

EUROPEAN LABORATORY ON FINANCIAL INCLUSION

Offer-side survey:

Banks and financial inclusion: survey on the Italian territory, ABI's study on financial inclusion activities undertaken by Italian banks (II edition 2007)

Introduction/Comments on methodology

In 2007 ABI performed a new survey¹ on financial inclusion, in order to better understand the status of a new typology of customer who could be more effectively integrated into society and the ordinary financial system. As in the previous survey this one referred to atypical workers, the tertiary and non-profit sectors, low-income families, micro-enterprises operating in poorer areas of the country and immigrants.

This can represent an opportunity of growth and business development for banking institutions that can favour financial inclusion and develop new inexpensive operational modalities, besides the public welfare systems. The banks' attention to this type of activities is considered by several enterprises as a strategy of *Corporate Social Responsibility* – CSR. This modality of strategic corporate management, directed to develop and evaluate the relations with different subjects, stakeholders, with whom the banking institutions have ongoing relations, eventually promotes a new orientation of the bank's political strategies, in order to identify and develop opportunities for their activities. It is in this context of strategic re-definition of their typical business that allows banks to plan and 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, therefore generating an eventual operative and “cultural” re-orientation.

¹ In 2005 a former survey called “Banks and Microfinance. Innovative experiences and instruments” was realized, in collaboration with the Foundation Giordano dell'Amore, Bancaria Editrice 2006.

Certain characteristics of the banking history² merge in the current credit model, in which the CSR facilitates a better and innovative comprehension meaning to “working in the banking industry”. This logic is inserted within the corporate market systems where it operates with other corporations, contributing to support activities and realize projects.

The objective of this new survey is exactly this: both to continue the examination of supplied products and the methods currently used in the Italian commercial banks, in addition to highlighting the instruments and opportunities of inexpensive innovative operating modalities, to be brought to the attention of all banks involved.

This survey specifically aimed at:

- analysing the products and methodologies currently used, considering the different services offered by banks with the greatest financial inclusion;
- identifying the target references as regards to the banking activities per financial inclusion;
- obtaining a more detailed framework regarding the relations between banks and their target customer;
- identifying the specific characteristics of financial instruments used to reach these scopes in more detail.

Modality of realization

The survey was realized through the delivery (see appendix) of a questionnaire purposely created. The questionnaire was sent to all associated banks through an ABI circular letter: the Co-operative Credit Banks (CCB) were not included because of their typicality.

Compared to the survey carried on in 2005, this survey aimed at broadening the concept of microfinance to **financial inclusion**, as a “whole of methodologies, instruments, innovative practises that, corresponding to the inexpensiveness criteria, facilitate the financial inclusion of low-income people and/or those who are in social disadvantage”.

² In history the “social” function of banks is expressed in the supporting activities of commerce and the new productive subjects that encourage the national reality. For instance, Monti di Pietà were constituted to protect people who borrowed money at interest.

Examples taken into consideration are:

- microfinance services, such as credit services, saving systems, current accounts, payment services and fund transfer;
- the domestic selling practises;
- the purpose-built structures;
- financial educational projects;
- *partnerships* with non-banking subjects.

The questionnaire was appropriately developed as a “simple” form and it was made up of 15 closed questions with multiple-choice, divided into 7 detailed areas. More specifically, the initial part involving a short introduction and the definition of financial inclusion was followed by specific areas that regard:

- which organisational department “deals with” financial inclusion in the bank’s organizational chart;
- the bank’s reason for financial inclusion;
- the effective operations of the bank;
- the typology of products supplied;
- customer typology according to the different products supplied;
- the application of checks and balances and possibly their details regarding the instruments used and the coverage percentage;
- the existence and characteristics of eventual criteria that are alternative to those traditionally used to evaluate the considered customers.

The survey was carried on in collaboration with an ABI³ team. The elaboration of the data gathered through the questionnaire was performed by the Study & Research Centre (Centro Studi e Ricerche).

Descriptive analysis of the empiric survey. The reference sample

This paragraph concisely describes the sample of banks participating in the survey.

The sample is composed by 39 banks of different dimensional classes; from these 39 banks, 28 declared to supply microfinance services to their customers.

³ ABI research team: Bajetta L., Benincampi R., Falzetti L., Ferraro I., Greco A., Malinverno A., Messina A., Monti D., Peppetti A., Provasoli C., Rivelli M., Tafani T., Tanno A., Zappi G.

The sample of banks that participated in the survey

1. Banca Carige
2. Banca del Lavoro e del Piccolo Risparmio
3. Banca del Piemonte
4. Banca di Piacenza
5. Banca di Sulmona
6. Banca Etica Adriatica
7. Banca Etruria e del Lazio
8. Banca Lombarda e Piemontese
9. Banca Monte Parma
10. Banca Nazionale del Lavoro
11. Banca Popolare del Lazio
12. Banca Popolare dell'Emilia Romagna
13. Banca Popolare di Bari
14. Banca Popolare di Milano
15. Banca Popolare di Novara
16. Banca Popolare di Sondrio
17. Banca Popolare Etica
18. Banca Popolare Italiana⁴
19. Banca popolare Pugliese
20. Banca Regionale Europea
21. Banca Sella
22. Bancapulia
23. Banco di Brescia
24. Biver Banca
25. ⁵BPU
26. Capitalia⁶
27. CR Firenze
28. CR San Miniato
29. CR Savignano
30. CR Vignola
31. Gruppo Banco Popolare di Verona e Novara⁷

⁴ Nowadays Gruppo Banco Popolare

⁵ Nowadays UBI Banca

⁶ Nowadays Gruppo Unicredito

⁷ Nowadays Gruppo Banco Popolare

- 32. Intesa SanPaolo
- 33. Monte dei Paschi di Siena
- 34. MPS Banca Personale
- 35. Neos Banca
- 36. NordestBanca
- 37. Unicredit Private banking
- 38. Unicredito
- 39. Veneto Banca

The following is a summary of the characteristics of the considered banks, subdivided into categories according to their size.

Specifically, there are five sizes, defined by Banca d'Italia as follows:

major banks: banks with total assets exceeding 45 billion euros;

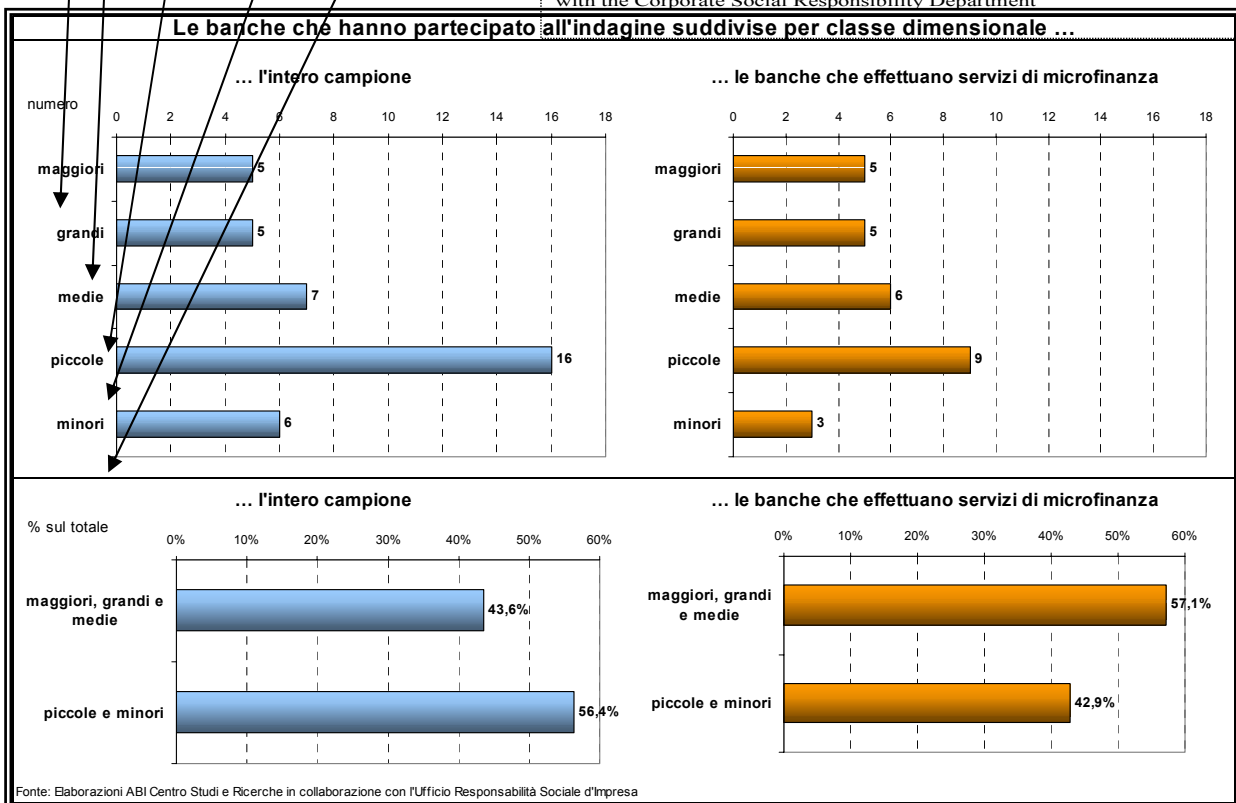
large-sized banks: banks with total assets ranging from 20 and 45 billion Euros;

medium-sized banks: banks with total assets ranging from 7 to 20 billion Euros;

small-sized banks: banks with total assets ranging from 1 and 20 billion Euros;

the minor banks: banks with total assets inferior to 1 billion Euros.

