

“Changing Banking Needs of Immigrants: An Interim Report”

By

Leonel Prieto, Tagi Sagafi-nejad, Balaji Janamanchi, and Andres Rivas-Chavez

The A. R. Sanchez, Jr., School of Business
Texas A&M International University

For presentation at the 2009 NASBITE Conference, San Diego, Ca, April 19-23, 2009

This report is based on a research project funded in part by a grant from

the US Department of Education Title VI.B. (BIE grant)

with additional support from

Laredo National Bank/BBVA/Compass Bank

and

Wells Fargo Bank

The research assistance of Leiza Nochebuena is gratefully acknowledged.

Objective

To identify the changing banking needs of immigrants as they acculturate into the United States aiming to better supply such needs.

Rationale

- Hispanic population and net worth in US
- Increased regional demographic and economic integration
- Migration and remittances' flows Latin America (multiple dependence).
- Remittances: Investment and development projects (WB, IDB) & Make money (financial institutions).
- Gains from optimizing fit between supply of banking services and Hispanics' banking needs [value segmenting Hispanic market by acculturation level].

Rationale (Cont.)

- As immigrants integrate into the new society, their banking needs expand and they need commensurate banking services

If banks and financial institutions are to take advantage of these changing needs of immigrants, they must understand them better.

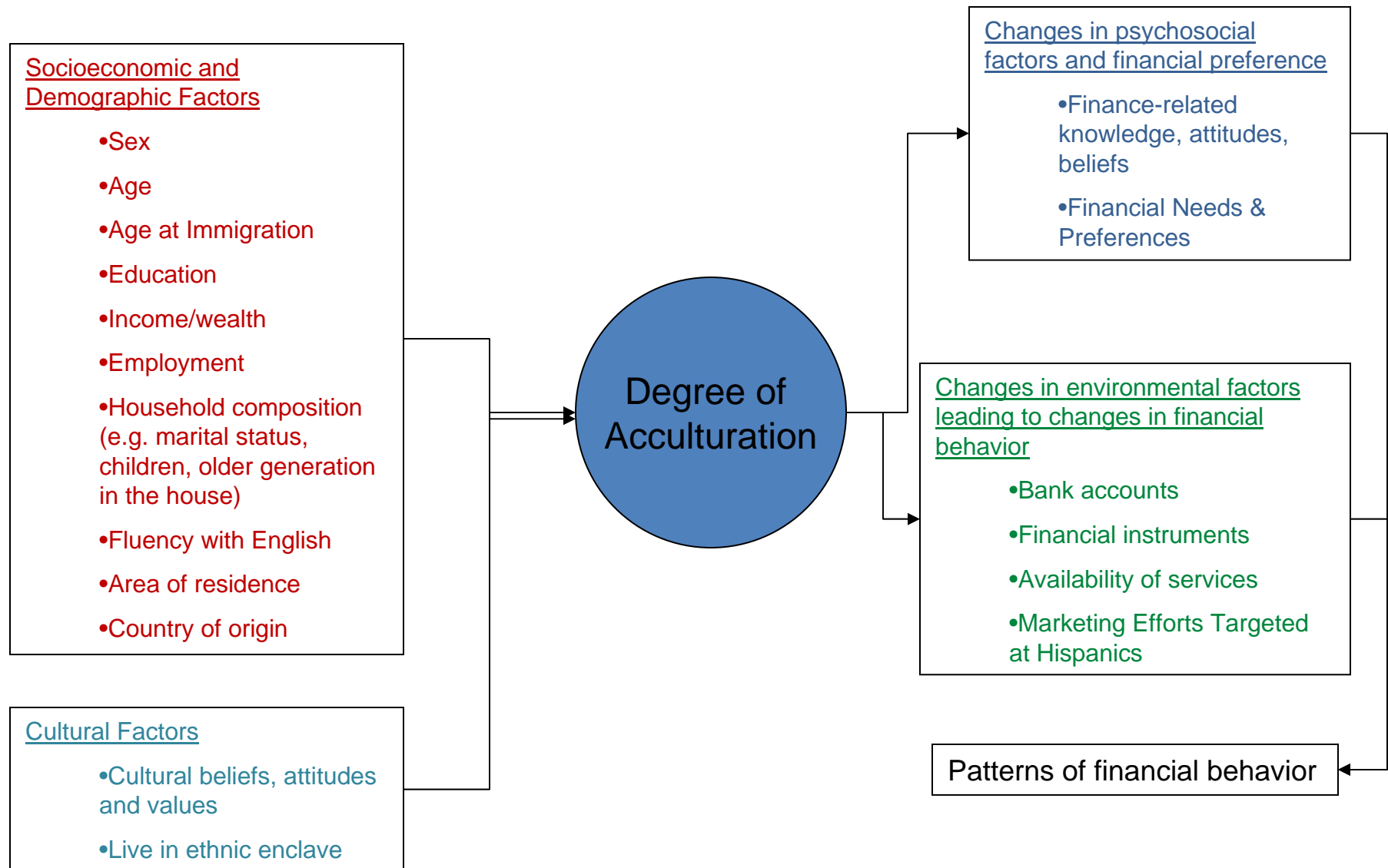
Thesis

- Patterns of financial behavior are a function of individuals'
 - Cultural characteristics,
 - Socioeconomic and demographic factors,
 - Psychosocial factors, and
 - Relevant environmental factors
- These factors change over time (See Maslow)

Maslow's Need Hierarchy



The Model: Acculturation and financial behavior



Methodology

- Questionnaire
 - Items Likert scale (1-5) & direct questions [reflective & absorptive scales]
 - Pilot test: 60 observations
 - Sample: 302 observations
- Analyses: regression, discriminant

