The European Network Against Racism's webzine
ENARgy

Financial in/exclusion of ethnic minorities in the spotlight - August 2011

Editorial by Monika Bunzova, Vice-Chair of ENAR and Board member for ENAR Czech Republic

Welcome to this latest edition of the ENARgy webzine, dedicated to financial in/exclusion of ethnic minorities and migrants! This edition focuses more specifically on access to banking services. It gives an overview of the obstacles faced by ethnic minorities and migrants in accessing banking services and building assets, presents microfinance initiatives and the specific issues of ethnic entrepreneurs, as well as a series of best practices of financial inclusion of ethnic minorities.

Financial exclusion, i.e. the situation people find themselves in when they have no access to some or all the services offered by mainstream financial institutions or do not make any use of these services, is closely linked to social exclusion more broadly. Socially excluded people are generally denied access to financial services and the lack of access to financial services reinforces the risk of social exclusion.

As European societies move more and more towards economies relying on virtual money, simple tools such as a credit card and a bank account to receive one's pay have become pre-requisites for many activities of day-to-day life. A lack of access to these tools and services and/or the absence of use of these represent a serious obstacle to a person's economic and social integration into society. In our market-based societies, having access to basic financial goods and services may also be viewed as a basic requirement for citizenship participation.

However, up until now, little attention has been given to ethnic minorities' and migrants' financial inclusion. Yet ethnic minority groups and migrants are more likely to be at risk of financial exclusion. Indeed, ethnic minorities are more at risk of experiencing poverty and becoming socially excluded, because poverty and social exclusion are also caused by structural inequalities and discrimination, particularly in the fields of employment, education and housing. This in turn leads to financial exclusion.

In addition ethnic minorities' experiences in education or employment can directly lead to financial exclusion. For instance, ethnic minorities and migrants are more likely to work in certain labour market sectors, or more likely to work part-time or in low-wage jobs or in the informal sector, which impacts on their financial inclusion. Another example is the lack of financial literacy, which can be due to the lack of fluency in a country's language and more broadly to lower educational outcomes, because financial products involve a technical language and difficult concepts.

There can also be outright discrimination in the provision of financial services or products to ethnic minorities. For instance, ENAR's latest shadow report on racism in Europe for 2009-10 shows that racial discrimination continues to manifest itself in access to financial services, and a recent survey by the European Fundamental Rights agency reveals that 7% of Roma, 6% of North Africans and 4% of Sub Saharan African and Turkish respondents have experienced discrimination by a bank in the previous year.

It is therefore urgent that the EU and its member states address the link between discrimination and exclusion as well the impact of legal status on situations of financial exclusion. The development of targeted policies to address the needs of ethnic and religious minority and migrant communities experiencing financial exclusion – and social exclusion more broadly – is no longer an option but a necessity if Europe wants to reach its objective of smart and sustainable growth by 2020.

Migrants and financial inclusion: setting the framework

Kavita Datta, Senior Lecturer in Geography at Queen Mary University of London and author of the forthcoming book, "Migrants and their money: surviving financial exclusion in London" (Policy Press, Bristol, 2012)

Migrant and ethnic minority communities are a significant and growing presence in many advanced economies of Europe. While there has been a great deal of academic and public policy interest in their broader integration into host societies, particularly in relation to access to jobs, housing, health care and education, much less attention has been afforded to their financial inclusion.

The lack of attention given to migrant and ethnic minority communities' financial inclusion is a significant oversight for a number of reasons. First, there is a growing recognition that it is increasingly difficult to negotiate everyday life in advanced financialized or 'finance-led' economies without access to financial services, and that financial exclusion has adverse implications on individuals' ability to save, access affordable credit, build assets and effectively manage their financial resources (Atkinson, 2006; Collard and Kempson, 2005). Indeed, the repercussions of financial exclusion extend far beyond the financial and economic, and are linked to broader social and political exclusion as well as psychological distress (Mitton, 2008). Second, financial exclusion remains a persistent if varied feature of many advanced economies. Anderloni et al. (2008) estimate that while in the 15 'older' European Union countries, two out of ten of the adult population do not have access to transaction banking services; three in ten have no savings and four in ten have no credit facilities, this rises significantly in the new member states where more than half do not have transaction accounts, a similar proportion have no savings and almost three quarters have no immediate access to credit. Furthermore, there are increasing fears that the current economic downturn has intensified levels of exclusion partly attributable to a new phase of risk aversion and reduced outreach by financial institutions, which has restricted the flow of affordable credit particularly to those on lower incomes. Third, certain social groups are especially vulnerable to financial exclusion including the low paid, unemployed, the elderly, young people not in education, training or employment and people with disabilities (Anderloni et al., 2008; Blake and de Jong, 2008). In turn, refugees, asylum seekers, migrants and broader Black and Ethnic Minority populations are increasingly identified as being disproportionately represented among the financially excluded. Research conducted in the US suggests that almost half of its' migrant population suffers from some level of exclusion with 35 per cent of Ecuadorians, 64 per cent of Salvadorans, and 75 per cent of Mexican immigrants in the country being unbanked (Rhine and Green, 2006; AppleSeed and CRG 2004). In the UK, financial exclusion among migrants is placed at between 3 to 10 per cent higher than the British born population (HM Treasury 2007).

The term financial exclusion was first coined in the UK in the early 1990s by geographers who propelled much of the original thinking around it (Leyshon and Thrift, 1995). Since then, there has been broad consensus that financial ex/inclusion has the following critical dimensions: it refers to a lack of access of individuals and households to financial services; access can itself be differentiated in terms of the availability of different financial products and services (which range from 'basic' financial products such as banking, savings and credit to more 'complex' pensions to insurance products and financial advice) as well as different levels of ex/inclusion. For example, within the context of banking services, individuals are commonly differentiated between the unbanked (those who have no bank account at all); the marginally banked (those who do not make full use of the banking services at their disposal) and the fully banked (people who have access to and use a wide range of banking services). Further, given the complexity of financial products, there has been a gradual recognition that financial access alone cannot be equated with financial inclusion. The latter is crucially dependent upon financial literacy and capability.

Financial in/exclusion patterns across and within migrant communities vary considerably as uncovered in research conducted by the author in London, UK (Datta, 2007 and 2011). Drawing upon interviews undertaken with over 400 migrants originating from eleven different countries in Eastern and Central Europe, Africa and Latin America, this research explored migrant men and women's financial practices in relation to banking, savings, credit, debt management and remittance sending. A key finding was that a significant proportion of men and women across all communities investigated were banked. This can be attributed to the fact that in the UK, as in other European countries, the majority of payments (wages, salaries, benefits and pensions) are automated and paid directly into bank accounts. As documented by a number of migrants, formal sector job opportunities are particularly reliant upon bank account ownership. Perhaps even more significantly, a select number of migrants linked bank account ownership to citizenship and access to wider rights (Datta, 2009). In contrast to banking services, access to formal savings and especially affordable credit was much more restricted, particularly in some of the researched communities. For example, while Eastern European migrants from Poland reported that they were offered credit cards and overdraft services by their banks, Brazilian migrants often complained about a lack of availability of these same products and services. In turn, the overwhelming majority of migrant men and women used small Money Transfer Agencies to remit money back to their home countries while other migrants who originated from countries which were geographically close to the UK (and therefore cheaper to travel to such as Turkey, Poland and Bulgaria) also reported on hand carrying remittances back home. As such, banks' share of the remittance market in these communities was very small.

