' sovereign risk, and central banks' concern for this. Quantities measured numerically, such as those for people or things, usually have different values and are defined as variables. An interesting – sometimes unpredictable variable – discussed by Sayer (1992: 200) and Morris (2008: 42–3), relates to the impact of the "human factor" in measuring a variable. This theory was applicable mainly to RQ 3.1, as the "contribution to financial stability" of migrants' remittance flows presented a puzzle of variables, which analysed individually, did not affect each other. However, further analysis showed them as interconnected, which led to the conclusion that using only one variable – as several others overlap – would make it unsuitable for a conclusion as part of a quantitative analysis.

Fisher (2010: 6) offers instruction on the stages of the approachs, including deciding on the focus of the research, developing conceptual frameworks – developing verifiable hypotheses using measurable variables – collecting data on the variables and concluding whether the hypothesis stands or falls. This methodology was adopted, (i) developing a conceptual framework (Documents 2 and 3); (ii) structuring hypotheses to test with measurable variables, i.e., people and remittance flows and their correlation to the economic situation in particular regions or countries; and (iii) concluding about the impact of those flows on banks based in countries with relevant corridors.

Those that make use of mathematical models tend to reify human practice and behaviour, making a mechanical interpretation instead of considering that human behaviour is contingent and liable to transformation (Sayer, 1992: 200). This warning appeared to apply to the migrant business segment, in that their behaviour and practice may justify the correlation, and explain the interpretation of the qualitative research results; in addition, selected concepts have developed and encompassed other variables, as well as lateral concepts that overlap and correlate. This influenced me; I ensure that I approach matters more carefully – in business decisions also – demanding additional information. In light of this, I decided to recap selected qualitative results from Document 3 – resulting from the "human factor" of the interviews – to put the conclusions in perspective. If the "human variable" is ignored, people and remittance flows, financial stability and profitability, seem unconnected, but if the "human variable" is applied, then they connect as a kind of "puzzle-superstructure". This was a relevant learning outcome of Document 4.

The reflections on research show changes in my values and understanding, both in relation to the subject matter and in terms of doing the research, reasons that led me to the title of this section, *"Statistical and psychological issues, time-series and significance, human factor and behavioural impact"*, summarized as follows:

- Learned to deal with secondary data and appreciate its advantages, disadvantages, including concepts of validity, reliability of sources and its application to management and business research, able to bridge qualitative with quantitative-based research to frame conclusions with unbiased analysis.

- Reflected on quantitative methods, their tendency to exaggerate and association with methodological tendencies of deductivism – subordinating non-logical forms of reasoning to deductive logic based on theories of interpretation.

- Realized the impact human behaviour and practice has on concepts, developing other variables that correlate, and in relation to the learning process, the realization has influenced how I approach problems and how I make decisions.

- The development of Document 4 taught me how to apply deductive thought critically, avoiding biased conclusions that can be the result of accidental exaggeration, limitation or distortion of the statistics.

3.5 Document 5 – The enjoyment of "wrapping-up" the research: its contribution to the academic and business worlds!

Document 5 should demonstrate the student's rhetorical abilities in the construction and analysis of academic argument, and include reflections on business experience (NBS, 2009: 14). These skills have developed throughout the research journey.

Reflecting on the preliminary work carried out over the planning phase before submission of Document 1, Mutch (2009a), one of my supervisors, wrote that the topic of migrants and banking did have relevance to academic and business research:

> *There does seem to be a gap about what banks do. That is, from a brief scan the literature seems to be about either flows at a national level and their implications for development or about the migrants and their finance options. Banks enter into this but as 'black boxes' – that is, their role is noted and assumed but why they carry out their roles and how they choose to do so seems a little opaque. This then gives you a very good gap in our knowledge to seek to fill.*

This challenging proposition became a sort of guideline throughout the research and eventually led to the design of an innovative business model to address the migrant business segment.

This document included an update of the critical literature review focused on the specifics of business models, identifying themes such as timings for change and resistance of entrenched institutional "logical" cultures, where change could cause "discomfort". The literature review also included deeper analysis of the cross-selling process and its impact on profitability, in addition to issues linked to knowledge management within organizations and institutions that have common stakeholders, but lack management a result of poor communication. This revealed the relationship between academic theory and business practice, where there are some examples of success. Cross-selling ratios, internationalization, segmentation, product-portfolio management, and issues linked to financial integration and CSR, were other areas covered during the research that supported the design and content of the interviews. This process was both revealing and intriguing, highlighting the lack of academic research in most of these areas in relation to the banking industry, and alerting me to the fertile ground for further academic research in this area that could then benefit both the academic and business worlds.

One aspect of this area of research related to the business models currently used by banks, deemed unfit for purpose, which might explain the neglect of remittances. This matter, researched qualitatively in Documents 3 and 5, led me to conclude that the reason was "a lack of awareness", brought about by poor internal communications, a low degree of knowledge among management in banks – and among other stakeholders – poor communication with each other and with banks.

