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BANKS MEET IMMIGRANTS: A NEW ACTOR FOSTERING SOCIO-ECONOMIC INTEGRATION?

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1. INTRODUCTION

In 2009 the number of foreigners in Italy as a percentage of the total resident population was 7%¹. It is on the increase as compared to 2008 when it stood at 6.5%.

The presence of the foreign population is much more significant throughout central and northern Italy as compared to the south, where the figure stands at 2.7%.

This data is contained in the 2009 national demographic balance sheet of the National Institute of Statistics (ISTAT). At the end of 2009 the resident population in Italy was 60,340,328 with an increase of 295,000 as compared with 2008, due entirely to migration from abroad.

The foreign immigrants living in Italy today show remarkable economic vigour. Indeed, the average 51% yearly increase of overall credit granted to migrants, between 2000 and 2004, indicates that the role of the foreign population has rapidly changed and consequently the credit offer system will change in order to grasp the new business opportunities that a modern country can offer.

Therefore, being a structural component of society until now a substantial section of the banking market has shown considerable strategic uncertainty with regard to this question. The issue hinges on the limitation of the financial exclusion of immigrants, in other words, the inability to access necessary financial services in an appropriate form. The financial exclusion is of paramount importance and if it is not checked and resolved could be significantly damaging both in social and economic terms. In other words, can banks be considered as “actors” involved in promoting the migrants’ socio-economic integration? Or are they far removed from the challenges of the immigration process?

The relationship between immigrants and the credit agencies in a broad sense - a relationship which the literature defines as “bankarization” emphasizing the centrality of credit institute - is still evolving in Italy. In fact, even if recent research² indicates an increase of ‘bank’ index, in reality this is still heavily influenced by various factors. The first derives from the lack of residence permits for Italy, which obstructs any financial operation through legal channels. But this is not the only filter. If becoming legal makes such operations possible, a second factor emerges which gravely conditions relations between the immigrant/foreign citizen and the credit system. This is the nexus between residence permit and employment contract and, therefore, the ability to prove regular presence in the country. In this respect there appears to be some opening, and the difficulties of permit renewal - e.g. the long bureaucratic waits - do not block the granting of credit, remembering that each case is evaluated separately, which - from the evidence gathered - does not protect against stereotyping. The last factor is the difficulty of access to services because of scant linguistic skills, in particular when one moves from communicative language to the specialized jargon of financial contracts.

In the following pages an attempt to better understand the status of a new typology of customer who could be more effectively integrated into society is presented. An analysis of the approaches of different banks to provide appropriate products and services in order to diversify their supply according to different types of customers, who demand new financial inclusion and diversified services, will follow.

The comprehension and knowledge of the financial behaviour of migrants are an area of increasing interest attracting the attention of academic research, public institutions as well as the business and finance world.

¹ ISTAT, 2010

² Abi-Cespi, 2009

As a consequence, a series of initiatives aimed at increasing the financial behaviour of migrants has been undertaken in Europe³. Therefore a picture, even if sometimes blurred, of the various issues and problems areas linked to the financial inclusion of migrants in Italy can be presented.

A series of research analysis has been carried out recently in Italy⁴ in order to provide in-depth knowledge and information regarding the relationship between banks and migrants. The intention of those analysis is henceforth to strengthen the awareness, knowledge and effectiveness of Italian banks regarding this growing segment of the population as a potential client base.

The research presented in this paper outlines firstly an overview of the activities and offer of financial products by Italian banks vis-à-vis the “new Italians”⁵.

Secondly, the results of two complementary studies are presented.

A survey of commercial banks operating in the city of Turin regarding the number of migrants that are clients, the particular characteristics of this migrant clientele and the approach of each bank is analysed. The collection of these data had the aim of gauging the level of bankarization of migrants and their banking practiced as recorded on the supply side.

Moreover a sample survey was carried out using focus groups and interviews to migrants both banked and unbanked belonging to different nationalities and living in the urban area of Turin.

The analytical scope of this survey was intentionally broad and comprehensive. It covered social and demographic details of the migrants, details of their integration within Italian society, their migration strategy, the relationship they have with the Italian system and finally the way they are coping with the problems linked to the global crises.

The basic aim was to take a snapshot of the perception and practices of current and potential migrant users, while reflecting on processes of financial inclusion within the context of the wider dynamics of social inclusion in Italy.

