



Asylum, Migration and Integration Fund (AMIF)
Specific objective 2. Legal migration and integration
National objective 3. Capacity building
lett. m) Good practices exchange



MINISTERO
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National Observatory for the Financial Inclusion of Migrants

SURVEY 2017 – INFORMAL FINANCE: DESCRIPTIVE ANALYSIS

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1. INTRODUCTION

2. INFORMAL CREDIT

3. INFORMAL INSURANCE

1. OTHER FORMS OF INFORMAL FINANCE

1. NORMATIVE FRAMEWORK

2. PERSPECTIVES FOR FUTURE ANALYSIS

INFORMAL FINANCIAL LANDSCAPE:

strategies and activities of assets-money management and income-generating activities that are **not regulated** by the State, in social environments where similar activities are regulated.

The informal economy can **only** be understood in its **relation** to the formal economy.

Definitions II

- The *illegal* economy encompasses the production and distribution of legally prohibited goods and services.
- The *unreported* economy consists of actions that “circumvent or evade established fiscal rules as codified in the tax code”.
- The *unrecorded* economy encompasses activities that circumvent reporting requirements of government statistical agencies.
- The *informal* economy comprises economic actions that bypass the costs of, and are excluded from the protection of, laws and administrative rules covering “property relationships, commercial licensing, labor contracts, torts, financial credit, and social security systems”.

(Feige 1990)

Main Approaches

1. **Dualist School** : marginal activities—distinct from and not related to the formal sector—that provide income for the poor and a safety net in times of crisis
 - ✓ *Policy*: job creation, provision of credit, infrastructures and social services.

1. **Structuralist School**: subordinated economic units (micro-enterprises) and workers that reduce input and labor costs and increase the competitiveness of large capitalist firms
 - ✓ *Policy*: regulation of commercial and employment relationships to address inequalities

2. **Legalist school**: informal entrepreneurs and workers who deliberately seek to avoid cumbersome and hostile regulations and taxation
 - ✓ *Policy*: simplified bureaucratic procedures to extend legal property rights

Sampling methodology

Sampling by “**sampling centres**”

Questionnaires administration: **face to face, 3 teams of enumerators**

Questionnaire: **128 questions**, total input data 185.200

The sample

Number of individuals : 1.422

Nationalities : Bangladesh 140, China 146, Ecuador 135, Egypt 146, Philippines 148, Morocco 138, Perù 140, Romania 148, Senegal 135, Ukraine 144

Sample cities:

Milan, 612 individuals, 10 nationalities

Rome, 610 individuals, 10 nationalities

Naples, 200 individuals, 5 nationalities: Bangladesh, China, Morocco, Ukraine, Romania

Analysis

➤ Financial Segments

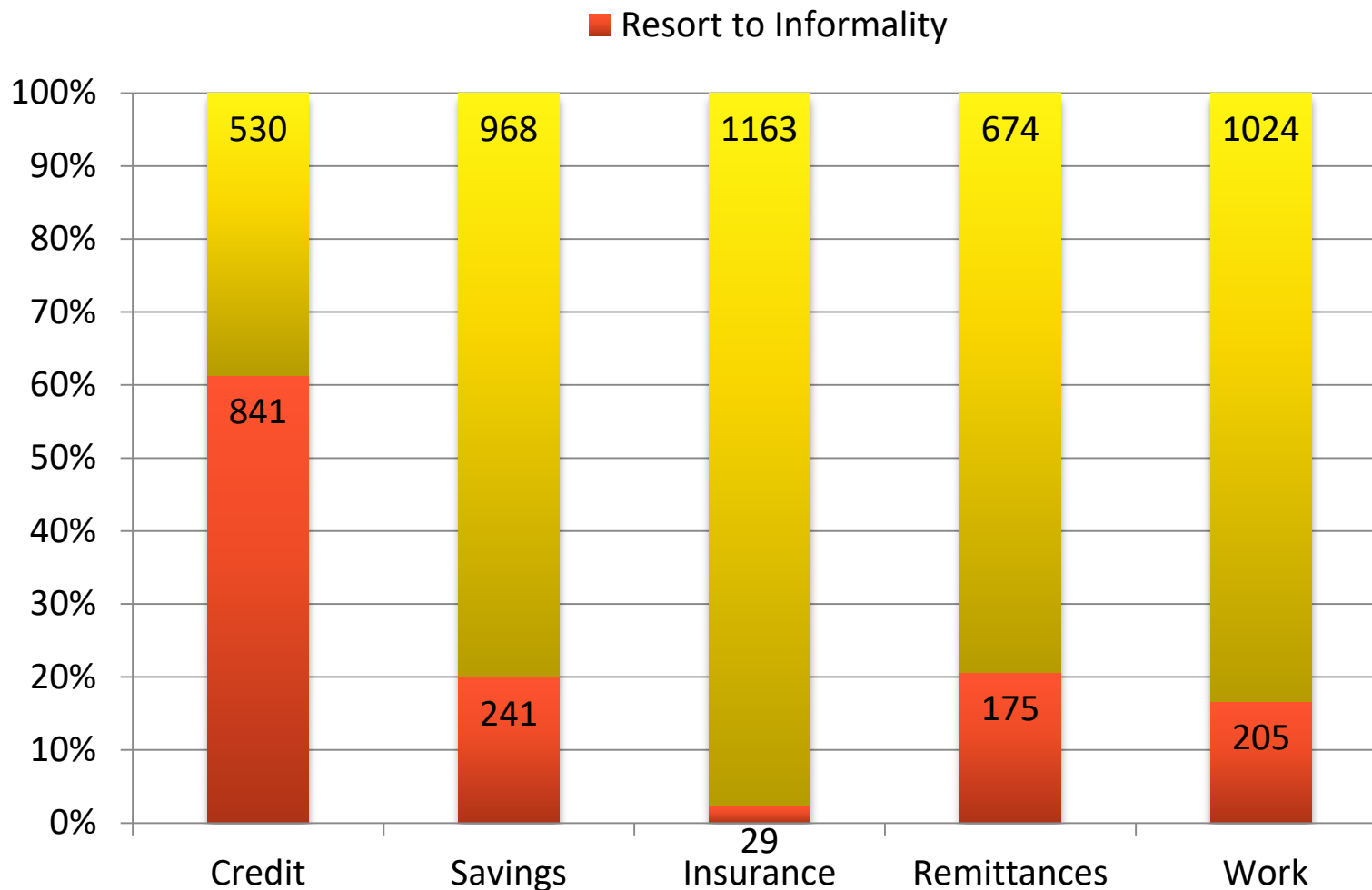
Credit and Borrowing	Savings and Investments
Insurances	Remittances

➤ Survey & Qualitative Research Variables

Structural	Socio-Cultural
Migratory Age	Nationality-Embeddedness
Bankarisation	Gender
Labour Market Position & Income	Familiarity
Territory	Legal framework