The banks that participated to the survey were divided classes according to size...
 ... the entire sample
 ... the banks providing microfinance services
 Source: Elaborations made by ABI Studies and Research Centre in collaboration with the Corporate Social Responsibility Department

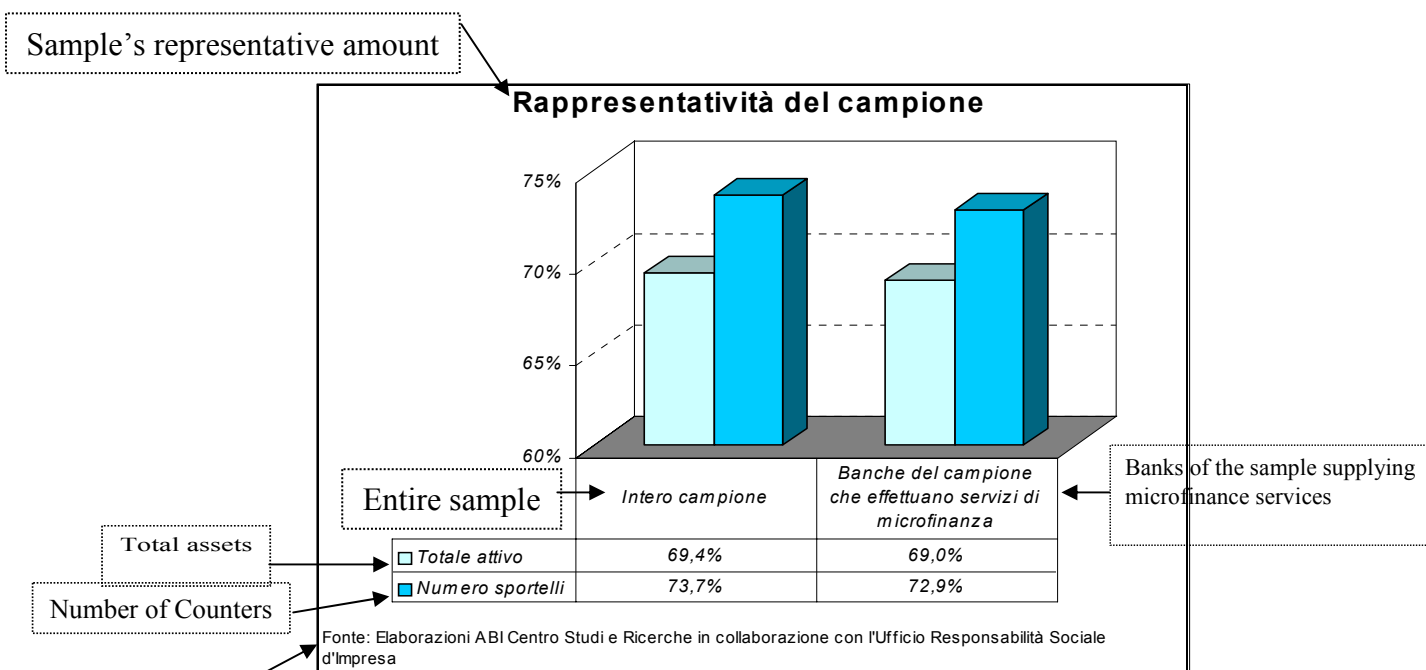


The 39 banks of our sample are subdivided as follows: 5 banks are *major*, 5 are *large-sized*, 7 are *medium-sized*, 16 are *small-sized* and 6 are *minor*. On percentage out of the total of the sample banks, 12.8% are *major banks*, 12.8% are *large-sized banks*, 17.9% are *medium-sized*, 41% are *small-sized* and 15.4% are *minor*.

Had only the banks declaring to supply microfinance services to their customers been considered, the distribution per dimensional class would promote the major banks: on percentage out of the total of the sample banks, 57.1% (compared to 43.6% out of the whole sample) are *great, large and medium-sized banks*, or rather banks with total assets exceeding 20 billion Euros and 42.9% are *small and minor banks* (compared to 56.4% out of the whole sample).

Regarding how representative the considered sample is, banks participating in the survey on microfinance are equal to **69.4%** of the entire banking industry in terms of total assets.

Within the considered sample the banks that declared to provide services of microfinance represent 69% of the total industry. In terms of numbers of bank counters, the banks that participated in this survey on microfinance correspond to 73.7% out of the total industry; the representative amount of banks that participated in the survey providing microfinance services and products are equal to 72.9%.



Source (of each figure): Elaborations made by ABI Studies and Research Centre in collaboration with the Corporate Social Responsibility Department

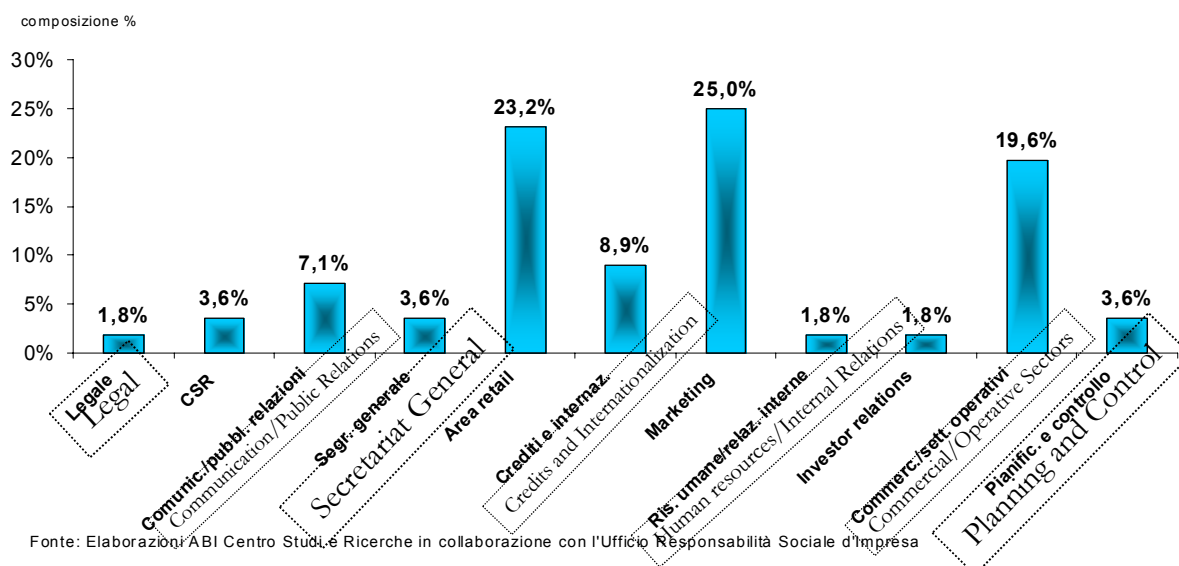
The main results of the survey.

The financial inclusion in the bank organization chart

Regarding structures specifically treating financial inclusion, **25%** refer to the **Marketing Sector**, **23.2%** to the **Retail Area** and **19.6%** to the **Commercial/Operative Sectors**. A minor attention is concentrated on the **Credit Sectors & Internationalization (8.9%)** and **Communication & Public relations (7.1%)**.

Which section or department do people dealing with financial inclusion relate to?