2. A RECENT PHENOMENON IN ITALY

The first part of this study focuses on the process of financial inclusion of migrants within the Italian banking system, its quantitative and qualitative extent and the factors determining this trend.

The information on the supply side (provided by the Italian banks) and on the demand side (collected through interviews with migrants) provides some significant findings regarding the number of migrants who hold Italian current accounts, the social and territorial characteristics of the bankarization trend and the reason why migrants are turning to banks

It is possible to discern a rise in the percentage of the non-OECD banked adult migrant population as against the total number of non-OECD adult migrants resident in Italy from 60% in 2005 to 67% in 2007.

⁴ Abi-Cespi 2003-2004

Abi-Cespi 2005-2006

⁵ Dalla Zuanna, Farina and Strozza, 2009

There is an increase in the bankarization rate with respect to the previous two years. The rise in the bankarization rate is higher than the percentage increase in the migrant population, although the two figures shown above cannot be compared linearly given that they refer to time periods that are staggered by 6 months. In other words, the migration bankarization process in Italy has undergone a sharp rise. Firstly one could say that there is a strong correlation between the time lived in the country and the bankarization process. As a consequence, the fact that the majority of the migrant population has lived in Italy for more than five years is a factor which tends to contribute favourably to bankarization. Secondly migrants and banks have intensified their mutual relations and the process of financial inclusion has been given a boost due to the greater efforts undertaken by Italian banks (as explained in the next session) vis-à-vis migrant clients.

From this first survey the overall picture is that the bankarization process is not uniform and seems to result from the interaction of various factors.

1. The first of paramount importance is the territory. This is the first differentiating factor. The diverse production, economic and social contexts that exist in Italy have a very strong relationship between banks and locally-resident migrants. For instance, the bankarization rate for Maroccans in Milan is 79.2%⁶ while the corresponding figure for Palermo is 41.3%.
2. The nationality factor, on an aggregated level has, however, an impact in determining levels of recourse to banks. Indeed a comparison of the various nationalities of the migrants surveyed reveals very different bankarization rates.

The differences among nationalities may be due to the demand characteristics of the various migrant national groups (such as ability to save, length of time in Italy, previous banking experience, the level of community cohesion, the presence of banks from the country of origin and the number of entrepreneurs) and also supply characteristics - such as the interest shown by Italian banks in specific national groups and the existence of products tailored to their needs. From the existing literature one sees, for instance, that the banking groups so far are using marketing strategies for the largest migrant communities in Italy such as Romanians, Albanians, Chinese and Maroccans.

It is interesting also to note that the level of bankarization does not appear significantly linked with the level of education of migrants. It seems that the bankarization rates of people with different levels of education is almost the same. This is probably due to what is called “the waste of talent” phenomenon, in the sense that immigrants with higher levels of education do not find employment in Italy at a corresponding level. As a consequence, their income and financial behaviour do not depend on their educational profile rather on employment status.

Having said that, there is a significant correlation between bankarization in Italy and previous banking status in the country of origin. In other words, those with a current account in their country of origin are more than twice as likely to establish a banking relationship once they arrive in Italy and those that have not had contact with banks in their homelands are 10% more likely not to engage with banks in Italy either.

Previous familiarity with banking in the country of origin seems to play a significant role in the migrant's choice to establish a significant banking relationship in the country of destination.

However, the most decisive factor in the bankarization of migrants is the length of time they have lived in Italy.

⁶ Abi-Cespi “European Laboratory on Financial Inclusion” 2008 Bancaria Editrice

The progressive increase in the bankarization of migrants can be attributed to the improvement in their employment status and greater employment security. Examining the percentages of banked migrants across the various types of employment status and the various types of employment contracts, on average there appears to be a higher rate of bankarization in the case of employees with open-ended contracts, regular self-employed workers and project-based contract workers. On the other hand, the levels of bankarization fall in the case of more precarious contractual arrangements and decline sharply in the case of off-the-books workers and unemployed migrants.

Employment is, thus, an important factor in the financial inclusion process involving migrants and is the main vehicle for bankarization.

The bank is perceived in Italy as a provider of products and services to those with an income and savings rather than as providing an opportunity to start and ease the process of economic and financial inclusion.

3. BANKS AND MIGRANTS: A GROWING RELATIONSHIP

With regard to financial products in relation to migrants, it appears that the role of Italian banks has not been fully explained. The Italian banks do not seem to play a big part in the money sent to the country of origin (remittances) while there have been positive moves in relation to the distribution of credit.

