aps
aboriginal policy studies

Article

Urban Aboriginal Individuals' Financial Behaviour and Experiences: Some Focus Group Evidence

Paul Bowles

University of Northern British Columbia

aboriginal policy studies Vol. 5, no. 1, 2015, pp. 28-46

This article can be found at:
http://ejournals.library.ualberta.ca/index.php/aps/article/view/23873

ISSN: 1923-3299

Article DOI: http://dx.doi.org/10.5663/aps.v5i1.23873

Urban Aboriginal Individuals' Financial Behaviour and Experiences: Some Focus Group Evidence

Paul Bowles[1]
University of Northern British Columbia

Abstract: *The financial behaviour of Canadians has recently been highlighted by federal policy initiatives designed to address financial literacy. This is occurring at a time when there has also been increasing concern over the growth and use of fringe financial institutions such as payday lenders. Aboriginal people have been identified as one of the "priority groups" for a national financial literacy strategy and were also be found to be significant clients of fringe financial institutions in a recent study. This paper reports on discussions with thirty urban Aboriginal participants in three focus groups designed to gain a better knowledge of their financial behaviour and experience. The results show that participants displayed a good level of basic financial literacy as measured by their ability to articulate the comparative costs of banking services. In this respect, the policy emphasis of government on financial literacy is misplaced, and the emphasis should be on policies to raise income levels; minimally, financial literacy programs should be designed to be "financial literacy plus" programs that offer participants an opportunity to raise their income levels and creditworthiness through programs such as matched-savings programs.*

Introduction

The financial behaviour of urban Aboriginal people has recently attracted attention for a number of reasons. The first is the growing government concern about the financial literacy of Canadians in general. This led to the creation of the federal government Task Force on Financial Literacy in 2009, whose report, *Canadians and Their Money: Building a Brighter Financial Future*, was completed in December 2010.[2] Since then, a federal Financial Literacy Leader has been appointed, and a National Strategy for Financial Literacy is now under development.[3] As part of this, a number of "priority groups" have been identified and targeted for financial literacy programs. These priority groups are defined as "Aboriginal

---

1 Professor of Economics and International Studies, University of Northern British Columbia. This research was conducted with the logistical support of the Aboriginal Business and Community Development Centre, Prince George, and was funded by the Urban Aboriginal Knowledge Network and the National Collaborating Centre for Aboriginal Health. I am also grateful to two referees from the journal for useful comments.

2 One outcome of the report was the Financial Literacy Leader Act of March 2013.

3 The Financial Literacy Leader, housed with the Financial Consumer Agency of Canada (FCAC), has a mandate "to collaborate and coordinate activities with stakeholders to support and contribute to initiatives that strengthen the financial literacy of Canadians." See http://www.fcac-acfc.gc.ca/Eng/financialLiteracy/financialLiteracyCanada/Pages/home-accueil.aspx.

ISSN: 1923-3299

peoples, newcomers to Canada and low income Canadians, as well as people with disabilities and some women with specific needs in the population" (FCAC, 2014: 4)

The second reason for the increased focus on the financial behaviour of urban Aboriginal people is that the institutional financial landscape has been changing in Canada and elsewhere as a result of the rapid growth of fringe financial institutions such as payday loan institutions that charge very high interest rates for their services (Stegman 2007). These services are typically used by lower-income groups that may not have access to mainstream financial institutions, and the growth of these services has been identified as a concern by anti-poverty advocacy groups (see ACORN 2004; 2007), as well as raising regulatory issues (see Kitching and Starky 2006; Kitching et al. 2007; Buckland et al. 2007). In a recent study, Bowles et al. (2011) showed that 60 per cent of the clients of fringe financial institutions self-identified as Aboriginal in a city with an 11 percent Aboriginal population. The use of what critics have termed "predatory lenders" therefore appears to be significant among the urban Aboriginal population.

These two trends provide the context for this paper, which seeks to investigate further the financial behaviour and experience of urban Aboriginal individuals. It does so using a focus group approach, which enables individuals to provide more information on their behaviour and experience than is possible using survey methodologies, and this paper thus also supplements the results of survey-based research.

The findings from three focus group interviews are reported. Each focus group comprised ten urban Aboriginal participants and was held in Prince George, British Columbia in mid-2013. The discussions with the focus groups shed light on the extent and types of financial literacy possessed by participants and on their relationships with both mainstream and fringe financial institutions.

In the next section, the two trends identified above, namely, the push for financial literacy and the growth of fringe financial institutions, are examined in more detail, with implications for the urban Aboriginal population highlighted. In section 3, the focus group approach and results are presented. The policy implications of the findings are discussed in the final section.