A quale funzione o dipartimento fanno riferimento le persone che si occupano di inclusione finanziaria?



Compared to the previous survey the **novelty** of this one regards the connection between the CSR and the financial inclusion. The data shows that 3.6% of banks participating in the survey follow the themes related to financial inclusion through the CSR department.

Compared to 2005, a transfer of competences has been made from the CSR department to the Planning and Development in the banking departments. In 2005, indeed, experimentations on microfinance projects were transversally managed within banks, moreover the theme was essentially the duty of one competent office regarding: marketing/commercial in one third of cases, research and development for one third, and CSR for a further third.

The new survey shows that the services/products to facilitate financial inclusion are especially the duty of the retail/marketing/commercial area, proving that the incubation period of ideas and research has

been replaced by the “technical” development of specific products and the monitoring of their diffusion, as reported in the graph below:



	CSR Department	
	Marketing Sector	
	Retail Area	
	Commercial and Operative Sectors	

The bank’s reasons for financial inclusion

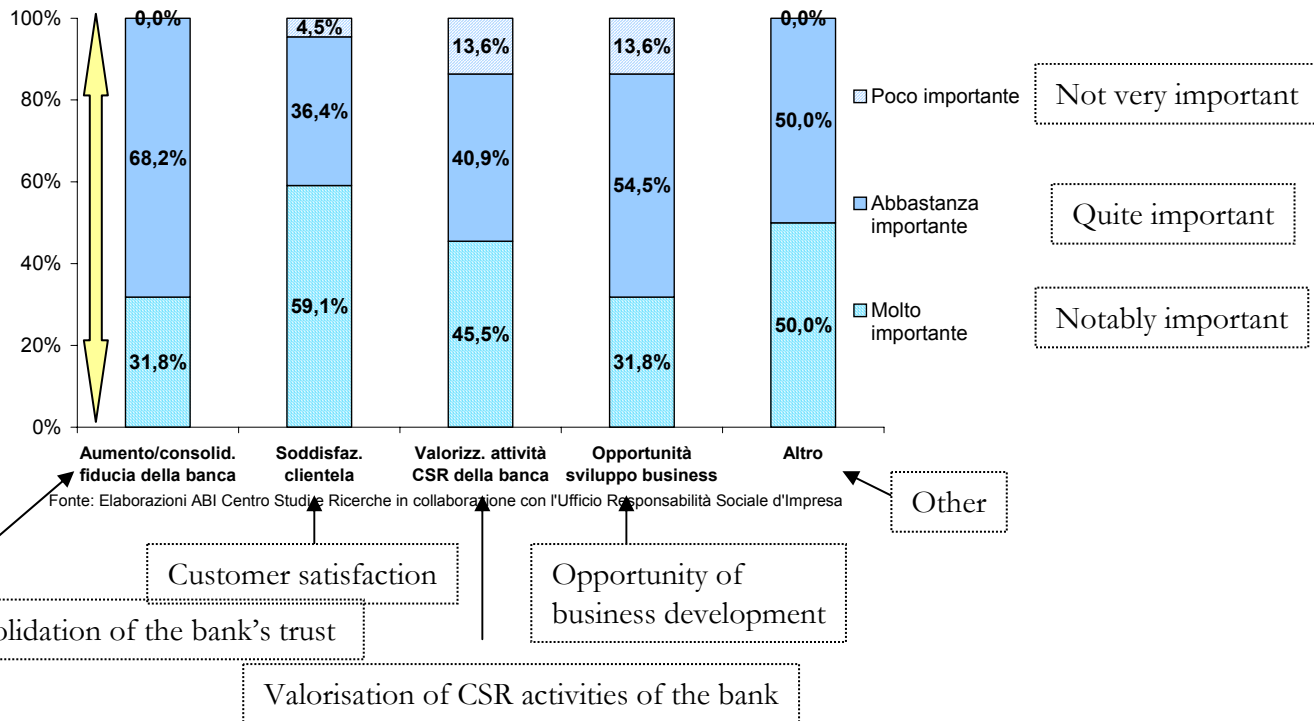
The reasons inducing the Italian banks to act in favour of financial inclusion are mainly due to:

- “**customer satisfaction**” that is deemed greatly important by 59.1% of the interviewed banks and quite important by 36.4%.
- “**valorisation of CSR activities of the bank**”, representing a considerably important reason for 45.5% of the banks, whereas it is quite important for 40.9%;
- an “**opportunity of *business* development**”: it is considered notably important by 31.8% of the banks and quite important by 54.5%;
- “**increase/consolidation of the bank’s trust**”: it is notably important for 31.8% of the banks and quite important for 68.2%.

Concerning the latter, it is important to underline that for the sample total, the consolidation of trust on the bank, or rather for its consequent reputation is quite/notably important.

How important do you consider the reasons inducing your bank to act in favour of the financial inclusion?

Quale livello di importanza attribuite alle motivazioni che hanno portato la vostra banca ad attivare azioni per l'inclusione finanziaria?



Diffusion of microfinance in the Italian banks

What is microfinance?

The definition of microfinance presented in this work, as in the previous survey on the subject, is the result of different considerations elaborated in this context, also deriving from the current diverging definitions of the microfinance concept. Microfinance, indeed, has not a univocal definition and it presents heterogeneous characteristics and specific reference *targets*, belonging to the different contexts where it is applied.

As microfinance is intended the “all inexpensive financial services provided by banks aimed at facilitating the financial inclusion for low-income individuals and/or those who live in socially disadvantageous conditions. Credit services, savings schemes, payment services, fund transfers are included”.

The purpose of this definition is to provide a detailed description of a **taxonomy of microfinance** with reference to banking activities, identifying the reference target and examining every type of

product and service specifically supplied, which are referable to this part of the activity, also considering the internal organization of banks, the operative methods used, and the total impact on business.

The bank's effectiveness

Microfinance: an increasing business line with effects on the bank's effectiveness and profitability.

The impact of microfinance at the end of 2006...

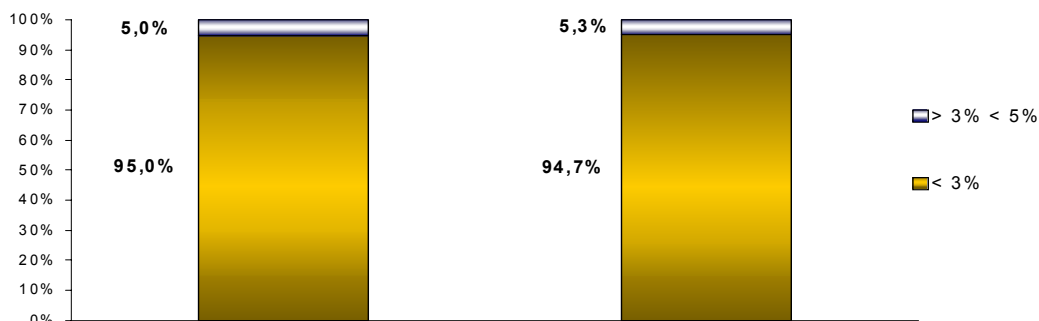
Qual'è l'incidenza della microfinanza a fine 2006 ...

... on all funding performed?

... sul totale dei finanziamenti per cassa sull'interno?

... sul totale dei ricavi da servizi?

... on the total of proceeds from services?



Fonte: Elaborazioni ABI Centro Studi e Ricerche in collaborazione con l'Ufficio Responsabilità Sociale d'Impresa

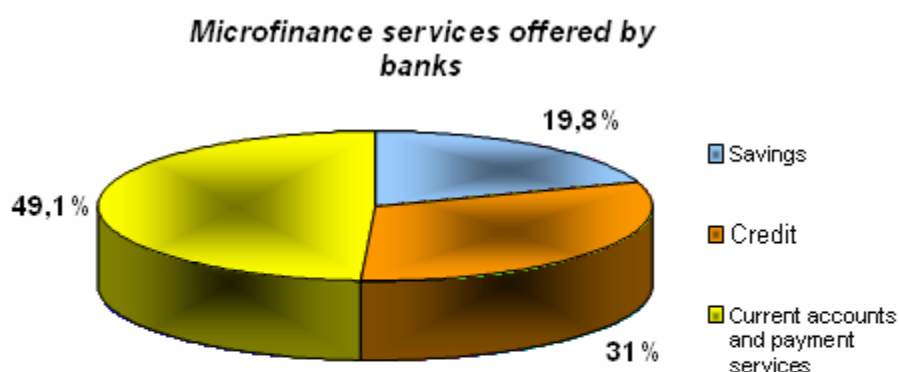
According to the majority of interviewed banks, the incidence of microfinance activities was lower than 3% either with reference to the total proceeds from services or to the total of all funding performed.