The banks have reacted to the demands of migrants rather than being pro-active in providing considered and targeted financial products. There has been a delay in offering “welcome banking” products for migrants especially if one compares the situation of Italy to that of other countries⁷ who have been dealing with migration over a number of years.

The development of products for the migrant sector of the population is important because they represent a potential number of new clients and also for the reduction of illegal credit that affect migrant workers where work may not be regulated or regular. This is especially true if one consider that access to credit for the family is particularly hard when a job is not subject to a contract.

In 2005 foreigners with a current account amounted to 1 million increasing to 1.4 million in 2007. Therefore the banks are trying to open this market and focus on approaches dedicated to migrants needs. The banks are thus offering services similar to that of money transfer agencies.

There is an approach to treat migrants the same as Italians. This is made in order to attract new customers and create loyalty.

The interest in the migrants’ market as an economic generator of wealth commenced only in 1998⁸. In that year the first financial products were designed for migrants.

This was at the initiative of the Banca Popolare di Milano and subsequently by the Bank Monte dei Paschi di Siena. The products remained the only available until around 2004⁹.

In 2000 there was a national recognition of the lack of provision by Italian banks for migrant clients.

In 2006, 18 banks and credit institutes offered targeted migrant banking whilst others developed a strategy of attracting migrants (through the so called “Welcome Banking” with standard products translated into

⁸ See Borracchini 2007

⁹ Cospe Regione Toscana 2009

different languages, and “ad hoc” counter services, together with target marketing and other initiatives directed towards a growing market.

However this appears limited and not altogether effective.

4. A CASE-STUDY IN THE NORTH-WEST OF ITALY

The migrant population of Piedmont is young, numerous, growing and showing a high level of socio-economic integration and successful entrepreneurial initiatives.

These aspects make this category of client very interesting to the Italian banks.

The following study is based on a research conducted on the city of Turin which focuses on the relationship between migrant clients and banks.

It is the first research on this topic based in Piedmont. Some other studies have been conducted in other areas of the country¹⁰.

In this research an analysis of 3 different banks (Unicredit Banca, Intesa SanPaolo and Banca Sella) who have adopted different strategies is presented.

The information collected from contact with credit agencies in relation to migrant banking integration is above all linked, as stated previously, to the type of employment contract, the number of years of legal residence in Italy, income (which even in this case does not seem to vary greatly depending upon level of education) resident status, nationality and sex.

An interesting point is the lack of correlation between the nationality of the migrants interviewed and their banking practices in Italy.

It is intended therefore to present different aspects that may direct banks towards the strategies and services that best respond to the migrant market.

The 3 banks have been analysed and it has been discovered that they have the following characteristics:

1. They have deep roots in the region
2. They have branches all over the Piedmont region, not just in the city of Turin
3. They are proactive and historically they have offered products for this segment of the market.

Unicredit Banca has created “ad hoc” products for their migrant clients which have become known as “migrant banking”¹¹. The presence of foreigners in the staff is an indicator of cultural sensibility and has led to “migrant friendly” services which attempt to tackle requests that are culturally diverse and require a high level of confidentiality.

¹⁰ See Abi-Cespi 2009

¹¹ See Borracchini 2007

The bank Intesa SanPaolo is characterised by the “welcome banking” approach observing the products on offer which include multi-lingual products accompanied by cultural assistance and multi-lingual communications.

Banca Sella has adopted a “mixed strategy” including migrant banking and welcome banking.

UNICREDIT BANCA

Unicredit Banca has adopted the migrant banking approach and has established specific needs branches such as “Agenzia Tu”. In these branches business is conducted by Italian employees but a substantial proportion of staff is of foreign origin. On the whole, in Italy there are 12 branches of this type.

The branch in Turin opened in 2004 (after the one in Milan) and is located in the borough of Porta Palazzo which has a high proportion of migrant population. Unicredit Banca has also developed a technological approach to reach the migrant population which can be very complicated especially when entering a bank for the first time.

Agenzia Tu has space to meet clients individually, and moreover uses new concepts to communicate with clients and give assistance.

All these branches have a special automated teller and internet is also available, together with information boards with clear information.

There are “one to one” meeting positions with bank employees possessing multilingual skills ready to respond to a variety of questions and assist clients to use banking facilities.

