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**European Fund for the integration of Third-Country Nationals**

## ***First Report***

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# ***National Observatory for the Financial Inclusion of Migrants in Italy***

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## ***Abstract***

Implemented by

**CeSPI**  
Centro Studi di Politica Internazionale

*The National Observatory for the Financial Inclusion of Migrants is a long-term project. The first of its kind in Italy and in Europe, the Observatory aims to become a hub for the ongoing structured analysis and monitoring of financial inclusion process for immigrants in Italy, which is key to their full integration. The Forum will provide various entities and institutions with tools to encourage knowledge-sharing and cooperation, and this in turn will help identify and define integrated strategies for strengthening and furthering the development of the financial inclusion concept. The project is financed by the European Commission and the Italian Ministry of Interior (through the European Fund for the Integration of Third-Country Nationals) and was awarded to CeSPI (the Centre of International Political Studies) following an open tender procedure.*

Financial integration represents an important factor in supporting and expediting the migrants' integration and participation process. There are, in fact, significant connections not only between certain indicators of social stabilization and the opening of a bank account, but also a strong positive correlation between socio-economic integration on one side and a greater use of banking instruments and turning to more evolved products and services on the other side. In this direction it appears relevant to promote and support a virtuous process which includes economic and social integration, by rendering accessible the various kind of financial products and services, therefore increasing savings and credit availability, by changing the perception of risk and vulnerability, by improving economic security through saving accumulation plans.

As seen in previous ABI-CeSPI<sup>1</sup> researches, the relation between immigrants and banks has registered an important development these years, showing important elements of complexity: the financial integration process does not happen on the basis of automatic mechanisms; in addition to this, there are important elements of non-homogeneity in the financial behavior of migrants which have not been adequately researched and included within the strategies of stakeholders and institutions. In line with the complexity of the migration phenomenon, the researches done have identified a growing diversification of the financial profiles of migrants on the basis of their relation with the banking institutes and as derivation of their financial needs. Lastly, the financial system can represent an important point of reference for the diversified, but more and more significant, sector of the immigrated entrepreneurship, for the research of courses for the support and development of entrepreneurial behaviors with a greater added value. In the same fashion, the financial integration process needs measures in favor of its development and support. Low incomes, lack of credit history and assets guarantees, still temporary employment and living situations, in addition to familiar ones, and a general low level of banking literacy and savings education are some of the obstacles to a greater use of financial instruments.

All of this renders the stakeholders' capacity for innovation and for adapting offer strategies an important competitiveness factor for the financial system. However, it is increasingly clear there is a need, to ensure its efficacy, to adopt a systemic approach able to integrate the stakeholders strategies with adequate policy and statutory instruments, dealing with the issue of the financial integration of migrants in its complexity and completeness. The actual challenge Italian institutions have to face is a step forward with respect to the immigrants' general level of basic banking awareness and it requires more evolved and complex tools also as support and analysis. The availability of data and comparative researches, apt for showing in a dynamic way the existing trends, the international context and other countries experiences, adequate instruments of information and education towards a culture of financial integration are all ingredients that can contribute to develop and strengthen the financial integration process, and therefore the immigrants' integration process as well, along a path oriented towards a transparent, competitive and socially responsible market.

**The National Observatory for the Financial Inclusion of Migrants in Italy** intends to meet these needs, by providing the stakeholders with an integrated system of information (quantitative and qualitative) and instruments on the migrants' financial inclusion process seen in its entirety, becoming a national point of reference on the subject:

- By providing an integrated system of up to date information, on annual basis, capable of highlighting the evolution in the course of time of the phenomenon
- By supporting and strengthening the financial inclusion process and the evolution of migrants' bancarization towards more advanced financial profiles and the reinforcement of immigrated entrepreneurship

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<sup>1</sup> J.L. Rhi-Sausi, G. Zappi (a c. di), *Cittadinanza economica dei migranti e rapporto con le banche italiane*, Quaderno ABI-CeSPI 2010, Bancaria Editrice, Roma, 2011 e J.L. Rhi-Sausi, M. Zupi (a c. di), *Banche e nuovi italiani. I comportamenti finanziari degli immigrati*, Bancaria Editrice, Roma, 2009.