Specifically:

- concerning the total proceeds, for 95% of banks in the sample it is inferior to 3%, whereas for 5% of the banks it ranges between 3% and 5%;
- on the total funding performed, 94.7% of the banks in the sample has an incidence inferior to 3% and another 5.3% of the banks has an incidence ranging between 3% and 5%.

Diffusion of microfinance in the banks per business segments

64.9% of the banks of the sample analyzed have developed microfinance services. Concerning the distribution per typology of microfinance services⁸ provided by banks, the survey reports that the diffusion of **payment services** (such as prepaid cards, cheques, transfers) is relatively high (49.1% out of the total of the provided services), furthermore the issuance of **credit services** (short, medium and long term financing) is also high and equals 31% of the total services provided, the diffusion of the **saving services** (such as direct deposit taking, securities held in safe custody and managed savings) corresponds to about 19.8% of the total.



Specifically, by observing the graphs hereinafter it is evident that the diffusion of the microfinance services provided by Italian banks is, within the **saving services**, quite heterogeneous for the different typologies: for almost 27% it has focused on *direct deposit taking*, for 21.8% on *securities held in safe custody*, for 20.5% on *managed savings*, and for *insurance products* (20.5% of the total).

As for **credit services**, it is reported that the diffusion of microfinance has focused: for 25% on the sector of *medium-term financing (from 1 to 5 years)*, for 20.5% on *short-term financing (up to one year)*, for 17.6% on *consumer credit* and for 17.5% on *funding for the purchase of a first house*.

Relating to the **current accounts and payment services**, it is clear that Italian banks have provided microfinance services especially within the following typologies: for 18.7% in the *basic banking services*, for 14.2% in *current accounts* and for 14% in *prepaid cards*.

⁸ Differently from the previous survey, the values of the current accounts have been attributed to the category of payment services and no more to the category related to saving products. For this reason, a data comparison has not been effected.



Focus on:

Microfinance services provided and microfinance to immigrants⁹

Simultaneously to the survey on financial inclusion, ABI realized two additional surveys in collaboration with CeSPI: the first concerning the banking services provided, indicating the evolution of banks as a reference for immigrants and the products and services provided by banks two years following the first survey¹⁰, and the second regarding the financial and insurance needs of immigrants.

Specifically, in the survey on the supply of banking services/products to immigrants, a specific focus was realized on the micro-credit supply and microfinance.

The sample of banks participating in the survey represents 63.7% of all national bank counters.

The focus highlighted that 60% of banks involved in the sample¹¹, answered the questions related to the type of supply dedicated to immigrants, showing a considerable comprehension towards foreign workers in Italy with specific services of microfinance and/or micro-credit within their product ranges.

Specifically, 45.3% of bank counters propose products of both typologies. Additional 11.5% provides specific micro-financial services exclusively, whereas 3.1% provides specific micro-credit products only or with targets consumers that include foreign workers.

A remaining 40%, corresponding to 8% of all Italian counters, does not provide specific services of this type.

Concerning the type of services indicated, those that can be classified as microfinance services, in most cases, besides current accounts with facilitated costs and expressively destined to immigrant customers, provide services of remittance transfers with fixed and competitive costs compared to other modalities of delivery. The packaged services include significant supplies of insurance services, savings products, credit cards and revolving and rechargeable debt, in certain cases, specific products of real estate credit. Many banks in the sample provide micro-credit products to immigrants. They mainly regard personal credits or funds for entrepreneurial activities with low costs, having a minimum duration between 12 and 36 months and a maximum duration that varies between 36 and 120 months. The examples of products specifically destined to immigrants involve certain activities characterized by social aims to

⁹ Source: Demand Side-Survey: ABI-CeSPI “Analysis of financial and insurance needs of immigrants”; For further details see chapter “The supply of micro-credit services and microfinance”, by Alberto Mazzali.

¹⁰ ABI-CeSPI “La bancarizzazione dei nuovi italiani. Strategie e prodotti delle banche per l’inclusione finanziaria”. (The movement towards the banking system of the new Italians. Strategies and products for financial inclusion) Bancaria Editrice 2006

¹¹ The reference sample is related to the survey ABI-CeSPI “Analisi dei bisogni finanziari e assicurativi degli immigrati” (Analysis of the financial and insurance needs of immigrants)

favour integration, such as the products dedicated to immigrant women and people who live in socially disadvantaged conditions.

As regards micro-credit services, one of the most indicated reasons (53%) for not offering products of this type was the existence of other services that already meet this type of demand. Among other reasons, 24% indicated insufficient demand and 17% corresponded to factors of a strategic nature. The choice to not offer these services for assessing higher risks of the customer segment, was secondary.

Target Customers of microfinance

Regarding the distribution of microfinance services and products per customer typology, in the case of the savings services, in credit services, or even in the section of the current accounts and payment services, the typology of customers to whom the banks of the sample declared to mostly address their services to is represented by “foreign, EC and non-EC citizens”; the survey reports that this category accounts for 17.9% of all saving services provided, 20.1% of all credit services and 26.2% of all payment. Secondly, “families” receive 13.5% of all savings services (the same percentage of services is directed to students), 13.5% of all credit services and 14.5% of all payment services.

Regarding the other typologies of customers, the survey reports that the majority of those who receive savings services are “elderly” (who receive 12.2% of all savings services provided), those who receive credit services are “atypical workers”, “enterprises managed by immigrants” (respectively 13.1% and 11.1%); as for payment services, the supply is particularly high for “students” and “atypical workers” (respectively 14.2% and 11.9%).

The increasing level of foreign citizens in Italy resorting to banking services is partially the result of consolidation of foreigners and the processes of economic integration of the immigrant population into the formal economic movements of the Italian economy, and it is partially due to the enlarging and diversification of the supply of the bank services and products.

The pro-active attitude of Italian banks has allowed to increase the numbers of persons resorting to banking services by 12% in only two years: the percentage of current accounts on the total of non-OECD resident adults has increased from 60% in 2005 to 67% in 2007¹², but if the absolute number of the current accounts in immigrants’ names is considered, the growth registered in the last two years is equal to 33.3%; the needs of immigrant customers characterized by similar financial attitudes of Italian customers, have been considered.

The survey on “Financial and insurance needs of immigrants” (see same previous note) performed in 2007 permitted the highlighting of an existence of positive correlations between certain indicators of

¹² Source: ABI-CeSPI – Analysis of the financial and insurance needs of immigrants.

social settlement and a wider use of the bank instruments and recourse to more advanced instruments. Another fact concerns the proliferation of small independent entrepreneurial activities, carried on by immigrant citizens at different levels of the Italian economy.

Financial inclusion can represent an important incentive to favour and accelerate the integration process in different forms: by rendering accessible the different typologies of instruments and financial services, therefore increasing savings and credit availability; by modifying the perception of risks, increasing economic security through forms of accumulation savings and a series of services constituting a support to the economic integration process. Likewise, increasing and promoting the values and concepts of *ownership* in saving in an international prospective, constitutes an important step in the widening process of financial inclusion, therefore, of support to immigrants' integration, whose banking system can be and has to play an important active role.



Focus on: 7 immigrant entrepreneurs out of 10 are bank customers¹³

The frame above includes this contribution, based on some of the main results reported within the Analysis on financial and insurance needs of immigrants in Italy, carried on in the second semester of 2007 and in the first months of 2008 from ABI-CeSPI. The scope is to offer quantitative and qualitative indications on the phenomenon of immigrant entrepreneurs, by using the data deriving from the sample survey realized through a structured questionnaire presented to 1324 immigrants, of ten nationalities, in five Italian urban areas¹⁴.

The main results on the immigrant entrepreneurs are: on average 7 immigrants out of 10 are bank customers. The data on the territory define a more precise frame. In Perugia and Milan they are 9 out of 10. In Brescia they are 8 and in Rome they are little more than 7, whereas in Palermo they are 4 out of 10. This is the first data of the focus on immigrant entrepreneurs and banks, carried on by ABI – CeSPI. The immigrant entrepreneurs represent an important step in the development process. Please find below further details on this subject.