Overview: Segments

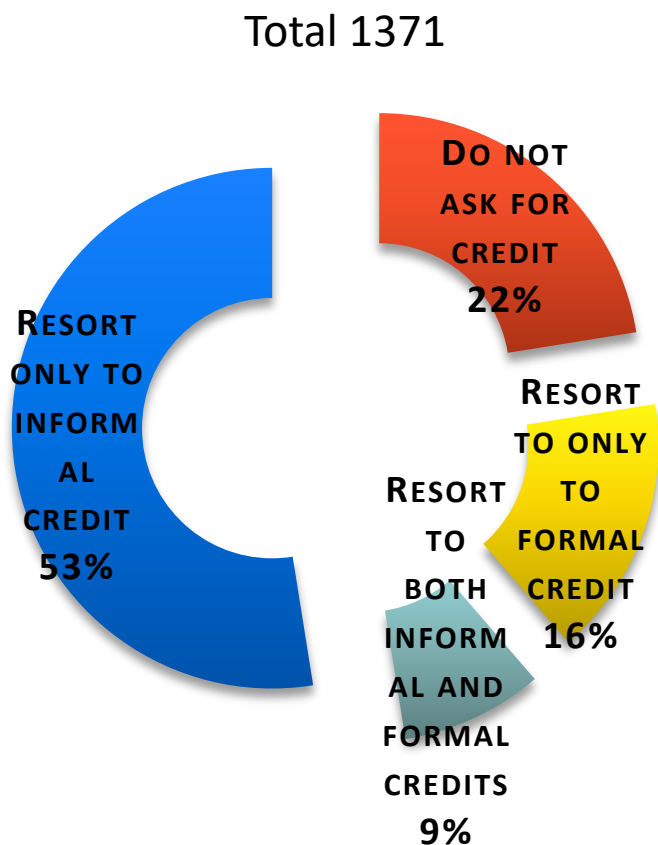
Use of informal systems on total respondents per financial segment



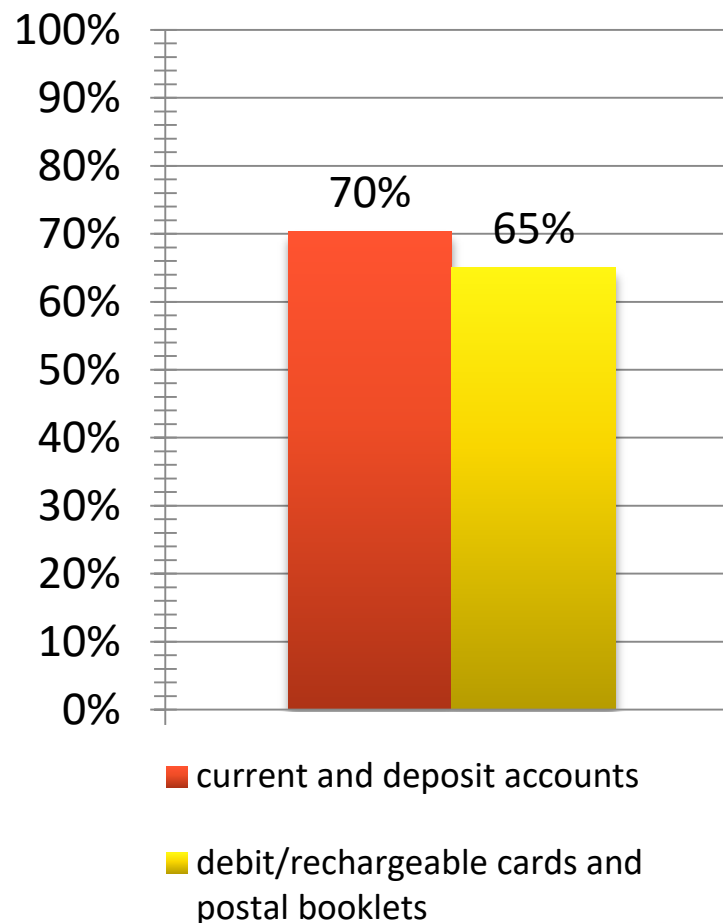
INFORMAL CREDIT : SURVEY DATA

Typologies of Credit and Bankarization

Typologies of Credit



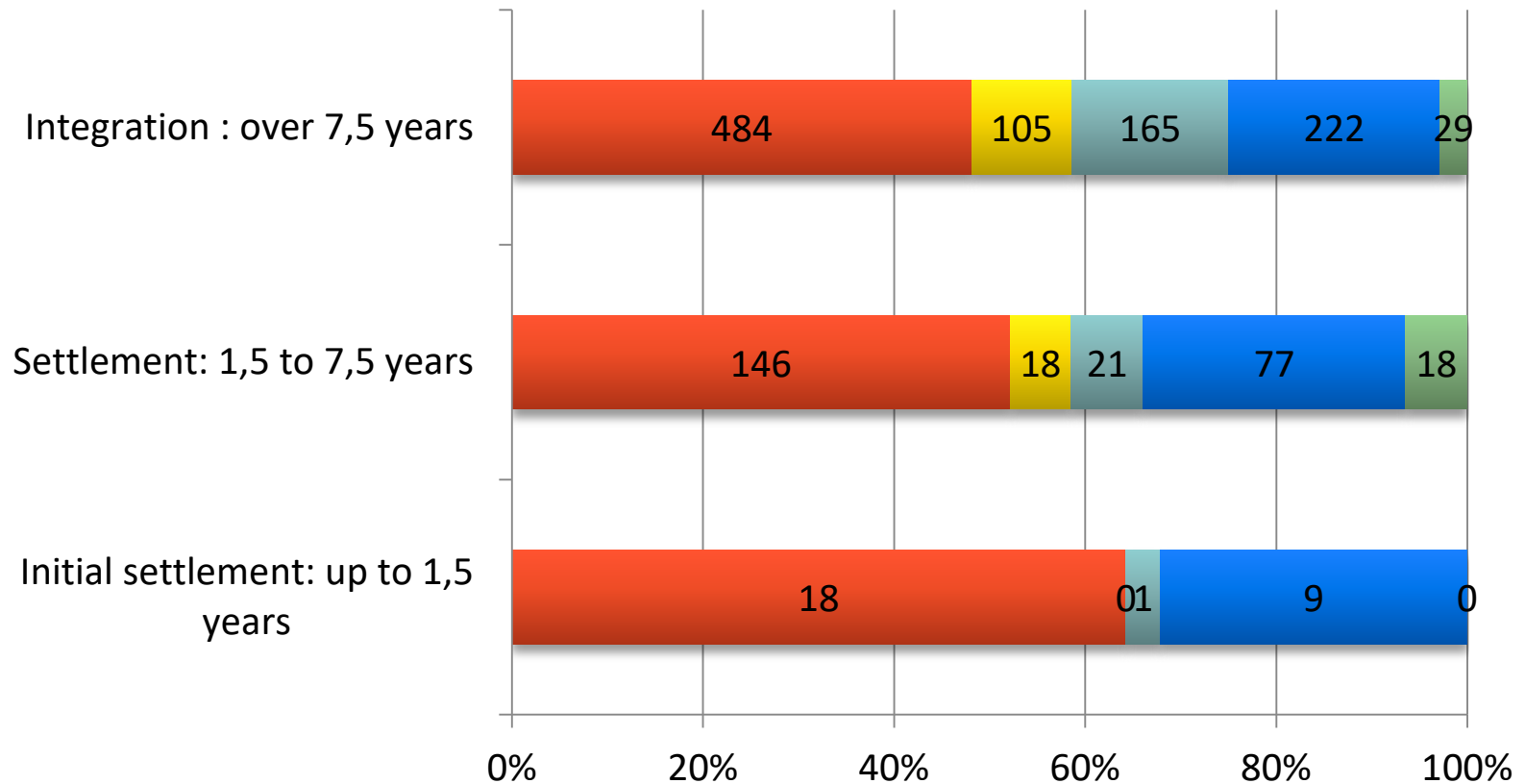
Banked population among who resorts to informal credit



