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Ethno-banking, microfinance and societal integration of immigrant communities

The case of the Raiffeisenlandesbank of Lower Austria and Vienna (RLB NW)
One of the pioneers of the microfinance movement

F.W. Raiffeisen (1818-1888)

Principle of granting small loans encouraging the self-help of the poor people →
One of the pioneers of the microfinance movement in the Third World
(Arnold/Lamparter, 1985)
The Raiffeisen idea and the RLB NW

Willkommen!
Dobro došli!
Hoşgeldiniz!

Generaldirektor-Stv. Dr. Georg Kraft-Kinz
über die Sprache hinter der Sprache

Raiffeisen begrüßt Kunden in Bosnisch, Kroatisch, Serbisch und Türkisch - es geht um die Sprache hinter der Sprache.
The origin of the logo
The Raiffeisen logos today

The traditional gable cross
since 1980

The crossed hands
since 2011 (only in Vienna)
Integration by ethno-banking and microfinance: RLB NW and the Turkish community

- **Hypothesis:**
  - The ethno-marketing and ethno-banking strategies of the RLB NW further the societal integration of the Turkish community in Vienna

- **Research questions:**
  - Do the ethno-banking services favour societal integration?
  - Does the microcredit offer help with social inclusion?
Some elements illustrating the context
Some elements illustrating the context

Wien darf nicht Istanbul werden.

Er sagt, was Wien denkt.
The bottom-up ownership pyramid of the Raiffeisen sector in Austria – RLB NW is RZB’s largest shareholder (35%)
Ethno-banking and societal integration?

- Integratio (lat.) = the creation of something whole, supposing the constitution of an entity, presuming that there are different parts of the ‘whole’ (Essser, 2001)

- ‘Integration’ in the past applied to handicapped people, today nearly exclusively used in the context of immigration. Different concepts of integration: sociological, societal, political, etc. → leading to various types of discourse (Zauner, 2012)

- Ethno-marketing segments the market into target groups → reinforcement of segregation? (Schuchert-Güler/Eisend, 2007)

- Does ethno-marketing (and ethno-banking) hinder integration? (Hanappi-Egger, 2011)
Microcredit and financial inclusion

- Micro= for the small credit amounts and the limitation to a small operation field → close contact between borrower and lender → confidence (Berg, 2011)

- ‘Credit’ (lat. credere) = ‘trust’ = the borrower is considered trustworthy by the lender (Berg, 2011)

- Money as a ‘remedy’ against social exclusion (Berg, 2011) and a compensation for a lack of social acknowledgement (Vohs, 2009)

- Money as a medium of a relationship between people (Simmel, 1996)
Research methodology

- Study of Raiffeisen documents (annual reports, internal firm documents, websites)

- Semi-structured interviews carried out:
  - at the headquarters of the RLB NW
  - in ethno-banking branches of the RLB in Vienna
  - with an ethno-marketing agency working for the bank
  - with the association ‘Wirtschaft für Integration’ (Economy for Integration) founded and sponsored by the bank
Interview guidelines

- Ethno-banking measures undertaken for a better integration of Turkish immigrants in Vienna
- Awareness training of the collaborators
- Regionality and personal contact
- Language and culture
- Product adaptation/ microfinance offer
- Microfinance and inclusion
The headquarters of the RLB NW
I. Ethno-banking measures
   1. The training of the collaborators
2. Regionality and personal contact
3. Language and culture
4. Traditions and religion
5. Wedding credit (Hochzeitskredit)
II. Credit options
1. Wedding credit

<table>
<thead>
<tr>
<th>WEDDING CREDIT ('Hochzeitskredit')</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aims</strong></td>
<td>Financing of the costly Turkish weddings</td>
</tr>
<tr>
<td><strong>Conditions</strong></td>
<td>Same as for a classic consumer credit Primary residence in Austria Austrian citizenship = no</td>
</tr>
<tr>
<td><strong>Amount</strong></td>
<td>Same as for a classic consumer credit Generally 10,000 – 15,000 euros Primary residence in Austria Austrian citizenship = no</td>
</tr>
<tr>
<td><strong>Guarantee</strong></td>
<td>A fixed salary and life insurance</td>
</tr>
<tr>
<td><strong>Loan term</strong></td>
<td>5-8 years</td>
</tr>
</tbody>
</table>
## 2. Microcredits

<table>
<thead>
<tr>
<th>MICROCREDITS</th>
<th>‘Mikrokredit’ (are being finalized by the bank)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aims</strong></td>
<td>Material and immaterial investments</td>
</tr>
<tr>
<td><strong>Conditions</strong></td>
<td>Not mentioned on the information sheet</td>
</tr>
<tr>
<td><strong>Amount</strong></td>
<td>30,000-50,000 €</td>
</tr>
<tr>
<td><strong>Guarantee</strong></td>
<td>AWS (Austria Wirtschaftsservice)</td>
</tr>
<tr>
<td><strong>Loan Term</strong></td>
<td>7-10 years</td>
</tr>
</tbody>
</table>
### 3. Small loans

<table>
<thead>
<tr>
<th>VIENNESE SMALL LOANS (‘Wiener Kleinkredit’)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Customer’s benefit</strong></td>
<td><strong>Reinforcement of liquidity</strong></td>
</tr>
<tr>
<td><strong>Target</strong></td>
<td><strong>People with a trade license or practicing an entrepreneurial activity in Vienna</strong></td>
</tr>
<tr>
<td><strong>Maximum credit amount</strong></td>
<td><strong>€ 5,000 per client</strong></td>
</tr>
<tr>
<td><strong>Handling charge</strong></td>
<td><strong>€ 100 flat rate</strong></td>
</tr>
<tr>
<td><strong>Period and repayment</strong></td>
<td><strong>Two options: A. up to a 36-month term, a monthly rate with three months interest-free, B. quarterly rates</strong></td>
</tr>
<tr>
<td><strong>Securities</strong></td>
<td><strong>Recommendation from the bank: life insurance of the borrower, etc.</strong></td>
</tr>
<tr>
<td><strong>Use of the credit</strong></td>
<td><strong>Investments or means of production</strong></td>
</tr>
<tr>
<td><strong>Periods</strong></td>
<td><strong>After presentation of the complete application documents: decision by the bank within three working days; preparation of the loan within one week.</strong></td>
</tr>
</tbody>
</table>
Results (I)

- Concrete actions visible only in the field of ethno-banking

- Extremely limited information about microcredits offered by the RLB NW. Figures for the immigrant community are confidential.

**Conclusion:** No real conclusions about the financial inclusion of the immigrant community.
But:

- Recognition of the values and habits of the immigrant community by ethno-banking
- Integration = the constitution of an entity → ethno-banking measures = small steps
- Close relationship with the clients → confidence and self-esteem
- Credit = trust = a remedy against social exclusion
- The microcredit offer → creation of a business activity = better integration in the host-society
Conclusion and further areas of study

- Integration = a daily preoccupation in the ethno-banking branches of the RLB NW
- Integration and inclusion = a principle of its founder, F.W. Raiffeisen = still a topical question today

Further areas of study:
- The reception of the commitment of the RLB NW by the Turkish immigrant community.
Video Österreichischer Integrationstag 2012

Thank you for your attention!