¹³ The data elaboration has been realized by Chiara Provasoli and Giulio Giangaspero within the survey “Analysis of the financial and insurance needs of immigrants”

¹⁴ The survey used a methodology of sampling based on aggregation centres able to represent the different distribution of immigrants on the Italian territory and was divided into 5 macro-areas (provinces with widespread industries in the North-East; the metropolitan areas; the provinces of central Italy; areas of southern and insular Italy) directly involving the municipalities of Sesto San Giovanni and Cinisello Balsamo, the VI municipality of Rome, the municipalities of Brescia, Perugia and Palermo. The nationalities involved in the sample were Albanian, Bangladeshi, Chinese, Ecuadorian, Egyptian, Filipino, Ghanaian, Moroccan, Rumanian and Senegalese. The structured questionnaire, presented through personal interviews, had 75 questions divided into a social-registry section, one related to the immigrant history and project, a section focused on the recognition of the economic attitudes and one dedicated to the banking and insurance attitudes.

According to data from Unioncamere, in recent years the individual enterprises managed and controlled by immigrants have more than doubled, increasing from 100 thousand in 2001 to almost 230 thousand in 2006. The growth rates have always been superior to 10% per year, and increased from 24% in 2001 to 13% in 2006. Contribution to the annual settlement of enterprises reached 34.6% in 2006. This frame reports the focus on some of the results of the survey by ABI – CeSPI, realized by using the data on a representative sample of 1324 immigrants, of ten different nationalities, in five Italian urban areas.

In Palermo 30% of occupations is entrepreneurial, in Brescia it's 6%. There are considerable differences in the percentage of entrepreneurs present in the sample of the different analyzed territories. (Table 1).

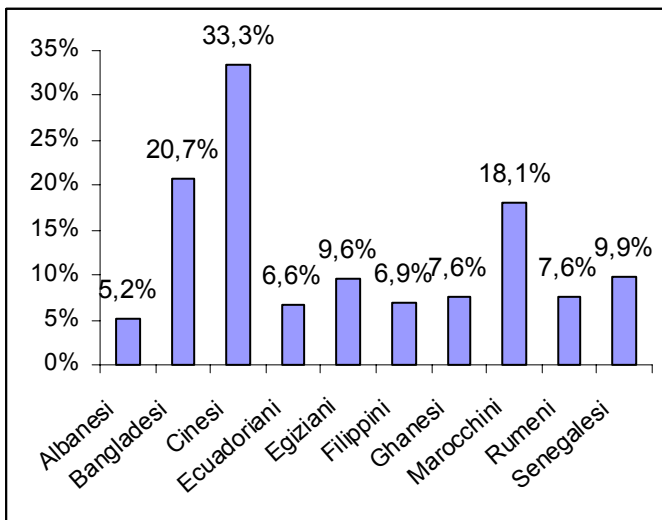
Table 1 – Percentage of entrepreneurs in the territories of the survey.

	Roma	Metropolitan Area Milano	Brescia	Perugia	Palermo
Employees	18.4%	18.1%	5.6%	12.8%	29.5%
Sample average	14.1%	13.7%	3.4%	7.4%	25.2%

In Palermo the situation is of interest. It highlights commerce, the growth of housework and a modest employment in the industrial sector. Another element that helps explain the high number of entrepreneurs in Palermo is related to the nationalities interviewed: the sample included Bangladeshi widely employed in the sector of commerce and services and Moroccan, who often work as sellers in the local markets. In Brescia, the self-employed immigrant workers are 5.6% even if the industrial fabric is more developed, either in terms of small and medium-sized or greater-sized enterprises. Furthermore, the sample from Brescia shows prevalently jobs as employees, especially in industry (over 46% employees).

In addition to the territory of residence, the birthplace and gender define entrepreneurs. Therefore on a national level, the tendency towards entrepreneurship of the Chinese community is highlighted (almost 33% entrepreneurs of all interviewed Chinese people), followed by Bangladeshi (20%) and Moroccans (18%). The sample reports a low level of self-employed workers coming from Albania (5%), Ecuador (6.6%), The Philippines (almost 7%) and Ghana (7.6%). Senegalese and Egyptians represent the intermediate level reaching 10% of workers being self-employed.

Fig. 1 – Percentage of entrepreneurs on a nationality total



The variable of genders provides an important indication. Although the male percentage on the total of the interviewed people is clearly superior to the female ones, the number of female entrepreneurs is not negligible and almost 7% of the owners of enterprises amongst the persons interviewed were women. A considerable difference of gender is related to the sectors in which the interviewed entrepreneurs carry out their activities (Tab. 2). Within all samples, commerce is prevalent.

In the case of female enterprises the percentage is even higher (over 65% of female entrepreneurs and 62% men). Men only have created enterprises in the building sector, whereas women are prevalent in the hotel, restaurant and industry sectors.

Tab. 2 – Self-employed workers: sectors of activity

	Sample average	Men	Women
Agriculture	0.7%	0.0%	2.9%
Industry	4.7%	4.1%	5.7%
Building Sector	14.8%	18.2%	0.0%
Commerce	62.4%	57.9%	65.7%
Hotels and restaurants	10.7%	9.1%	14.3%
Services to Families	4.7%	5.0%	2.9%
Services to Enterprises	4.7%	5.0%	2.9%

The variable related to educational qualifications is very interesting. 27.6% of entrepreneurs have a degree. 72% of the self-employed workers attended high school, which reflects the high level of enforcement of compulsory schooling of immigrants in Italy.

As for the use of banks, on average 70% of the entrepreneurs have relations with banks. This fact varies considerably depending on the different territorial areas. Almost 90% of entrepreneurs in Perugia correspond to 42% in Palermo (Tab. 3).

Tab. 3

	Unbanked	Banked
Total Entrepreneurs	29.0%	69.8%
Roma	26.7%	73.3%
Milano	10.9%	89.1%
Brescia	8.3%	83.3%
Perugia	10.5%	89.5%
Palermo	57.4%	42.6%

Regarding the use of the banking products and services of the sample entrepreneurs (Tab. 4) a greater use of all products is visible compared to the interviewed people average, with double digits in the case of personal loans, investment in shares, the use of the internet and home banking to perform bank operations.

Tab. 4 – Self-employed workers: use of the bank products and services

	Home banking	Insurance Products	Shares	Investment Funds	Loans	Personal Loans
Entrepreneurs	11.5%	5.1%	1.3%	1.3%	13.5%	18.6%
Sample Average	5.1%	2.6%	0.5%	0.8%	6.6%	7.2%

Brief conclusions

The entrepreneurs who stand out in the survey by ABI-CeSPI are prevalently men, but the part represented by women is not completely negligible. Despite the fact they appear in different measures, all nationalities are present showing how entrepreneurship is a widespread phenomenon amongst all immigrants. Even on a territorial level, the foreign members are diffused in all geographic areas considered in the survey, prevalently in the larger cities (Milan, Rome and Palermo in our case), but a presence is reported in smaller centres, as well.¹⁵ The entrepreneurs of our sample have another level of education compared to average interviewed person, and they demonstrate familiarity with the use of technology to communicate with their banks. To conclude, they use more advanced banking services, demand loans and resort to loans to buy their houses.

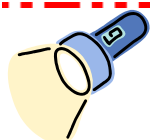
¹⁵ For an analysis on the foreign entrepreneurship in the Turin Province and the tendency of enterprises with a non-ECC owner to get widespread more increasingly even in smaller centres and not only in the capital of the province see: Chamber of Commerce, Industry, Artisanry and Agriculture of Turin - L'immigrazione che intraprende, FIERI, Torino, 2007.

What emerges in this analysis is that banks increasingly face the financial expectations and needs of new individuals in the Italian production fabric, who today represent a market segment that is no longer negligible. Therefore it is necessary to identify the requirements deriving from demand and find solutions that can satisfy the needs and the expectations of the new interlocutors: the survey on the financial and insurance needs has been aimed at conveying useful indications and favouring innovation in terms of products and processes.

The survey by ABI and CeSPI has shown how immigrants and banks have intensified the mutual relations and how the financial inclusion process has been intensified thanks to a greater bank activity in favour of immigrant customers. A margin of improvement is considered, for instance regarding access to credit.

Banks should consider new development opportunities within their scope of action, also resorting to innovative operative modalities, which could involve other bodies and organizations outside the normal banking circuit.

The current experiences of micro-credit in Italy¹⁶ show that it is possible to operate with segments of low-income customers, by increasing the value of the different specifics of the individuals involved, through innovative *partnerships* with new individuals who know and represent the needs of the new interlocutors (for examples the reference immigrant communities and the compatriot associations). Other examples of this process are several: for example the building of new partnership, that different banks have been experiencing successfully, with external organizations to their *business* (for example in the service industry).



