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People – Money Co-movement and the Ethnic Financial Sectors in Canada and the U.S.*

SUMMARY

Financial globalization and international migration have altered the socio-economic-demographic make-up as well as the financial dynamics in immigrant receiving countries. An outcome is the emergence or strengthening of a formal ethnic financial sector consisting of financial institutions that are owned and/or operated by a variety of ethnic groups. Focusing on ethnic banks in Los Angeles, USA and ethnic credit unions in Toronto, Canada, and using secondary sources and interviews with bank executives, this paper demonstrates that contemporary financial dynamics pertaining to immigration is rooted/localized in different ways with different groups, and is shaped by different regulatory and institutional contexts. Specifically, it identifies that ethnic financial institutions in both cities serve co-ethnics first and foremost, and utilize ethnic assets, bonding social capital in particular, to develop their customer base while branching out to other groups by developing bridging social capital and broadening their product lines. The comparison also shows that ethnic banks in LA are larger, more numerous, and mostly Asian-owned, whereas the ethnic credit unions in Toronto are smaller, less numerous, and mostly of European background. These variations stem from differences in the national financial regulatory regimes and in the immigrant population dynamics.

KEY WORDS: ethnic financial institutions, immigration, ethnic assets, social capital, Los Angeles, Toronto

We are in an era of intensified global migration – people, money, information and services – and economic change. Global financial resources fuel economic development while national regulatory regimes govern the financial sector that manages such flows. National immigration policies increasingly seek to attract investors and highly-skilled immigrants. Immigrants, rich or poor, continue to disproportionately settle in metropolitan areas. These changes alter the socio-economic-demographic make-up as well as fi-

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nancial dynamics in immigrant receiving countries. This paper examines the roles of ethnic financial institutions owned and/or operated by a variety of ethnic groups in the United States and Canada. Focusing on Los Angeles in the U.S. and Toronto in Canada, the comparison aims to demonstrate that contemporary financial dynamics pertaining to immigration is rooted/localized in different ways with different groups, and is shaped by different national policy and institutional contexts. Specifically, the paper uses social capital as a theoretical framework to compare and evaluate relative performance of the sector in both countries. There are five sections in this paper. Section I introduces the variations in immigrant populations and banking institutions in the two countries. Section II sets up the conceptual framework with a review of the literature on banking and immigration and a discussion of the role of social capital in banking operations and outreach. Section III describes the research sites and methods after posing the research questions. Section IV traces the history of ethnic financial sectors in both countries, and its relation to immigration flows. Section V compares and contrasts the current situations; it examines the role of the national regulatory regimes, the national immigration policies and the local population dynamics, and the way social capital is being used to address the differences and similarities between the ethnic financial sectors in the U.S. and Canada.

1. Introduction

While there have been ample studies on either globalization of financial dynamics and immigration trends, there is little on the transnational connections of both population and financial dynamics. Apart from the flow of remittances, the co-movements of population and money across national borders, and the ways in which contemporary immigration changes financial institutions and their operations in immigrant receiving countries have not received much attention. The spectrum of relationships between international finance and international migration requires comprehensive examination especially in light of national regulatory stipulations that continue to control the numbers of domestic and foreign banks and regulate their transactions.

The differential banking charters in the U.S. and Canada explain in part the more centralized (and almost oligopolistic) banking sector in Canada. Specifically, Canada-chartered domestic banks have diminished from their peak of 36 in 1875 to 20 as of July 2008, with the "big five" banks (Bank of Montreal, Canadian Imperial Bank of Commerce, Royal Bank of Canada, Scotia Bank, and Toronto Dominion Bank) continuing to dominate the financial sector (Clement, 1975, 1977; Tickell, 2000; Trichur, 2007). As illustrated in Table 1, before the financial crisis of September 2008, whereas the top five banks in the U.S. held 39% of the country's total bank assets, the top five in Canada guarded 85% of those in Canada. Varying financial regulatory regimes would have impacts on the financial structure of individual countries and hence services to immigrants.

The U.S. and Canada also have diverged immigration policies in recent decades. The primary principle in the U.S. since 1965 has been family reunification which takes up to 80% of the annual immigration quota while immediate family members of US citizens do not count against quota. Canada has adopted the points system since 1967 that primarily values human capital and work experiences. In meeting domestic needs, both countries have further adjusted their immigration policies in recent years, actively recruiting highly-skilled and capital-rich migrants. While the U.S. heavily relies upon temporary highly-skilled visa holders, Canada vigorously pursues investor immigrants. Additionally, undocumented migrant flow has become a major concern in the U.S. with an estimated 12 million in total. As such, the two countries now vary in their immigrant share of the total population, immigrant origin countries and immigrant profiles (Li, 2006, 2008; Li, 2003; Lo, 2006).

Table 1 shows some of the differences pertaining to the banking industry and the immigrant populations in the U.S. and Canada. We can infer from such differences there are likely variations in the financial needs of their immigrant population and their interactions with local financial institutions. We are interested in exploring the role of the regulatory regime in such matters.

Table 1: Comparison on Banking and Immigration in the U.S. and Canada

(2006 data unless otherwise noted)	*Canada*	*The U.S.*
Bank charter	Federal	Federal and state
No. of banks (1) (2)	44	8,494
Persons per bank	749,455	35,510
Share of top five banks in total assets (1)	85.44%	38.95%
Immigrants in total population	19.8% in 2006	12.5% in 2008
Total immigrant population	6,186,950 in 2006	37,547,315 in 2008
Top three immigrant origin countries and their percentage in total immigrants	UK – 9.4% China – 7.5% India – 7.2%	Mexico – 30.7% China – 5.1% The Philippines – 4.4%
Skilled vs. family reunification class	58.0% vs. 24.6% in 2004	22.0% vs. 57.8% in 2005

Notes: (1) as of March 31, 2008; (2) including subsidiaries of foreign banks.