By Age of Migration

Use of Informal Credit by age of migration

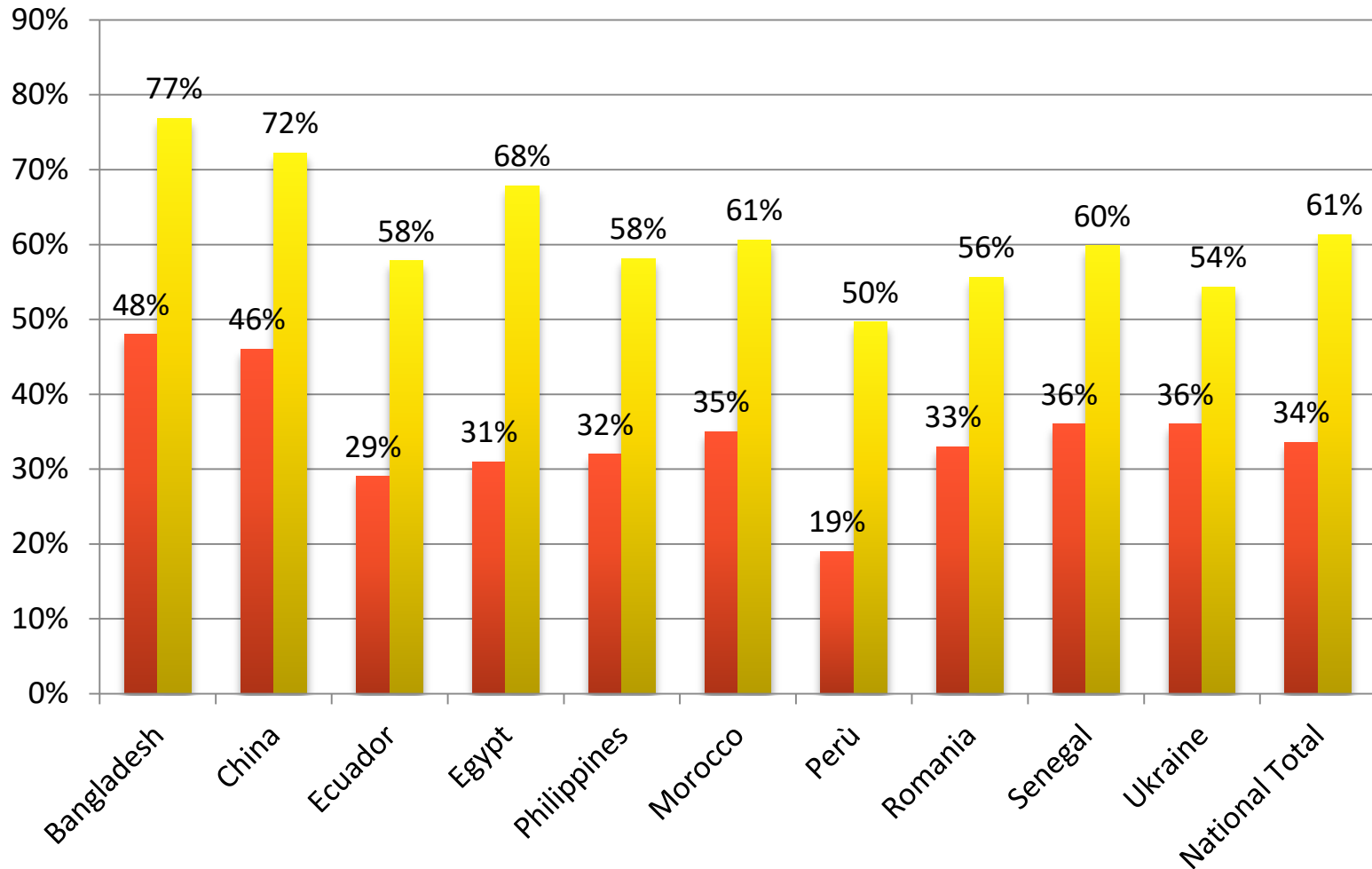
- Resort only to informal credit
- Resort to both
- Resort only to formal credit
- Do not resort to credit