This type of banking is on the increase which gives added value to migrants and the possibility to open an account for those who do not have a standard contract of employment and to have, for instance, the possibility to have a mortgage.

From 2006 the retail division of Unicredit Banca has modified its traditional limits. This includes the duration of a mortgage (increased to up to 40 years) and financing equal to 100% of the value of the property even for those who do not have ready availability of cash.

However, there appears to be an absence of information at normal branches of the same bank located in other areas where there is a high percentage of foreign population.

The other characteristics of “Agenzia Tu” is that they have different opening hours (10:20-14:20 15:45-18:15) in order to favour migrants clients.

BANCA INTESA SANPAOLO

With reference to Turin, since 2000 this bank established links and partnerships with the migrant population living in the city. The presence of a branch in the borough of Porta Palazzo with a high percentage of migrant population has stimulated the direction of the bank towards a new approach to this type of clientele.

Intesa Sanpaolo adopts a universalistic approach (the so-called welcome banking). Having said that one has to point out that during the years the bank has progressively paid more attention to the needs of migrants.

In 2002 the bank Sanpaolo IMI has collaborated, together with another Italian bank (CRT) in a project whose aim has been the employment of migrant women in its staff. Thanks to this project 12 women from Albania, Morocco, China, Camerun, Perù and Brazil have gained full employment in the bank.

In 2004 Intesa Sanpaolo opened a branch dedicated to foreign clients in the area of Porta Palazzo.

Despite the fact that this branch has a universalistic approach¹² to financial services, particular attention is paid to migrants.

The bank has signed an agreement with the Banque Marocaine du Commerce Extérieur. Among the staff there are Chinese employees.

Even in this case, despite the high percentage of migrants throughout the city, Intesa Sanpaolo has just one branch to satisfy the needs of its foreign clientele.

BANCA SELLA

Banca Sella was one of the first Italian banks to create financial products for the migrant population. Nowadays migrants represent 5% of Banca Sella's clients.

Since 2004 thanks to the trade mark "Sella World Service" Banca Sella has been able to offer specific products tailor made for this type of client.

During the years it has published "the guide for migrants" providing information for living in the cities of Turin, Milan and Genoa.

This information kit is written in English, Spanish and Romanian. It is very useful because it gives lots of information about life in Italy.

The offer of financial products has increased during the years. At the moment Banca Sella is working at designing a new current account in accordance with the recommendations made by the Bank of Italy.

With the aim of increasing their foreign clientele and in order to boost the bankarization of the migrant population, Banca Sella set up a multilingual call center in 2009.

The call center gives information about current accounts, credit cards and other financial products.

In accordance with the information given by the staff of Banca Sella "the foreign clients have steady jobs despite the world crisis. They are employed in different segments of the market in relation to Italians"

Finally it has to be stated that in 2006 Banca Sella received the "Welcome Bank Award" as a best practice of financial integration of migrants¹³.

POSTE ITALIANE

Last but not least, Poste Italiane (the Italian Postal System) has become an important actor in the financial services area. This operator is chosen by the migrant population because of a series of significant factors.

The main reason for choosing Banco Posta¹⁴ is the simplicity of doing business and the reduced costs.

¹² Napolitano 2004

¹³ Welcome Award sponsored by Etnica www.etnica.biz

Nevertheless factors including the proximity of branches and convenient opening hours carry some weight while costs associated with sending money abroad are less influential in deciding whether or not to open an account.

Banco Posta has recently put on the market new products to face the competition of the retail bank system. Recently Banco Posta has launched the product “con il tuo paese”. This is an example of cross-selling product. Through Poste Mobile one can telephone a foreign country at a very competitive rate.

Poste Italiane have also decided to employ 250 foreign citizens to ease business with migrants.

In 2009 in the Piedmont region migrants from Morocco, Albania, Romania and China were employed in 11 post offices among the most important areas¹⁵.

Summarizing this first analysis it seems that private banks seem to entail a greater guarantee of security and soundness for savings, which may be due to the greater confidence placed in private institutions as opposed to state-owned organizations by many foreign nationals who have past experience with weak and unstable public institutions.

Two factors seems decisive for the lack of bankarization of migrants:

1. Difficulties in saving (a problem that affects also Italians)
2. Difficulties linked to certify stability of employment status or sufficient degree of formalisation that would warrant the opening of an account.