Sources: Birrel, Hawthorne and Richardson (2006); CBA website; FDIC website; Li (2008); OSFI website; Statistics Canada website; US Census Bureau website.

2. Conceptual framework

The globalization process and its domestic financial manifestations have contributed to the polarization of banking services and economic inequality in different immigrant neighborhoods. The complex and constantly evolving financial dynamics either facilitate the development of new ethnic residential clusters and/or business activities, or further damage already impoverished minority neighborhoods. The "banked" communities enjoy capital accumulation and development investment, in addition to day-to-day financial transactions; whereas the "unbanked", affording only cash transactions, are void of such capability. While providing money transfer service is an important way for banks to begin serving unbanked immigrants (Samuels, 2003), only banked immigrants can become part of the financial mainstream in receiving societies. The connection between financial institutions and immigrant communities, or the absence of it, holds important policy implications not only in terms of financial management and regulation, but also regarding immigrant and domestic socio-economic developments. We will discuss here the relationship between banking and immigration in general, and attend to the role of social capital in the banking industry.

Banking and immigration

The literature on banking and minorities focuses on financial exclusion/inclusion (Leyshon and Thrift, 1995). We can identify four major foci. First, there is a primary focus on banking discrimination against individuals in the residential real estate market (e.g. Clark, 1993; Dymski, Veitch and White, 1992; Immergluck, 1998; Leven and Sykuta, 1994; Munnell et al., 1992; Schill and Wachter, 1993, 1995; Schwartz, 1998); against communities in the form of redlining in the real estate market or insufficient formal financial institutions in minority neighborhoods (Caskey, 1994; Dymski and Veitch, 1996; Pollard, 1996); and against minority businesses (Bates, 1997; Brenner et al., 2006; Grown and Bates, 1992; Immergluck and Mullen, 1997). Second, the roles of the informal financial sector, such as check cashing, pawn shops, and various rotating credit associations, are extensively evaluated. Traditionally, these informal financial institutions play important roles in fulfilling daily financial needs in immigrant neighborhoods and in capital accumulation for ethnic businesses (Geertz, 1956; Light, 1972; Light and Bonacich, 1988; Lin, 1998; Portes and Bach, 1985). The third focus, recently gaining momentum, is on immigrants' access to the financial mainstream. According to Singer and Paulson, "financial institutions are in the process of adapting to meet the needs of incoming immigrants, and immigrants are in the process of learning the ropes" (2004: 2). Lastly, there has been increasing attention to the formal ethnic financial sector, the focus of this paper. Owned and/or operated by minorities/immigrants, this sector often has a stated goal to serve their co-ethnics.

The ethnic financial sector has had a long history in the U.S. Day (2002) describes how immigrant banking at the turn of the 20th century was closely related to immigration patterns and financial regulations. His findings indicate that unwelcome at mainstream American banks, Southern and Eastern European immigrants started their own financial institutions – often unregulated, unlicensed and reliant upon communal trust and informal rules of conduct. Other immigrant groups followed suit in the course of the 20th century to battle discrimination from mainstream banks. At the dawn of the 21st century, however, the situation is quite different. The formal immigrant (and minority) banking sector has become much larger and, in some cases, are transnational entities. In Canada, the early experience was pretty much the same. The only difference is that the formal ethnic financial sector takes the form of ethnic credit unions.

In immigrant communities where financial resources are abundant due to the globalization of capital and/or the international flow of wealthy people, informal financial institutions no longer perform the key roles. They have been surpassed by formal financial institutions. Recent work in the U.S. has shown that where national regulatory regimes permit, immigrants and minorities gain advantages from creating formal financial institutions that can capture and re-circulate their funds while making executive decisions on investing in their communities (Ahn and Hong, 1999; Chiong, 2007; Dymski and Li, 2004; Dymski, Aldana and Ahn, 2009; Hum, 2006; Li et al., 2001, 2002; Li and Dymski, 2007; Lin, 1998; Purcell and Warf, 2006; Smith, 1995; Tseng, 1994). Pollard (1995, 1996, 1999) analyzes banking fluctuation and argues that the relatively permissive regulatory regime in California has led to a booming retail banking sector. Her argument helps to explain the proliferation of Chinese- and Korean-owned US-chartered banks, and the emergence of Vietnamese-owned banks. This situation contrasts sharply with the relatively less-developed ethnic banking sector elsewhere in the U.S. as well as in Canada. By tapping into the social and financial capital of immigrants, especially in heterogenous immigrant-concentrated metropolitan areas, ethnic banks have filled the void left by many mainstream banks. While the ethnic banking phenomenon has increasingly drawn media attention (e.g. Flanigan, 2006; "Special Report", 2006; Reckard, 2006, 2007), academic studies on this phenomenon remain limited and provide only cursory attention. Common threads in this research area include the evolution and performance of ethnic banks, and the relationships between them and immigrant/minority residential and business development (Ahn and Hong, 1999; Chee, Dymski and Li, 2004; Chiong, 2007; Dymski and Mohanty, 1999; Dymski, Mohanty and Li, 2006; Hum, 2006; Li and Dymski, 2007; Li et al., 2001, 2002; Zhou, 1998). There is no comparative study across national boundaries.