By Familiarity

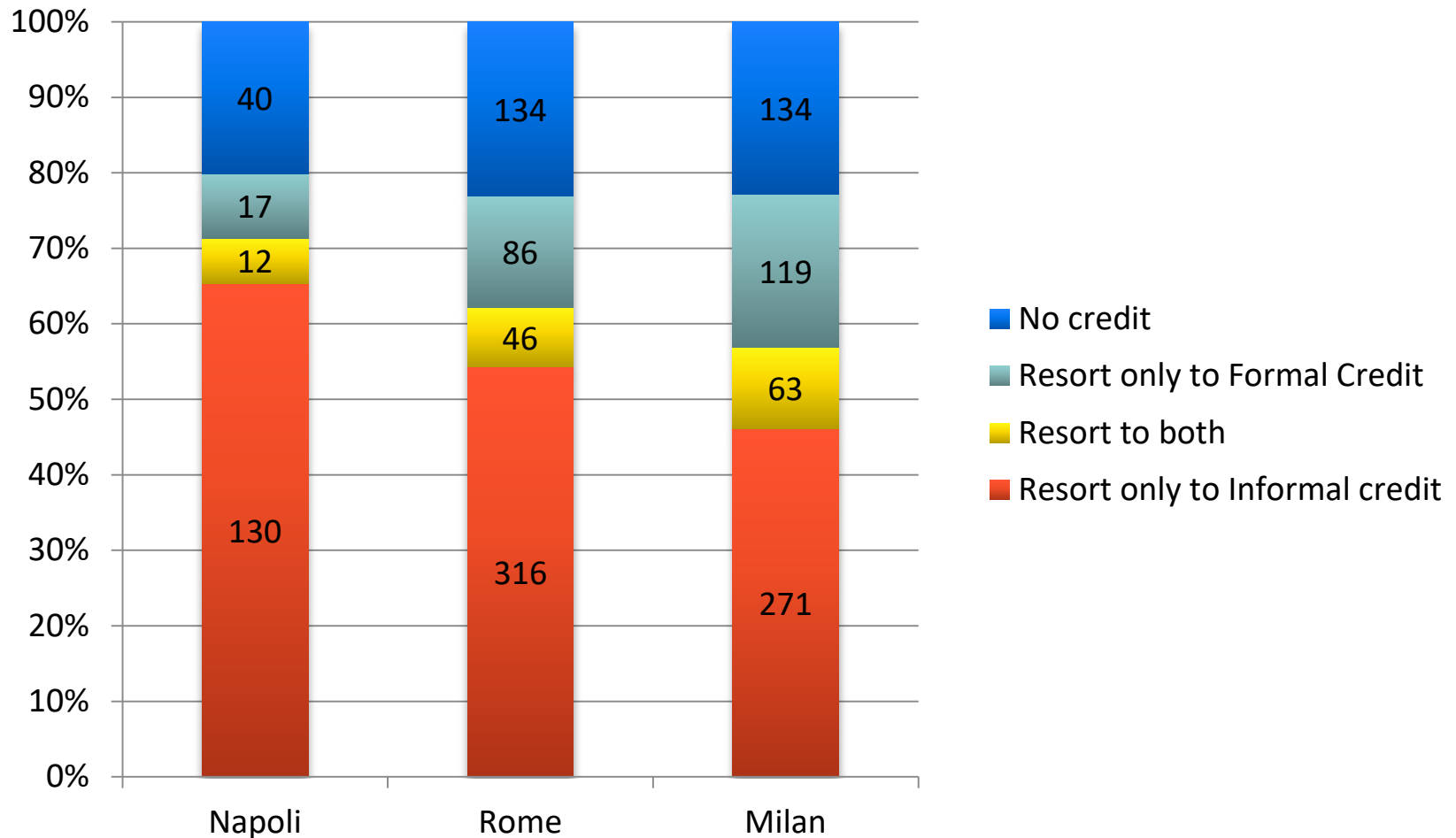
Use of Informal credit by Nationality

■ Home country ■ In Italy



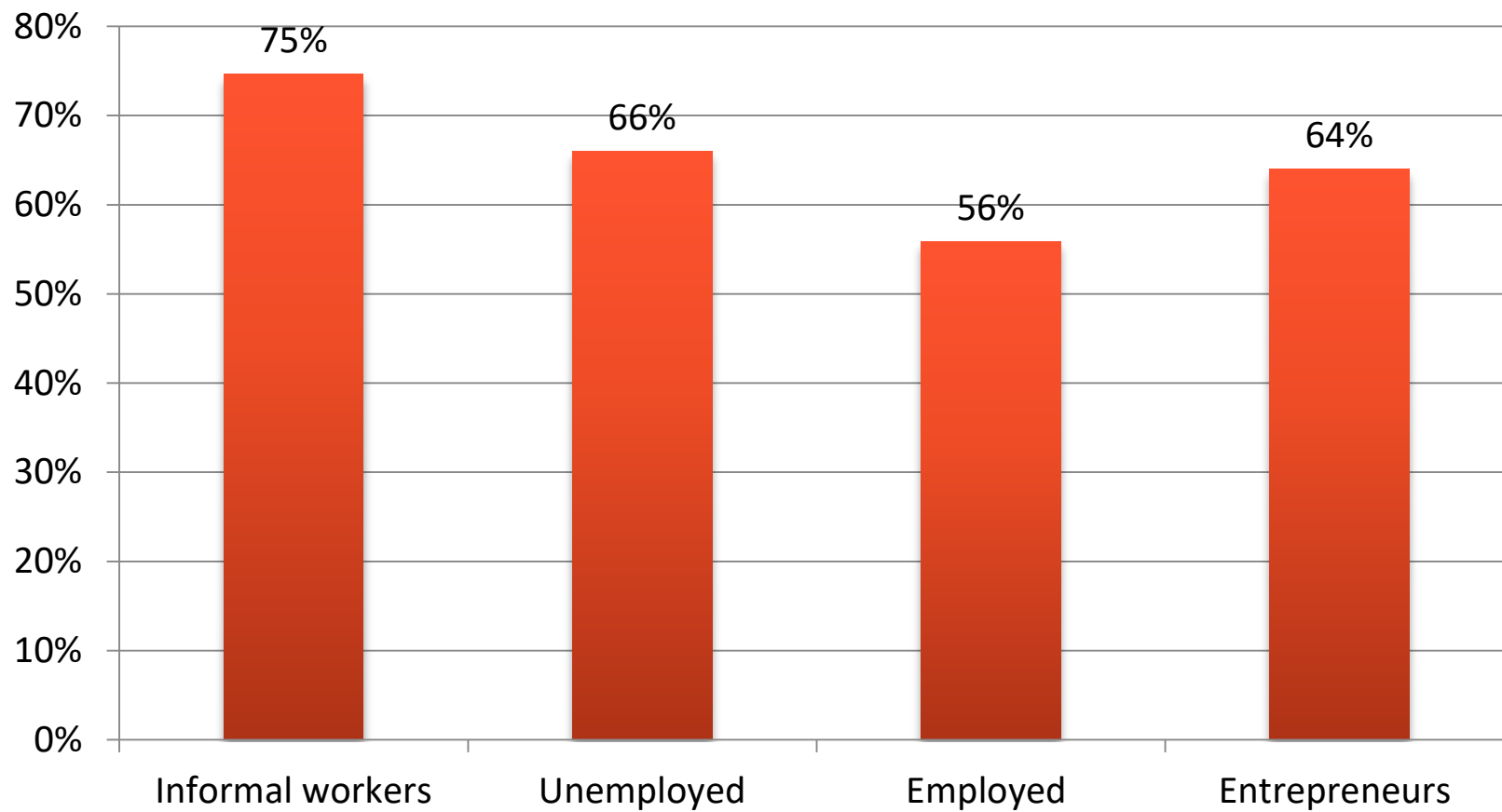
By Territory

Use of Informal Credit by Territory



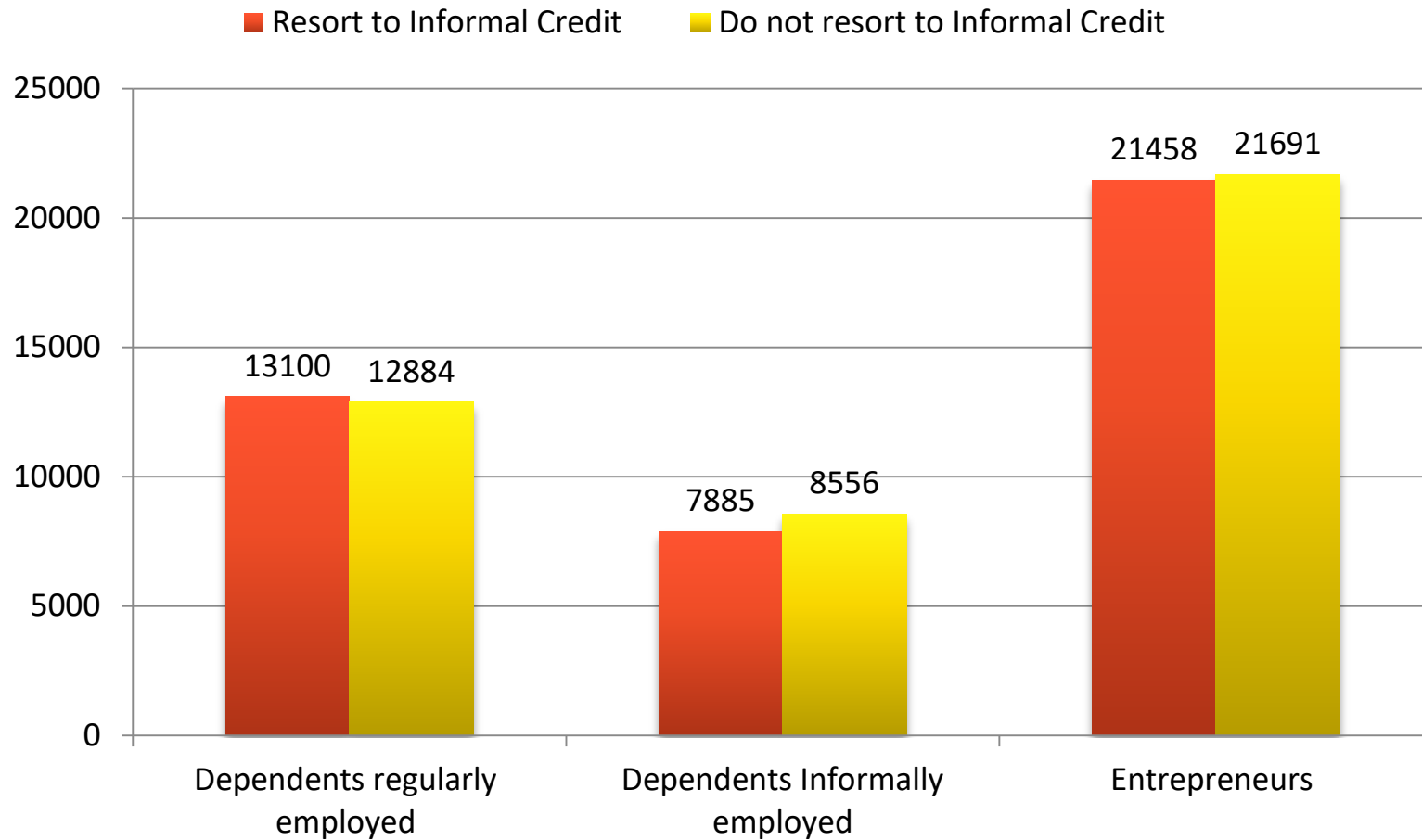