- By creating roundtable discussions for the comparison and interaction between stakeholders and institutions and between the latter and immigrants, for the definition of strategies for operational, political and incentive levels
- By enhancing and capitalizing on already acquired knowledge, resources and experiences already available within the Italian system.

This **first Report** provides the main outcome of the activities anticipated for the first year of activity, mainly focused on knowing the phenomenon, by collecting a very significant set of quantitative data. The goal is set to provide a database as wide and as complete as possible on which to base the reflection and the main research orientation and in-depth analysis for future years, by interacting with the Team of Experts, a tool included by the Observatory in order to create a steady roundtable discussion for the interaction of stakeholders and policy makers<sup>2</sup>.

The three areas of the research, capable of providing a broad and complete picture of the phenomenon from various points of perspective:

- the side of the **offer**, through a questionnaire sent to all of the Italian banks and to BancoPosta and an in-depth analysis of new channels and payment tools such as mobile payment
- the side of the **demand**, through the administration of a complex questionnaire (70 questions) to a significant sample group of migrants in three territories (Milan, Rome and Naples), with direct interviews on the behavior and the financial needs of migrants with regard to the various areas of interest: savings management, credit access, relationship with financial institutions, future expectations
- **immigrated entrepreneurship**, providing a synthesis report at aggregate level, the analysis of all the enterprises managed by immigrants in four different sample territories (Milan, Bergamo, Brescia and Rome) and specific Focus groups dedicated to feminine entrepreneurship (always with regard to immigrants).

The analysis of data related to the sample group of 21 nationalities taken into account in relation to banks adhering to ABI and to BancoPosta, highlights some indications of synthesis with regard to the bancarization of migrants residing in Italy and the dynamics **from the side of the offer**. The number of accounts in immigrants citizens' names in Italian banks and BancoPosta amounts to 1.782.426 units, by only taking into consideration adult immigrated population (regularly resident) it is possible to determine **an index of bancarization equal to 61,2%**. In Italy's case the index of bancarization represents a very important indicator in terms of financial inclusion. Holding a bank account is, in fact, an expression of an already commenced bancarization process taking place within a solid bank-immigrant client relationship based on mutual trust. In terms of territorial distribution, between the North, Center and South of Italy, the data shows how the bancarization process progresses at different speeds in the country's different areas, with a clear deficit in bancarization in the southern regions. The process for the financial inclusion of migrants presents very positive elements and the existing potential for the financial system upon a high degree of heterogeneity.

The Italian financial system keeps having to face a persistent non bancarization of about 40% of the migrant population regularly resident in Italy. The composition of this component of the population is very heterogeneous and variable through time. The time factor, linked to the length of stay in Italy, has a strong influence, but other factors interact, particularly new arrivals (still continuing, even though at a slower pace), together with aspects connected to mobility in its two dimensions, spatial and temporal, rendering troublesome the increase, at aggregate level, of the index of bancarization. Interlinked development factors, related to the economic crisis, to the dynamics of migratory flows toward Italy and to the market dynamics, bring about the need for new and flexible policies and tools, fit to meet the needs of a process of initial bancarization and

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<sup>2</sup>The Expert Group comprises representatives from: the Italian Ministries of Interior, Foreign Affairs, International Cooperation and Integration, the Department for Labour and Social Policies, the Bank of Italy, ABI (the Italian Banking Association), ANIA (National Association of Insurance Companies), BancoPosta (the post office financial provider), CRIF (a financial analysis service provider) and the Union of Italian Chambers of Commerce.

progress of a phenomenon that shows more and more levels of complexity. The Italian brokers face new challenges, in relation to the access of immigrated clients with basic financial needs and to the circularity of migration that brings about new and various needs. Up until now the stakeholder's normal practice does not seem to offer answers adequate to these characterizations of the migrant segment of the clientele, with the exception of the remittances market. The challenge appear to be linked to the identification of mechanisms and tools for financial inclusion, more flexible, economically accessible and able to meet those needs tied to an initial integration in the Italian social and economic fabric, but also able to ensure a development process towards a higher level of steadiness and a higher maturity in the relation bank-client, condition for a concrete economic inclusion.