The preference for a Banco Posta account appears to be markedly influenced by rational and practical considerations, including lower costs for remittances, a widespread network of branches, simplicity of the relationship and longer opening hours.

5.IMMIGRANTS AND BANKS: A RELATIONSHIP BETWEEN NEEDS AND DIFFICULTIES

In this section, data on immigrants' economic behaviour will be presented. Three are the main aspects of the relationship between immigrants and banks: remittances, loans and credit to enterprises. Following the integration cycle, immigrants start with sending money to their home-country, proceed with buying their homes and, in some cases, becoming entrepreneurs. This process interacts with banks and outlines how immigrants define their relationship with the credit system in the society.

5.1 THE “WEIGHT” OF REMITTANCES

Remittances have always been a useful indicator in understanding what links immigrants maintain with their countries of origin. Those links have been increasingly seen not only in microeconomic terms (the effect on families and their spending capacity) but also - especially- in macroeconomic terms (the effect on the receiving country's balance of payments). The first aspect concerns the oldest transnational link, which today mingles in new ways ties of affection and the necessity of economic support. It is through remittances, in fact, that we can see today the parent-child connection in cases of female migration where the mother is in Italy and the child (en) stay at home. Money sent is at the same time a symbol of a successful migratory project, a parental obligation and recompense for whoever is left behind to look after the progeny. If this

¹⁴ According to interviews by Abi-Cespi 2008

¹⁵ From information given by Dr. A. Sgroi Responsabile Servizi di Comunicazione Nord-Ovest – Poste Italiane 29.04.10

symbolology, especially in the case of Peruvian and Philippine women, weighs heavily in psychological terms (the children's affections are bound to and conditioned by the volume of the remittances), for many men from central and North Africa it assumes the nature of a filial duty, as evidenced by an interviewee: *"Every month my wife and I sit at a table and add up the bills. We see what is necessary for our families: medicines, school fees for younger siblings, housekeeping money etcetera, then we decide whom to help and how much to send"* (Ghanian, 12 years in Italy).

There are various ways of sending and many people involved who contribute to the ever-smoother flows of money through transnational circuits. Above all there are individual men and women who move money directly by personal travel. This may be as costly as a Ukrainian woman recalls: *"At first I sent money home by neighbours, paying them for the service, but sometimes they were robbed on the journey. This happens because people think that we who work abroad are rich. They don't understand that we are desperate and doing this for our children"* (4 years in Novara).

Then there are specialized agencies, with their various ramifications, who are able to guarantee at times a complete service with which the banks cannot compete. In fact, even though the institutes of credit have recently developed products designed for this service, they admit they cannot satisfy the exigencies posed by various nationalities: an agreement with banks in the countries of origin would be necessary – and even then they could not guarantee to cover the whole territory. Perhaps post offices can offer capillary action.

Meanwhile the relevant corpus of rules and regulations has grown, in order better to control money, its origins and transfer channels. In particular, art. 37 of the "security package" law [June, 2009], which obliges all money-transfer agencies to demand to see residence permits, seems to have encouraged "the use of parallel channels for sending money. Not only is there a return to sending money by fellow-nationals but even more recourse to *ad hoc* agencies which charge exorbitant rates" [Focus group].

The remittances have an effect principally in the country of origin, which has become more relevant recently – even more because of economic difficulties, where there is a risk of a decrease, if not outright drying up, of a meaningful money flow. This is why various countries which are "labour exporters", have hastened to pass regulations making it easier for their citizens abroad to remit money. Two examples illustrate the Italian context. The first is Morocco, which has developed a policy facilitating the remittance of money by its nationals resident abroad (MRA).

Table 1. – Measures passed by the Moroccan government in 2009 dedicated to MRA

Aim	Measures
Supporting investment	<p>1) State subsidy of 10% of the investment project</p> <p>2) Bank credit of 65% of the investment project</p> <p>Conditions:</p> <ul style="list-style-type: none"> - amount from 1 to 5 million DH - cash injection of one's own funds > 25%

	- bank investigation obligatory
Aided access to loans	Application of the “Damane Assakane” guarantee
Reduction of the cost of transferring money	<ul style="list-style-type: none"> - No transfer commission charged by Moroccan banks - Renegotiation of agreements between Moroccan banks and money-transfer institutes

Source: Ministry of the Moroccan community living abroad.