Preliminary results

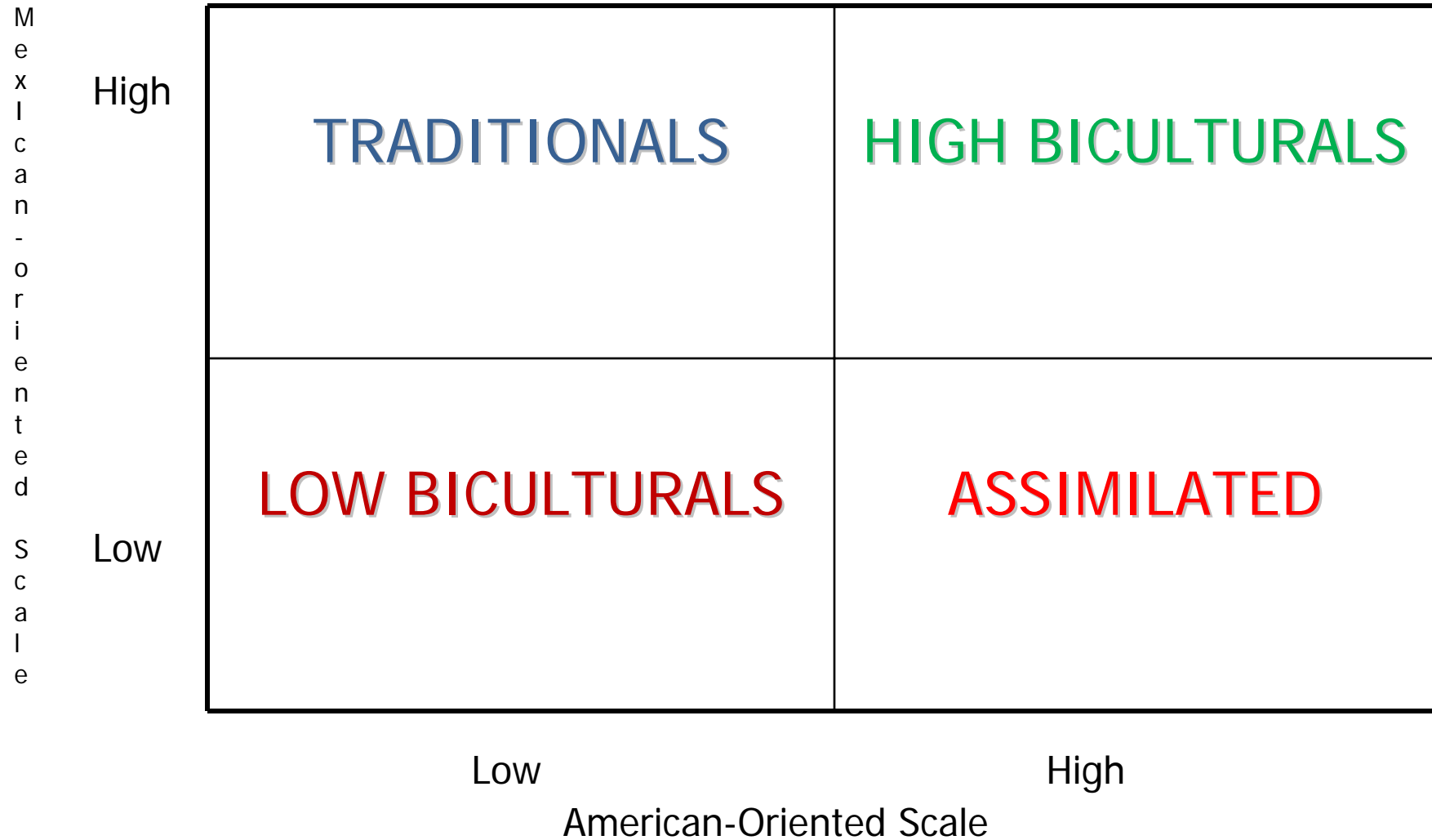
Reliability [Cronbach's alpha]

– American-Oriented Scale	0.88
– Mexican-Oriented Scale	0.86
– Convenience	0.77
– Product offerings	0.85
– Fees	0.82
– In-person transactions	0.72
– ATM transactions	0.89
– Online transactions	0.90
– Automated Phone Transact	0.93
– Phone Transact Live Rep	0.88

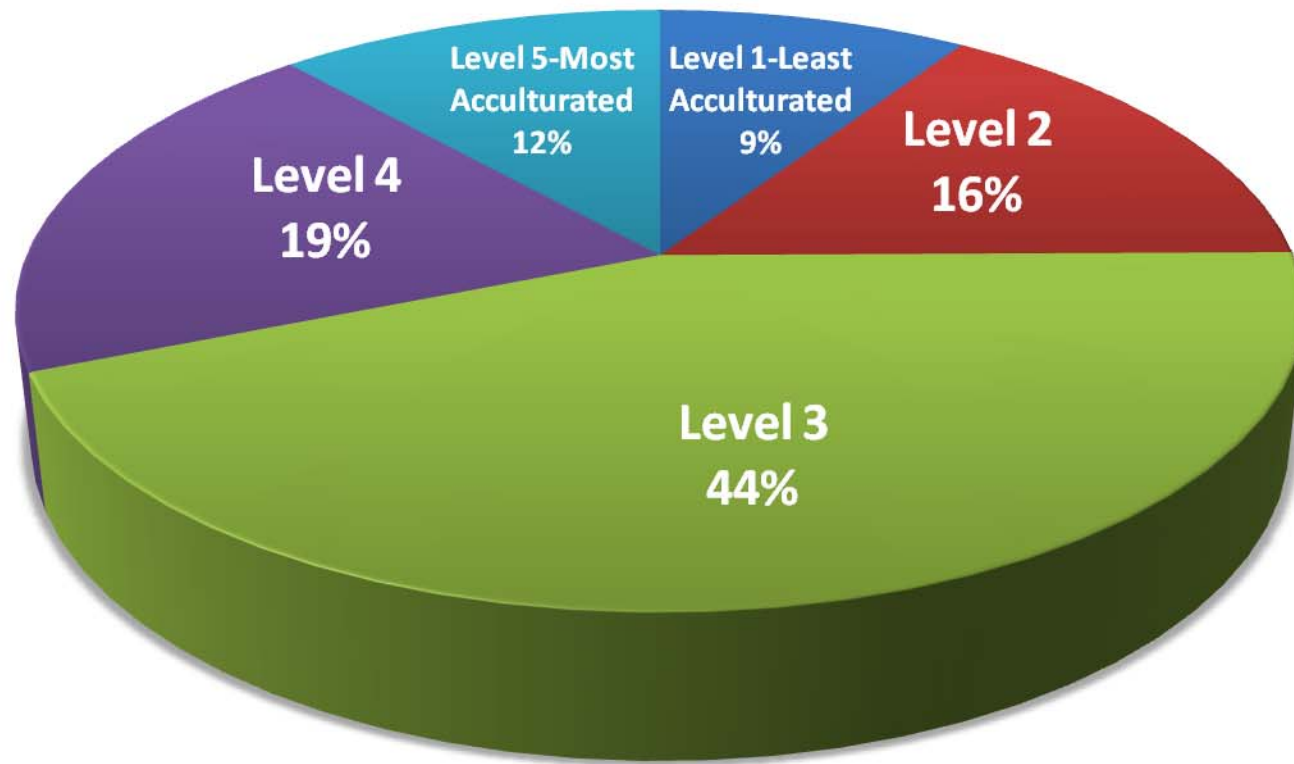
Acculturation items (after Cuellar et al, 1995)