> "Access to financial services does not equate with financial inclusion. A more detailed investigation of migrant men and women's banking practices revealed that a significant proportion of banked migrants were in fact under-banked."

Importantly of course as indicated above, access to financial services does not equate with financial inclusion. A more detailed investigation of migrant men and women's banking practices revealed that for many bank accounts simply served as a vehicle for the receipt of payments with a minimal use of other associated banking services. As such, a significant proportion of banked migrants were in fact under-banked. Exclusion from formal savings and credit opportunities also led to alternative informal financial practices such as reciprocal borrowing and lending between family members and friendship groups as well as participation in informal savings and credit clubs referred to as hagbads in the Somali community and altin günü by Turkish migrants. Furthermore, the most significant source of financial advice and information were co-nationals.

These patterns of financial in/exclusion among migrant men and women are shaped by a diverse range of factors which migrant communities both share with other excluded groups but which are also specific to them. Broadly identified as 'demand' and 'supply' side factors, these include migratory ambitions and stage in the migration cycle; labour market position; immigration status and transnational financial practices. Further, financial practices are shaped by gender, religious and class positions. Exploring some of these in greater detail here, migrants' decision to access financial services is related to what may be termed as their migratory ambitions, and in particular whether they view their stay in host countries as temporary or aspire to long term settlement (Anderloni and Vandone, 2006). In the former case, access to financial services such as banking may not be seen as being important especially if 'cash in hand' employment can be procured. Furthermore, the demand for (particular) financial services is shaped by the migration cycle. While new migrants may only be interested in accessing remittance and banking services, older more settled migrants require savings opportunities, access to affordable credit including mortgage finance which enables them to acquire assets as well as insurance and pension products.

Immigration status is undoubtedly critical in determining both access to financial services and subsequent use patterns. Undocumented migrants experience particular difficulties in opening bank accounts given banks requirements for a range of identification documents including (photographic) proof of identity and residence. Given that passports may contain expired visas or restrictions on working in the host country, undocumented migrants are especially reluctant to have these documents scrutinized by bank staff. Yet, these fears have to be balanced against the increased importance of accessing banking and therefore employment which leads some to employ middlemen who are engaged in a range of illicit and illegal practices ranging from the purchase of identification documents as well as bank accounts (Datta, 2009). Fear of detection and deportation can also lead to informal saving (whereby savings are kept at home with attendant risk of theft) and frequent remittance sending practices.

Finally, transnational financial practices which have been honed in home countries also have an important bearing upon the financial practices that migrants develop in their host countries. Broader research indicates that banking penetration is limited especially in some of the poorer countries in the global South, and in such contexts migrants are likely to be unaware of both the potential importance of banking access in host countries as well as banking practices. Furthermore, migrants may also distrust financial institutions especially if they originate from countries where banks have failed or offer a poor service (Atkinson, 2006). Outside of banking, saving and credit practices may particularly continue to be shaped by alternative economic relations which are shaped by trust and reciprocity.

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Two testimonies on obstacles faced by ethnic minorities when accessing banking services

Coring delos Reyes from United Migrant Domestic Workers in The Netherlands gives her testimony on the obstacles she faced because of her legal status when trying to access banking services, whereas the Traveller Money Advice and Budgeting Service in Ireland presents a case study on obstacles for people who do not have a registered postal address.

Obstacles relating to legal status: a testimony by Coring delos Reyes, United Migrant Domestic Workers in The Netherlands (UMDW NL)

I am Coring delos Reyes from the Philippines and currently residing in the Netherlands. Since I came here in 1997 I have been working as a domestic worker in Amsterdam. Because of our status as undocumented workers it was so difficult for us domestic workers to have our own bank account. I tried to open one for myself but the bank asked for my legal identity. Unfortunately, I only have my passport but the bank asked me for my social security number which was a problem.

I became involved in a group of migrant domestic workers and also connected to different NGOs which support undocumented migrants. In 2002 I became a member of a cooperative that helps undocumented migrants access a small amount of money, who then pay an equivalent interest per month. Every month we lend money to our members and also collect their monthly interest. We tried once again to open our own bank account but our organisation was not registered so we used another organisation's bank account to put our money in a safe place instead of always bringing our cash money.

In 2006 I formed another group of domestic workers and we named it United Migrant Domestic Workers in the Netherlands (UMDW NL).We are active as domestic workers fighting for our workers rights and linking migration and development. We decided to invest in the Microfinance Institution in the Philippines and one of the requirements was to have our own bank account. This time, with the support of the Microfinance Institution, we opened a bank account in our country of origin on which we receive yearly interest. Since 2008 I now receive a yearly interest - this year amounting to 1,000 euro - that goes directly to my bank in my home country.

I also encountered a problem when somebody snatched my bag on my way to work and stole all the money that I had earned in the last two weeks. If only I had my own bank account here, my money would have been safe. I would also be able to buy a cell phone and pay my monthly instalment. I also have problems with regard to housing because the landlords usually ask for a bank account and I cannot give them one. Our organization UMDW currently has Organizational Funds, Emergency Funds and Sport Funds but we are using another account in order to be sure that our money is safe, for the benefits of our members. With the Emergency Fund for instance, every member can access a small amount of money when they get sick or when they are deported.

Obstacles relating to lack of fixed address: a case study by the National Traveller Money Advice and Budgeting Service (NTMABS) in Ireland

The National Traveller Money Advice and Budgeting Service (NTMABS), a leading advocate for the financial inclusion of Travellers in society, has been successfully providing a valuable service to Travellers, Traveller organisations and MABS both at local and national level since 2005. As the only government funded, minority specific service in the state, NTMABS addresses the issues of financial exclusion and works towards empowering the Traveller community in Ireland in accessing legal and affordable savings and credit.

The main focus of National Traveller MABS is to support Travellers through education, capacity building, policy and research. As a national organisation we work closely with MABS and the Traveller community at local level while at the same time we press for change at a national level through policy and research.

There are over 30,000 Travellers living in Ireland [1], forming the largest indigenous minority in the country. Recent equality legislation has recognised the Community to be one of the most excluded and marginalised groups in Irish society [2]. While it is difficult to ascertain the extent and nature of personal over-indebtedness within the Traveller community, as Travellers as a community are not covered by the National Household Surveys carried out by the Central Statistics Office (CSO) [3] , it is likely that Travellers are at higher risk of over-indebtedness to illegal money lenders due to the difficulty many face in accessing legal and affordable savings and credit.