Focus on: Immigrants who buy homes ¹⁷

The study on financial needs carried out in 2007¹⁸ highlighted the presence of positive correlations between some indicators of social settling on one side, and a greater use of banking instruments with a recourse to more evolved financial instruments on the other. With regard to immigration in Italy tending towards permanently settling and stability, one number is significant: 10% of the approximate 3.5 million provided in financing to buy houses were granted to immigrants.

It is the estimate given by ABI, which marks the transition to a settling immigration. The immigrants settle by buying houses. Quite often they take out a loan. The amounts are significant, since we are

¹⁶ For more details on this subject see: A. Limoni, P. Vitali - Banche e Microfinanza. Esperienze e strumenti innovativi, Bancaria editrice, 2006. and chapter Best practices of the volume.

¹⁷ Bancaforte November /December 2007 edition. Article edited by Ildegarda Ferraro and Chiara Provasoli

¹⁸ ABI-CeSPI

talking about approximately 350,000 contracts. This fact is also an indicator of the shift towards a mature “resort to banks”. Immigrants who arrive in our country, find a job, receive a salary and buy goods and services. Some of them settle down and buy a house. Others do not limit themselves to the purchase of a house, but set up a business as well. After their first contacts with the bank, the buying of services of a basic current account and remittance transfers, the purchase of prepaid and reusable cards, they show interest in home loans and credit. This is from what can be understood of the banks’ perspective, of what is happening in the social dynamics.

The dynamics governing access to the banking system for immigrants has been characterized by a keen demand, induced mostly by using the banking networks to pay salaries. A highly reactive supply has been the response to this demand, although it is still in its initial and experimentation stage. The strategy adopted by the Italian banks shows a tendency to define proposals based on a basic service/product package. These packages can be divided into four main categories:

- 1) basic current account services (deposit, debits and credit transfers, payment of consumptions);
- 2) prepaid and rechargeable cards;
- 3) services of remittance transfers (agreements with foreign banks and with money-transfer agencies, international transfers with favourable terms, use of prepaid cards for cash withdrawal in home countries);
- 4) consumer credit (home loans, specific purpose loans and personal loans).

This last point is a question of topical interest these days. The social and economical settling of immigrants, in addition to an increased propensity towards entrepreneurship of adult immigrants living in Italy, favour an ever-increasing inclusion in the financial system.

A study carried out by Assofin, Crif and Prometeia indicates a strong national increase in the credit volume granted to immigrants reaching Euro 4.85 billion in 2004, showing a 43% increase compared to the previous year, and equivalent to fivefold the credit granted in the year 2000. The biggest increase regards loans. With respect to the foregoing, the banking sector has met this significant demand from immigrants. According to a study carried out by the Istituto di Ricerche Scenari Immobiliari, in 2005 foreign immigrants who owned homes in Italy were 560,000 and represented almost 15% of the total amount of purchased properties (for a total of 806,000 houses and a budgetary turnover of Euro 12 billion in 2005). The purchases of houses by immigrants have more than quadrupled within five years, as reported by the Centro Studi Immigrazione (www.cestim.org), whilst to date the potential demand for houses by immigrants has reached one million habitations.

Moreover, a recent research commissioned by the ISI Group and carried out by GFK-Eurisko reveals interesting data regarding the Italian housing of the immigrant. Their favourite apartment is a three-

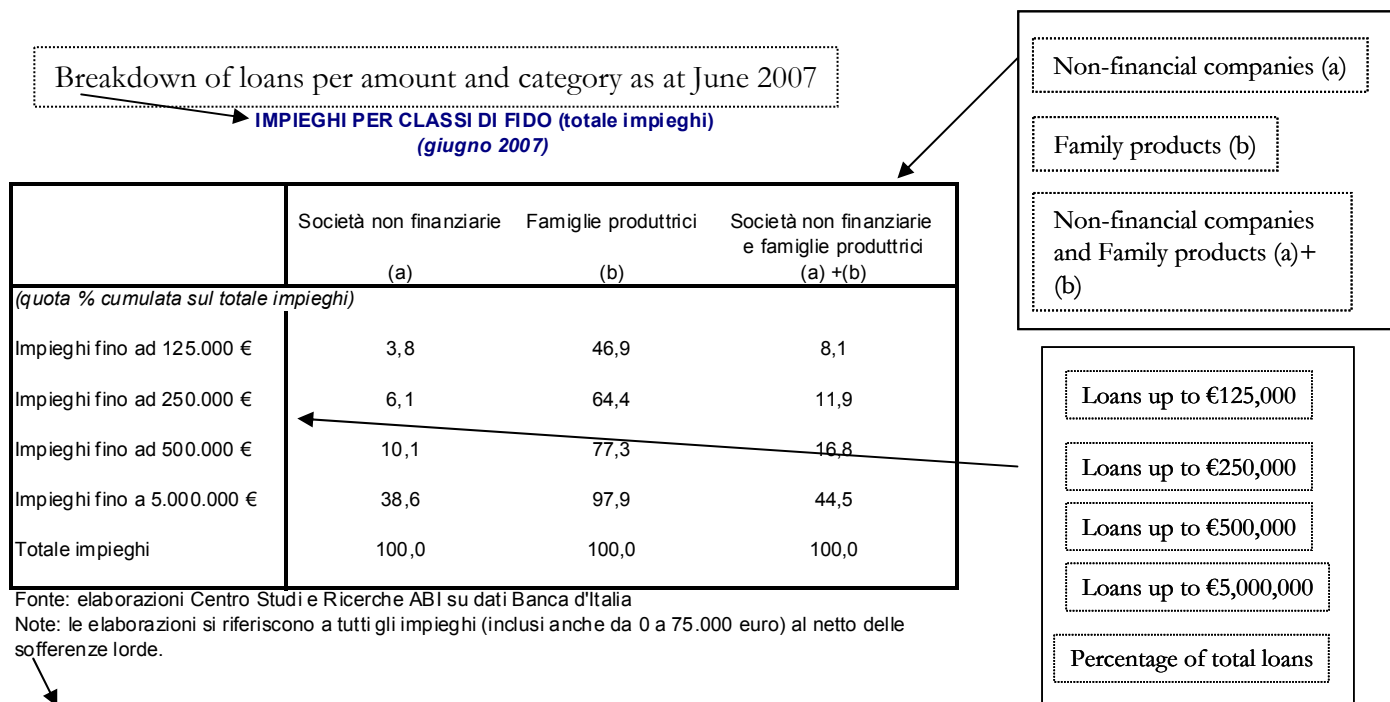
roomer (26%), followed by the two-roomer (21%). 18% of the sample owns a house, but a further 25% declares the intention to buy one in the future. 56% of the immigrants interviewed declare to have not had any major trouble in finding a house on their arrival in Italy. 40% of them already knew before their departure where they would end up living. And what do they have in their houses? According to the same research, almost all immigrants own a refrigerator (98%), a television set (95%) a cooker (94%) and a washing-machine (87%). 49% own a DVD player and 24% a computer, and lastly in 11% of cases the computer has an Internet connection.

Microfinance as support to small-sized enterprises

In recent years there has been a growing increase in the resources used to support small-sized enterprises, and banks have shown particular interest in supporting the enterprises in the distressed areas of the country.

With reference to microfinance products/services that are being offered to these **micro-enterprises**, the banks surveyed declare that 51% are credit products/services, 31% are current accounts and payment services, while 18% are savings services.

The data shows positive support in terms of a credit issued to small-sized enterprises, equally confirmed by the data from the Osservatorio Permanente sui Rapporti Banche - Imprese (Permanent Observation Committee on Bank-Company Relationships) see chart below.



Source: Elaboration made by ABI Studies and Research Centre based on data from Bank of Italy

Note: the calculations include all loans (including those up to €75,000) net of bad loans



Focus on: Evolution of the relation between banks and SMEs¹⁹

The relationships between banking institutes and other industries has been historically established largely reflecting certain characteristics of the Italian industrial system: small-sized enterprises, specialized in traditional sectors, mostly family-owned and with a financial structure characterized by a high recourse to borrowing.