Banking on social capital

We posit that financial institutions utilize social capital in outreaching to immigrants. Banks as profit-seeking entities do not perform with an altruistic motive. In order to expand customer bases and to maximize profits in response to changing demographics, they may reach out to particular groups by developing and using social capital. This calls for question on how social capital is utilized by financial institutions in order to achieve their goal. A plethora of literature exists on social capital as a theory in social science, most notably Bourdieu (1986), Coleman (1988), and Putnam (1993, 2000). Social capital "refers to connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them" (Putnam, 2000: 19). There are "bonding" social capital and "bridging" social capital, the former referring to ties of people who share significant, often in-group, similarities, and the latter to ties to people who are significantly different and most often belonging to a different group (Putnam, 2007: 143–144). Bank customers can utilize bonding social capital to receive information from and/or financial services provided by co-ethnics whom they feel more bonded with, and ethnic banks can use the same to entice the co-ethnic community. Banks can also develop bridging social capital such as hiring workers from an immigrant group to reach out to the group that they do not serve previously. Social capital conveys economic meanings. According to Bourdieu (1986) and Coleman (1988), capital can present itself as economic capital which is immediately convertible into money and may be institutionalized in the form of property rights; and as social capital which is convertible, in certain conditions, into economic capital. By "linking social relations to economic outcomes and in allowing social connections to be evaluated as though they are equivalent to capital, the term 'social capital' incorporates a social and an economic dimension" (Li, 2004: 172).

Thrift and Olds describe the roles of social webs "as social networks, especially financial markets (where access to information and exclusion from it is clearly a function of membership of particular social networks)" (1996: 322). One of the key features of social capital to financial institutions is relationship banking (Black and Strahan, 2002): building and sustaining relationships with clients in order to retain them and be more profitable in the long-run. Whereas most large mainstream banks primarily, if not exclusively, rely on standard credit scores and computerized evaluation systems, relationship banking remains a key characteristic among ethnic financial institutions which function in ways similar to community banks (Holmes et al., 2007; Lapavitsas, 2007). The question then is: to what extent financial institutions use social capital differently? To address this question, work examining ethnic assets and their relationship with immigrant financial integration becomes important.

Dymski and Li (2004) coined the term "ethnic assets" to describe the situation when banks possess a familiarity with immigrants' native languages, cultural traditions, and business practices in the countries they operate. They can be seen as a form of both bonding and bridging social capital in the financial world. This study empirically reveals how diasporic Chinese banks have followed their customers and played a role in meeting their banking needs in the areas they settle, even when they are not officially chartered under US law. Of course not all banks possess ethnic assets; not all ethnic assets are equal; nor are all ethnic assets being utilized similarly. The ethnic financial sector is by definition most likely to possess ethnic assets among their co-ethnics as a form of bonding social capital, but may choose not to use them. Instead, an ethnic financial institution may branch out of its own ethnic group by developing bridging social capital. Mainstream banks may not have ethnic assets to begin with, but may acquire them over time by hiring/promoting immigrants from a particular group, or training existing employees/executives, as their bonding and bridging social capital. Ethnic assets are then a key factor in successfully tapping into the immigrant financial market.

3. Research questions and methods

Based on the above discussions, we put forth the following research questions which we will address with an empirical study comparing the ethnic financial sector in the Los Angeles – Long Beach – Riverside Combined Statistical Area (CSA) and the Toronto Census Metropolitan Area (CMA):

1. What are the similarities and differences between ethnic financial sectors in the U.S. and Canada? And what are the reasons behind such differences? and

2. Do ethnic financial institutions rely primarily on social capital in the form of ethnic assets?

Los Angeles has been a major US immigrant gateway, especially for those from Asia and Latin America. Whereas foreign-born population accounts for 12.5% of total US population in 2006, that figure in LA, at 31.0%, is more than twice as much. Asians and Latino immigrants account for 30.2% and 61.6% of LA's immigrant population, compared to the US's 26.7% and 53.5%. LA's shares of nationwide Asian and Latin American immigrants are, respectively, 16.6% and 16.9%, much higher than its total population share of 5.9% in the nation. LA is considered as one of the most ethnically diverse areas in the nation (Allen and Turner, 2002). While LA's role as financial center in the Pacific Rim has weakened, the relative flexible banking regulation in the state of California has resulted in a most active ethnic banking sector in the nation (Dymski and Li, 2004; Dymski, Aldana and Ahn, 2009; Pollard, 1995 and 1996; see also Table 2).

Toronto is Canada's largest city and primary immigrant gateway. 44% of all immigrants in Canada reside in the Toronto CMA, many in their prime working age. The Toronto CMA is the most diverse region in Canada, if not the world, in terms of its demographic composition. 45.4% of its total population are foreign-born, with over 169 home languages spoken (Lo, 2008). Nearly half of its immigrant population came from Asia, Greater China and South Asia in particular. Compared to LA, Toronto has a much higher proportion of European-born immigrants and a much lower proportion of Latin-American-born (see Table 2). As the economic heart of Canada, Toronto is also Canada's prime financial center, home of 11 domestic banks, all but five foreign bank subsidiaries and all but five foreign bank branches operating in Canada (OSFI website). Toronto's Bay Street is Canada's equivalent of Wall Street in the U.S. where bank headquarters cluster. Mirroring old and new immigrant waves, Toronto also has 18 ethnic credit unions (DICO website).

Table 2: Population and Immigration in the Los Angeles and Toronto Metro Areas

2006	*LA CSA*	*2006*	*Toronto CMA*
Total Population	17,775,984	Total Population	5,113,149
Foreign-born in total population	30.99%	Immigrants in total population	45.38%
% Asian in FB population	30.22	% Asian in IM population	48.80
% African in FB population	1.36	% African in IM population	5.05
% Latin American in FB population	60.60	% Latin American in IM population	14.13
% European in FB population	5.39	% European in IM population	29.87
% Oceanian in FB population	0.30	% Oceanian in IM population	0.37

Sources: 2006 American Community Survey; Statistics Canada website.