The second example is the Filipinos. Up to now this group has been protected from the worst effects of the decrease in the supply of work because they work mainly in the domestic and caring sector. This does not mean they don't have problems, due principally to the close ties which bind them to their motherland. A representative of the community recalls: *“Our fellow-nationals are used to sending everything home instead of saving – they set nothing aside. Those who have children in the Philippines are even worse off. Now that many people – mainly men – have lost their jobs, the women are forced to accept the terms and conditions of twenty years ago”* [cultural mediator]. Three important elements emerge: male unemployment; the effect of remittances on family finances [especially where there are ‘children left behind’¹⁶], and the negative competition among immigrant women [with the addition of some men] in the care-giving sector, all elements causing precariousness in families who have few possibilities of saving and/or husbanding earnings [Zosa and Orbeta, 2009]. Among these immigrants we observe an inability to manage economic resources or plan financial capital¹⁷. This is why a programme of financial literacy has recently been set up with the aim of supplying immigrants with the means of saving and effectively managing their earnings so that they can integrate in Italy or return to the motherland.

5.2. LOANS: FROM A STEP TOWARDS SUCCESS TO A DANGEROUS BOOMERANG

The literacy campaign among immigrants accelerated when the immigrant population became more consistently stable and home ownership became tendentially more widespread – and not only by choice; as Copse states “owning one's own home is for many immigrants the only possible simulacrum of security and integration considering the discrimination they face in rented property, the often tense relations with their neighbours and their uncertain future connected with the changeable Italian economic, legislative and political climate (2009, 24). Indeed, as Scenari Immobiliari data confirm, real-estate trading rose steadily in the years 2005-2008.

The market change from rent to loan is in some ways inevitable: it is the price to be paid to overcome discrimination, which has been confirmed over time by research (Comitato oltre il razzismo, 2000; Pusateri e Rizzotti, 2007).

¹⁶ On this theme, see Reyers (2008); Coronel-Unterreiner [2008] and Edillon [2008]

¹⁷ Similar problems can be seen among the Peruvian community.

In other cases it is a true indicator of integration and a migratory project which considers an area of residence and its “ethnic” composition as a strategy for attenuating the processes of stigmatization to which immigrants are subject. The initial access-points are abandoned in favour of “more residential” areas with fewer negative connotations, often in the suburbs or the hinterland.

“We have bought a house near Settimo [province of Turin, ed.]. My employer helped me with the paperwork and the bank, which was a blessing because I understood little and would have been cheated. He persuaded me to choose a fixed rate. Some fellow-nationals bought at a variable rate, then they lost their jobs and found themselves in trouble. Fortunately we are still going forward. The house is important for us and our children. They too feel better because previously they lived in Barriera di Milano where there are lots of foreigners, especially Moroccans. Nothing against them, mind you, but when you say you live in Barriera di Milano, they tell you that’s where the Southern Italians lived and they don’t mean it as a compliment. What’s really strange is that the people who talk like that are from Naples!” (Romanian woman).

Taking this step towards stabilization and improved conditions of belonging, i.e. moving to less “stigmatizing” areas, may carry a high price – a high, often variable, rate of interest. This is a problem for many first-time buyers, who may find themselves paying more than when they started out. As a Romanian woman cultural mediator says: *“Many of my fellow-nationals have bought houses with loans at a variable rate of interest. I think foreigners have been good operators. Now many of them are in trouble, they can’t pay the instalments, some have even lost their jobs. For an immigrant to lose the house he had managed to buy is a kind of failure. Some managed to sell and go back home”*.

Two factors stand out. One is that the attitude of credit institutes is not always “immigrant friendly”. Information is in Italian (however, in some cases some general aspects are translated), the contract is in Italian, negotiations in most branches are carried out in Italian. Sometimes the immigrant – especially if he/she does not know Italian very well – is accompanied by a more competent fellow-national. Rarely, however, is there a level playing-field. Indeed there are serious gaps in the literacy campaign in the Italian system of loan and credit among the immigrant community.

“When I bought a house for the first time, I had problems getting a loan. It was 2005, few foreigners bought houses and the banks did not trust us because they did not know the reality of foreigners’ lives. They asked for more collateral, which I think is right, and in the end they gave you the money. There were no problems the second time around because I already had a mortgage”.