Over the past number of years, NTMABS has gathered extensive information on the issues prevalent for Travellers in Ireland. We have made numerous submissions to the Irish Bankers Federation, the Financial Regulator and the Department of Finance on the issue of financial exclusion. We have compiled a portfolio of case histories of individuals excluded from mainstream financial services. One such case has come to our attention this year. It concerns a young Traveller man who we will refer to as Mr. X.

Mr. X made contact with National Traveller MABS (NTMABS) in January 2011. He wanted to open an account with his local Credit Union (CU). He was and still is working as a volunteer with a Traveller organisation and has been living in his area for over 18 years. He has been living for 10 years in a halting site with his family and is the official named tenant in the bay where he lives.

In relation to identification requirements, Mr. X has a passport, a license agreement from the council (tenancy agreement), social welfare card, birth certificate, medical certificates, letters of support from where he works and also a letter from NTMABS.

Unfortunately, there is no postal delivery where Mr. X resides. Residents collect their post from the local post office. All post for residents living at this site has to be addressed to 'c/o' the post office, as opposed to the person's address. Contact was made by NTMABS with the General Post Office to confirm this - it was confirmed.

Contact was made with the CU by NTMABS - we listed off the above details to a staff member and we were informed that Mr. X would also need two passport photos. The staff member also confirmed that this would be sufficient. Mr. X agreed to get these and go to the CU to open an account.

By the end of January, Mr. X had sent all details but he had heard nothing from the CU. NTMABS contacted the CU and were informed that there is an approximate 3-week backlog for membership applications.

There was no contact by the CU with MR X in February or March. NTMABS contacted the CU. The CU stated that Mr. X's account was not opened as he did not have adequate proof of address. He was told by the membership committee to have two letters posted to him, one by the council and one from the Department of Social Protection stating his Personal Public Service number. NTMABS agreed to call the membership committee to discuss this.

The staff member we spoke to was aware of Mr. X's case and acknowledged the length of time it was taking. He expressed his concern over it. The staff member also acknowledged that the client had given everything that was asked of him but he did question the issue of post not being delivered, therefore, no utility bill etc. It was agreed that a member of the membership committee would contact NTMABS to discuss the matter further.

The Membership Co-ordinator in the CU contacted NTMABS and was very adamant that Mr. X was informed that he would need proof of address by the means of a posted letter. NTMABS explained that letters are not delivered to the halting site. The Co-ordinator stated that this was not his issue and that they have guidelines for new members and they have to stick with them. When NTMABS informed the co-ordinator that we had been previously been informed that the ID that Mr. X had was sufficient, we were informed that the person who had given this information was not a member of the membership committee.

NTMABS spoke to Mr. X. He agreed to try and get a letter from council posted to him with his address on it and not 'c/o' the local Post Office. NTMABS also requested that the Department of Social protection send an entitlement statement to client at his home address.

Mr. X has stopped pursuing the CU for membership. He has however agreed that NTMABS can continue with this case. NTMABS is seeking legal advice from the Irish Traveller Movements legal unit.

[1] All Ireland Traveller Health Study; School of Public Health, Physiotherapy and Population Science, University College Dublin; 2010

[2] The fact the Equal Status Acts 2000 and 2004 prohibit discrimination on nine grounds, one of the grounds being membership of the Traveller community, is evidence of the marginalisation and exclusion Travellers face in society.

[3] E.g. The Annual Survey of Income and Living Conditions (SILC). Annual survey conducted by the Central Statistics Office (CSO) to obtain information on the income and living conditions of different types of households. The survey also collects information on poverty and social exclusion.

Access to microfinance by migrants and ethnic minorities in Europe

By Stefanie Lämmermann, Programme Manager, European Microfinance Network

The main objective of microfinance is to offer disadvantaged groups and individuals, include immigrants and members of ethnic minorities, the resources needed to claw their way out of poverty by virtue of their own hard work and ingenuity. But to what extent do microfinance institutions target this specific group

In Europe, particularly in the west, disadvantaged groups generally include immigrants and members of ethnic minorities [1], who may be excluded from the formal job market for a variety of reasons, which can include factors such as racial discrimination and the failure to recognise foreign qualifications. Consequently, many members of disadvantaged groups see the creation of their own enterprises as a way out of poverty; such enterprises also often serve the dual purpose of meeting a need within ethnic communities that is not served by existing businesses. Apart from the 'loan sharks', microfinance offers such budding entrepreneurs almost the only opportunity to finance their own businesses, as they are often excluded from the traditional banking sector, too. In contrast to traditional banking, microfinance institutions (MFIs) frequently offer business advice to their borrowers in order to help them succeed.

In 2011, the European Microfinance Network (EMN) undertook a study aimed at identifying and measuring the main groups of people who receive loans from microfinance institutions. The data for the study came from EMN's own major survey 'Overview of the Microcredit Sector in the European Union 2008-2009', which incorporates data from 170 microfinance institutions in 21 European countries. The study showed that, in 2009, 42% of MFIs included immigrants and ethnic minorities among their target groups (Other large groups to be specifically targeted were women (by 45%) and young people (by 29%)). The overall proportion of total loans that went to immigrants and ethnic minorities in 2009 was 32% [2], with the majority in just three countries – Spain, with 45% of microloans going to this group; France, with 39% and Italy with 38%. Across Europe, more than 9,000 microloans were disbursed to immigrants and ethnic minorities [3], with more than half coming from France.

The study also revealed some interesting aspects of the relative sizes of loans. Not all survey participants provided data on loan size, but of those that did, the average size of a microloan was €10,012; this compares with an average loan to immigrants and ethnic minorities of just €6,265. The reasons for this disparity are not clear from the data; we do not know, for example, if this is as a result of the immigrants and ethnic minorities requesting smaller loans, or whether there are some sorts of restrictions coming from the side of the

MFIs and their lending criteria. Determining the reasons could be a good opportunity for an academic research study – are there any potential sponsors out there prepared to fund a research student in this area?

Microfinance offers budding ethnic entrepreneurs almost the only opportunity to finance their own businesses, as they are often excluded from the traditional banking sector.

As mentioned above, 70 of the MFIs in the survey – some 42% - reported that they were specifically targeting immigrants and ethnic minorities. The majority of these MFIs were located in Spain, the UK, Italy and Bulgaria. There is a continuing debate about whether MFIs should establish specific, tailored programmes for immigrants and ethnic minorities; often the answer may lie in what works best in the countries and cultural environments in which they operate. Whatever one's view - for or against - it is clear that integrating a culturally-sensitive understanding of the needs of immigrants and minorities into MFIs' institutions and loan procedures is the first necessary step towards providing an inclusive service for this important group of potential clients.