In order to provide a comprehensive understanding of ethnic financial institutions, we use a mixed-method approach, including analysis of publicly available American and Canadian census data, banking data released by Federal Deposit Insurance Corporation (FDIC) and Canadian Office of Superintendant of Financial Institutions (OSFI), mission statements and annual reports of financial institutions, and semi-structured in-depth interviews with bank executives. As part of a larger project, we have so far conducted in-depth interviews with a purposive sample of bank executives in Toronto, including 5 domestic banks, 9 foreign banks, 2 foreign bank branches, 3 representative offices, and 4 ethnic credit unions. The LA-portion of the work is based in part on the collaborative Ethnic Banking Project, of which Li is a key player. It includes interviews with

LA-based ethnic banks: African American (2); Chinese (22); Korean (7); Latino (3). Each of these interviews lasts 45 minutes to 3 hours.

4. Historical development

Classical studies on ethnic financing focus almost exclusively on informal financial organizations, especially on rotating credit associations. Known as *hui* in Chinese and *gye* in Korean, this type of organization pools together financial resources among family members or circle of friends to loan to members in need either for family matters or for business purposes. Borrowers repay later to the money pool in order to sustain such rotating lending practice to next rounds. Such arrangements had played key roles in ethnic financial scenes in both U.S. and Canada. In addition to these informal ethnic financial organizations, formal ethnic financial institutions have existed since a hundred years ago to battle mainstream banks' negligence of and discrimination against minorities and immigrants (Day, 2002). We trace their development in LA and Toronto below.

Los Angeles, USA

Japanese immigrants founded the first ethnic financial institution, Nichibei Kinyusha (the Japanese American Financial Company), in 1899. It turned into a California state-chartered bank, the Nichibei Ginko (Japanese American Bank) in 1903. Two years later another Japanese bank, Kinmon Ginko, followed. They both failed in 1909, their short lifespan as a result of the Gentlemen's Agreement in 1907 which restricted Japanese immigration and an economic recession (Chee, 2000). The oldest continuous operating ethnic banks in LA are one African American bank, Broadway Federal Savings and Loan, established in 1947. Garfield Bank, the first Mexican American bank, was established in 1955, followed by California Commerce Bank, a subsidiary of Banamex of Mexico, in 1963. The first Chinese American bank, Cathay Bank, was established in 1962. The second Chinese American financial institution, East-West Federal Saving, did not open until 10 years later. There are commonalities among these ethnic banks. First, they all locate their headquarters in their respective segregated residential and/or business areas, such as Little Tokyo, Broadway area, East Los Angeles, and Chinatown. Second, they were all set up as a result of their community members having tremendous difficulty securing residential and business loans from mainstream banks, regardless of their qualifications. It is not surprising to learn that for some of them, their application to establish their own banks faced great obstacles as well.

The trajectories of ethnic banks in LA have since diverged a great deal. The second wave of African American and Latino financial institutions were the products of Civil Rights movement. With a few exceptions, most remain small in scale and play limited roles in facilitating minority and immigrant business and community development. For example, TELACU (founded in 1968) with union support and important financial functions, is seen as a vehicle for community economic development in East LA. In 1971, an African-American bank, Pan American Bank, was established and later became a Mexican American bank. Founders National Bank, another African American bank, was chartered in 1991. The single most important exception is Banco Popular de Puerto Rico.

Chartered in Puerto Rico in 1975, this institution spread to other US locations with high Latino populations in subsequent years as a US-charted commercial bank. With the first LA branch open in the early 1980s, it has expanded aggressively among Latino-populated areas in LA especially since the 1990s (Dymski, Aldana and Ahn, 2009).

On the other hand, Asian American banks, especially Chinese and Korean banks, have proliferated largely as the result of increasing middle-class and wealthy immigrants and their transnational financial connections. The 2000s also witness the emergence of the first ever Vietnamese American bank in Orange County. While several Chinese American banks were founded in the 1970s, it was not until the 1980s that the number doubled from 6 to 12, along with increasing Chinese immigrants to LA County. Also, beginning in the 1980s Taiwan-, Indonesia-, and the Philippines-based Chinese financial groups and individuals began to purchase Chinese American banks in California. Five new banks were founded in the early 1990s. By the end of the 1990s, Los Angeles had a total of 28 Chinese American banks, with 128 total branches. Nine of these banks are foreign-owned (Chee, Dymski and Li, 2004; Li et al., 2002).

Korean immigration to the U.S. did not grow rapidly until after the 1965 immigration law change. The first Korean bank, California Korea Bank, was established in 1974. The rest of the Korean American banks were mostly founded in the 1980s: Hanmi Bank (1982); California Center Bank (1986); Seoul Bank of California, later California Cho Hung Bank (1988); Nara Bank (1989); and State Bank of California or Hanil Bank. Saehan Bank was established in 1991, and a Korean immigrant bought Wilshire State Bank and turned it into a Korean American bank. Korean American banks have been aggressive in their growth in recent years (Ahn and Hong, 1999).

Toronto, Canada

Among the early settlers of Canada, the use of credit was common. While merchants and professionals universally granted credit to farmers and workers, paying bills in the form of commodities or cash usually took a long time and losses were not uncommon. As a result, laws were passed to send people to prison for unpaid debt. Since banks of the time did not lend to consumers, people had to resort to private lenders who charged very high interest rates. Many social reformers pushed for an organization that would give the farmers and the working class control of their own financial affairs. The co-operative movement in Europe gave some in Quebec the idea of a *caisse populaire* (people's bank), the first of which was established in December 1900. Built on the concepts of co-operative self-help, members contributed their savings in nickels and dimes, which was then loaned to those members in need.