Two Trends

Financial Literacy

The federal government's Task Force on Financial Literacy has emphasised financial literacy as being "critical to the prosperity and well-being of Canadians" (Task Force 2010, 4).[4] For its purposes, financial literacy is defined as "having the knowledge, skills and confidence to make responsible financial decisions" (2010, 4).

---

4 This position is by no means limited to Canada. For example, in the US, the Consumer Financial Protection Bureau was set up in 2010, with a part of its mandate being to raise the financial literacy of US consumers. The trend for governments in many countries to promote financial literacy can be seen as part of what Maman and Rosenhek (2015, 1) have called a wider process of the "financialization of everyday life." They view this as part of a neoliberal project designed to achieve the "individualization, privatization and marketization of risk management."

The Task Force recommended that a National Strategy be developed to address financial literacy, and identified five priority areas that needed to be addressed. These included lifelong learning and delivery and promotion. As part of lifelong learning, the Task Force stressed the importance of providing financial education at "teachable moments,"—that is, at those life-cycle moments when individuals have choices to make, such as joining a pension plan. As part of delivery and promotion, the Task Force stated, "[W]e believe that a single source website is key to allowing Canadians to inform themselves with high quality, unbiased information from a range of expert sources … Suggestions for the website content include a self-assessment tool and retirement calculators for individuals" (2010, 8).

A National Strategy is now being developed following the appointment of a Financial Literacy Leader. As part of this, a consultation paper was released in the autumn of 2014, focusing on the financial literacy needs of "priority groups". Priority groups were identified on the basis of the results of the 2009 Canadian Financial Capability Survey. It found that "low-income Canadians, newcomers and Aboriginal peoples could benefit from further strengthening in at least three of the five areas that make up the Financial Literacy Index. These include making ends meet, planning ahead, and staying informed about developments in the financial marketplace" (FCAC 2014, 2). In addition to these three groups identified on the basis of the 2009 survey, it was argued that "other research has shown that the low-income population includes disproportionate numbers of people with disabilities, women and single adults"; as a result, these groups were also included in the "priority" category.

Among the initiatives aimed at priority groups is a program developed by AFOA Canada (formerly the Aboriginal Financial Officers Association of Canada) (see FCAC 2014, 6). Financial literacy for Aboriginal people has been endorsed by various leaders, with former AFN Chief Shawn Atleo stating (in Nene 2011) that "financial literacy is an important component of life-long learning. Today, we are all faced with an assortment of complex financial decisions, and we require a great deal of awareness and knowledge to be comfortable making even the most basic financial decisions." The financial literacy program developed for the Aboriginal Financial Officers Association of British Columbia includes culturally relevant examples such as using the potlatch system to inform clients about wealth management. It also includes advice on how to avoid costly mistakes, such as using fringe banking institutions and buying on credit (see Nene 2011).

The federal consultation paper argues that one way forward is "working with [the financial services] industry to increase awareness and promote access to resources and tools that help Canadians in the priority groups manage their financial affairs" (FCAC 2014, 7). The consultation paper does, however, sound some notes of caution. It recognizes that "what works for some Canadians may not work for others" and that "reducing financial strain and promoting financial well-being can only partially be addressed through greater financial literacy" (2014, 10).

These cautionary notes serve to highlight the complex social, economic and cultural context within which "financial literacy" is being proposed as a means to increase levels of financial well-being. Two reports prepared for the task force illustrate this context well. The first, by Buckland (2011), considers financial literacy in the context of low-income individuals. He shows that research on financial literacy indicates that while there is generally a financial literacy gap between low- and high-income earners, "indicators of basic financial literacy find little difference between these groups" (2011, 6). If low-income individuals do not require high levels of financial literacy because the financial choices relevant to them are limited because of their low income levels, then the concern over their levels of financial literacy is correspondingly reduced; more important are policies to increase their incomes rather than their financial literacy. Buckland also analyses data from the 2009 Canadian Financial Capability Survey and reports that "across the income quintiles, there is just as high a proportion [of respondents] with a budget in the bottom quintile as in the top quintile 49 per cent" (2011, 21), and his earlier research found "evidence of financial literacy among low-income respondents" in his study (Buckland 2010, 17). This more nuanced approach to financial needs and capabilities was also supported by Buckland et al.'s 2013 study, which used financial diaries rather than the standard survey approach. Taken together, these findings again throw into question the focus on low-income individuals and households as "priority groups" for financial literacy training rather on more income support programs.