Notably, the “bank – enterprise” relation has constantly had a central role in the definition of the strategic plans of the banks. In the last few years, the rate between bank lending and GDP has been growing constantly. By the end of 2007 it exceeded 95%, with an approximate 30% increase compared to 1995. Compared with the average values of other competing EU banks, in percentage terms Italian banks finance enterprises more than households. By the end of 2007, the financing provided by Italian banks to enterprises against the total financing to the economy equalled 64%, against approx. 48% of the Euro Zone average. On the contrary, the amount of financing to households exceeded 50% in the Euro Zone, while it reached approximately 36% in Italy. Around half of the financing to the production sector is destined to small- and medium-sized enterprises (SMEs).

The banking institutes are rapidly and efficiently changing their organizational structure and systems towards the changing needs of the entrepreneurial world, especially the small-sized ones. With reference to the organizational aspects, in recent years there have been several changes made by credit intermediaries to their structures through the establishment of enterprises specialized in the corporate sector, and/or through the activation of specific business areas or product lines dedicated to enterprises, and/or through the setting up of networks specifically oriented to corporate clientele.

Regarding SMEs, banks have shown various tendencies in the choice of strategies to adopt in order to meet the financial requirements of this kind of enterprises, with particular reference to those engaged in growing, internationalization and innovation processes: some banks, for example, prefer to consider the specific requirements of this kind of enterprises at a direct relational level, appealing to the significant “adaptation ability” of their more generic offer; differently in other cases they have offered specific products for SMEs in an expansion phase or engaged in important projects of internationalization/innovation. In general, the commercial network on the territory is considered a crucial lever to understand and meet the

¹⁹ Focus edited by Riccardo Benincampi, Studies Department - ABI

real requirements of enterprises. In this regard, the connection between the network and the corporate units engaged in product designing is absolutely strategic.

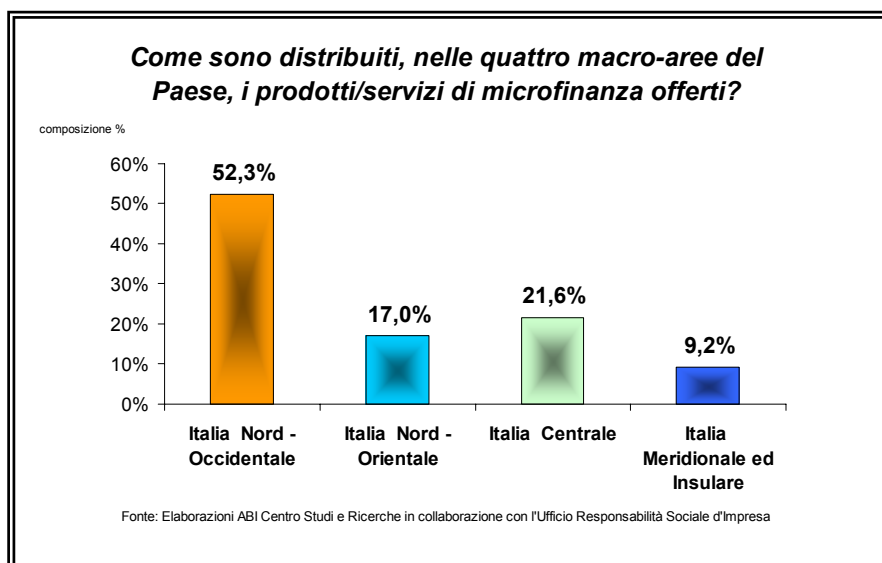
The result of such actions can be summed up in the complete consensus on the banks' commitment to develop a direct and cooperative relationship with the SMEs, particularly in terms of personalization of products/services; backing of the process of growth; exploration, entrance and consolidation in foreign markets; realization of innovative business projects.

In this context, in recent years all banks have intensified their territorial relations; besides strengthening the fundamental information channels in the phase of screening of the clientele, this element brings about the right conditions for an easier monitoring of the relations established. A deeper connection with the local socio-economical context allows the banks to enhance all the qualitative information (soft information) regarding the local enterprises and, therefore, to achieve an accurate evaluation of creditworthiness.

Territorial distribution of microfinancing in Italy

With regard to the **territorial distribution of the microfinance services and products**, the research carried out reveals that the major areas of interest of the surveyed banks are the North-West (to which 52.3% of the entire supply is made) and the regions of Central Italy (21.6%). The supply of products and services to the North-Eastern and Southern regions and to the Italy of the islands are, respectively, 17% and 9.2% of the entire amount. In total 69.3% of the microfinance activity carried out by the surveyed banks is concentrated in the North of Italy, and this data coincides with the geographical distribution of immigrants: the data from Istat relating to the distribution of foreigners on national territory shows that, at the beginning of 2007, 63.6% resided in the Northern regions (36.3% in the North-West and 27.3% in the North-East), 24.8% in the Central regions and 11.6% in the Southern regions (of which 8.3% in the South and 3.3% in the Islands).

How are the microfinance products/services provided are distributed in the four macro-areas?



If this is compared with the territorial distribution of total lending operations, an analysis of the distribution of microfinance services and products in the four areas of Italy shows a particular attention of the surveyed banks towards the North-Western regions: as a matter of fact, the comparison reveals that the lending operations towards the North-Western regions equal 38.2% of the total lending, while the amount of microfinance services and products provided by the surveyed banks to that area equals 52.3%.

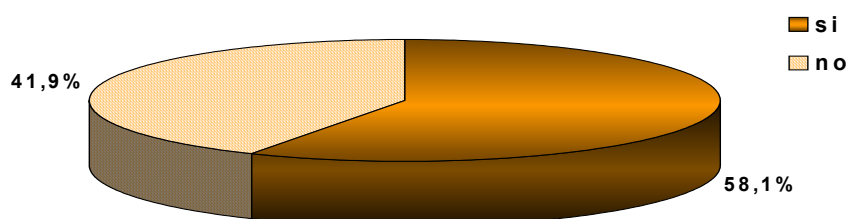
The lending operations towards the North-Eastern regions equal 23.2% of the total lending, while the amount of microfinance products and services provided by the surveyed banks to this area is equivalent to 17%. As regards the attention given to the Southern regions and the Islands, the percentage of lending in this area is 14.9% while the amount of microfinance products and services offered is equivalent to 9.2%.

Guarantee systems in the microfinance activity

58.1% of the surveyed banks resort to **public and/or private guarantee systems**.

For the specific micro-credit products, do you resort to public and/or private guarantee systems?

Per gli specifici prodotti di microcredito, fate ricorso a sistemi di garanzia pubblici e/o privati?



Fonte: Elaborazioni ABI Centro Studi e Ricerche in collaborazione con l'Ufficio Responsabilità Sociale d'Impresa

In particular, it is a matter above all of “mortgages” (24.4% of total), “Confidi” (22.2%), “regional or provincial guarantee funds” (20%) and “bank suretyships” (15.6%). According to the surveyed banks, the cover percentage offered by public and/or private guarantee systems is, overall, extremely high: for 44.4% of the surveyed banks it is higher than 75%, while for 31.1% it is between 50% and 75% of the entire coverage.

Specifically, with regard to “mortgages”, the cover is superior to 75% of the entire coverage for 73% of the surveyed banks and between 50% and 75% of the whole coverage for 18% of the banks; regarding the “confidi”, for 20% of the surveyed banks the cover is superior to 75% of the whole coverage, for 30% of the banks it is between 50% and 75% of the whole coverage, and for the other 50% of the banks it is between 25% and 50%. With reference to the “regional and provincial guarantee funds”, the cover is superior to 75% of the whole coverage for 44% of the surveyed banks, and it is between 50% and 75% of the whole coverage for another 44% of banks.