The analysis of the data from the side of the offer brings out further significant pointers:

- higher stability and integration for the migrant translates into development of financial needs and in a greater financial maturity toward more advanced profiles
- consumer credit represents the main source of financing for consumer goods, for current expenses, but also for the purchase of long-lasting goods for small enterprises and the management of unexpected expenses. The survey confirms, however, that the purchase of a house represents and has represented in the last few years an integral part of the migrants' integration strategies
- The use of payment services shows a development dynamic in strong growth, as a confirmation of the role these tools have within the integration process. Also increasing the level of use of internet banking services, proving the migrants' fast adaptation in terms of access to network and technologies
- The economic crisis confirms its effects in the field of credit, with a contraction in the use of all the products related to this category
- The market segment related to migrants appears to be complex and fragmented, bringing out various scenarios for the banks to undertake actions to meet the financial needs of the two extreme profiles, from the least financially evolved client to the most evolved
- In terms of offer of microfinance services, on one side the banks have provided a lively answer given the opportunity to develop new, even innovative, areas of brokerage. On the other side, the sector of microfinance presents its own characterizations, not always manageable by a traditional bank, and at the same time an incomplete understanding is evident, generally in the Italian context, with regard to the potentialities offered by the microfinance intended in its correct meaning, comprising of an offer of products built for a low income target (microcredit) but also for wealth accumulation and savings protection. The most significant element, for the support and development of services and products for microfinance, potentially important for financial inclusion, seems to lie within the presence of informational asymmetries creating a vicious circle where demand and offer do not find a mutual trust and meeting ground
- The trend for the volume of remittances, highlighting the re-establishment of the growth trend of past years, in spite the ongoing crisis, confirms the low elasticity of this variable with respect to income. If on one side the crisis has reduced migrants' earning capacity with effects also on the demand for financial products and services, on the other migrants keep sending increasing volumes of remittances. As for the banking channel the main innovation pertains the spreading of partnerships between banks and MTOs, indicating the acknowledgement of a certain specificity with these stakeholders and use of remittance as a service to gain loyalty from the clientele. The success of this new strategy in terms of migrants' bancarization lies within the opportunity that the offer of the remittance service might be integrated in a package of financial services and products capable of meeting the migrants' needs.
- The fast development of technologies, the diffusion of internet access also between migrants, the dematerialization of the relations within the financial system, are opening new opportunities for the offer of services and products also in the financial field. Contemporarily the new norms are opening on

a gradual liberalization of payment services, creating the premises for the access of new stakeholders. There are new scenarios offering opportunities and tools to facilitate access to the payment system, first step to approach regulated financial services and financial brokers.

- Finally, the issue of financial inclusion often interlinks with that of regulating oneself migration condition from a legal point of view. In fact, access to financial services is generally affected by the holding of a tax code (consequently a permit to stay). On one side this provision slows down the financial inclusion process (while waiting for the successful conclusion of the required administrative procedures) and on the other it forecloses every access to regulated financial systems by migrants staying in our territory, but lacking a regular permit to stay, supporting informal and unclear circuits. Even if it is outside of the specific research objectives of the Observatory the issue appears topical and it encourages at least the start of a debate to seek criteria that might lead to an adequate evaluation of the efficiency of the possible models to be adopted with regard to the general objectives of financial inclusion even of the non-bancarizable.

With regards to the **demand**, migrants' awareness about the usefulness of starting a relation with a financial stakeholder, both at personal level and from an enterprise's management point of view, as well as a good "staying-power" of the trust placed on the banks and of the financial system in general, has been confirmed.