In Ontario, the first financial co-operative, The Civil Service Savings and Loan Society, was formed in 1908. It was later incorporated under the Ontario Credit Unions Act, and re-named the Civil Service Co-operative Credit Society. In 1928, the Plymouth Cordage Employees' Credit Union was organized in Welland, an hour's drive from Toronto in today's standard. This was the first financial co-operative in Ontario to be called a credit union. During the 1940s, 1950s and 1960s, hundreds of credit unions sprang up across Ontario. It is estimated that there were over 1,400 of them by the 1960s, mostly small and having their niche in parishes, employee groups, trade/professional associations, and, to a lesser degree, in ethnic and geographic communities (OCU website). They began to merge in the 1970s, resulting in fewer credit unions serving more members.

Beginning as an alternative to the commercially centred, largely inaccessible banking system, credit unions today rank among Canada's premier financial institutions, with over 10 million members and $107 billion in assets under administration (ICSCU website). There are 205 credit unions in the Province of Ontario, with combined assets of $26 billion and serving 1.7 million members (OCU website). The Greater Toronto Area hosts 65 credit unions, 18 of which are ethnic-based. Most of these ethnic-based organizations (11 in total) were established in the 1940s and 50s by immigrant groups of East European origins. The Portuguese established theirs in 1966, the Koreans in 1976, and the Taiwanese in 1978. Founded in 2000, the Italian Canadian Savings and Credit Union is the youngest. Perhaps with the exception of the Italian Savings and Credit Union, all ethnic credit unions came into being to serve their respective co-ethnic communities who faced hardship in settling in Canada because of their lack of Canadian credit history. These credit unions offer the full range of products and services that customers have come to expect from banks, including: savings and chequing accounts, mortgages, cash machines, telephone and home banking, registered retirement saving plans, credit card and more. In addition, many deliver insurance, trust and mutual fund products. Most credit unions also belong to the Exchange ATM Network, allowing members to make surcharge free withdrawals and deposits at more than 1,600 affiliated ATMs across Canada.

5. Contemporary comparison

The historical differences between American and Canadian ethnic financial sectors stem from different banking legislations in the two countries. Yet the underlining reasons for their establishment are similar. In this section, we will examine their contemporary situations.

Explaining the contrasts

LA's ethnic banks continue their mission to serve their co-ethnics. As of June 30, 2008, LA County has 30 ethnic banks, including 2 African American banks, 4 Latino banks, 5 Korean banks and 19 Chinese banks. These institutions have combined total assets at $86.6 billions, with 437 offices and 14,192 employees, averaging $2.1 billion assets, 15 offices and 346 employees per institution. The size of these institutions varies widely, with the top four having more than $10 billion total assets each, the next eight at the $1-4 billion range, and the following 15 between $100 million and 1 billion, and the bottom three each has less than $100 millions (Table 3). In contrast, there are only 18 ethnic credit unions in Toronto. While they all started out to serve their own community, some now allow more diverse membership. Together, they operate 56 branch locations within Toronto and another 17 in nearby Southern Ontario (Table 4). Their combined assets and membership amount to over 10% of the total in Ontario, with average assets level at $187.3 million, and only five with assets of over 100 million.

Table 3: Ethnic Banks in Los Angeles, as of June 30, 2008

Name	*Open Date*	*Ethnicity*	*Assets: mil$*	*# offices*	*# employees*
Broadway Federal Bank, F. S. B.	2/26/1947	African American	390.6	5	84
OneUnited Bank	8/2/1982	African American	724.6	10	107
California Center Bank	3/18/1986	Korean	2,120.4	20	353
Hanmi Bank	12/15/1982	Korean	3,838.5	26	594
Nara Bank, National Association	6/16/1989	Korean	2,570.4	22	410
Saehan Bank	6/12/1991	Korean	887.8	11	181
Wilshire State Bank	12/30/1980	Korean	2,355.6	20	364
Banco Popular North America	1/2/1999	Latino	26,101.0	7	6,111
California Commerce Bank	11/1/1963	Latino	1,351.6	2	225
Community Commerce Bank	10/1/1976	Latino	347.0	8	77
Pan American Bank	7/1/1971	Latino	39.0	3	24
Asian Pacific National Bank	7/25/1990	Chinese	45.7	2	12
Cathay Bank	4/19/1962	Chinese	10,796.5	53	1,034
Chinatrust Bank (U.S.A.)	4/27/1965	Chinese	2,712.5	22	387
Eastern International Bank	2/26/1985	Chinese	82.1	2	29
East-West Bank	1/1/1972	Chinese	11,770.4	72	1,361
EverTrust Bank	5/3/1995	Chinese	461.3	4	65
Far East National Bank	12/9/1974	Chinese	2,111.8	16	354
First Commercial Bank (USA)	5/20/1997	Chinese	426.0	6	70
Metro United Bank	5/15/1991	Chinese	433.4	7	64
Golden Security Bank	12/9/1982	Chinese	163.5	1	29
The Bank of East Asia (USA), National Association	2/14/1983	Chinese	771.5	12	195
GBC International Bank	11/15/1976	Chinese	259.2	6	75
InterBusiness Bank, National Association	9/29/2000	Chinese	522.7	7	70
Los Angeles National Bank	12/18/1973	Chinese	203.7	4	42
OMNI Bank, National Association	2/12/1980	Chinese	136.6	5	56
Preferred Bank	12/23/1991	Chinese	1,524.6	11	147
United Commercial Bank	3/27/1986	Chinese	12,851.9	64	1,548
United Pacific Bank	5/11/1982	Chinese	123.3	2	27
Universal Bank	11/17/1954	Chinese	476.6	7	97
		Total	86,599.9	437	14,192
		Average	2,886.7	14.6	473

Source: FDIC website, last accessed 11/20/08.

