Discussant Comments

Immigrant Financial Services Study
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What determines use of financial transaction products?
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Overview

- Timely Questions: What factors explain use of financial services?
- Role of household vs. location variables
  - Unique data sets
  - IFI 2011 (N=1032)
  - CPS 2011 Unbanked supplement
  - Rich cross Sectional data
- New insights from institutional data
  - Examine barriers and constraints
Financial Behavior

- Bank Account Ownership
- Savings
- Investment
- Private Transfers (including remittances)
- Entrepreneurship
- Home Ownership
- Difficult to disentangle demand vs supply.
  - Could also study impact of financial crisis on use of financial services.
Immigrants and ethnic minorities are less likely to use formal financial services.
## IFI 2011

<table>
<thead>
<tr>
<th></th>
<th>Mexican (443)</th>
<th>Ecuadorian (417)</th>
<th>Chinese (464)</th>
<th>Total (1,324)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banked</td>
<td>43%</td>
<td>65%</td>
<td>95%</td>
<td>68%</td>
</tr>
<tr>
<td>Unbanked</td>
<td>57%</td>
<td>35%</td>
<td>5%</td>
<td>32%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
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</tr>
</tbody>
</table>
Next Step: Examine the role of beliefs

- Confidence in banks and other financial institutions affects behavior

Also, indirect channels
- Trust in institutions
- Attitudes towards risk
- Optimism about the future
- Feelings of control
- Time preference
- Experiencing a bank crisis may affect beliefs directly
Some ideas for future work

- Panel Data
- Field Experiments

  Need additional information on immigrant experience
  - Availability of U.S. networks
  - Language ability
  - Age at migration
  - Impact of Financial Crisis
  - Time to adapt to U.S.
  - More pre-migration experience with financial institutions
  - Better economic conditions at time of arrival (?)
Next Steps

- Examine role of ethnic networks and location characteristics.
  - Size of network: Facilitate adaptation
  - Quality of network: Exposure to crises, financial market participation

- Intra-household analysis:
  - Head/spouse variation to address:
    - Age at migration
    - More time to adapt to U.S.

- Explore additional country level measures of access to financial services

- Use variation in year of arrival to control for economic conditions at time of arrival.
Question: How does a crisis affect financial behavior

- **Main Challenge:** Isolate the mechanism through which experience with a crisis affects future behavior.

- **Potential Explanations:** endogenous preferences, beliefs depend on past experiences, or with learning, where current beliefs depend on the realizations experienced in the past.