



Strategies for Financial Inclusion

*Findings from Talking Circles with
Members of the Somali Community*

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Study purpose and methods

In February 2014, ECHO Minnesota (Emergency, Community, Health, and Outreach) and *tpt* (Twin Cities Public Television) contracted with Wilder Research to learn ways of promoting increased mainstream financial service usage among four cultural communities: African American, Hmong, Latino, and Somali. In addition, ECHO and *tpt* identified the “1.5 generation” as a focus area for this study. The 1.5 generation refers to people who immigrated to the U.S. from another country before or during their early teens and typically use their bilingual skills to serve as liaisons for family and friends. ECHO is a Saint Paul based organization that partners with health, safety, and media organizations to help diverse communities, including immigrants and refugees, access the resources they need regarding health, safety, civic engagement, and emergency readiness.

Wilder Research conducted a literature review which included 28 articles that focused on the financial perceptions and practices of the cultural communities mentioned included in the study. The literature review resulted in two reports – one focused on minority and immigrant communities, the other on Islamic banking. Please contact Thalia Hall at (651) 280-2692 or thalia.hall@wilder.org for access to either report.

Two talking circles with each cultural community (a total of 10 groups) were conducted in Minneapolis and Saint Paul in March and April 2014 to help us learn more about barriers and challenges that members of these communities have experienced when using banks. Using the literature review, questions for the groups were developed in collaboration with ECHO staff and their partners.

Talking circle participants were asked to anonymously complete a brief demographic survey at the beginning of each meeting. Included in the survey were some questions to learn about participants’ current banking experiences, and the kinds of financial products and services they have used. The number of community members who attended the talking circles and completed the demographic survey varied. Some participants chose not to complete a survey. The demographic tables reflect this variance by displaying the sample size for individual questions in parentheses in the table heading. For detailed demographic tables, please see the Appendix.

This report summarizes findings from two talking circles with 18 members of the Somali community. Talking circles lasted roughly 1.5 hours and were conducted in Somali. The conversations were audio recorded, which supplemented notes taken during the talking circles. At the end of each meeting, every participant received a \$20 Target gift card to thank them for their participation.

Findings from talking circles

Findings from talking circles with 22 participants who identified as Somali are grouped into four main categories:

- Learning about banking and money management
- Perceptions of financial institutions and whether banking personnel understand the needs of the Somali community
- Financial services and products used and perceptions of those services and products
- Suggestions for increasing financial education among the Somali community

Learning about banking and money management

Many participants mentioned learning about banking and money management before immigrating to the United States. All participants of one group (10 participants) and three participants of the other learned about banking and money management from their parents, with two participants noting that they learned informally by observing their parents' interaction with money. In addition, four participants noted learning the basics of banking and money management when in school in their country of origin.

My dad used to have a store and when he died I took over the store. He used to keep animals and run a store, and I did the same because that's what he did. You do what you see your parents doing.

In regards to learning about the U.S. financial system, six participants said they learned about the U.S. financial system through their caseworker after arriving in Minnesota, and four participants learned about the U.S. financial system through attending English Language Learner (ELL) classes. In addition, five participants learned about the U.S. financial system after they got a job in Minnesota.

My caseworker took me to open a bank account. She helped me learn how to use money – the caseworker helped me with the banking here.

In the beginning, I made two accounts – a savings and checking account. When I started school, I didn't know how to write checks so the teacher taught me.

When I arrived here I had a job, and at the job I was told about direct deposit, and that I can take money from the bank.

Perceptions of financial institutions

Six participants noted that they trust banks, with three participants mentioning that banks are a safe place to store money. Two participants mentioned banks as “helpful.” In addition, all participants of one group (8 participants) agreed that banks treat them well, citing friendly customer service and Somali-language speakers as positive aspects of experiences with banks. No participants expressed negative perceptions of banks or financial institutions.

Yes, we trust the banks very much. We place our money there.

We do trust banks; we take our gold there.

When you go there, they greet you and welcome you with an open face and they ask you to sit down. They ask you what you want. Some places have people that understand the Somali language, and if there is no one that speaks Somali, they call someone on the phone that can speak Somali to help. They do a great job with welcoming people.