Table 4: Ethnic Credit Unions in Toronto, 2008

	Start Year	*Ethnicity*	*Assets (millions)*	*# offices*	*# members*
DUCA Financial Services Credit Union Ltd.	1954	Dutch	890.0	13	35000
Buduchnist Credit Union Limited	1952	Ukrainian	404.0	6	18479
Ukrainian Credit Union Limited	1944	Ukrainian	348.5	11	22000
St. Stanislaus-St. Casimir's Polish Parishes Credit Union Ltd.	1945	Polish	341.0	20	40000
Parama Lithuanian Credit Union Limited	1952	Lithuanian	165.0	2	6700
Slovenia Credit Union	1957	Slovenian	80.1	3	3000
Estonian (Toronto) Credit Union Limited	1954	Estonian	79.0	1	5100
So-Use Credit Union Limited	1950	Ukrainian	77.0	2	-
Portuguese Canadian Credit Union	1966	Portuguese	70.0	1	-
Krek Slovenian Credit Union Ltd.	1953	Slovenian	66.0	2	3000
Latvian Credit Union Limited	1959	Latvian	45.0	2	3000
Finnish Credit Union Limited	1958	Finnish	33.5	1	-
Korean (Toronto) Credit Union Limited	1976	Korean	12.6	2	-
Taiwanese - Canadian Toronto Credit Union Limited	1978	Taiwanese	10.0	1	1000
St. Mary's (Toronto) Credit Union Limited	-	Ukrainian	-	2	-
Italian Canadian Savings and Credit Union Limited	2000	Italian	-	2	-
Croatian (Toronto) Credit Union Limited	-	Croatian	-	1	-
Korean Catholic Church Credit Union Limited	1976	Korean	-	1	-

Source: DICO website; various credit union websites.

In comparison, LA has more ethnic financial institutions with higher average total assets levels and more branches compared to Toronto, therefore, better capacity to serve their clientele. Close examination reveals more interesting details as shown in Table 5. While the top part shows their foreign-born/immigrant population by group, the bottom part contains what we can call "ethnic banking density". Given a hypothetical scenario that a particular immigrant group only uses a co-ethnic financial institution (which is obviously not the case), ethnic banking density is the average number of immigrants each ethnic financial institution would serve. LA has a higher banking density than Toronto; it is about 184,000 compared to Toronto's 136,000. However, given the large number of Chinese and Korean American banks, Asian immigrants in LA have many more choices of ethnic banks with each serving less than 70,000 individuals; whereas the three Asian credit unions in Toronto would serve almost five times more. On the other hand, European immigrants would be better served (an average of 49,000 per institution) in Toronto. Meanwhile, there are no African or Latino financial institutions in Toronto. In LA, with a drastic density ratio of 22 to 1, African immigrants are much better served than the Latino immigrants. Another notable difference is that LA's Asian American banks dominated the ethnic financial scene; whereas in the case of Toronto, among the post 1970 immigrant groups, only the Taiwanese and Koreans have founded credit unions. How can these differences be explained? We present below factors at various levels.

*Table 5: Immigration and Ethnic Finance in the Los Angeles and Toronto Metro Areas**

Population	*LA CSA*	*Toronto CMA*
Total foreign-born/immigrant population	5,508,777	2,320,347
Asian foreign-born/immigrant population	1,664,752	1,132,329
African foreign-born/immigrant population	74,919	117,178
Latin American foreign-born/immigrant population	3,338,319	327,865
European foreign-born/immigrant population	296,923	693,088
No. of persons per ethnic financial institution		
Total FB/immig population per ethnic institution	183,626	136,491
Asian FB/immig population per Asian institution	69,365	377,443
African FB/immig population per African institution	37,460	n.a.
Latin American FB/immig population per Latino institution	834,580	n.a.
European FB/immig population per European institution	n.a.	49,506

* Calculation based on information obtained from 2006 American Community Survey; FDIC website; Statistics Canada website; DICO website.

National financial structure

Canada has strict stipulations for bank establishment and all banks are regulated at the federal level. For example, no single share holder can hold more than 10% of a bank's assets. This explains why the number of domestic banks declined from their peak of 36 in 1875 to 20 as of July 2007, with the "big fives" dominating the Canadian financial sector. This also explains why there are no ethnic banks in Canada. Credit unions, on the other hand, are regulated primarily at the provincial level although they are also under federal supervision. In contrast, the US banking sector is subject to regulations at both the federal and state levels, with some states pursuing more permissive policies than others. Until recently, cross-state banking was not allowed, and this has dampened the domination of the sector by a few banks as it has been in the case of Canada. In addition, the Community Reinvestment Act, legislated in 1977, and revised in 1995 and 2005, promoted the establishment of community banks. Anyone with a capital of $500 million can set up a bank. This makes it easier for immigrants or ethnic minority groups to establish ethnic banks. In the case of LA, it is California's policy on retail banking that facilitates the proliferation of ethnic banks as well as other retail banks (Dymski, Aldana and Ahn, 2009; Pollard, 1996). In fact, only seven out of the 30 LA ethnic banks are federally-chartered.

National immigration policy

Historically, both U.S. and Canada had discriminatory admission policies against people from non-European countries, who were primarily laborers seeking to make a better living. As a result, ethnic minority groups neither had a critical mass nor enough financial resources to sustain a stable clientele base for formal ethnic financial institutions. They relied largely on informal financial organizations such as rotating credit associations. Even in the two decades after World War II when the volume of immigration to Canada and U.S., fueled by chain migration, was high, the largely labor class immigrants faced language barriers and lacked the necessary experience/credentials to establish formal financial institutions. The experience of the Portuguese Canadian Credit Union established in Toronto in 1966 is a testament to this. It is reported on their website that "Despite their lofty goals for the credit union, the reality of the language barrier, lack of expertise and familiarity with the Canadian banking regulations, lack of time and resources, and other obstacles, the anticipated growth never occurred" (PCCU website). In a similar manner, early Chinese American banks in LA faced difficulty in hiring qualified Chinese American bank executives. With severely revamped immigration policies in Canada in 1967 emphasizing less on race and more on education and professional experience, immigrants who have since arrived do not encounter the kind of banking barriers their predecessors faced. Many find it relatively easy to channel their financial resources to mainstream institutions, hence less urge to create their own financial institutions. The situation in the U.S. is somewhat different. On the one hand, large numbers of family-reunification types of immigrants, who often have limited English proficiency, are less educated, and do not process professional credentials in their home countries, create more demand for ethnically-owned and operated financial institutions. On the other hand, wealthy immigrants who either do not qualify or unwilling to participate in the EB-5 immigrant program which demands at least half a million investment and direct involvement in business management, provide ample financial resources fueling ethnic banks, in addition to transnational financial resources.