- The territorial variable, i.e. the migrant's geographic residency area, remains a decisive factor in the relation with financial brokers. The various productive, economic and social contexts existing in our country have in fact had strong repercussions on the relation between the banks and migrant residents and also affect the heterogeneity of the bancarization process and economic behaviors
- The specific focus dedicated to families' financial behavior confirms the existence of a bi-national family, and a revealing element is the presence of at least one child in both countries which unites all, the interviewees living with their partner in Italy, the singles and those whose partner is in the origin country. Incomes and savings, in addition to behaviors in terms of savings management, are affected by the family's composition at the two banks/borders of the migration and the adoption of "the migrant family" as economic subject and unit of analysis appears to be useful and feasible
- Gender differences are another aspect to be taken into consideration. For instance, a differential in the bancarization index between women and men is noticeable and there are eight percentage points against the female gender.
- The bank is mainly perceived as a "safe place where to put one's savings" and a "mandatory choice to live and work in Italy". The necessity emerges for a bank that proposes itself as an active point of reference for oneself financial management and investing on the relation and on consultancy services.

The training aimed at the stakeholders and the development of the personnel's relational skills - in terms of inter-culture and general knowledge of the migratory phenomena and of the origin cultures of the major flows involving Italy – represent important resources on which to continue investing in the future.

- The community of reference and family members, aided by the economic crisis, is the main channel for migrant citizens' credit access, but among the financial stakeholders the bank retains its leading role for the principal tolls of financing.
- Finally, the desire to go back to the mother country is confirmed as widely spread, but it is different when turning it into reality as very often it remains a hope, however it is felt. In this sense if we associate the answers referring to those who expect a definite return to the mother country within the next two years (16% of the sample group) and those who are already saving to put this behavior into place (11% of the sample group) we realize the phenomenon is significant, but not so widespread. Along with this there is also the data that the migratory flows toward our country have not stopped, but continues, even though at a slower pace than in the past.

**Entrepreneurship** is confirmed as a particularity characterized by a high liveliness between immigrated citizens, and its reinforcement can constitute an opportunity not only in reinforcing the social and economic integration process, but also in terms of contribution to the revival and internationalization process of the economic system in our country based on the small-medium enterprise.

- The start-up of an entrepreneurial activity is normally supported by personal or familiar resources, unless one manages to draw on public resources dedicated to the support of entrepreneurship. The lack of assets guarantees and credit history represent the main obstacles in accessing credit in the financial system, unless it is possible to access collateral tools and forms guarantees by third party institutions. The ongoing economic crisis has affected the trend of the risk index and consequently affects the dynamic of credit access.
  - In the relationship with the banks, a significant increase of this segment of clientele (small business) emerges as confirmation of a liveliness of the migrant entrepreneurship intercepted by the Italian banks (the number of bank accounts in the name of small immigrated enterprises has in fact increased by 25% compared to 2009 data)
  - The use of banking credit is prevalent for financing on the medium-long term, while a need emerges for tools to link the credit dedicated to the initial start-up (rendered available by funds and public institutions) and the ordinary credit finalized to ordinary activity and to support development and growth processes.
  - The data and research available at national level indicate an average tendency of foreigner entrepreneurship equal to 10% (4.2 million foreigners and 415,534 enterprises in the name of foreigners) with a positive balance of immigrated enterprises against a decrease of enterprises held by Italians. Chain migration works as a catalyst for employment and social integration of members of one's community, facilitating the passage of information and consequently the entrepreneurship
  - All the immigrated enterprises are less than 10 years old. From 2000 onwards the migratory phenomenon, stabilized in Italy, has started to show signs of pro-activity and such socio-economic integration levels that allows the start-up of more complex entrepreneurial economic activities, even though still presenting weaknesses with regard to the ability to commercialize, produce and distribute goods and services
- The dimension is still very local, just a small part go beyond the province's border and companies that have relations with foreign countries are even less common, therefore affecting growth opportunities
- In choosing the legal form of the business, if up till a few years ago the almost exclusive form was the sole trader, nowadays we can see a positive development in favor of legal forms as limited companies and cooperatives

The Report contains, finally, some hypothesis of interpretation of the phenomena that will be subject to assessment through the continuation of the research activity and it terminates with some considerations of policy that will be debated by the Experts Group in order to integrate them, validate them and then deliver them to the relevant office, as possible indications for future interventions