By Labour Market Position

Use of Informal credit by Labour Category

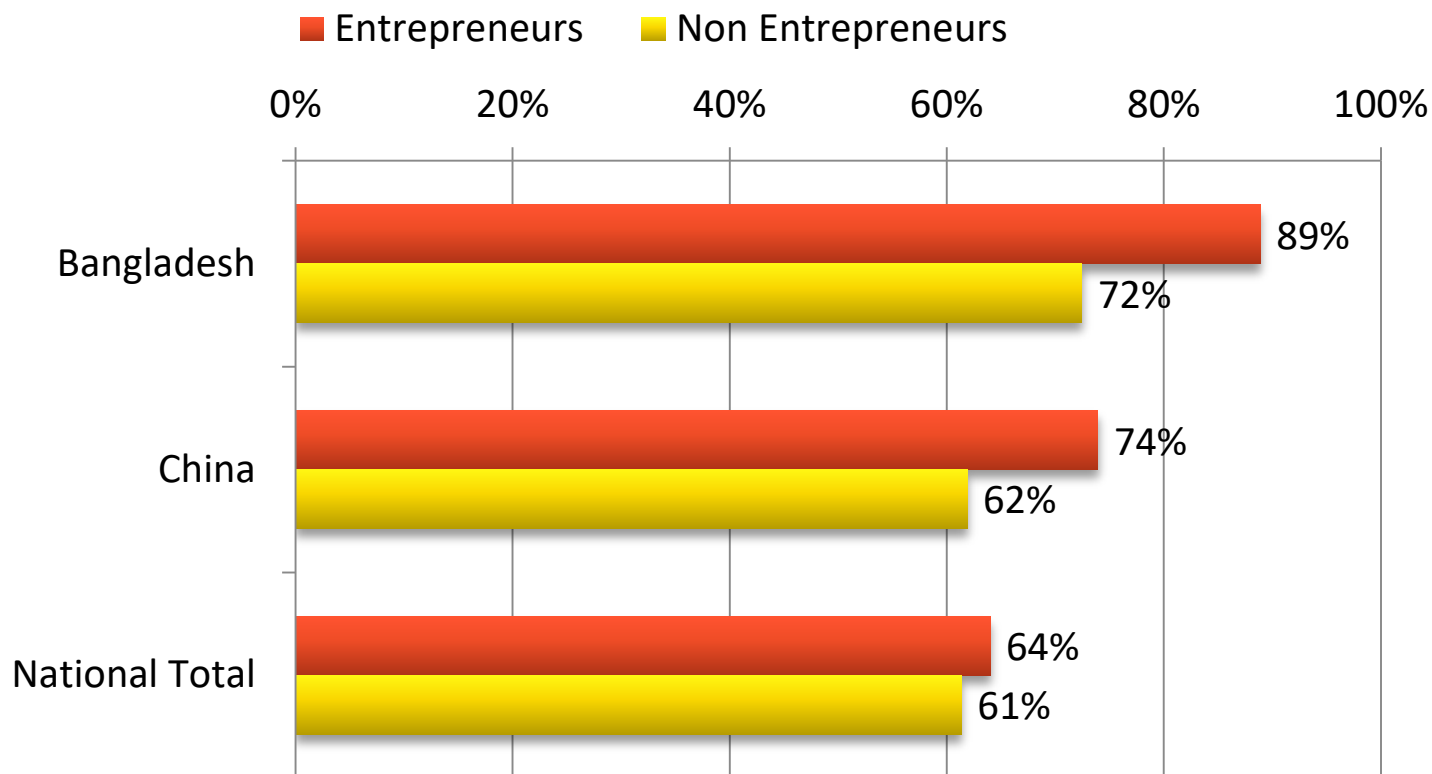


By Average Annual Income

Comparison Average Income between who does and does not resort to informal credit