Financial services and products used

Participants have used a variety of financial services and products from banks and financial institutions (Figure 1).

1. Services and products used by talking circle participants (N=14)

	Talking circle participants	Percent
Checking account	13	93%
Savings account	11	79%
ATM (automated teller machine)	4	29%
Credit card or debit card	1	7%
Home mortgage	--	--
Home equity loan	--	--
Unsecured personal loan, for example to buy a car or make a big purchase	--	--
Investment in a certificate of deposit (CD) or Money Market funds	--	--
Retirement account, like an IRA (Individual Retirement Account)	--	--
Other services	--	--
Prefer not to answer	--	--

Note: N=14 represents the total number of participants who answered this question. See Appendix.

Most participants have a checking account and use it primarily to deposit their checks, and keep their money safe until they need to withdraw it. Although many participants save their money, six participants mentioned that it is difficult for them to save money considering their other expenses, including a higher cost of living in the U.S. (compared to their country of origin) and sending remittances to family members in their home country. They also offered comments that if they had better jobs it would be easier for them to save.

Saving is difficult. It's difficult because you're sending money to people in Africa. The rent is high. The living, the clothes, you need a lot – so saving is hard.

It's very difficult for the Somali people to save money because the amount of money that comes in is very little. If they had adequate jobs, it would be easier to save. They pay for the rent and food. The issue is that the family can have five children, and the father and mother are both working and saving money for the children for their education.

Regarding differences in whether men or women are more likely to handle household finances, two participants mentioned that, according to Islamic teaching, men are responsible for household finances. However, six participants noted that in reality either men or women handle finances and make household financial decisions.

According to our religion, the responsibility is that of the man, but that rule doesn't apply since we arrived in America. With how the work is now in America, the women are making more money when it used to be the men making more money, so a lot of responsibility is on the women.

Islamic banking

Additionally, participants described aspects of Islamic faith that affect their involvement in mainstream U.S. financial services, specifically noting that the Islamic religion prohibits the collection of interest from either party involved in financial transactions. Adding interest is considered taking advantage of another in need, imposing more debt on someone who already does not have means. In particular, all participants of one talking circle (10 participants) had not attempted to apply for loans due to interest involved. This may indicate that these participants are unaware of Islam-compliant loan and banking options available in Minnesota (for more information, please see the literature review mentioned in the “Study purpose and methods” section at the beginning of this report). One participant was aware, however, of Islam-compliant loan and banking options in England. In addition, two participants mentioned that generally banks are unaccommodating to their religious beliefs in regards to interest-free requirements.

In Britain, the issue we have heard about is that there are banks that don't have interest intended for people that are Muslim. We hope for something like that for people living in America who are Muslim. Loans without interest and banks that are separate that don't have interest. For those who want interest, they can go to the banks that have interest and for those that want halal [permissible] and interest free can go where there is no interest.

Lending circles¹

Participants indicated that Muslims typically do not participate in lending circles because they too conflict with Islamic beliefs. In addition, four participants mentioned not having enough money to participate in lending circles, with three of those participants noting that any extra money is sent to relatives in Africa.

Somalis don't use lending circles. In regards to Islam, it's prohibited. The reason why it's prohibited is because the money a person is giving to the lending circle could be given [instead] to his family – when his family is in need. A very small group of Somalis use lending circles, but most don't.

Owning a home

All participants from both groups who expressed an opinion on the subject agreed that owning a home is important (22 participants) although no one from either group has applied for a mortgage. However, all participants from one talking circle (10 participants) mentioned difficulties regarding making consistent mortgage payments in addition to other monthly bills.

For a mortgage, there can be a time where you won't have money for the payments or you are no longer working and the house can be taken from you.

A mortgage isn't good because it can put you in debt.

Additionally, four participants mentioned that many mortgage agreements are not Islam-compliant because interest is involved.

What's holding us back from mortgage is our religion. It is tied to interest when we look at Islamic law.

¹ Lending circles refer to the practice of lending money to relatives, friends, or otherwise unrelated individuals without going through a traditional financial intermediary such as a bank or other traditional financial institution.

