

# Migration Background and its Impact on Personal Investments of in Germany Living People

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**Abstract:** More than 20 percent of in Germany living people have a migration background. From the economic point of view and in terms of customer protection, the group of people is noteworthy. Within this paper, the group of people with migration background is compared to people without migration background due to financial advisory, investment objectives, and yearly performance of personal investments. Generally, only a little difference was identified. People with a migration background focus more on security and liquidity. Returns are not so valuable as an investment objective. People with migration background more often generate a negative return than others. This peculiarity could be a consequence of the different investment objective. The most important person for the financial advisory is the consultant in the house bank. Family and friends are not so important to gather financial information.

**Keywords:** Personal finance, Investment behavior, Young people, Retirement

## 1. Introduction

According to the Federal Centre for Political Education, 18.6 million people with migration background lived in Germany in the year 2016 ("Bevölkerung mit Migrationshintergrund I," 2018). These community members correspond to a share of 22.5 percent of the total population. Based on the Federal Office for Migration and Refugees, migration background is defined as: "A person has a migration background if he or at least one parent was not born with German citizenship."

Thus, this group of people is very valuable, both from an economic point of view and from consumer protection. For the financial services sector, this means, for example, that the investment, the credit and insurance decisions of migrants are binding a lot of financial volumes and could have a significant impact on the budgetary burden as well as on the level of individual retirement protection. Despite the high level of economic policy, there is little evidence of the real consumer behavior and integration into the German markets. The aim of the paper is to look closer to the investment behavior of people with migration background living in Germany. For this, there will be an analysis of financial advisory, investment objectives, and performance.

## 2. Literature Review

Most research on the topic of financial literacy focuses the U.S., and this is also valid for the migration-related topics in this context (de Bassa Scheresberg, 2013; Haliassos, Jansson, & Karabulut, 2017; Lusardi & Mitchell, 2011; Lusardi, Mitchell, & Curto, 2010). For instance, the population in the U.S. features a significant ethnic disparity within the scope of financial knowledge. The Whites and Asian people in comparison to African Americans and Hispanics have without exception a higher financial knowledge (Lusardi & Mitchell, 2011). Different findings for

several ethnical groups are also confirmed in other studies, but often the results of research are not statistically significant (de Bassa Scheresberg, 2013; Lusardi & Mitchell, 2008).

There are also differences between men and women. Women are not able to evaluate their own financial knowledge more often than men. They are often not able to answer questions regarding financial knowledge. Women attribute themselves significantly worse mathematical skills than men. With regard to ethnic groups, no major differences are observable. The same applies to different age groups. Individual respondents value their own financial knowledge more highly. People without work may give themselves a poorer assessment of their mathematical skills and financial knowledge on the basis of poor self-confidence (Lusardi & Mitchell, 2008; Mottola, 2012). Besides the sex, the educational background influences the financial competence. The monetary competence correlates with the degree of academic education. Only 25 percent without a university degree can answer questions due to financial literacy correctly. University graduates and graduates with a postgraduate education answer all correctly. But even a higher academic knowledge does not guarantee ideal-typical results. About a quarter with a postgraduate education chose the answer "do not know" (de Bassa Scheresberg, 2013).

In addition, the financial literacy shows in some cases a large disparity. For example, is the financial literacy of Italians who live in the northern and central parts of Italy higher than within the southern regions. Although not all northern regions have a high level of financial knowledge. Additionally, it is different in the cities and the countryside (Haliassos et al., 2017; Lusardi & Mitchell, 2011). When it comes to urban or rural circumstances there is also a disparity recognizable: For example, in Russia, there is a higher financially literate noticeable within urban areas instead of rural parts of Russia. One reason could be the differential exposure to the modern financial sector within the past few decades. In Terms of religious faith, there is different financial knowledge visible as well. For example, people who live in the Netherlands and believe in other religions (that involves Muslims and other smaller religious groups) are probably not that much high financial educated (Haliassos et al., 2017).

European research on the topic of financial literacy shows that cultural differences lead to different monetary behavior of people with and without migration background. Assimilation of the local financial behavior can be noticed (Haliassos et al., 2017). A major aspect of a civilization is the language. People speaking a foreign language seem to have financial disadvantages. In comparison to people that speak the same language, they have a worse financial literacy (de Bassa Scheresberg, 2013). In general, cultural, social, and political differences influence the financial literacy (Zureck & Svoboda, 2015). In Germany for example, for many years the state pension offered people the possibility to maintain their standards of living after retiring. In the last years, the German politics call for more personal engagement due to pensions schemes. The conditions for the state pension becomes worse and at the same time, young people are forced to take care of themselves with a better private pension (Zureck, Reiter, & Svoboda, 2018). For years, the Germans did not have to worry about financial issues. That's one reason why Germans normally prefer to invest in sound investments or rather low-return investments. This behavior is risk-averse and it leads to the fact that they have financial disadvantages in the long run because of missing returns from stocks or other more risky investments (Lusardi & Mitchell, 2011).

In Sweden, people with a migration background have more often taken debts than others. They do not use the money for investing in homes because immigrants are not so often homeowners than people without migration background. Possible reasons are the worse economic position of people with a migration background, possible discrimination against these people, and finally the intention to go back to their home countries (Brown, Henchoz, & Spycher, 2017).