Local immigrant profiles

Both LA and Toronto house diverse immigrants groups. On the one hand, there are a large number of wealthy Asian immigrants who have benefited from their origin country's economic development in the last four decades, beginning from the newly industrialized countries of Hong Kong, Taiwan, Singapore and South Korea to the Association of Southeast Asian Nations and the merging economies of China and India. Many have both entrepreneurial experiences in their home countries and ample portable assets. The geopolitical uncertainty in Asia caused their exit from Asia. Many of them sought safe haven for their investment and wealth in the U.S. and Canada. They did not migrate to earn a living through sweat work. These immigrants, many having close transnational financial ties with their countries of origin, have become the backbone, and facilitated the growth, of LA's Asian American banks. The continuous inflow of heterogeneous immigrants sustains and grows the customer base of these banks. The same, however, did not happen in Toronto, which can be explained by a combination of factors, including Canada's strong regulatory control on the banking industry, the changing educational achievement and English language ability of the new wave of immigrants, and the welcome carpet laid out by Canadian mainstream banks.

On the other hand, LA and Toronto also house many immigrants of less advantageous positions in terms of both human and financial capitals. That they have to struggle to make a living or work up on the socio-economic ladder severely limits their capability to form financial institutions and sustain it. For example, in Toronto, the Jamaican Canadian Association, the focal point for Toronto's Black Caribbean community, once housed the community's "Black Credit Union" which played a brief but important role in the community. According to a Caribbean entrepreneur interviewed for barriers faced by immigrant entrepreneurs (Lo and Teixeira, 2003), in 1993 the government of Ontario provided important funding to a Black Credit Union sponsored by the Jamaican Canadian Association in recognition of the importance of Caribbean entrepreneurship and the unwillingness of Canadian lending institutions to provide the necessary loans to people from the Caribbean. The purpose was to improve the flow of capital into the community. However, this lending institution failed shortly, leaving the Caribbean community in a disadvantaged position *vis-à-vis* communities who have developed ethnic banks or credit unions to serve their own members. In LA, the huge numbers of Latino migrants, legal or undocumented, largely remain "unbanked", and have increasingly become potential target for mainstream as well as ethnic banks.

Sharing social capital

Utilizing bonding social capital/ethnic assets

Both ethnic banks in LA and ethnic credit unions in Toronto view that their co-ethnic clientele are important. This is reflected in their mission statements and in our interviews with bank executives. LA's ethnic banks continue to rely on relationship banking by developing long-term relationships with their individual as well as business customers (Li et al., 2001). In keeping with their co-operative principles, Toronto's credit unions reinvest their deposits and profits in the communities in which they operate.

Members of a credit union are owners as well as customers of the financial institution. As member-owners, they have the right to have a say in the overall direction of the credit union, and will share in any profits the credit union makes. As customers, they enjoy service charges that are comparable to, if not lower than, those at banks. Such functions are shared first and foremost among their co-ethnics. For instance, a European credit union executive in Toronto states that "we sort of have a two-tier approach. We want to be the banker of choice for the (ethnic) community; then we look for some niche opportunities and … we would like to be a significant player in those areas". In addition to taking deposit and lending loans, credit unions also offer financial advice to their co-ethnic clients, especially those new immigrants without credit history in receiving countries, as another credit union executive comments, "we recommend using residential property as collateral for commercial lending, and this is also good for tax purpose. If directly apply for commercial loans, they did have to submit 2-year financial reports". The degree of relying on bonding social capital or ethnic assets is also reflected in the facts that LA's ethnic banks view their co-ethnic banks and Toronto's ethnic credit unions view foreign banks from the same origin countries as competitors. In fact, LA's Chinese American banks often acquire other co-ethnic banks in order to increase their market share and directly capitalize the bonding social capital, relationship banking, employees, and so on, already exist in those banks.

Developing bridging social capital and moving beyond ethnic assets

In addition to developing and utilizing ethnic assets or bonding social capital to maximize their financial products and services offered to co-ethnics, these ethnic financial institutions also utilize bridging social capital and move beyond ethnic assets to reach out to other groups and to increase their market share.

Acquiring other banks and reaching out to other groups

These are the two means LA's ethnic banks often utilize. Acquiring other existing non-co-ethnic banks directly ventures into the products, markets, clientele base these banks possess. Of course the challenges for such acquisition lie on merging not only two institutions but two institutional cultures. This raises the question of whether the bonding social capital can be successfully obtained by such mergers. Additionally, such type of acquisition is often limited to larger ethnic banks which have the capital and capacity to conduct such mergers. The other way of outreach is "organic growth" of the banks by first targeting a particular group of potential customers, then hiring employees that possess ethnic assets (i.e. those who are of the same ethnic background, who are familiar with the business and cultural norms of that particular group, and/or who speak that language), and advertising to the potential client groups, very often the Latino group. Similarly, some of Toronto's ethnic credit unions also target beyond their own ethnic group. This includes established credit unions that have been around for over 50 years and newcomers who came on board recently. In fact, one European credit union executive clearly states that given their slowed immigrant flow and well-off later generations, they never intended to just serve their co-ethnics alone, but reaching out to those less-served ethnic groups and market segments. The reason they used their own ethnicity when applying for a charter is that Ontario requires the designation of ethnic, workplace, community, or religious nature when forming a credit union. And of course, the affiliation also allows them to absorb more deposits from their own group.