The outlook is gloomy on the real-estate front. As Marchesini reminds us: “Banks no longer give loans to foreigners and the credit crunch is threatening to turn into a serious property emergency. The almost total disappearance of property mortgages with a high ‘loan to value’, that is which cover more than 70-80% of the property’s value, has driven immigrants in Italy away from the purchasing market (E. Marchesini, 7-12-2009, Il sole 24 ore, Niente mutui agli immigrati, crollano gli acquisti delle case).

This tendency is confirmed by the latest OECD report which underlines that “a house has become an ever-more urgent problem for immigrants: an increase in evictions of tenants in arrears as a result of rent increases or unemployment has been recorded, especially in the North, where evicted immigrant families account for

22% of the total. The race of immigrants towards bricks and mortar has halted: between 2007 and 2008 immigrant property purchases diminished by 23.7%, interrupting a 4-year growth cycle.

Economic crisis, unemployment, less disposable income, uncertain financial markets: these are the elements which lead, according to operators in private social offices and social-assistance services, to increased requests for help in paying mortgage installments. The agreement between ABI (The Association of Italian Banks) and the consumers' association was activated on February, 2010. How many foreigners are affected we will find out at the end of this year. As the following table shows, we may already predict greater difficulties for many foreign families in acceding to such a possibility.

Cessation of dependant job with the exception of the employee's being fired	There have been cases where foreign workers, at the moment of hiring, are forced to sign their own letter of resignation
Suspension of work or reduction of timetable for a period exceeding 30 days, even if authorization for income support is still pending	Many foreign citizens are excluded from access to such measures because of the type of work they do (e.g. care-giving).

Apart from those who risk losing their homes, there are those who would have liked to buy one but whose plans have been put on hold as a result of the changed socio-economic circumstances. The Scenari Immobiliari 2010 report states: "straitened mortgage credit and uncertain employment prospects have domestically reduced the number of immigrants buying homes".

5.3 CREDIT TO ENTERPRISES

One of the fundamental elements of the Italian credit system is the relationship between banks and small-to-medium enterprises. Therefore it is important from the point of view of immigrant presence to consider the ties between the banking system and so-called ethnic entrepreneurship, broadly understood as foreign participation in free-lance work. Foreign presence in the Italian entrepreneurial world is usually calculated as the number of enterprise-owners born outside the country. This datum underestimates the reality, seeing that it does not take into account partners in more-highly-structured enterprises, but it does allow us to study an important and rapidly-growing phenomenon.

Unioncamere-Movimprese data identify, in Italy in 2009, 309,000 company proprietors of foreign nationality (23% EU; 77% extra-EU) out of a total of about 3,383,000 self-employed individuals. As with other aspects of Italian immigration, ethnic entrepreneurship is distinguished by the speed of its growth, becoming a structural element in the local entrepreneurial fabric, especially in urban areas. Consequently, we are dealing with a collection of "young" companies, many doing very limited business. Such aspects are most relevant from the point of view of relations with institutes of credit, so much so that they may be considered the main elements in understanding problems existing between banks and immigrants "doing companies".

Market credit mechanism may create a situation where emerging businesses, which do not have a financial "history" to refer to, are penalized compared with consolidated companies. Moreover, access to bank credit

is often conditioned less by real assessment of risk than by personal evaluation of new entrepreneurs, which may be influenced by country of origin.

Finally, and perhaps most important, the criteria used for granting financing don't seem to be able to take into account the characteristics of the enterprise or the entrepreneurs' personal abilities, seeking instead safer personal and real guarantees.

For the foreign entrepreneur, it may be just this aspect of guarantees which is a further element of differentiation. In fact the main guarantors for small businessmen are – usually the closest – family members. The distance from his family (in addition, of course, to objective financial difficulties) may be an added problem for the immigrant facing an entrepreneurial challenge in his new country.

These considerations probably explain the fact that fewer than one-fifth of companies managed by immigrants request loans through the credit system, preferring self-financing and the support of family and friends.

This element acquires greater importance for immigrants of certain origins, such as the Chinese, whose relationship with credit institutes is subordinate to a support network connected with the entrepreneurs' "extended family". Thus the financial support of family or others in one's community may be an essential element in overcoming cash-flow problems, when faced with difficult access to bank credit, especially in the initial stage of an enterprise's existence. This may blend in with the family's strategy of investing its savings in "safe" assets, especially property.