- I speak Spanish
- I enjoy English language movies
- I speak English
- My thinking is done in the English language
- I enjoy Spanish language
- I enjoy speaking Spanish
- I write letters in English
- I enjoy reading books in Spanish
- I socialize with Anglos
- I enjoy Spanish language movies
- My friends are of Anglo origin.
- My thinking is done in the Spanish language

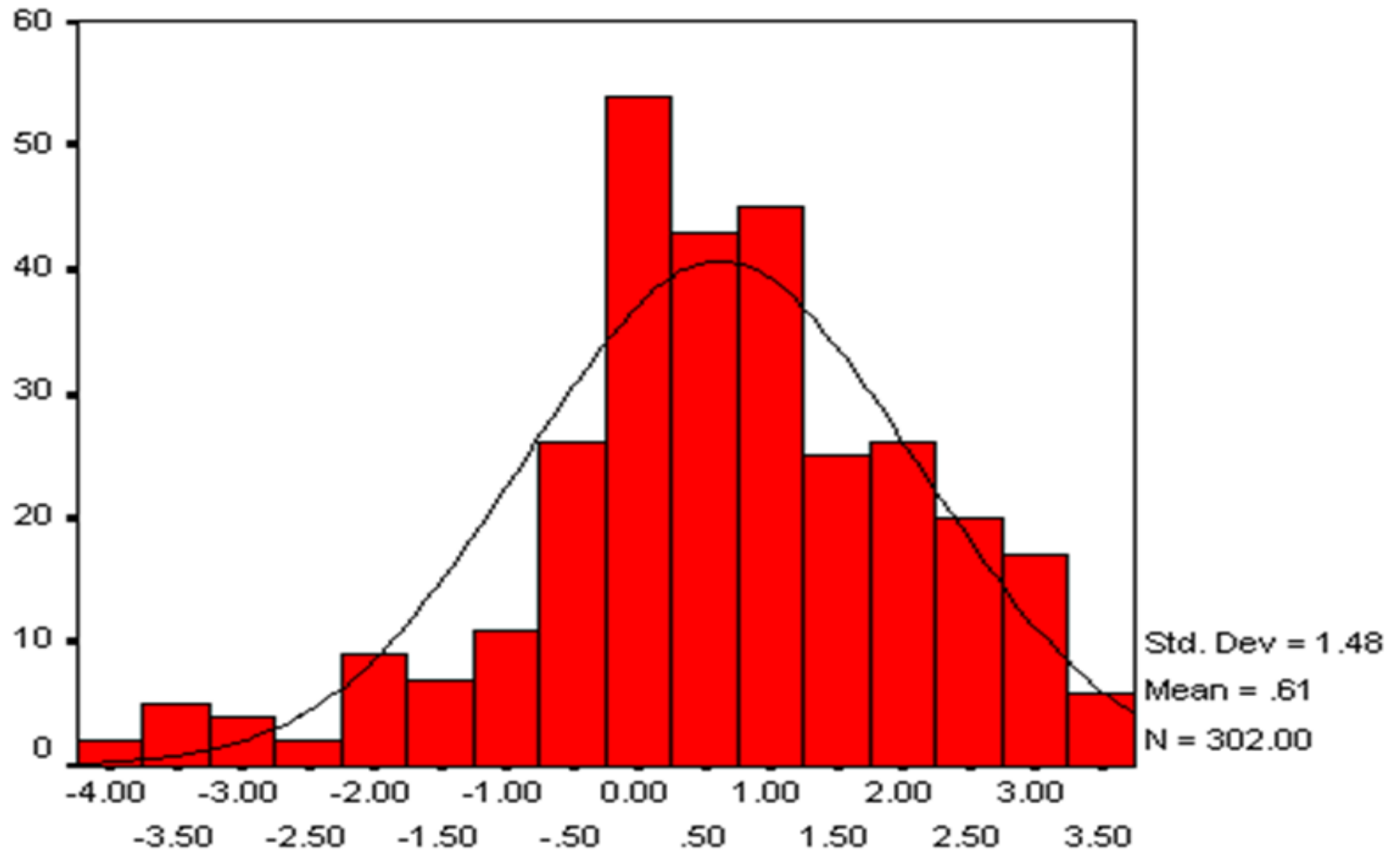
ACCULTURATION MATRIX



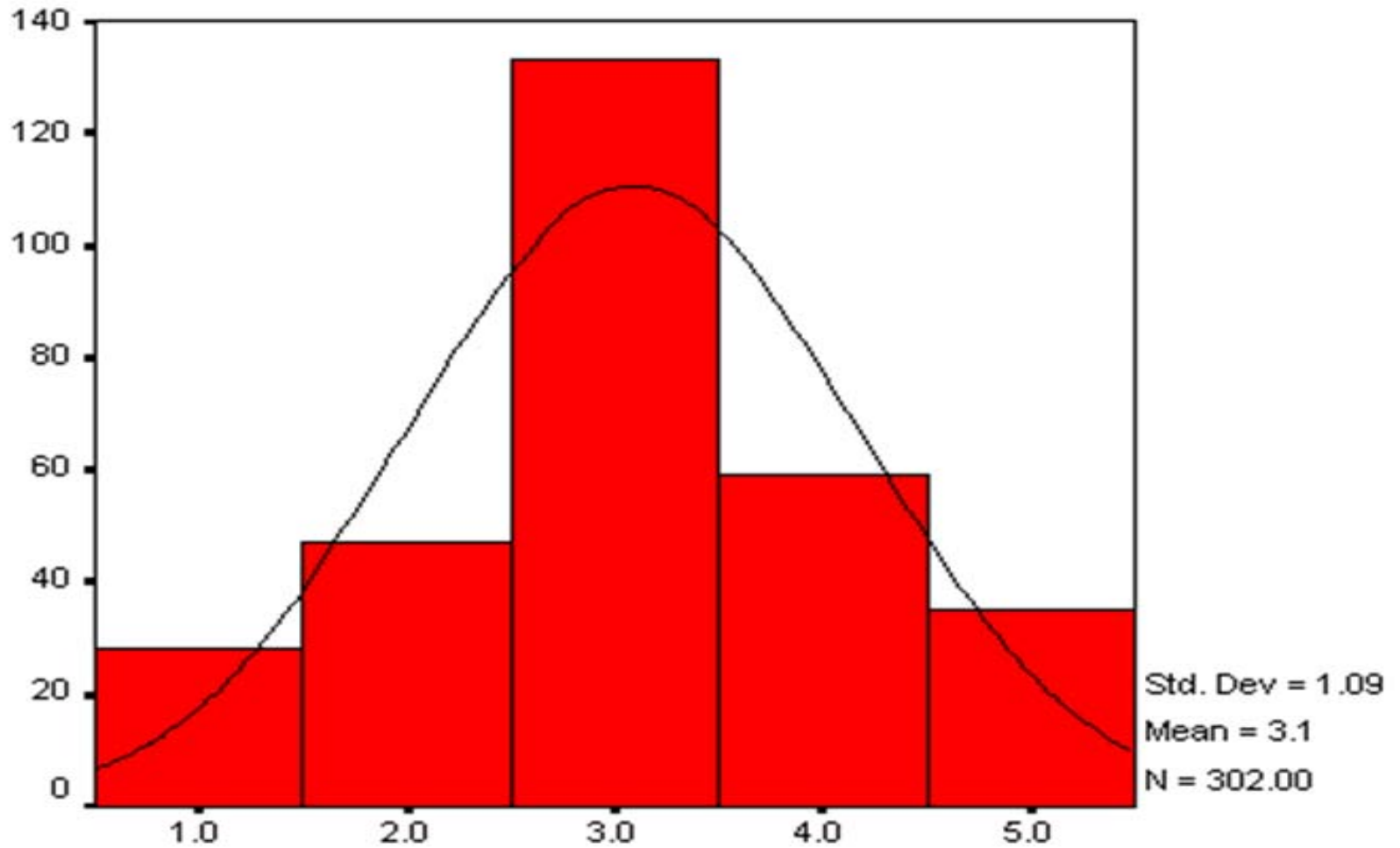
Level of Acculturation (Question #12 from Survey)



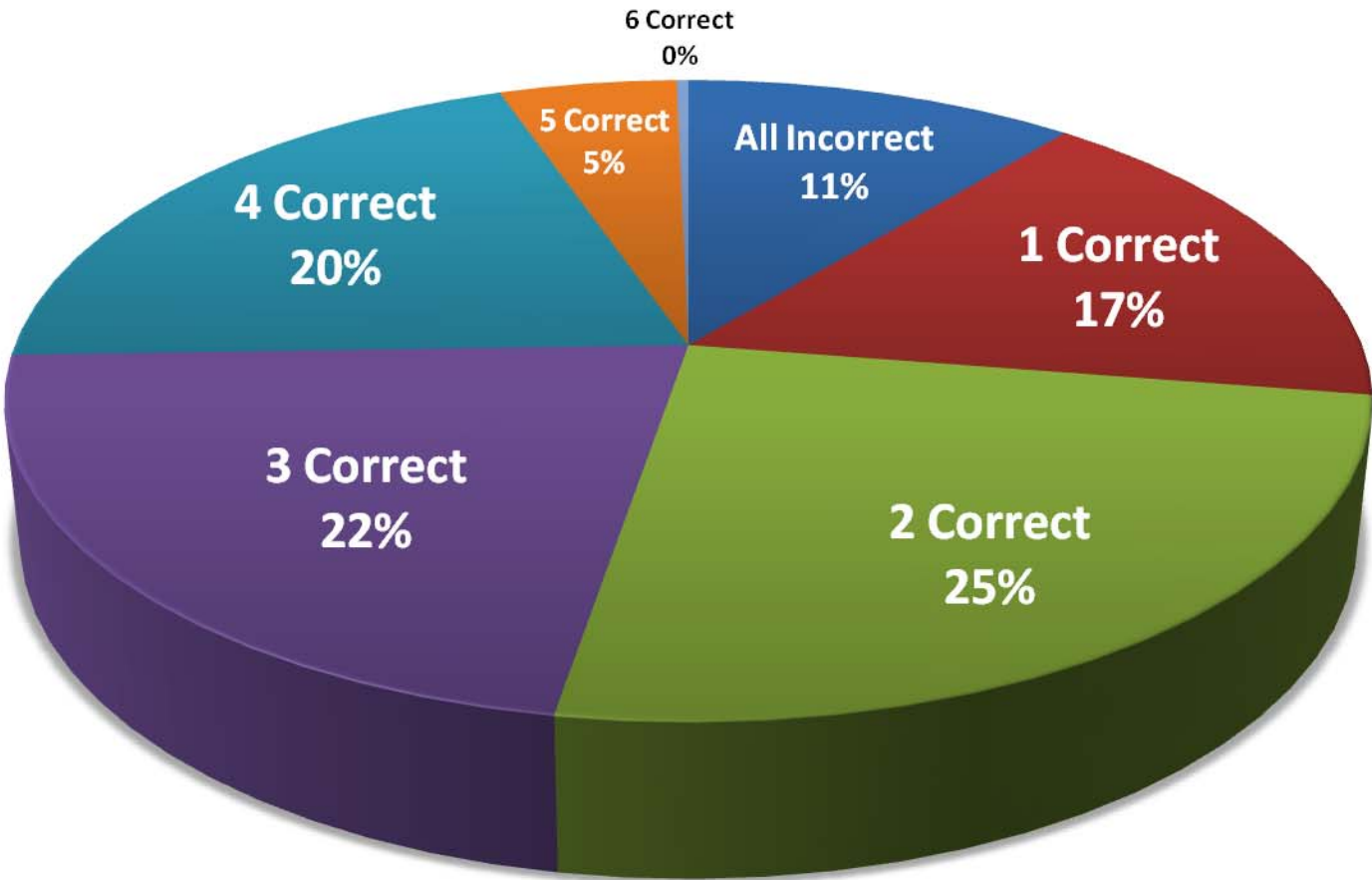
Distribution of Acculturation Scores



Distribution of Acculturation Levels



Financial Literacy
Total Number of Questions Answered Correctly
(Questions #13-#18 from Survey)



Banking Services Used

- Home Equity loan
- Credit Card
- Money market account
- Certificate of deposit
- Online banking
- Brokerage account
- Personal loan
- Mortgage
- Debit card
- Monetary transfers to other countries
- Savings account
- Insurance
- Checking account
- Bill payment service
- Investment service
- Other: Please specify

Preliminary results (cont.)