### 3. Research Methodology and Data

The basis for this analysis is an online survey between June 19, 2017, and August 31, 2017, with 1,911 participants. The enquiry was placed on the websites [www.handelsblatt.com](http://www.handelsblatt.com), [www.auxmoney.com](http://www.auxmoney.com), and in the internal network of the FOM University of Applied Sciences. Cases with missing data are removed from the final data set. It contains 796 cases. This analysis focuses on two subsets. The first subset includes 105 migrants that are living in Germany. Migrants are in this case people, where either the father or the mother of the participant was born outside of Germany. The second subset consists of 691 participants without a migrant background. Unfortunately, the dataset does not include such specific data for different ethnicities like for example the data of others (Lusardi & Mitchell, 2011). This paper is just a description of the German situation. It figures out the differences between people with and without migration background living in Germany. In the following publications, there will be a more detailed analysis of several aspects.

### 4. Results and Discussion

The presented data is limited because there are no further details about the ethnicity of the interviewed people. The dataset offers no possibility to draw any conclusions in detail on specific ethnical groups in Germany, like Muslims or people from Eastern Europe. That is why a direct comparison with our findings on different ethnical groups is not possible (de Bassa Scheresberg, 2013).

The following results fit previous conclusions which do not show significant differences for people with diverse ethnicities (de Bassa Scheresberg, 2013; Lusardi & Mitchell, 2008). Generally, there are more similarities than dissimilarities within the interviewed group. The analyzed dataset differentiates between with and without migration background. There is no further information about the interviewees. That's why there are no specific findings, e.g., for the religious or social settings as well as the home country of the people. At the same time, there is no valid information about the language skills of the interviewees. In the following, three parts of financial behavior are analyzed for people with and without migration background:

#### 4.1 Advisor for Personal Investments

Table 1 shows that there are fewer differences between the interviewed groups. People without and with migration background make mostly their own decisions about personal finance topics (72 percent). If someone asks for advice, the consultant in the house bank is the first interviewed person. This result shows that the financial consultant in the house bank is valuable for a small group of people (around 15 percent in both groups).

**Table 1:** Advisor for Personal Investments

Advice by	Migration Background			
	Without		With	
House Bank	117	17%	16	15%
Independent Financial Consultant	55	8%	7	7%
Family and Friends	21	3%	6	6%
Only own decisions	498	72%	76	72%
<i>Interviewees</i>	<i>691</i>		<i>105</i>	

**Source:** Own illustration

The advice by independent financial consultants as well as by the family and friends is not so important for many interviewees. A reason for this could be that personal finance is a confidential topic and many people do not want to talk about it with family members.

#### 4.2 Investment Objectives

In an international comparison, in Germany living people do not focus mainly on returns. Due to history and habits, they tend to low-return investments with a special focus on security (Lusardi & Mitchell, 2011; Zureck et al., 2018). As in Table 2 is shown, this conduct is also guilty for people with migration background in Germany. Regarding the data, loss aversion, security, and liquidity as investment objectives are more important for people with migration background than for people without such background. This might be a consequence of the family history of those people. Often, the families of the people with migration background lost their personal wealth due to forced evictions and getaway (Oltmer, 2016). They try to prevent that there is a repetition of the history in the future. That's why they save their personal items as well as their money. Returns are less important to achieve this aim.

Other studies point out that people with a migration background normally have a shorter investment horizon. They often invest in their home countries, or they do not plan to stay abroad for a while (Brown et al., 2017). Regarding Table 2, the analyzed dataset includes similarities. The interviewees with a migration background are more often invested in disposable and secure investments than people without migration background.

**Table 2:** Investment Objectives

Investment Focus	Migration Background			
	Without		With	
Security (no losses)	161	23%	28	27%
Liquidity (availability)	102	15%	19	18%
Return	428	62%	58	55%
<i>Interviewees</i>	<i>691</i>		<i>105</i>	

**Source:** Own Illustration

#### 4.3 Development of Personal Investments

People with and without migration background realize nearly the same yearly performance with their investments. There are just slight variances within the groups. 86 percent of the people without a migration background achieve a positive yearly performance. In the other group, only 79 percent earn a positive return. The entry "w/o changes" is nearly on the same level. In comparison, people realize more often a negative yearly performance with their investments (Table 3).

**Table 3:** Performance of Investments

Yearly Performance	Migration Background			
	Without		With	
Positive	593	86%	83	79%
W/o Changes	45	7%	9	9%
Negative	53	8%	13	12%
<i>Interviewees</i>	<i>691</i>		<i>105</i>	

**Source:** Own Illustration

People with migration background focus more often on liquidity and security due to their investment objectives. These facts could be a reason why those more often realize a negative return. Especially to these objectives fitting financial products do not gain many earnings and the interest rate is frequently below the inflation rate. The solution for the top alternative B2B E-commerce Platform is robust. The percent-any critical performance measure is for alternative B2B E-commerce Platform under criterion Online Payment Security. A change from 41.3% by absolute -23.6% will change the ranking between B2B E-commerce Platform and B2C E-commerce Platform.

## **5. Conclusion and Outlook**

It was the aim of the paper to analyze the investment behavior of in Germany living people with and without a migration background. Therefore, the discussion in this paper focuses on financial advisory, investment objectives, and performance. People with and without migration, background firstly ask in the house bank for financial advice. Family and friends are not so valuable for financial advice. It seems that monetary issues are confidential issues and people do not want to talk about it.

In contrast to people without migration background, people with migration background look closer to security and liquidity. Generating returns with their investments does not count so much for those people. In general, both observation groups realize mostly positive returns with their investments. However, the number of people with a negative yearly performance is higher for the group with migration background. Overall, there is no significant difference between both observation groups. People with and without migration, background have mostly the same investment behavior. Little dissimilarities exist for the investment objectives and the yearly performance.

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