Another way of facing up to the difficulties presented to immigrants by the traditional credit system is to seek microcredit. This is a series of very different projects which can be found all over Italy, especially in the north-central area. Microcredit may be defined as "granting small sums of credit to people with low incomes and/or who find themselves in reduced circumstances (e.g. micro-enterprises in the start-up phase, atypical workers, low-income families, immigrants etc), it should be added that, even according to this narrow definition, some products of the banking system may also be considered "micro" because of the small amounts of credit entailed.

Microcredit operators, strictly speaking, are known by the substitution of real or personal guarantees from the entrepreneur with guaranteed funds, allocated by public or private authorities, against non-financial elements but which may assure the borrower's ability to repay the loan. These guarantees are usually supplied (in return for a percentage of the credit issued by an official credit institute). Often these projects provide advice for the person requesting micro-credit, which allows assessment both of the person and the entrepreneurial project. It should be pointed out that using the system of micro-credit (like direct investments by family and friends) should be seen only as a first step by which the firm starts up, so enabling the entrepreneur to become a "bankable" proposition – that is to say, able to access traditional forms of credit. The extent of the ethnic entrepreneurship phenomenon and its organization within the Italian context render probable a future increase in relations with the national credit systems. Nevertheless we should bear in mind that in this phase the typologies of financing will continue to be closer to consumer credit because of the reduced dimension of the enterprises and the level of "riskiness" which the banking system associates with immigrant entrepreneurship – an element, by the way, which has been significantly increased by the general situation of financial-economic crisis in the last two years. Credit to immigrants will continue to be composed mainly of personal loans and signed documents, with requests for collateral in terms of personal income and property ownership, even when the aim of the loan is to improve the management of the businesses (Unioncamere, Nomisma, CRIF, 2010).

6.CONCLUSIONS

From the analysis presented there is no doubt that there is a strong trend towards the bankarization of migrant clients in recent years in Italy.

This process is noticeable both in qualitative and quantitative terms since banks began to make improvements on the supply side and the migrants interviewed began to respond positively to how their banking relationship was proceeding. In the light of these findings, a set of closing remarks and strategic suggestions for Italian banks are presented.

The intensification of migrant-bank relationships compared to the past seems to be due to an easing in relation between the two parties, due in turn to an increasingly proactive approach taken by some Italian banks. (see Unicredit banca).

In the past there was the so-called “involuntary bankarization” in the sense that it was demand-related factors and those linked to the national economic and production system which drove the majority of migrants to establish relations with banks.

Nowadays, the results of recent research indicate that the bankarization process now see the banks themselves together with the range of products and services they offer as extremely significant drivers of this process.

Moreover, recent research demonstrates that migrants are particularly rational economic and financial actors. Migrants focus heavily on the costs, efficiency and security of their banking relationship, much more so than on the linguistic and behavioural approach of banks.

Thus the rational and utilitarian attitude of the average migrant client makes the client less unique and much more comparable to the average Italian client.

The banks that have formulated and improved accessibility of products and services which are more constructive vis-à-vis the migrant client have increased their migrant client base. (see Banca Sella).

Those banks have also adopted active policies geared to attracting and fostering the loyalty of migrant clients through improved products and services.

As has been analysed previously the unbanked migrants fall within the category of those who have been in Italy for less than five years.

The banking system still therefore faces the challenge of how to achieve a greater impact in the early years of the migrant’s stay in Italy.

A commitment to familiarizing migrants with the banking system and fostering their financial inclusion should therefore underpin the development of migrant-bank relations.

However there is still room for improvement. Along with the analysis presented one has observed the continued absence of a nexus between bankarization and remittance transfers. In theory banks are in a better position than other operators to provide services to migrants which ensure improved channelling and optimisation of money transferred. The banks should re-examine the so-called “hidden costs” of sending remittances, such as the exchange rate applied to money transfer transactions.

Considering the low level of internationalisation of the Italian Banking System one particularly interesting option banks could pursue is that of putting interbank agreements in place with institutions in the countries of origin of migrants. Indeed, in a number of these countries banking services carefully tailored to the transnational activities of migrants are available.

The final recommendation is that Italian Banks should continue moving in the direction they have already taken.

The banks face a significant challenge namely that of transforming the way they are perceived so that they are seen as service-oriented banks and not just providers of credit and passive depositaires of savings.

Last but not least, they need to respond to the increasingly more complex needs of migrants taking a long-term relationship perspective of a rationally-driven client base that is likely to grow both in terms of size and its degree of usage of products and services.

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