The qualitative research performed for this document confirmed the findings of Document 3 and the critical literature review. Based on the research, a summary of the barriers and gaps was prepared, reflected in a SWOT analysis (Ferraz, 2012: Figures 14 and 15). The SWOT considers the relevance of a "product view" versus a "customer view" approach for migrants and their families in the host and the origin countries. The SWOT was the basis for the business model: *"Bridging the 'gap' between Migrants and the Banking System: an innovative Business Model to promote financial integration, financial stability, and profitability*", based on existing structures abroad and built by moving "*from product to service, leveraging structures abroad, through headquarters' capabilities*" (Ferraz, 2012: Figure 16).

The document concludes by recapping on the strategic questions in relation to the research for the business model, in order to fill gaps and overcome barriers. It discusses the practice of academic research, and comments on the relevance of the thesis for academic research and the business world. The final section includes comments about the practical implementation of the business model by banks with certain characteristics within a number of regions, and the influence the research might have on stakeholders in addition to areas of further research. The final paragraph of the thesis is as follows:

> *The issues discussed in this thesis relate to stakeholders directly involved with migration as much as they do to academia. Even acknowledging that*

> *"institutional* [academic] *logic" assumes that the field has already been explored, the current research demonstrates the opposite is true and that there is plenty of fertile ground for further research into the banking system, communication among stakeholders with common objectives and interests, knowledge management, and CSR particularly in the banking system. Further research and additional knowledge and debate can only make the system fairer for migrants that face barriers when accessing the banking system; it may eventually lead to financial integration. For banks, the relationship will provide badly needed financial stability and profitability.*

This is the reason for the title of this section, *"The enjoyment of wrapping-up the research: its contribution to the academic and business worlds!"* and it reflects how I felt on the day Document 5 was completed.

4 A critical reflection

Document 6 summarizes the “journey” where I have tried to reflect the objectives of the formative assessment review established for each document on the date of its completion.

I attempted to demonstrate skills in analysing and constructing arguments connected to the research findings, making use of my managerial experience, and exploring contradictions and managing constraints. I structured the documents so that a comprehensive theory and analytical conceptual framework would help generate a hypothesis to support an innovative business model for use by banks for the migrant business sector.

The template on learning styles (NTU, 2004) filled in at the beginning of the doctorate provided a range of approaches to learning. These included how one absorbs class content, accepts feedback and guidance from supervisors, shares successes, difficulties, and makes use of “road maps” mainly within the cohort. The experience has meant I have made positive adjustments to my listening skills, writing style, and personal and professional life; it has influenced my thought processes and decision-making, enhanced my effectiveness at several levels, particularly professionally. Research has been a rewarding and life-changing experience, and I hope this modest attempt to add value to academic and business research will shake-up the installed institutional state of the knowledge “logic” within the banking system.

A supervisor’s feedback comes to mind given in relation to Document 2, which revealed that language, thought-processes, and culture were all relevant variables: *“Arguments of the document do fit together. Sometimes your presentation is over-elaborated, but I think it may be just the difference between a catholic (Latin) and a protestant (Anglo-Saxon) approach to rhetoric!”* Meriläinen (2008: 595) refers to something similar, saying that one confronts an image – projected from the centre – with the authenticity of its own practices and ways of being, which somehow may be disconnected from the influence. The student agrees with the feedback and recognizes the idea expressed by Meriläinen! It is worth mentioning, however, that in Portuguese, we do tend to elaborate more than in English and use more words to describe a particular situation or to develop a concept.

I have made every effort to be more direct and less descriptive, but recognize that often a paragraph is longer than it should be. Maybe it should be regarded as part of the beauty of "academic borderless globalization" with clear advantages for both sides – the foreign student (*for the university*) and the foreign university (*for the student*) just as with the migration phenomenon that involves a foreign resident (*for the host country*) in a foreign country (*for the immigrant*). If the University offers foreign students the opportunity to attend, then Meriläinen's thoughts recognize the adjustment and adaptation necessary from both sides (*university and student*) to accommodate and cross-fertilise their different cultures, contributing to a better understanding of each other, and consequently, a better world.

While on the subject of "academic globalization" I would like to make a suggestion, a contribution I believe NBS could consider making in relation to leveraging the potential of the DBA more widely: the programme could be replicated namely, in "partnership" with other universities in countries like Portugal, where business schools rank among the top schools in the EU (i.e. NOVA School of Business and Economics and Católica Lisbon School of Business and Economics). Potentially, this would attract students that aspire to a professional doctorate to undertake the programme in their own country when otherwise they might not be able to do so (due to lack of awareness about the university, English language skills requirements, or financial and professional constraints). As to the advantages for Nottingham Trent University itself, such cooperation would present additional contributions to academic research and knowledge, visibility, and the generation of new sources of income from partnerships.