Since 2009, the European Commission has supported European microfinance providers in their growth strategies through the 'JASMINE' Technical Assistance Programme, strengthened since March 2010 by the 'European Progress Microfinance Facility' (EMPF). So far, 24 microlenders have benefitted from JASMINE and seven have received credit lines or guarantees under EMFP. It is much too early to assess how these strategies will improve access to microfinance for immigrants and ethnic minorities (or, indeed, any other group). EMN will, however, continue its role of monitoring MFIs in Europe and assess how the needs of particular groups are served by the microfinance sector.

The European Microfinance Network (EMN) was founded in 2003 with the support of the European Commission and the French Caisse des Dépôts et Consignations (CDC). The mission of EMN is to promote microfinance as a tool to fight social and economic exclusion and to promote micro entrepreneurship and self-employment. This is achieved by supporting the development of microfinance organisations through the dissemination of good practices and by improving the regulatory frameworks for microfinance, self-employment and microentreprises at the European Union and Member State levels. Currently EMN has 91 member organisations in 21 European countries.

"Microfinance offers budding ethnic entrepreneurs almost the only opportunity to finance their own businesses, as they are often excluded from the traditional banking sector."

[1] Immigrants are defined as "those individuals not born in their country of residence". "Ethnic minorities" are defined as "those individuals who are not a member of the national majority ethnic group, with a style of life and origin that can differ from the majority and possibly coming from migrant, indigenous or landless nomadic communities".

[2] Note: Only 93 out of 170 organizations provided data on lending rates to immigrants and ethnic minorities (54.7% response rate).

[3] See note 2 above: 54.7% response rate

The European Commission's Progress Microfinance Facility

By Brigitte Degen, Policy & Communication Officer, Youth employment, entrepreneurship & microfinance Unit, DG Employment, Social Affairs and Inclusion, European Commission

As a response to the 2008 crisis and part of the EU Recovery Plan, the European Progress Microfinance Facility (Progress Microfinance) is an EU initiative, launched in February 2010, to support entrepreneurship and employment through microfinance activities.

Progress Microfinance is managed by the European Investment Fund (EIF) on behalf of the European Commission (EC) and of the European Investment Bank (EIB). An initial budget of € 200 million from EC and EIB is expected to leverage up to a total amount of €500 million in microcredit and could result in around 45.000 microloans over a period of up to eight years.

Microcredit is accessible in the European Union via selected microcredit providers that include private or public banks, non-bank microfinance institutions and not-for-profit microcredit providers. The conditions for the provision of the microloan, such as its amount, its duration and the rate of interest, are determined by these microcredit providers.

Progress Microfinance aims to increase access to finance for micro-entrepreneurs, including the self-employed, or individuals facing uncertainty in the job market, who wish to set up their own micro-enterprises, such as entrepreneurs belonging to a minority group.

Progress microfinance does not directly finance entrepreneurs, but enables the selected microcredit providers in EU countries to increase lending to them:

- By issuing guarantees to microcredit providers, thereby sharing their potential risk of loss, and
- By providing funding, aimed at increasing microcredit on-lending volumes.

Progress Microfinance aims to increase access to finance for micro-entrepreneurs, including the self-employed, or individuals facing uncertainty in the job market, who wish to set up their own micro-enterprises and in particular those who have limited access to the conventional credit market (such as female entrepreneurs, young entrepreneurs, entrepreneurs belonging to a minority group, entrepreneurs with a disability, sole traders, etc). It also supports social enterprises.

"Progress Microfinance aims to increase access to finance for micro-entrepreneurs, including the self-employed, or individuals facing uncertainty in the job market, who wish to set up their own micro-enterprises, such as entrepreneurs belonging to a minority group."

Seven countries (Belgium, Bulgaria, Cyprus, Lithuania, Poland, Romania and The Netherlands) are so far involved in this initiative and some of their microcredit providers have clearly targeted ethnic minorities to develop their clientele.

This is the case of the Belgian microStart, a start-up venture aimed at underprivileged urban communities in two Brussels neighbourhoods (St-Gilles and Schaerbeeck/Saint-Josse ten Node). microStart targets micro-entrepreneurs at the beginning of their new activity and helps them move away from dependence on welfare benefits, or alternatively on the grey economy.

Mikrofond AD, a Bulgarian non-bank microfinance intermediary, targets micro-entrepreneurs from the Roma community (the second largest minority in Bulgaria) in particular, whereas Patria Credit, a Romanian microfinance Institution that will target micro-entrepreneurs and agricultural producers, in particular in rural areas and smaller cities in Romania, is also expected to reach out to micro-entrepreneurs from the Roma community (the most important minority in Romania).

In addition, the European Social Fund also plays an important role in promoting self-employment and business creation through a broad range of support instruments and measures, covering both financial and business support services. For example, the ESF provides funding for capacity building of microfinance providers and business support services for specific target groups of the ESF, such as unemployed, young people, women and migrants.

For more information contact EMPL-C3-Unit@ec.europa.eu

Obstacles and access to business funding for ethnic entrepreneurs

By Claudia Cobello, Consultant & Business Development, Microfinance Institute, Sweden

The Microfinance Institute aims to extend financial services to business start-up or businesses development to groups, particularly immigrant women, who have no access to financing. Here they give an overview of the obstacles ethnic entrepreneurs face and how they access funding for their business.

Obstacles to business funding for ethnic entrepreneurs

There are many obstacles for ethnic entrepreneurs, especially women, when starting up businesses. Some of the fundamental obstacles which ethnic entrepreneurs face in business funding are both historically and socially rooted such as:

1. Immigrants living in modern societies, especially women with a foreign background, face a series of difficulties in their social integration as well as in terms of accessing the local labour market. Their exclusion is strong and mainly due to the fact that they lack adequate knowledge of the local language as well as understanding of social codes.

2. Ethnic entrepreneurs lack established business contacts and local networks.

3. Previously attained education and/or work experience are underestimated or disregarded and/or classified as inadequate.

4. Ethnic entrepreneurs usually completely lack bank history and financial security which is why they are mainly not considered "bankable" and are not able to take out loans and/or make investments. Both men and women face difficulties in receiving bank loans although they have successful business ideas, and necessary business plan and budget documentation. Business funding is a crucial aspect to many business start-ups/developments.

5. Business start-up or development is often tricky and requires a series of closely monitored processes in order to prove successful.

Access to business funding for ethnic entrepreneurs

Entrepreneurship is an innovative way for immigrants to enter the local labour market as they otherwise remain unemployed for unacceptable lengths of time or are employed in inadequate jobs until they succeed in creating their own businesses as a way into the labour market.