By Labour Market Position : Use of Informal Credit Detail Entrepreneurs

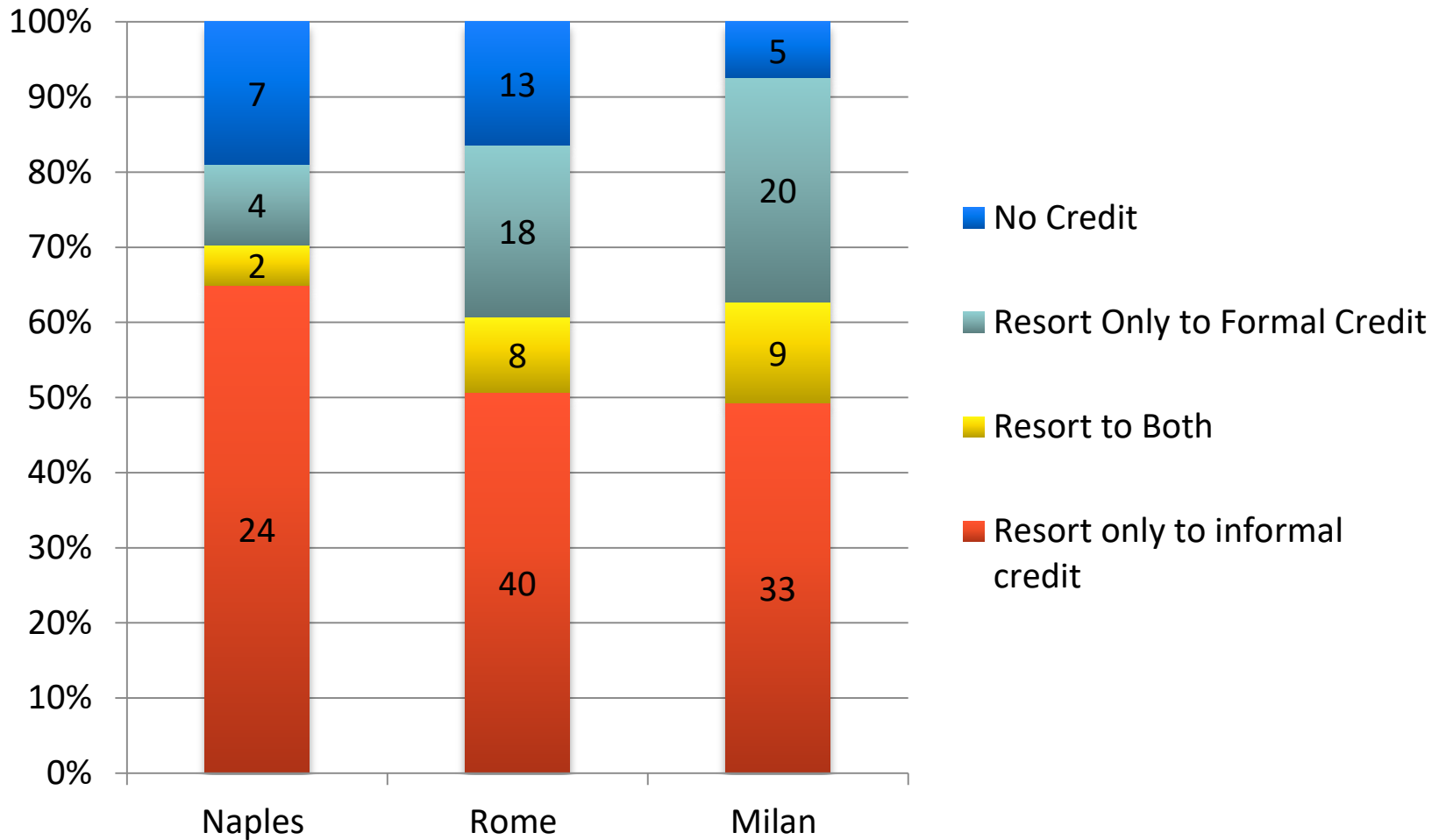


Entrepreneurs, % on sample per nationality:

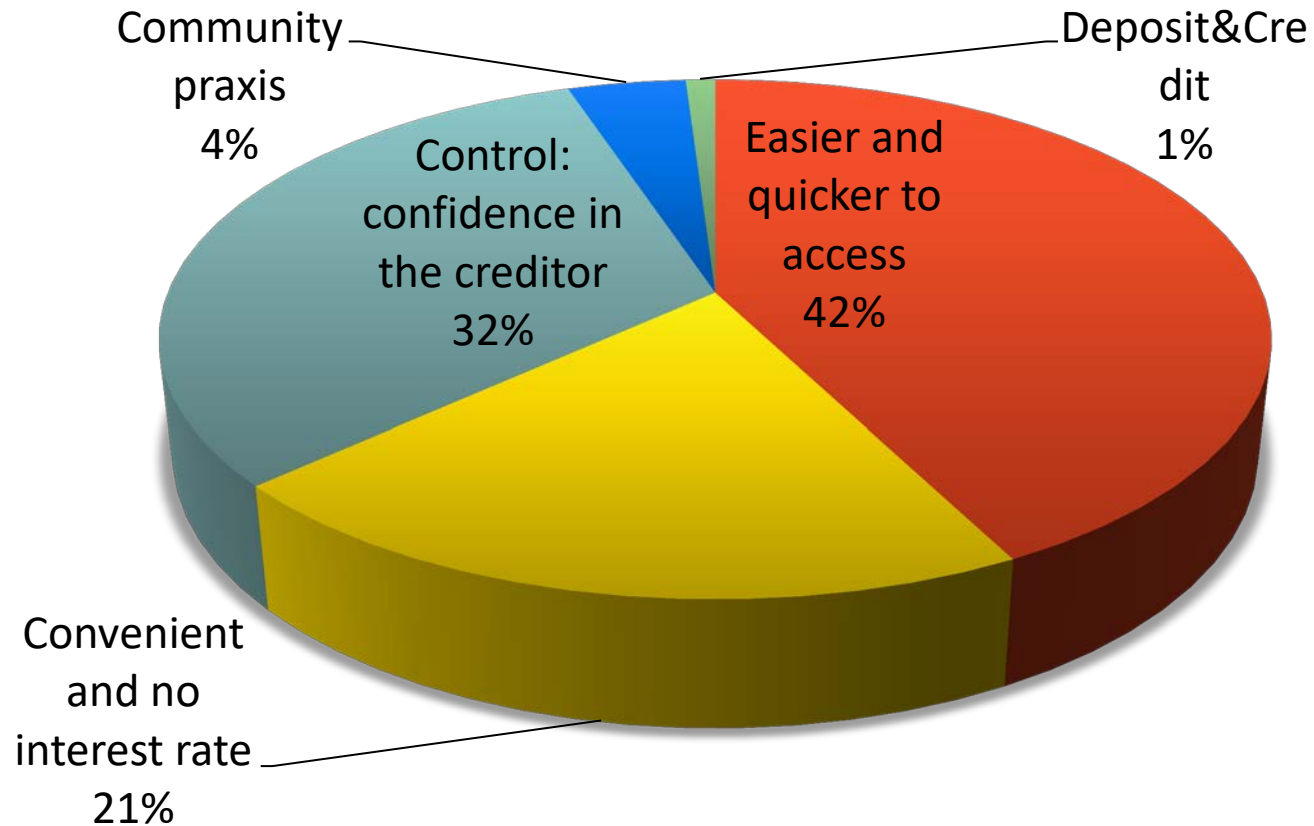
- Bangladesh: 39 individuals (27%)
- China: 46 individuals (32%)