The qualitative research was developed with an extensive list of twenty-one interviewees, whom collectively hold a huge amount of experience and knowledge on issues to do with migration from within the banking system, international institutions, Diaspora and politics. The purpose was to obtain credible results and information for analysis to enable me to answer the strategic questions. The proposed business model provides a new approach to the migrant business segment, incorporating and bridging the gaps found at three levels: lack of academic research, lack of knowledge among professionals, and a lack of communication among all stakeholders, demonstrating that a knowledge-management issue needs addressing.

4.1 Changes in values and understanding

The changes to my values and understanding concern both the subject of the research and the process of doing research. Analysis of the research results identified gaps and barriers that were produced as a conceptual framework: *"'Mind the gaps' on the virtuous circle at both ends of the corridor"* (Ferraz, 2010: 47), with implications for practical application and academic knowledge. In particular, the macroeconomic framework, the issue of financial stability and the potential of moving remittances from informal to formal channels, and what this could represent for bankarization and financial integration, represents an addition to the theoretical understanding and practices of the theme of this thesis.

The thesis incorporates a new and innovative approach to the migrant business segment within banks. This emerged through a discussion of new methods – the dual perspective of the "host 'and' the origin country" and the "migrant and his/er family". It utilizes headquarters' and subsidiaries' reciprocal and coordinated business plans, incorporating a new method; revealing a new theory that opens up new avenues of consideration for other theoretical research.

I have become more able to listen and less likely to make assertions before hearing other viewpoints; I am better at balancing the advantages and disadvantages of different perspectives. I am more likely to respect views that might seem outlandish, misaligned or out of scope, and professionally, I am more likely to respectfully challenge viewpoints or arguments that appear to be resistant to change or do not seem to reflect a structured flow of a 'value proposition'. In addition, through gaining greater understanding of the different ways individuals learn and absorb information, I have adjusted my values and understanding in managing people over the three revealing years of the DBA, which I consider a significant contribution to my managerial skills.

4.2 Students intellectual developments: the ‘climax’ of the doctorate

As part of my intellectual development over the programme, I have reassessed my priorities in managing the demands of my personal, social, academic, and professional life. Professionally, I make decisions frequently often based on limited information and in a stressful environment. Now I support the decision-making process by a basic critical review of what is at stake, considering the “extreme” results that may occur following my decision. Skills in research methods have become part of the process of planning and developing projects in areas where I have responsibility.

To conclude on what I have gained from studying for a doctorate, I believe I have achieved my personal goals in studying for the DBA (NBS, 2009: 14). I have explored the relationship between knowledge, theory, and practice, developed the capacity to conduct a research project, practiced judgment skills and gained the ability to analyse material, applying theoretical and forensic capability. I have an understanding of the importance of change in organizations and the ambiguity within them, as well as developing better communication skills to pass on within the academic and business communities, bridging these two worlds as an interpreter. These are just some of the skills absorbed along the “journey”.

The thesis has uncovered a field where academic research is scarce. I hope this will motivate more exploration into this area of knowledge, bringing clarity, and opening new avenues to other stakeholders. Banks’ objective is to make profits: it is this argument that will convince managers of the potential in the migrant business segment. This thought aligns with that of Van de Ven (2007: 1–3) who is keen to express that research should contribute to scientific and practical knowledge; this is a view that mirrors Simon’s (1976: 335). This thesis, I believe, adds to the corpus of academic knowledge about migrants, their families, and the banking industry, and has potential for practical use in business.

The research also contributes to information on knowledge-management in relation to the “disconnection” identified among stakeholders. In many ways, this is a problem of institutional dynamics, where questions of dissemination are particularly significant. The failure among stakeholders to share knowledge about migration, the way they “pass the buck" about where the responsibility lies, and how, possibly, they each see themselves as closed systems, may be the reason why they are unable to read their environment. A further interesting finding to emerge from the research relates to knowledge-management within banks specifically, and the lack of attention paid to CSR by senior management.

Although there is extensive research concerning CSR, I do not believe there is in relation to the banking industry – that presents particular characteristics in this area - and its link to other stakeholders that gravitate around the migrant ground. The lack of awareness of most banks about CSR, in particular concerning the financial integration of migrants, and the potential impact of this business segment's generation of funds that could contribute to human progress, is another angle for consideration. ISO (2008: 6) states that an organization's activities do rely on its relationships with other stakeholders within the same sphere of influence – a point that relates directly to the financial integration of migrants. Both Duncan (2005: 53) and Fagen (2009: 1) concur with this view.

I have developed knowledge in qualitative research, methodologies, its uses, limitations, and strengths, and acquired philosophical understanding of human agency and interpretative understanding of the social world, and considered and recognized issues relating to ethics. I have learned how to coordinate, interconnect, and link the results of research in a structured and analytical fashion, pinpointing barriers and gaps that might affect the outcome. I have also learned to deal with quantitative data and apply it to management and business research, to frame conclusions within a balanced unbiased analysis, as well as to reflect on the power of quantitative methods. I also appreciate how human behaviour can bring about variables in concepts and now approach things more carefully.

The journey has progressed from [an] *unknown academic venture* to reach its climax in *the enjoyment of 'wrapping-up' the potential contribution to the academic and business worlds!*

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