Five participants also described different ways Somalis buy homes in their homeland, which may also influence how some of them view the process of buying a home in the U.S. For example:

- Differences between the home buying and building processes in the U.S. and Somalia (3 participants)

In Somalia, if you are unable to make the payment, you tell those that are building the house that they have to wait a month for payment, and they will wait. Here it is not the same – if you miss a payment, they will come after you.

There are differences between owning a home in Somalia and owning a home in America. In Somalia, you are able to build a home and it is yours. Once you build your home, if there is damage, then the government will demolish it and you can start over. In America, if you build a home you have to pay the full amount, but if you're unable to, you don't get back the amount you already paid for.

- The importance of being able to move easily, which owning a house restricts (2 participants)

It is important to move around. We are people that like to move around, so we rent.

Renting is better because you can leave and move around. With a mortgage you cannot just move.

Suggestions for increasing financial education

Regarding financial education for Somali youth, participants mentioned that some schools are already teaching their children about financial management (1 participant), that youth are more knowledgeable about the U.S. financial system than they are (1 participant), and that youth should learn about financial management before middle school (1 participant).

Summary and recommendations

Participants of the talking circles with Somali immigrants indicated that they trust banks, which may be related to many of them receiving financial training from caseworkers or ELL teachers. The most significant barriers mentioned by participants were financial challenges associated with moving to a new country and not having a job as well as challenges associated with adhering to Islamic teaching when using U.S. financial services and products. Wilder Research offers the following suggestions to banks and financial institutions to more effectively engage Somali customers:

- **Learn from and network with caseworkers and ELL teachers.** Many participants noted learning about the U.S. financial system through caseworkers and ELL teachers who serve Somali immigrants. By connecting with caseworkers and ELL teachers who work with the Somali community, banks and financial institutions might gain valuable insights regarding the values and culture of Somali people as well as ensure that caseworkers and ELL teachers provide accurate financial information to their clients and students.
- **Educate Muslim customers about availability of Islam-compliant products and services.** Participants believed that loans in the U.S. are not Islam-compliant, and mentioned England as an example of a country offering financial products and services that Muslims may use. In reality, there are a number of Minneapolis- and St. Paul-based organizations that offer Islam-compliant financial products and services. Please see the literature review conducted for this study for a list of these organizations.
- **Communicate the value of saving small amounts of money, and offer savings accounts that allow customers to save small amounts of money without penalty.** Participants mentioned many financial stressors in their lives (such as the higher cost of living in the U.S. and sending remittances to family members in their country of origin) and that saving money is difficult due to these stressors. Banks and financial institutions might focus more outreach specifically to Somali immigrants regarding the value of saving small amounts of money, which may increase the number of Somali customers who save money. To support customers saving small amounts of money, banks and financial institutions should offer savings accounts that allow customers to save small amounts of money (i.e., offer savings accounts without a minimum balance requirement).

Appendix

Demographic tables for talking circle participants

It should be noted that the number of community members who attended the talking circles and those who answered individual questions on the demographic survey varied. This is the result of some community members who chose not to or missed the opportunity to complete a survey, but still participated in the talking circle conversation. There were also some attendees who did not participate in the conversation but they completed a survey. The demographic tables reflect this variance by displaying the sample size for individual questions in parentheses in the table heading.

A1. Ages of talking circle participants (N=16)

	Number of participants	Percent
18-24 years old	1	6%
25-44 years old	5	31%
45-64 years old	9	56%
65+ years old	1	6%

A2. Gender of talking circle participants (N=16)

	Number of participants	Percent
Male	6	38%
Female	10	62%

A3. Level of education of talking circle participants (N=13)

	Number of participants	Percent
8th grade or less	7	54%
Some high school, but did not finish	--	--
High school diploma or GED	6	46%
Some college, but no degree	--	--
Completed any college degree (2-year Associate or higher)	--	--

A4. Employment status of talking circle participants (N=13)

	Number of participants	Percent
Employed	5	38%
Not employed	8	62%

A5. Monthly income of talking circle participants (N=9)

	Number of participants	Percent
\$0 - \$1,499	9	100%
\$1,500+	--	--