1. Entrepreneurship requires structures and laws that are customized to reality and ethnic entrepreneur´s requirements, as well as local social components, which can create favourable conditions for new entrepreneurs. Creative environments, as well as openness from the surrounding environment, are crucial fundamentals for access to work, capital, and development of own ideas.

2. The creation of businesses is often seen as a way of creating employment and social growth, thus a solution to social problems and, especially in rural areas, to depopulation. Instead of concentrating on an individual's "foreignness", more emphasis should be put on the individual´s "uniqueness".

3. Knowledge is a key to success. Therefore language courses as well as courses in entrepreneurship and business related subjects such as PR, marketing, business economics, as well as mentorship by already established senior entrepreneurs, are important.

4. Microloans have proved truly important in terms of access to business start-up and business development. Microfinance institutions are specialized in encouraging business ideas and funding where other creditors are not willing to back up business creation. Ethnic entrepreneurs find support through microfinance institutions throughout the world. Given the chance to start-up and run a business these entrepreneurs often prove successful in both running their businesses and repaying their loans. Women are known to drive business ideas forward in a more careful manner as compared to men, which is why they mostly do not require large initiative bank loans to begin with. Women also tend to see to the needs of their families and their businesses as creating a solid basis of independence for them.

5. Products alone do not create businesses – personal relationships do. Thus it is extremely important to encourage foreigners' integration and creation of local networks during business start-ups.

Conclusions

The downward spiral of non-attention from authorities and job agencies triggers feelings of low self-esteem that, in the worst case, can lead to physical and psychological disorders that cost municipalities and countries dearly. Non-integration implies high social and health care costs. The creation of business is about interaction between the welfare state, the labour market, the family and the individual.

For decades persons with a foreign background have been starting new businesses. They have seen needs and values, defined business opportunities, and have had willpower and energy to invest, thus creating a future in their new home country for themselves as well as their families.

> "Business funding to ethnic entrepreneurs is often almost inexistent and impossible through traditional lenders, due to the fact that they most often lack financial history and credit security and creditors therefore tend to disregard them as proper bank customers."

Business funding to ethnic entrepreneurs is often almost inexistent and impossible through traditional lenders (such as banks), due to the fact that the potential ethnic entrepreneur most often lacks financial history and credit security and creditors therefore tend to disregard ethnic entrepreneurs as proper bank customers. More openness and awareness is required on a social level, as well as from a bank perspective.

Obstacles must continue to be eliminated and access to business funding increased in order to give a larger number of persons with a foreign background opportunities to create their own businesses as a source of income.

Asset-building: why it is important for ethnic minorities

By Omar Khan, Head of policy research, Runnymede (United Kingdom)

What are asset-building policies? And why are they important for ethnic minorities in Europe? Omar Khan gives an overview of the savings and assets situation among ethnic minorities and the difficulties they face in building up savings.

Runnymede has recently begun a programme on asset-building and ethnicity in Europe, which aims to raise awareness of asset-building among anti-racist and migrant organisations in Europe. It also seeks to work with others working to increase savings and assets more generally.

What are asset-building policies? And why are they important for ethnic minorities in Europe? By way of answering these questions, we must first understand savings and assets generally, and their distribution in European countries.

For as long as human societies have existed they have sought ways of accounting for the risks and hazards that might come their way – a bad harvest, flood or sudden death of a loved one. Most cultures praise the good rulers and wise merchants who put aside a proportion of grain in years of plenty for the years of famine where there wasn't enough to go around.

Whatever the technical and economical advances of the centuries, savings and assets provide much the same purpose today: they enable people to have enough income following an unexpected misfortune, or indeed for when they retire. In a household, savings are often used to offer opportunities for children or other family members, or to build up a deposit for owning a home.

"Given the evidence of lower employment rates, lower wages and greater financial exclusion, it is hardly surprising that across Europe ethnic minorities have less wealth than white Europeans."

Yet throughout the world savings and assets are far more unevenly held than income. In the UK, for example, half of society has only 7% of all assets, whereas the top 1% hold roughly 20% (see "Why Do Assets Matter? Asset Equality and Ethnicity: Building Towards Financial Inclusion", Omar Khan). There are several reasons for the greater inequality in savings, but an important one is the 'compound' nature of savings. Put simply, the more money you put away in savings, the more it grows every year, and tax policies often inflate these inequalities further by offering incentives for high-income savers.

Conversely, it is very difficult for low-income people to save large amounts, and to build up significant assets. In the UK, for example, a majority of Pakistani and Bangladeshi people in work live below the poverty line, meaning that any savings are likely to affect their ability to meet basic needs.

Given the experience of migration and continuing evidence of inequality in the labour market, ethnic minorities in Europe are also likely to experience low levels of savings. In terms of the labour market, foreign-born workers throughout Europe are more likely to work in low paid job without access to employee benefits (or 'social protection'), and so even more in need of saving even as their income makes that saving more difficult. Furthermore, employers often fail to recognise foreign qualifications, assume that people's language skills are inferior, while workers themselves often don't have access to local social networks that open up better job prospects.

Policy makers can do much more to respond to these inequalities in asset-holding, for migrants, ethnic minorities, and low-income people more generally. For example, most European countries offer significant tax breaks for saving and asset-building, but the vast majority of these tax breaks benefit the wealthy. Instead, ministries of finance should better distribute these benefits for all parts of the population.

There is also some evidence that matched savings [1] can increase people's savings rates. Even very low income people can and do save, but they may mistrust or not understand mainstream financial institutions and products. From previous research (See "Saving Beyond the High Street: A Profile of Saving Patterns among Black and Minority Ethnic People", Omar Khan), Runnymede has found that ethnic minorities and migrants may particularly distrust mainstream financial institutions.

Given the evidence of lower employment rates, lower wages and greater financial exclusion, it is hardly surprising that across Europe ethnic minorities have less wealth than white Europeans. This has a number of causes, but it also has a variety of consequences. Without savings or wealth, people have to take the first job on offer, cannot pursue education and training opportunities for themselves, and have less ability to offer their children opportunities as well.

Building up people's savings would obviously respond to these inequalities. This would provide better opportunities for lower-income people and their children. It may then increase people's choices and allow them better to act on their true preferences rather than always settling for options that they don't really value. In addition to widening access to jobs and other opportunities, and enhancing people's freedom, policies to increase asset-holding may have other benefits.

Among the most commonly voiced benefits of greater asset-holding are various behavioural effects. People who have savings are more likely to think in the long-term, and even a small amount of savings may change people's mindset. Perhaps more optimistically, those who save and build up assets may be more likely to start up businesses or otherwise engage in economic activity. In the UK at least, it is often argued that people who own their homes are more likely to care about their neighbourhood and that this can have wider positive social effects.