- No Significant Effects of Acculturation Level on:
 - Financial literacy
 - Level of sophistication of usage of financial services
 - Services most frequently used
 - Frequency transaction method
 - Factors most important in service satisfaction
 - Satisfaction: transaction method
 - Satisfaction: Convenience, Product Offerings, Fees

Preliminary results (Cont.)

- Significant relationship between level of sophistication of usage of financial services and:
 - net worth
 - median household income
 - level of education
 - financial literacy

- No acculturation effects but economic indicators & (financial) knowledge
 - Sample bias
 - Dissonant selves (rich and sophisticated in use of financial services but not acculturated)

Preliminary results (Cont)

Most important factors in selection Bank #1:

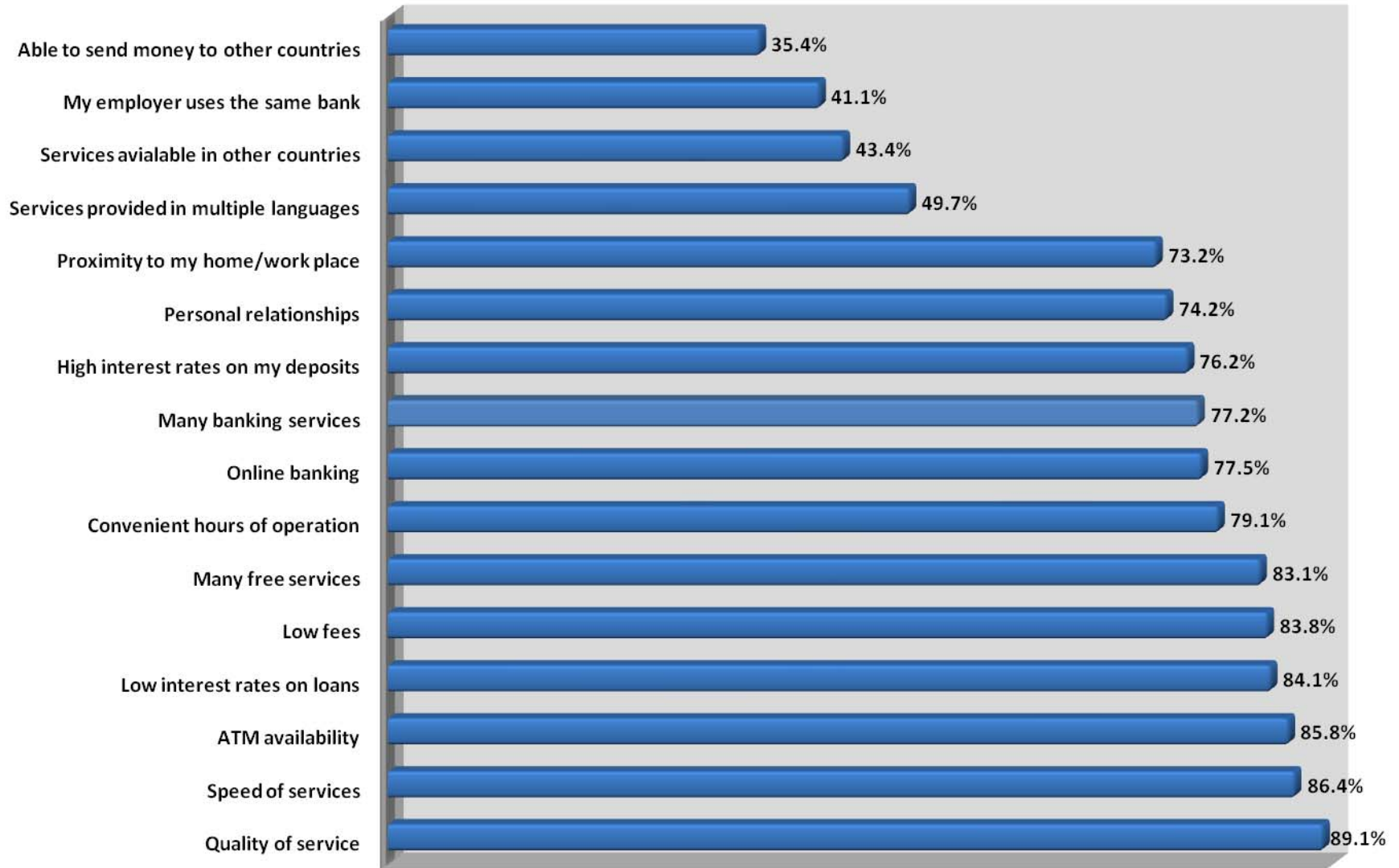
- Quality of services
- Speed of services
- ATM availability
- Low interest on loans
- Low fees

Least important factors in selection Bank #1:

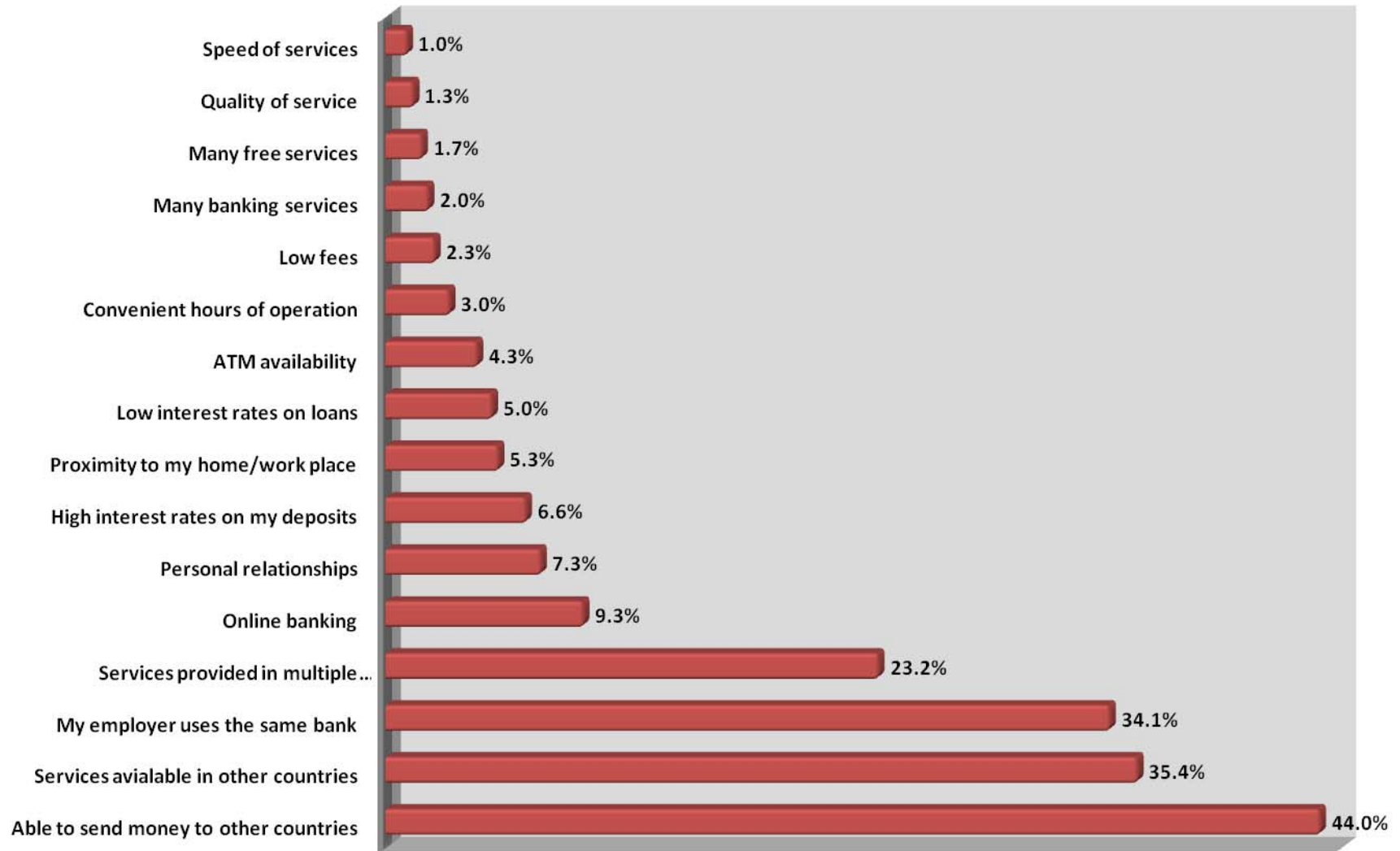
- Able to send money to other countries
- Services available in other countries
- My employer uses the same bank
- Services provided in multiple languages
- Online banking

Factors important in choice of #1 bank

Survey Question # 3



Factors least important in choice of #1 bank Survey Question # 3



Preliminary results (Cont)

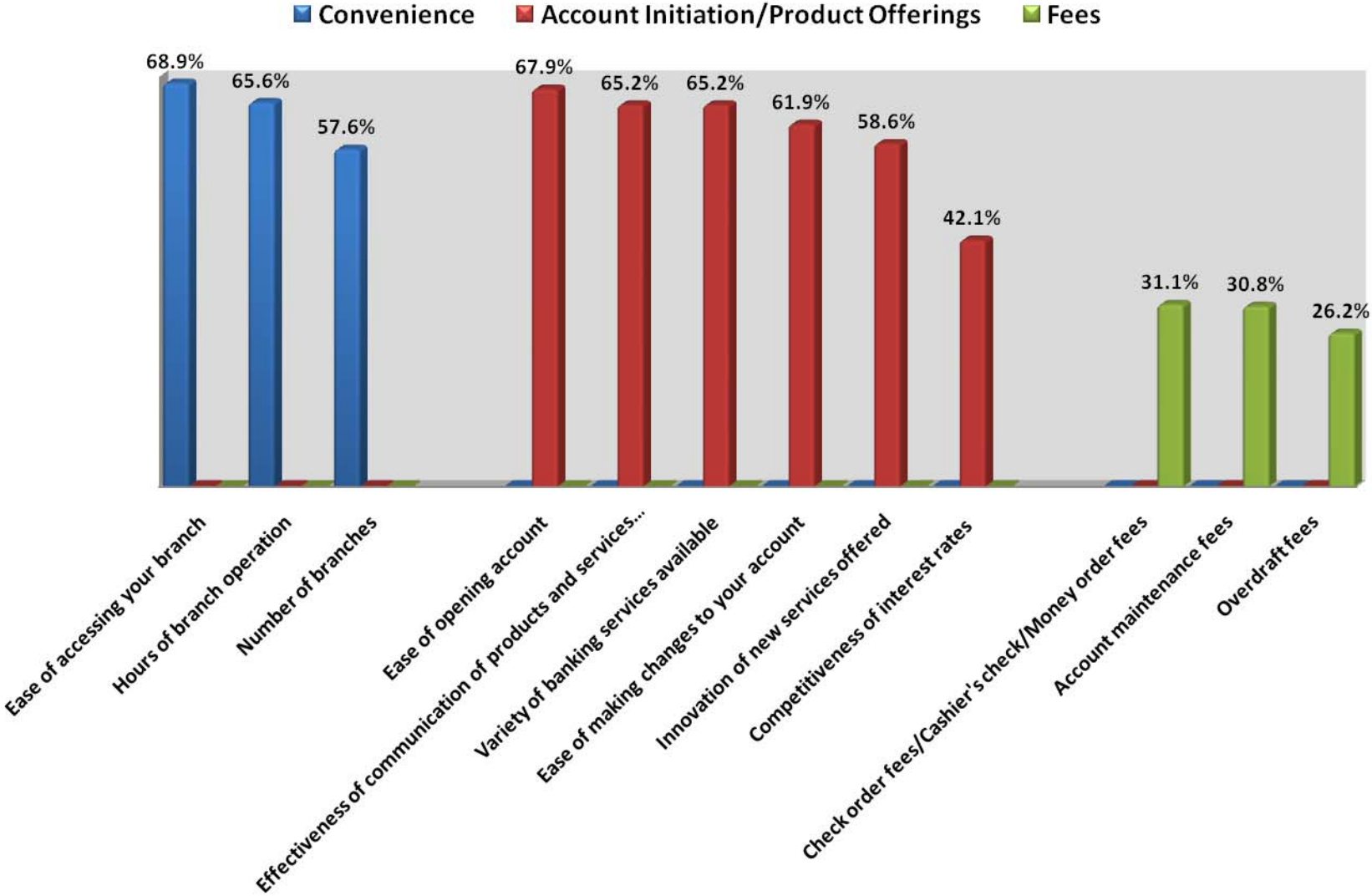
Experience Rating of Service:

- ✓ *Best: Product Offerings – Convenience*
- ✓ *Worst: Fees*

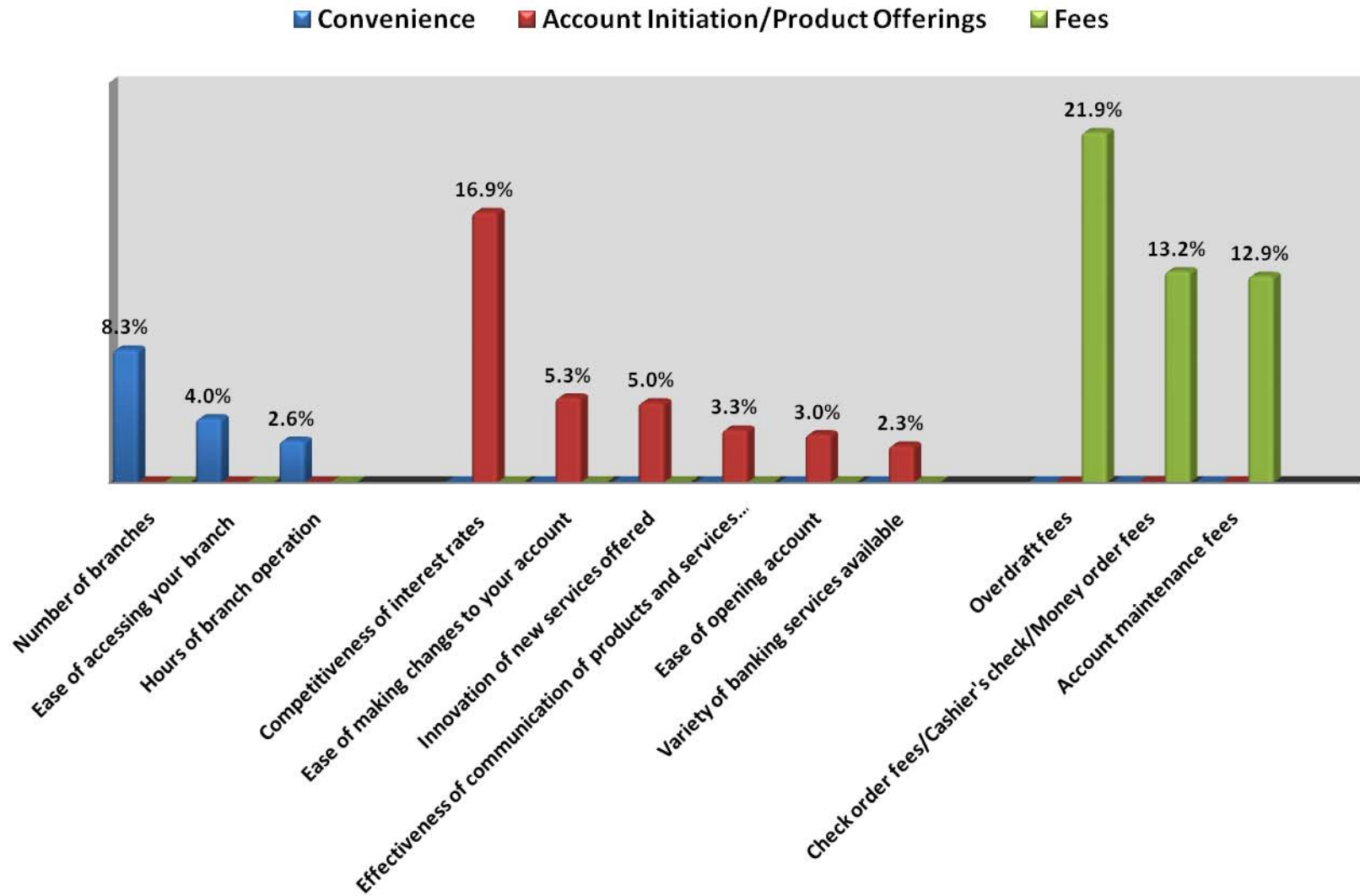
Experience With Transaction Method

- In Person [Courtesy teller [Best]/ Time waiting in line [Worst]]
- ATM [Ease of use/ Number & location ATMs]
- Online [Speed transaction/ Uneasy use of website]
- Auto Phone [Speed transaction/ Services performed]
- Live Rep Phone [Services performed/ Courtesy of Representative]

Experiences ranked “excellent” and “above average” at the #1-ranked bank Survey Question # 8



Least satisfactory experiences with #1 Bank Survey question # 8



Most used:

Services

Checking account

Debit card

Savings account

Bill payment service

Credit card

Transaction Method

ATM

In Person

Online

Phone Live Rep

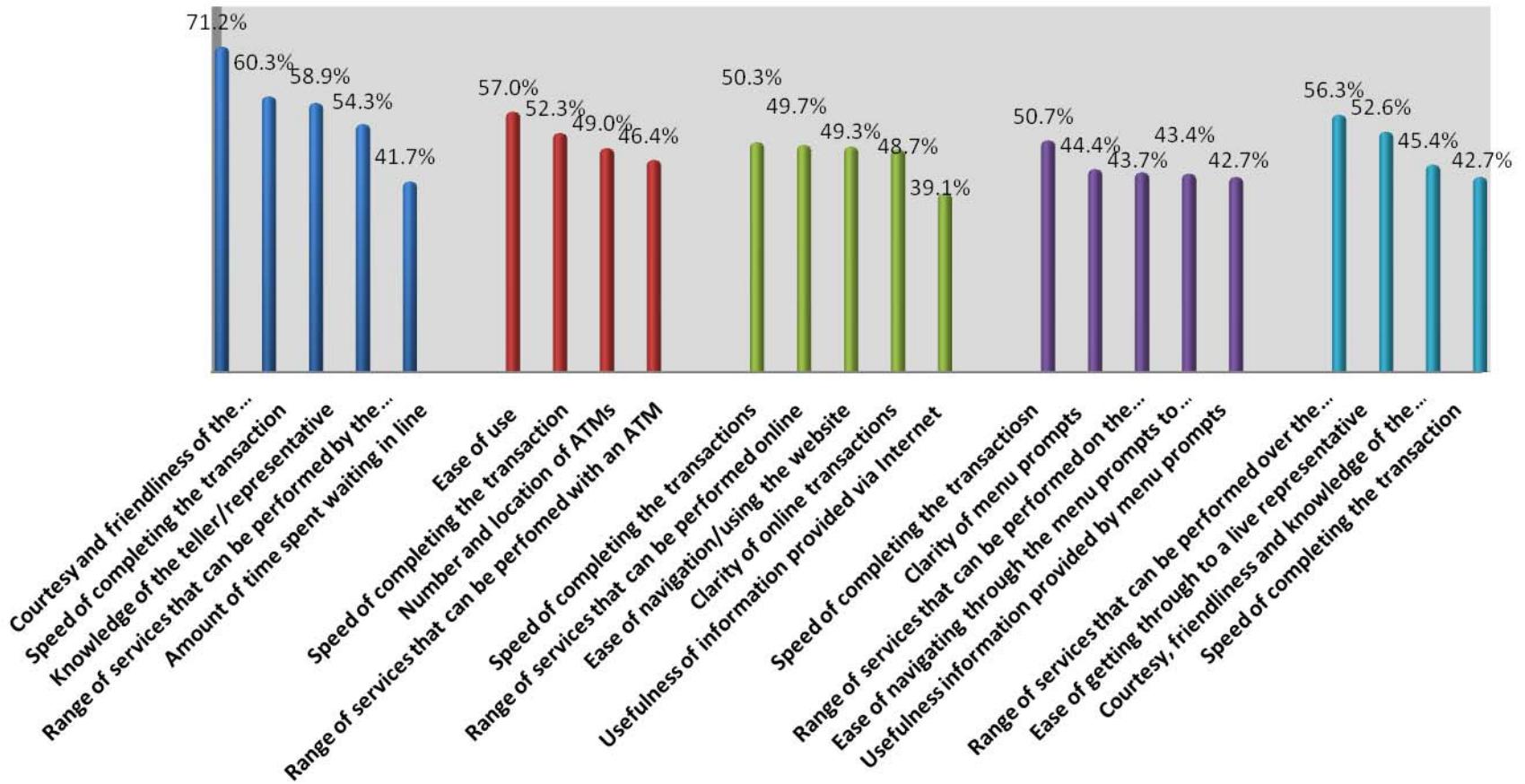
Phone Auto

Mail

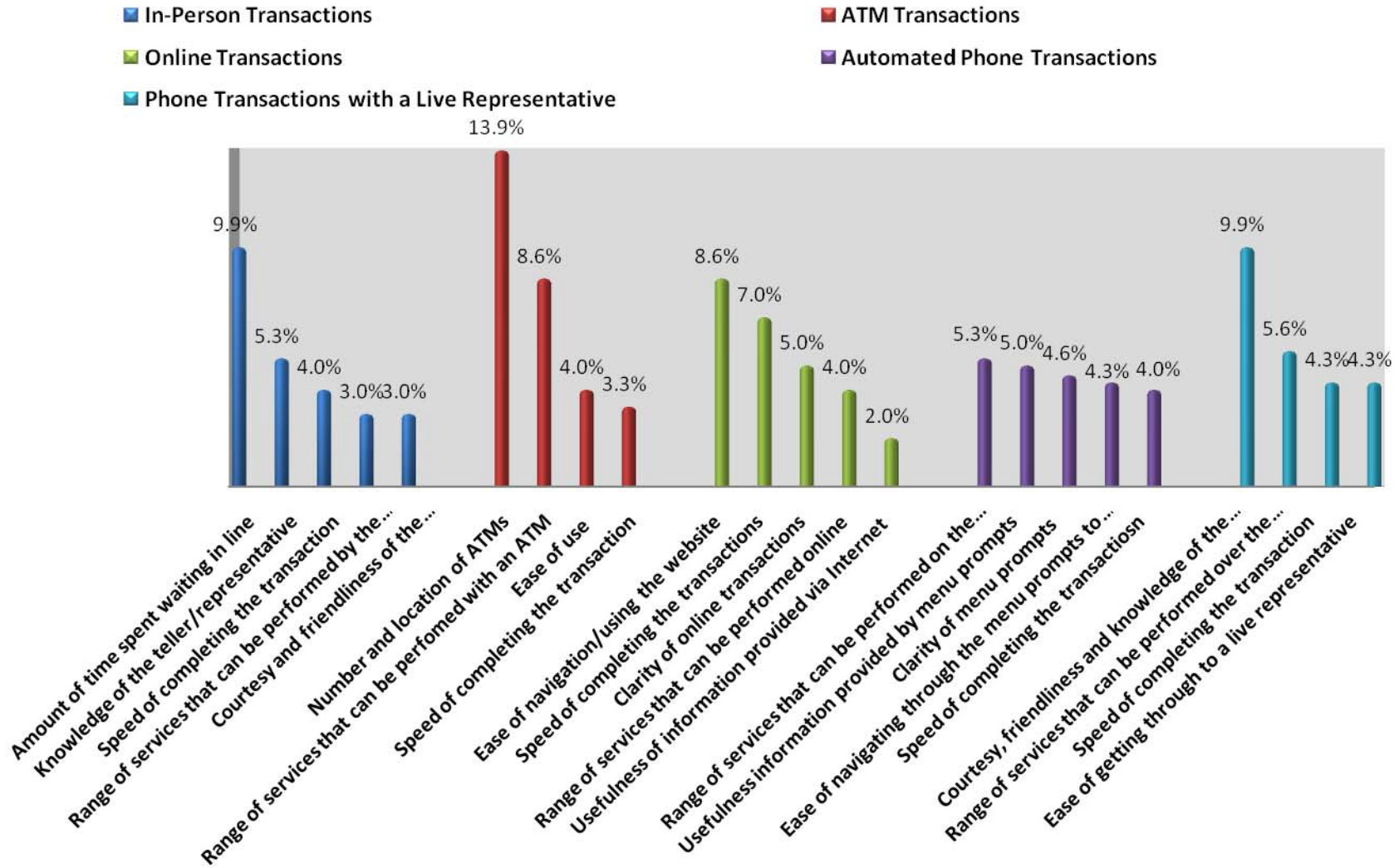
Transaction methods ranked as “excellent” or “above average” with #1 bank

Survey question # 9

- In-Person Transactions
- Online Transactions
- Phone Transactions with a Live Representative
- ATM Transactions
- Automated Phone Transactions



Transactions methods rated as “extremely poor” or “below average” when dealing with #1-ranked bank Survey question # 9



Limitations/ Future Research

- Better representation of less acculturated
- Other geographies & other groups of Hispanics
- Identifying banking services in demand but not yet appreciated by banks
- Characterizing the supply side:
 - criteria to serve immigrant markets (?lower down payments, latitude regarding immigrant status)
 - Determining credit worthiness (?immigrant financial portrait: pooled income, credit history)
 - ?Culture-sensitive outreach activities (importance of relationships, language, (non-banking) services provided).