By Territory : Detail Entrepreneurs

Use of Credit: Entrepreneurs by Territory



Reasons for Choice of Informal Credit (all)

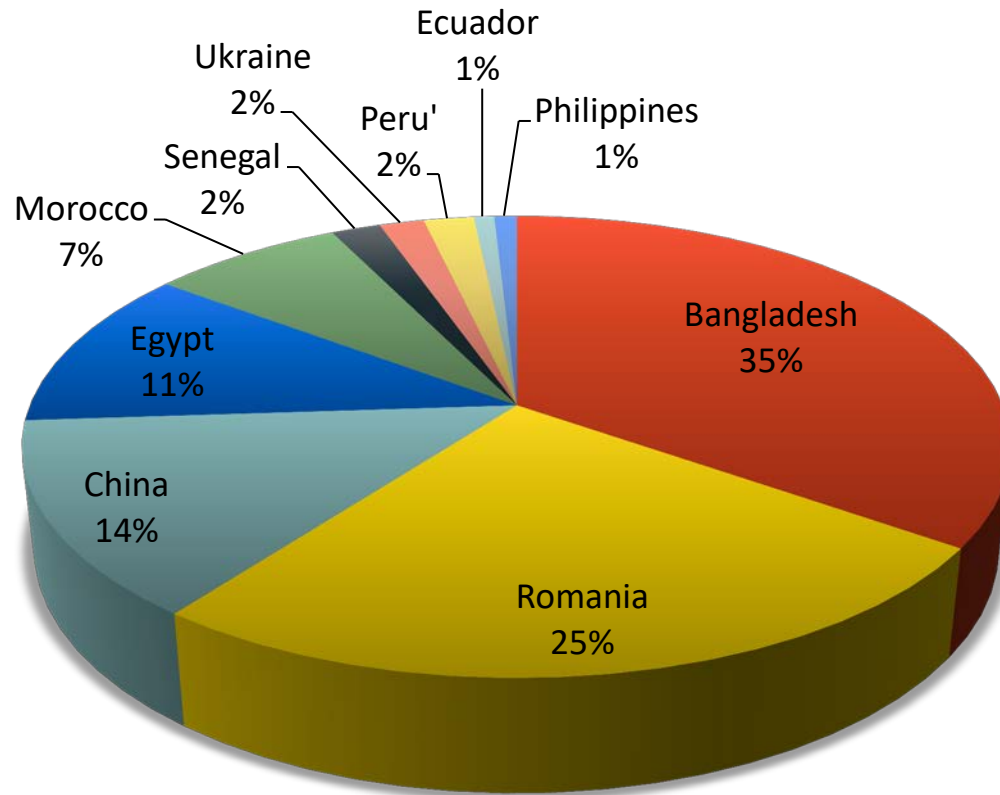


INFORMAL CREDIT : FOCUS BANGLADESHI ENTREPRENEURS IN ROME

The Bangladeshi Community in Rome: numbers and facts

- **28.951** regular residents (*Jan. 2017, Statistics office, Rome*), concentration in I (26%), V (20%), municipalities in Rome
- **76%** of Males, **24%** Females, respectively 12,9% and 3,5 % of the total male and female migrant resident population (*Jan. 2017, Statistics office, Rome*)
- Immigration started to increase consistently in the 90ies
- Strong associative background and history

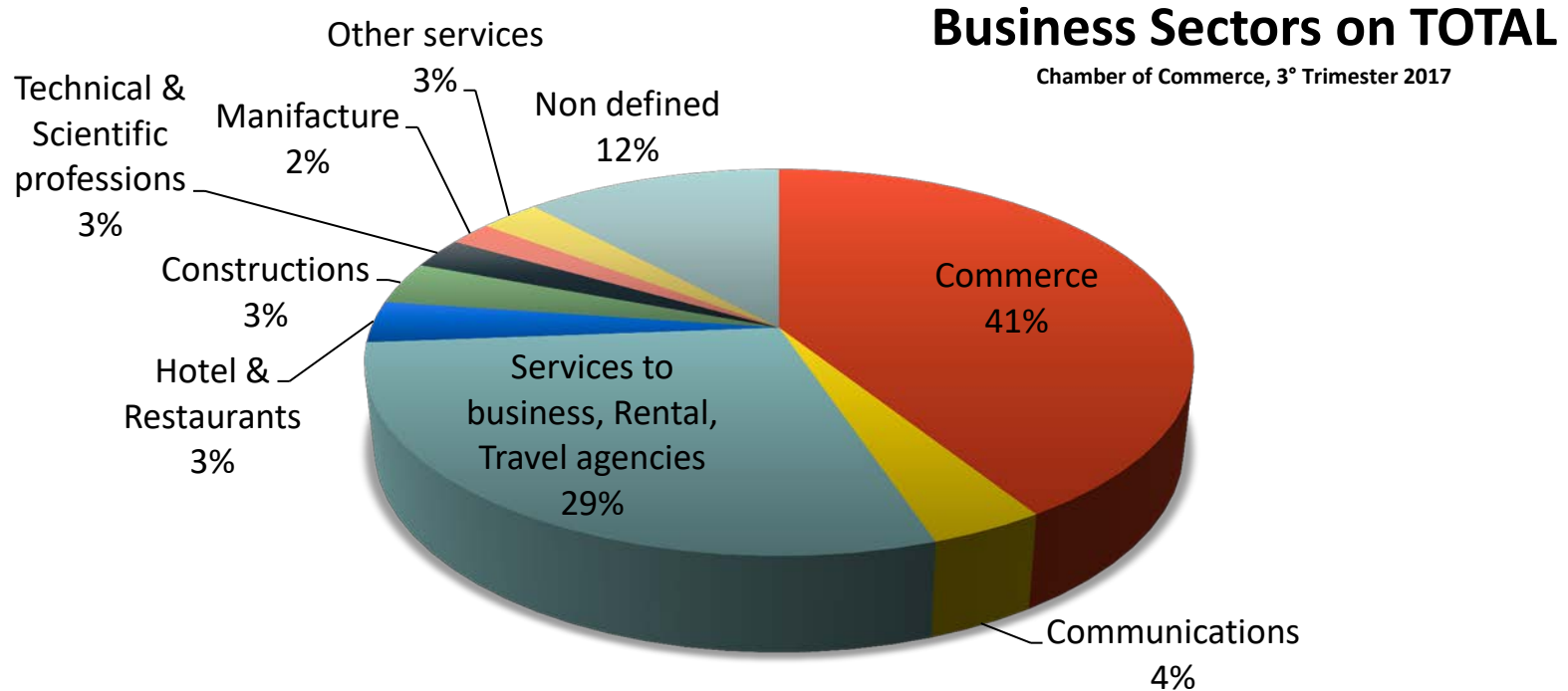
Migrant Entrepreneurs in Rome



Migrant Entrepreneurs in Rome

Chamber of Commerce, 3rd trimester 2017

The Bangladeshi Entrepreneurs in Rome : numbers and facts



Commerce and Services sector :