Across Europe political thinkers and policy makers have also emphasized how assets can contribute to more meaningful citizenship. The idea that governments should provide basic economic needs to citizens is in fact a very old one, probably first defended by the Spanish Johannes Ludovicus Vives (1492-1540) in the 1520s, and also in Thomas More's (1478-1535) Utopia. Following the French Revolution, two of the period's greatest political thinkers, the Marquis de Condorcet and Thomas Paine, independently proposed a 'basic endowment' for every citizen.

These ideas have since been developed throughout Europe and the rest of the world, and more recently the focus has been on providing a citizen's income or endowment as a way of affirming equal citizenship. The contemporary French philosopher Jean-Marc Ferry has argued explicitly that such an income should be viewed as a right of European citizenship, not least where job security and social protection are uncertain.

Even if these ambitions are unlikely to be realized soon, it's important to think about how we can better improve political participation and social cohesion in Europe. If every citizen or resident were provided with an equal stake in our societies, they would then be more likely to engage in public debate about how best to use those stakes, and also to feel equally included in our societies.

In the context of increasing ethnic diversity, this point is perhaps even more important. Debate in this context often focuses solely on 'integration', which itself is often too narrowly focused either on cultural symbols or on labour market participation. By providing migrants with an equal stake, European governments could demonstrate that they genuinely believe that we are equal participants in European societies, and that our contribution to democratic institutions is valued.

Not all of these benefits can be delivered by asset-building policies. Encouraging people to build up a small level of savings could arguably be delivered simply – if governments would better distribute the tax relief of savings to lower-income people, say through a matched savings account. To provide collective assets to everyone would obviously require greater political will and financial support, but such ideas have been on the agenda in most

European countries in the past. If readers would like to find out more about these ideas – or of course propose their own ways of increasing asset-holding among ethnic minorities and migrants in Europe – we invite them to join the debate on ASSETnet!

[1] Matched savings supplement the savings of low-income households with matching funds drawn from a variety of private and public sources.

Interview with Triodos Bank

Paul Gérard, Communication Manager, Triodos Bank Belgium

Triodos Bank talks about its definition of sustainable banking and about its work in support of ethnic minorities' social inclusion.

Could you describe whether Triodos has any specific policies to foster the financial inclusion of ethnic minorities, including migrants, and if so, why is this important?

Triodos Bank offers a number of savings and investment products that are accessible to everyone. At this stage, however, Triodos Bank does not offer cash management, current accounts or cards in Belgium (whereas in Spain and the Netherlands we already offer these products). In Belgium Triodos Bank is therefore a second bank for all consumers. For this reason, we are probably not forerunners in terms of facilitating access to banking services for ethnic minorities.

You consider yourself as a 'sustainable bank'. Could you describe how this benefits ethnic minorities and migrants in Europe?

Triodos Bank was founded on sustainable principles. For us, sustainable banking means using money to bring about positive and lasting change, placing value on people and our planet, as well as profit. We do that by financing companies, institutions and projects that add cultural value and benefit people and the environment. Crucially, our definition of sustainable banking means that this is all we do: we only invest the money entrusted to us by savers and investors in sustainable businesses.

That is why projects that contribute to the integration of minorities and migrants fit in perfectly with the social mission of the bank. Several companies and organizations that we finance are active in the field of integration and working for these audiences. More information about these projects can be found on our website through the application 'Know where your money goes' (mainly under the category 'Community projects'). See also examples below.

Banque Triodos

What kind of projects linked to ethnic minorities in Europe do you support/invest in?

In Belgium Triodos Bank finances for example:

- **De8**, Antwerp's official integration centre, which works for the social integration of all ethnic and cultural minorities in institutions, organizations and society services.
- **B.O.N. Brussels Onthaalbureau Nieuwkomers**, which accompanies people of foreign origin who arrive in Brussels through different stages for a qualitative and sustainable integration, such as: language courses, introduction to social life, and support at personal and professional level.
- **Form'Anim – Mosaicultures** (Liège), an organisation that fights social exclusion and focuses on the integration of newcomers such as asylum seekers and undocumented migrants. Language courses, social inclusion, psychological support and childcare are some of their activities.
- **Lire et Ecrire Namur**, an educational institution that helps adults with little education to improve their reading and writing skills as well as with their social and professional integration.
- **Benelux Afro Center (BAC)**, the main objective of which is the education and employment of Africans for a better inclusion in Belgian society, as well as development cooperation.
- **CEDAS**, le Centre de Développement et d'Animation Schaerbeekois, which develops activities to promote the participation of people from the lower classes in social, economic, cultural and political life.
- **Collectif des Femmes**, an organization founded by and for women which originally mainly provided support for the integration of new migrants from the South, but now has broadened its activities to become an intercultural meeting place and network for women, which is also recognized as an organization for social and professional inclusion.

What measures/projects do you have in place, if any, to support/invest in ethnic entrepreneurship – e.g. microcredits?

On an international level, we are strongly engaged in the field of microfinance, providing financial services to low-income people in developing countries. We believe an inclusive financial sector, where the majority of people have access to financial services, provides a sustainable basis for balanced socio-economic development.

We offer 4 microfinance funds investing in 82 financial institutions in 40 countries worldwide, reaching out to almost 6 million micro-entrepreneurs by the end of 2009. Triodos Bank is also a shareholder of 19 of the most important microfinance institutions in the world. One of our priorities is to promote mutual exchange of knowledge and expertise between microfinance institutions worldwide, for example in international workshops with microfinance banks in Africa, Latin America, and Asia.

Triodos Bank is also the co-founder and president of the Global Alliance for Banking on Values, a network that uses finance to deliver sustainable development for unserved people, communities and the environment, and has a number of microfinance institutions among its members.

> "For us, sustainable banking means using money to bring about positive and lasting change, placing value on people and our planet, as well as profit."

What criteria do you have in place

in terms of socially responsible investment? Is anti-discrimination/promotion of diversity one of them?

The complete criteria and methodology is described in detail here.

Triodos Bank does not finance companies involved in human rights abuses. We pay careful attention to industries which have human rights issues specific to their own employees, contractors and supply chains. Companies operating in high-risk countries and high-risk sectors should have publicly available labour rights policies and supporting management systems addressing the themes of child labour, forced labour, unionization, and health and safety as well as equality (discrimination).

Islamic finance in Europe: the missing link

By Imâne Kariche

The presence of Muslim communities in Europe has led to the emergence of a niche market with an exceptional potential: the "halal" market, meaning "compliant with the Islamic law". In the field of finance, this objective of conformity implies the impossibility for Muslims to use the majority of financing and investment products available on the market, as most of them are based on the paying or receiving of an interest rate.

The Muslim communities settled in Europe have different origins and migration stories. They have however the commonality of being newly installed in their host country, claiming at most fifty years of presence. They are mainly characterised by a religious revival and a desire, expressed even more deeply among the younger generations, to live in compliance with their faith. This search for a particular identity has resulted in the emergence of a niche market with an exceptional potential: the ethnic market and more specifically in a Muslim context, the "halal" market, meaning "compliant with the Islamic law". In a context where Islam is a minority religion, Muslim immigrant populations have tried to adapt their environment to their religious values. The first market influenced by Islamic rules is the food sector. Over the last few years, the consumption of Halal food has increased tremendously. Although there are no official figures, it is estimated that 10% of the food in France is Halal, while the Europe-wide business is valued at around €5 billion.