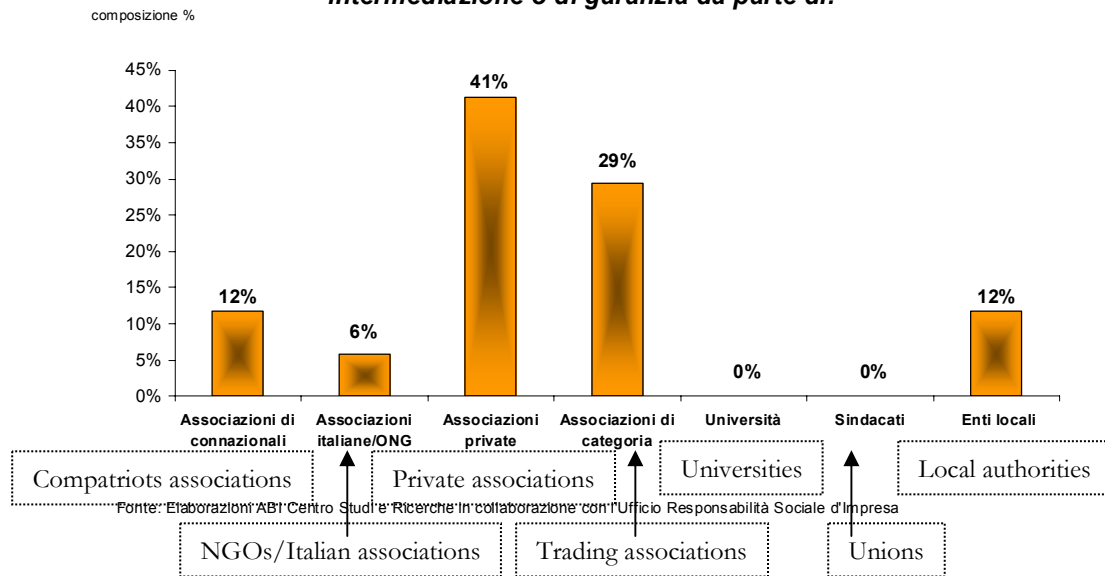
The existence and the characteristics of any other criteria alternative to those traditionally used to evaluate the clientele in consideration. The *partnership*.

64% of the banks surveyed make use also of **evaluation criteria alternative to the public and/or private guarantees**; in particular, 41% of the banks surveyed declared to make use of guarantee

intermediation by “private/religious associations” and 29% by “trading associations”; 12% of banks declared to make use of intermediation by “local authorities” and another 12% by “compatriot associations”.

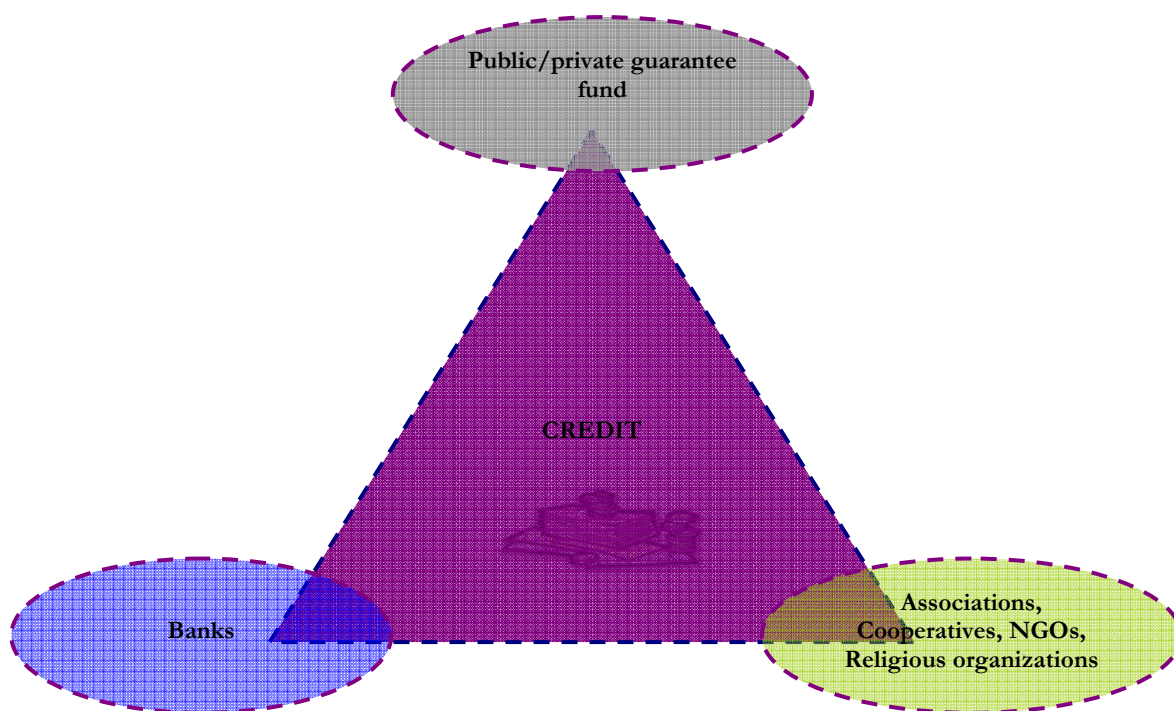
If your bank makes use of evaluation criteria alternative to the public and/or private guarantees, has it ever used services of intermediation or guarantee by:

Se la vostra banca si avvale di criteri di valutazione alternativi alle garanzie pubbliche e/o private, ha mai usufruito di servizi di intermediazione o di garanzia da parte di:



76% of banks that supported the initiative have developed, within the ambit of financial inclusion activities, *partnerships* with non-banking subjects, i.e. “associations and cooperatives” (33% of surveyed banks), “institutional authorities” (25%), “religious organizations” (18%); but also “daily newspapers and magazines” (8%) and “agreements with embassies” (8%).

The establishment and management of *partnerships* between banking and non-banking subjects is one of the **innovative methods** through which several projects of financial inclusion are developing. The subjects involved could be the bank foundations, service industry organizations, and banks. Service industry organizations have a crucial role in retrieving data necessary to evaluate each case, they primarily carry out an informal screening of the applicants for financing, and then offer them support after credit granting; through the management of guarantee funds, the banking foundations perform their function through their practical intervention in social issues; the banks likewise provide their services collecting information on the trustworthy subjects, which are instrumental in their intervention in the community of reference.



The projects derived from the aforementioned *partnerships* confirm the fact that the interaction between subjects with such diverse characteristics and *missions* represents a signal of the great “value” that can be generated by the opening and contamination of different ways to operate, along with distinct ways of being.

***Ad hoc* structures, financial education projects**

Within the ambit of the activities aimed at enhancing the process of financial inclusion of Italian banks, around 53.3% of the surveyed ones declared to have set up internal *ad hoc* structures dedicated to this function.

Specifically, 21.9% of the surveyed banks set up “dedicated branches”, 6.3% “dedicated banks” and 6.3% “dedicated finance companies”. 18.8% of the surveyed banks set up other structures such as *corners* dedicated to immigrants, trademarks grouping together products dedicated to natural persons and companies belonging to immigrants, non-profit organization functions, initiatives to promote current accounts and mortgage loans, and multilingual *inbound/outbound call centres*.

In recent years, many Italian banks have developed or participated in financial education projects; 65.4% of the surveyed banks declared to carry out or take part in educational activities, aimed specifically at increasing the microfinance activities. Indeed, 20% of the surveyed banks referred to the “initiatives at the Pattichiari window”, 17.5% to the “*ad hoc* seminaries”, 15% to the “initiatives at their own bank counters”; 37.5% of the surveyed banks developed and participated in other financial

education initiatives, such as the “programmes in the Pattichiari schools” (12.5%), “programmes in schools” (12.5%) and “*via web* initiatives” (12.5%).

Development perspective of the microfinance activity carried out by Italian banks

The intention declared by the banks involved in this research on microfinance is to increase, in the next five years, their offer of microfinance services and products, in particular:

- **91.7%** of banks aim at increasing their offer in terms of **savings** products and services;
- **96%** of banks aim at increasing their offer in terms of **credit** products and services;
- **95.8%** of banks aim at increasing their offer in terms of **payment** services and **credit accounts**.

To conclude, the financial inclusion favours, at a micro level, the establishment of an “economical citizenship” for the new subjects that relate to and deal with banking products; at a macro level, it can certainly support the development of socio-economical dynamics of strong social impact.

Therefore, the banks and ABI are active to these purposes, with the awareness that the different measures aimed at reducing the distance between the new clientele and the banks are useful and necessary, and require: from the issuing side, and with a watchful eye on management inexpensiveness, the promotion and development of a greater interest of the banks in such clientele segments, in order to increase the range of microfinance services and dedicated products to come up to the new expectations. On the demand side, it is equally important to develop the promotion of financial education initiatives among the various categories to “be included”: this can be done both through agreements with strategic partners recognized by new reference targets, in order to promote as well a greater predisposition towards the use of banking services; and through the development of contacts with territorial networks (for example, provinces, regions, municipalities) involved in the territorial dynamics typical of specific targets (for example, the immigrants).

All this should happen in a general context that allows the recourse to public policies of promotion and support of development.

Many thanks to both the banks that made themselves available to fill in the questionnaire that allowed the realization of this study, and the ABI research team.