Finding product niches and diversifying product lines without targeting a particular group

This has been a primary way used by Toronto's ethnic credit unions to reach out to clients of other ethnicity. As one executive claimed, "we have decided to excel in the GIC (guaranteed investment certificate) deposits so we offer some of the very best in rate for GIC's advertised in the *Toronto Star* (a major mainstream local newspaper), … two major [niches] are commercial mortgages on certain types of properties for certain type of businesses and vault cash; … a player in the travel business because that is an area… especially with the credit card processing. We do the transfer for our customers and also for three of the four representative banks". Some of them also focus on internet-banking and handling credit/debit cards transactions. Others go for payday loans to target unbanked clients.

6. Summary and further research

This paper summaries the existing literature on financial institutions and immigration. It posits that ethnic assets/social capital is important in financial institutions' dealing with immigrant clientele. Focusing on the ethnic financial sector, this paper traces the development of ethnic banks in Los Angeles and ethnic credit unions in Toronto, and examines their contemporary operations. In addressing the two research questions, it identifies that while both LA and Toronto's ethnic financial institutions serve co-ethnics first and foremost, their differences in size, nature and capacity stem from differences in the national financial regulatory regimes and in immigration dynamics. They explain why ethnic banks in LA are larger, more numerous, and mostly Asian-owned, whereas the ethnic credit unions in Toronto are smaller, less numerous, and mostly of European background. Both sets of ethnic financial institutions utilize ethnic asset (bonding social capital in particular) to develop their customer base while branching out to other groups by developing bridging social capital and broadening their product lines.

This paper raises more questions than it can answer at this point. We will examine other financial subsectors comprehensively in order to present a complex analysis on how ethnic financial institutions fit contemporary financial structure in the two countries; how other financial institutions deal with immigrant clientele; and what roles these different types of financial institutions play in immigrants' financial integration to the receiving countries. Such further analyses would contribute to the financial globalization and immigrant integration literature.

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Wei LI, Lucia LO

Uzajamno kretanje ljudi i novca i etnički financijski sektori u SAD-u i Kanadi

SAŽETAK

Financijska globalizacija i međunarodne migracije promijenile su i društveno-ekonomsko-demografsku strukturu te financijsku dinamiku u imigracijskim zemljama. Posljedica toga jest pojava ili jačanje formalnoga etničkog financijskog sektora koji se sastoji od financijskih institucija koje posjeduju i/ili njima upravljaju različite etničke skupine. Usredotočujući se na etničke banke u Los Angelesu u SAD-u i etničke kreditne unije u Torontu u Kanadi te koristeći se sekundarnim izvorima i intervjuima s vodećim osobljem banaka, u radu se pokazuje da je sadašnja financijska dinamika koja se odnosi na imigraciju ukorijenjena/lokalizirana na različite načine u različitim skupinama te da je oblikuju različiti regulirajući i institucionalni konteksti. Istraživanje posebice otkriva da etničke financijske institucije u oba grada prije svega i najviše služe pripadnicima svoje etničke skupine i koriste se etničkom imovinom, napose vežući društveni kapital, kako bi razvile svoju bazu klijentele dok se proširuju prema drugim skupinama spajajući društveni kapital i šireći svoje linije djelovanja. Usporedba također pokazuje da su etničke banke u Los Angelesu veće, brojnije i većinom u vlasništvu Azijaca, dok su etničke kreditne unije u Torontu manje, malobrojnije i većinom europskog podrijetla. Te promjene potječu iz razlika u nacionalnim financijskim zakonodavnim režimima i dinamici imigrantske populacije.

KLJUČNE RIJEČI: etničke financijske institucije, imigracija, etnička imovina, društveni kapital, Los Angeles, Toronto

Wei LI, Lucia LO

Le co-mouvement des personnes et de l'argent et les secteurs financiers ethniques au Canada et aux États-Unis

RÉSUMÉ

La mondialisation financière et la migration internationale ont modifié le tableau socio-démographique de même que les dynamiques financières dans les pays d'immigration. L'une des conséquences est l'émergence ou le renforcement d'un secteur financier ethnique formel composé d'institutions financières qui appartiennent à des groupes ethniques ou sont dirigées par ceux-ci. Se focalisant sur les banques ethniques à Los Angeles aux États-Unis et les coopératives de crédit ethniques à Toronto au Canada et utilisant des sources secondaires et des interviews avec des cadres bancaires, cet article démontre que les dynamiques financières contemporaines relatives à l'immigration sont enracinées de différentes manières en fonction des groupes différents et des contextes régulatoires et institutionnels. Concrètement, l'étude indique que les institutions financières ethniques dans ces deux villes s'adressent avant tout aux personnes de leur propre groupe et utilisent des capitaux ethniques, renforçant le capital social en particulier, afin d'élargir leur clientèle. Ces institutions servent aussi d'autres groupes en reliant le capital social et en élargissant leur gamme de produits. La comparaison montre également que les banques ethniques à Los Angeles sont plus grandes, plus nombreuses et appartiennent à des Asiatiques pour la plupart, tandis que les coopératives de crédit ethniques à Toronto sont plus petites, moins nombreuses et sont d'origine européenne en majorité. Ces variations proviennent des différences dans les régimes de régulation financière nationale et dans les dynamiques de la population immigrée.

MOTS CLÉS : institutions financières ethniques, immigration, capitaux ethniques, capital social, Los Angeles, Toronto