This growing market illustrates two important facts: the first is that the Muslim population is increasingly considered as an important potential market with specific needs. The second is that the building of a European Muslim identity is reconciling capitalist consumption norms and Islamic values.

Initially limited to the food industry, the Halal market is in fact much bigger: alternative sodas, clothes, music… and finance. In the field of finance, this objective of conformity implies the impossibility for Muslims to use the majority of financing and investment products available on the market, as most of them are based on the paying or receiving of an interest rate.

The Islamic finance system in a few words

The basic principle of Islamic finance consists in rejecting any source of unjustified wealth creation. One of the sources considered as unjustified is the payment and reception of an interest rate, as Islamic finance recognises only two roles to money: as an exchange means and as a unit of value, and does not legitimate the role of money as a "reserve value". Therefore, it cannot accept the traditional financing system as it is based on a predefined remuneration - interest rates - which are considered the price of the capital.

The first Islamic economists defined and built a parallel financial system based on participative finance, where the money becomes working capital only when it is linked to the evolution of an economic activity or to the value of goods/services. Its yield will depend on the principle of profit and loss sharing, which links the profit of a transaction to the achievement of an economic activity.

In this framework, Islamic banking deployed new techniques based on commercial contracts that were adapted in order to meet the investment and financing needs of their clients.

Islamic Finance in Europe: an analysis

The UK is by far the first European financial market for Islamic finance development. The implementation of Islamic Finance in the UK generally serves as a model for other countries as it succeeded in overcoming the main obstacles linked to such an implementation. This success is largely due to the direct and voluntary implication of the UK financial regulators, the Financial Services Authority (FSA) and the Bank of England who defined a "level playing field" between Islamic and conventional products. Since then, the British authorities have multiplied calls for the development of Islamic finance in the UK, as illustrated by the FSA president's desire in 2006 to develop a "reasonable and fair regulatory framework" for Islamic finance.

> "Besides offering more adequate solutions to their banking needs, Islamic banking can be seen as a positive sign of genuine efforts to understand the Muslim community."

Paradoxically, continental Europe has not yet followed this trend, despite the presence of important Muslim communities in countries such as Germany or France. Recently, the French government has expressed the will to foster Islamic finance and this was followed by various debates, discussions and even law amendments, without however, leading to the development of a concrete offer for the French Muslim community. In Belgium, despite some local efforts and declaration by the Finance Minister welcoming Islamic Finance in Belgium, no sharia-compliant products have been developed yet. Such an absence in a growing sector can be explained by several factors, including simply the absence of demand and/or the presence of important legal obstacles.

The sole analysis of the Muslim presence in Europe can help contradict the premise that there is no demand for Islamic Finance in Europe. According to demographic projections of the US-based Pew Research Center [1], the Muslim population in Europe is expected to rise by a third by 2030. Moreover, the Pew report estimates that France and Belgium will join in 2030 the eight other countries in which the Muslim population will make up more than 10 percent of the total population.

In Belgium, while the Muslim population represents 6% of the population at national level, it rises to over 20% in Brussels [2]. Moreover, a survey carried out in 2004 by the Study and Research Network on Islamic Finance (CEREI) demonstrates that only 30% of the Muslim population owns real estate, which is low compared to the 80% of real estate ownership at the national level. The main reason mentioned for this gap is the absence of a sharia-compliant mortgage contract.

One can therefore ask why the Islamic finance market has not yet experienced the same popularity as in other Western countries, despite a clear demand for such products. An in-depth analysis of the situation in the Belgian context has been performed by the Belgian Association of Muslim Professionals (ABPM), and clarifies the main obstacles to such a development.

The analysis focussed on the implementation of Islamic mortgages, as it is, without surprise, the product most demanded by the local population. The study came to several conclusions:

- The main obstacles are legal and tax constraints, which have been overcome in other countries such as France and the UK;
- The local government's lack of will to develop this system was also underlined, whereas in countries such as the UK, the key success factor for the implementation of Islamic Finance was the support and engagement of local authorities.
- However, this lack of support from the local government is often explained by the low amount of requests by the local population for such a specific system: this issue reflects the lack of education and information about this system among Muslim communities in Belgium. Indeed, while the Indo-Pakistani population was already educated about Islamic Finance in their home countries before coming to the UK, Morocco only accepted the development of Islamic Finance in 2007.I It is therefore not surprising that the Moroccan community in Belgium is not educated about such a system and is therefore less able to make appropriate requests to their authorities.

Despite these factors, the study clearly concludes to an obvious demand for Islamic Finance products in Belgium. Besides answering a specific demand, this development could also facilitate successful economic integration. There are several reasons for the difficulties faced by Muslims in accessing the property market. One of the factors rarely emphasised is the importance for an increasing proportion of the Muslim communities of having access to Islamic-compliant means of finance. As Islam rejects all forms of interest defined as the price of money, Muslim populations limit their access to banking services to the minimum, in the absence of services in compliance with their beliefs. Besides offering more adequate solutions to their banking needs, Islamic banking can be seen as a positive sign of genuine efforts to understand the Muslim community.

All these points deserve to be discussed with the competent authorities, in order to challenge the flexibility and adaptability of the Belgian authorities on new issues. Moreover, from a social point of view, this necessary discussion will allow a significant part of the Belgian population to access, as their peers, universal banking services and therefore bring solutions to what can be considered a new "banking" exclusion.

[1] 'The Future of the Global Muslim Population', Pew Research Center Publication - January 2011

[2] 'In Belgie wonen 628 751 moslims', Jan Vertogen, Indymedia, 12 September 2008

Best practices in financial inclusion of ethnic minorities

Two best practices are presented: Aflatoun's concept of child-centred social and financial education for disenfranchised children is put into practice in the Ferentari ghetto of Bucharest. The Federation of Roma Associations in Catalonia (FAGIC) presents its project on self-employment and microfinance, which aims to offset shortfalls in the financing of small businesses of persons at risk of social exclusion.

A flame of hope for the children in the Ferentari ghetto of Bucharest

By Florin Botonogu, Policy Center for Roma and Minorities and Oliver Gajda, Aflatoun

An estimated one billion children today live in poverty; many are otherwise disenfranchised, marginalised or suppressed. Especially children from ethnic minorities are at risk. These children are conscious about racial and ethnical differences, but they also internalize the norms of society associated with the social status of different ethnic groups.