- Intermediary activities, non ethnic services linked to the diaspora (MTO, internet centres..)
- Open activities : non ethnic services to mixed costumers (minimarkets, market stalls and street stands)

Focus Bangladeshi Entrepreneurs: *Financial Habits*

- *Basic bankarisation* - savings accounts – among males and entrepreneurs: use at need (to cover allowances and pay retailers)
- *Credit:*
 - 1. Share capital societies (SRL/SNC) : 3 - 15 associates;
 - 2. Informal credits through co-national associations;
 - 3. Delayed payments to retailers and warranty checks
- *Savings:* 1. remittances; 2. investments in share capital businesses. Credit and Savings often coincide
- Diversification of the investment

Focus Bangladeshi Entrepreneurs: *Enclave Dynamics*

- Societies with share capital with major distribution in central expensive areas (Termini Station area); labor-capital distribution
- Co-ethnicity between owners and between owners and employees
- Embeddedness: bounded solidarity beyond contract agreement based on migration age

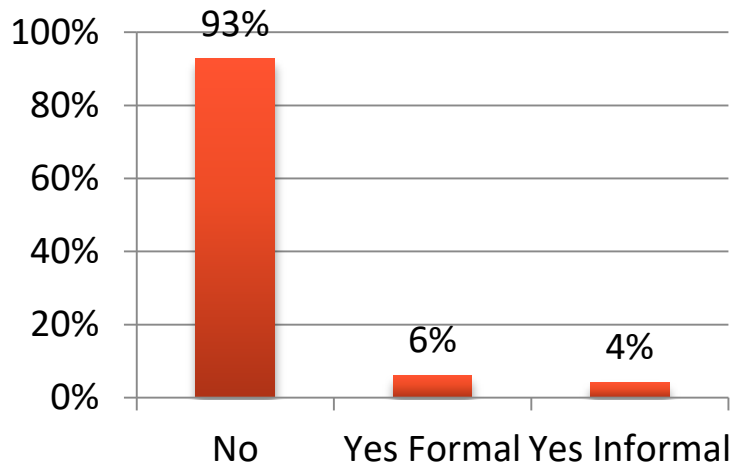
INSURANCE FOCUS

Senegalese community

▪ *The community in numbers :*

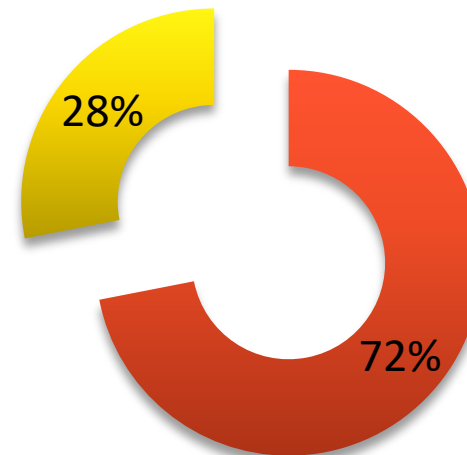
- 107.260 residents in Italy (Demo Istat Jan. 2016)
- 73% Males vs 27% Females
- Employment rate 59,3%; Unemployment rate 19,7%
- Economic activity (prevailing) 40,6% Industry, 28,5 % Commerce
- Geographical distribution: Lombardia 35%, Emilia Romagna 11,3 %, Toscana 11,3%

Insurances



Reasons for NO

■ I don't need it ■ Too expensive



Best Practice : SMS pro Senegal

Activities:

1. Organization and management of the repatriation of the remains (Funeral, transportation, family assistance)
2. Social assistance to family members of the deceased
3. Assistance to integration of women in Italy
4. Assistance to formalization of Senegalese associations
5. Organization of trainings for support staff

Funds:

1. Health fund for the repatriation of the wound and deaths
2. Integration Fund
3. Warranty Fund backing for credits

Structure and Function:

Federation: family (50 to 500 members), village and provincial and religious associations.

Annual contribution paid to 1st level association as membership fee (25 to 35 E); democratic partnership and voluntary membership.

Weaknesses and Threats:

- Disagreements on the choice of representatives to be included in the leadership of the association and in the management of the activity,
- Problems have arisen also in the formalization path of the associations (number of associations and need to sub-federate)
- fear of the economic pressure

Other financial informal systems

1. Capillary presence of informal mechanisms of insurance mainly directed to repatriation of bodies/remains in all investigated communities: Ukraine, Senegal, Bangladesh.

Exception: Philippines. The Overseas Workers Association offers an insurance for repatriation to all regular overseas workers.

2. Small-scale internal through ROSCAs are common, more intense among the Senegalese migrants:

- Remittances, male practices:
 - ✓ *Hawala/Hindi* systems and exchange of money through connected retailers ((convenience and geographical availability)
 - ✓ ROSCA's to accumulate capital in occasion of journey home
- ROSCAs, female practices:
 - ✓ Small credits, every day expenses
 - ✓ Petty commerce

Informality and Legal Framework

- ***DL 90/2017*** (Anti-Laundering):
 - E 3,000.00 threshold for cash transfer
 - Bank and postal checks of a value of EUR 1,000 or more must indicate the name or business name of the beneficiary and the non-transferable clause
 - For the money transfer service the threshold E 1,000.00

- ***TUB (update DL 223/2016)***:
 - Distinction between Saving and Credit Institutions
 - Articulated bureaucracy, surveillance mechanisms and high social capital
 - Comma 2, art. 112: gives legal form to credit unions and mutualistic associations pre-existing the TUB (1993), by criteria of traditionality, marginality and modest nature of capital involved

- ***DM 176/2014***: implementing art. 111 of TUB - Microcredit

Summary

Structural Variables	Socio-Cultural Variables
x Migratory Age	✓ Nationality-Embeddedness
x Bankarisation	x Gender
✓ Territory	x Familiarity with informal systems in home country
✓ Labour Market Position	✓ Cumbersome legal Framework

Perspectives for further analysis

1. The variation in accessing informal credit does not seem to depend significantly from variables central for the *Dualist Theory*: poverty/average income; socio-economic marginality; age of migration; bankarisation
2. The variation is related to the the structure of the labour market:
 - It increases among informal workers
 - It increases among entrepreneurs
3. The variation is related to territory in ambivalent ways
4. The variation is related to enclave mechanisms and nationality
5. The access to informal credit is much higher that other informal financial segments (savings, remittances), and suggests that credit is more difficult to obtain formally, due to cumbersome legal and bureaucratic procedures.