Aflatoun works with disenfranchised children, including minorities, juveniles or those living in poverty because it challenges existing power structures. The concept carefully manages a balance of rights, social and financial education, which is further broken down into clear pedagogical themes, including personal understanding, rights and responsibilities, saving and spending, planning and budgeting, and entrepreneurship.

Aflatoun has made it its target to provide a set of holistic education curricula and child centred teaching methodologies to these children, to teach them about their individual worth and their value in a global society. The approach uses multiple levels of interaction in order to help bring together behaviouristic, cognitive, and constructive teaching frameworks. Aflatoun helps children to think critically and be creative; it enhances self-esteem and enables children to design alternative futures for themselves and their communities.

This concept has been translated from the bottom up - a balanced curriculum of rights, social and financial education providing essential life skills. It addresses formal and non-formal settings for different age groups. It is available in multiple contextualisations and languages for use in currently 79 countries worldwide, reaching more than 1 million children.

But any message also needs an appropriate medium. The manner in which our curriculum is taught amplifies what is taught. That is why we supplement rote-learning systems with progressive, child-centred methodologies. Aflatoun understands teaching as a process combining perceptions with emotional and environmental influences.

How does this work in practice? Let us take an example from Romania. The performance rankings of Romanian pupils in international evaluations, such as the OECD's Programme for International Student Assessment (PISA), are not good. Studies reveal that around 40% of the pupils in Romania have difficulties reading and writing. A lot of non-performing pupils with low performances come from poor areas or from minority communities.

The Policy Center for Roma and Minorities runs an Aflatoun programme in the infamous Ferentari ghetto in Bucharest. It is part of the "Alternative Education Club", an initiative aiming to improve education in these areas. This is a space where children develop their abilities by participating in different classes and sport activities. But there is very little interest shown in education by children and parents, because education is not regarded as a way out of poverty. School 136, where the Aflatoun courses are being held, suffers generally from:

> "Aflatoun provides a set of holistic education curricula and child centered teaching methodologies to these children, to teach the, about their individual worth and their value in global society."

- high drop-out rates
- poor performances in national tests
- prejudiced teachers who have an unconstructive attitude towards Roma pupils

In order to improve the situation, innovative approaches in teacher motivation, pedagogical approaches and educational values are needed. This is where the Aflatoun programme comes in:

- Money plays an important role in the ghetto culture; it is a sign of success, no matter the means. Aflatoun teaches children how to better administer and plan with money. It also makes children aware of other values and resources that are important in their life.

- The teachers in the school are usually inexperienced or teach here as a last resort. Their abilities and motivation are low and they experience a certain degree of rejection from the children. The fictional Aflatoun character helps; he is the children's friend and his teaching is easily accepted.
- Children are unaware of their own rights, responsibilities and opportunities. The Aflatoun curriculum addresses this lack of knowledge. The courses are usually the first time children hear about their rights and value in their communities.
- The child centred teaching methodology, in which the teacher facilitates and observes, helps teachers to understand the children's view of the world, as well as their needs, wishes and expectations. As a result, teachers are able to interact with the children on aspects that are of concern to them, which increases trust and respect in the teacher-child relation.
- Current teaching methods regularly reduce children to receivers of verbal or written information, who then fail to concentrate on lessons that are neither engaging nor seem relevant. Aflatoun's content led role-plays contribute significantly to keeping the children involved; the intrinsic link between message and medium helps to convey the lessons with lasting effect.

Aflatoun plays an important role in the life of the children. The best proof of this is that when the children in the Ferentari ghetto were asked to draw the most important persons in their life, the Aflatoun character was among them, together with their parents.

Self-employment and micro-finance: a project aimed at offsetting the shortfalls in the financing of small businesses of persons at risk of social exclusion

By Cristobal Laso Silva, Federation of Roma Associations in Catalonia (FAGIC)

Definition and objective

The project "Self-Employment and Micro Financing" of the Federation of Roma Associations in Catalonia (FAGIC) is currently in its initial phase of implementation.

It is conceptualized as a social project which aims to provide a solution to the difficult situation which a great number of people at risk of social exclusion are facing, especially of Roma origin, because of the huge obstacles confronting small or newly-established businesses when applying to financial institutions for credits.

Problem description

Approximately 60% of the Roma population in Catalonia lives directly or indirectly from peddling (street selling) and metal scrap recycling (chatarra). Unfortunately, this form of occupation is to a great extent linked to historical, social and especially educational circumstances. In fact, peddling and self-employment in general has been and still is considered as the only way of accessing the labour market and thus, as the only strategy of subsistence. However, it is thanks to this possibility of self employment (peddling and scrap recycling) that the Roma communities were able to progress in areas such as housing, education, health etc.

In the last five years, and even more visibly since the economic and financial crisis, the difficulties in the peddling and recycling sectors have multiplied. As sales decrease, so do the restrictions put in place by financial institutions when applying for credit. For this reason, peddlers and recyclers face tremendous obstacles in the renovation of vehicles and products. This situation is made worse by the growing number of unemployed, who when trying to find new alternatives or get through this difficult period, face continuous rejection when asking for a micro credit, which would enable them to entering the peddling or recycling sector, or self-employment in general.

Methodology and progress

"The project aims to provide a solution to the difficult situation which a number of people at risk of social exclusion are facing, especially of Roma origin, because of the huge obstacles confronting small or newly established businesses when applying to financial institutions for credits."

The project which we are proposing aims to provide a solution to the problems described above through mediation and by speeding up the procedure for granting micro-credits.

Numerous organizations and institutions have assessed positively the possibility to facilitate access to this type of financing, especially among vulnerable communities ("Progress" Programme of the EU, Communication of the EU Commission about the EU Framework for National Roma Integration Strategies up to 2020). Therefore, both the Spanish national government (through the Action Plan for the development of the Roma population 2010-2012) and the European Union point to the "adoption of measures of positive action to prevent or avoid the disadvantages linked to ethnic or racial origin".

The objective of FAGIC is to conclude a written contract of collaboration with the General Directorate of trade and financial institutions (banks). FAGIC would play the role of disseminator and mediator, studying carefully all the applications and transmitting them to the financial entity.

The proposal, which is currently still in negotiation, is the following:

- Granting of unsecured (without endorsement) micro credits, with the support of the local government
- Interest rates not higher than 4%, no commission and transaction costs
- 6 months of grace period
- Award of maximum of 90% of the capital required
- 10% of the capital is considered non-refundable, taken on as social responsibility by financial institutions and/or the General Directorate of Trade

Final remarks

This project is a first step towards injecting liquidity into an economic sector, which, without a doubt, constitutes a modus vivendi of the Roma population. There is an urgent need for proposals targeting this group, given the general lack of professional experience and education of the Roma population.

The impact of such measures is both economic and social, contributing to the self-employment of Roma communities and to their economic independence.

In the context of the present economic crisis, similar proposals should be presented across Europe, as a measure to empower Roma communities and contribute to their social and economic development.