The complex context is also evident when we consider Aboriginal people. The problem of access to financial services for Aboriginal people in remote communities has received attention in both Canada and other countries, most notably Australia (see Collin 2011; McDonnell and Westbury 2001). The challenges facing urban Aboriginal people, however, require separate analysis. As Collin (2011, 9) has argued, "[M]ost urban Aboriginal people tend to face significant barriers to financial literacy and economic well-being. This segment of the population is often made up of economic refugees from rural and remote communities, with no urban roots or experience … While a large array of financial services are available in urban centres, the capacity to access them remains limited or non-existent. Lacking sufficient personal identification to open a bank account, for example, has resulted in vulnerability to predatory cheque-cashing services, even for government issued cheques. The lack of basic language, literacy and numeracy skills, combined with little urban life experience, make simple financial decisions a challenge and the consequences of wrong decisions a heavy burden."

But it is not just individual educational backgrounds that are the problem here. There are also structural issues. As Collin (2011, 19) further argues, "[M]any Aboriginal individuals and communities have – and well remember – a long and painful history of mistreatment, exclusion, and abuse from non-Aboriginal individuals, officials, authorities, corporations, and governments. In the absence of the confidence provided by a sufficient degree of financial literacy, this history often results in a generalized lack of trust toward what are perceived as unwelcoming, intimidating 'white' institutions." Kempson et al. (2004) also argue that there may be psychological and cultural barriers to the use of mainstream financial institutions that tend to impede the use of services by indigenous peoples.

In raising these issues, Buckland (2011) and Collin (2011) have brought attention to the fact that financial literacy cannot simply be analysed as an issue of an individual's (lack of) financial knowledge and education. Financial insecurity can arise not simply because of a lack of financial literacy but also because of a lack of economic security measures such as adequately remunerated wage-work, pensions, and income assistance programs; to state the obvious, the ability to "make ends meet," one of the measures of financial capability used by the FCAC to identify "priority groups" for financial literacy training, depends upon income. In era of low-wage work and reduced income support across a wide range of programs, the fact that increasing numbers of Canadians report that they are living from one paycheque to the next may be a reflection of labour market dynamics and public sector service retrenchment rather than a failure of individuals to make appropriate financial decisions.[5] Add to this the intersections of Aboriginality, where individual circumstances and colonial histories are themselves complex, and low income produces a policy challenge not easy to understand, let alone address. Many of these complexities are also evident when analysing the rise and use of fringe financial institutions.

Financial Exclusion and Fringe Financial Institutions

The growth of fringe financial institutions (FFIs), including payday lenders, has been a feature of many economies over the past thirty years (Stegman 2007). Soederberg (2014) has analysed the growth of this "poverty industry" in the US and Mexico as part of the dynamics of neoliberalism and the rise of "debtfare states" in which the expansion of FFIs is premised upon the need for capital to find new populations to exploit. In Canada, attention has focused on how FFIs have targeted low-income neighbourhoods, although FFIs have now expanded into other neighbourhoods in many cities, and on the characteristics of those who use FFIs (Buckland et al. 2005; Buckland and Don 2008; Simpson and Buckland 2009). The concern with the use of payday loan outlets is with the high costs associated with their financial services, whether they be cheque cashing, prepaid credit cards, or payday loans; interest rates on the latter can be as high as 900 percent. Although provinces now regulate the industry, the exorbitant costs of using these services have raised fears of inducing or perpetuating poverty among low-income Canadians (Bowles et al. 2102). While the increasing use of FFIs has been linked, as noted, to the wider dynamics of contemporary capitalism, it can also be interpreted through the narrower lens of financial literacy if FFI users either lack knowledge of the costs of using FFIs or are forced to do so because of an inability to budget appropriately.

5 Two reports from the autumn of 2014 highlight this trend. The BMO Rainy Day Report found that 30 percent of survey respondents were living paycheque to paycheque, and that 27 percent had one month or less of savings, up from 19 percent in 2012 (BMO 2014). The Canadian Payroll Association's National Payroll Week Research Survey reported that 51 percent of employees surveyed would find it difficult to meet their financial obligations if their pay were delayed by a single week, up from 49 percent over the past three years (CPA 2014).

The use of FFIs may also be linked to "financial exclusion" in the sense of not having an account at a mainstream bank where transactions fees are lower. There is a limited literature on the size of the "unbanked" population in Canada and elsewhere (see Buckland 2011 and Buckland and Dong 2008 for review), but what has been less-studied is the extent to which urban Aboriginal people are users of FFIs and the extent to which they are "unbanked."

Jorgenson et al. (2008) discuss the rise of predatory lending in Native American communities in the US; one of the few studies to analyse the situation in Canada is that by Bowles et al. (2011). It reported that in Prince George, BC, a community whose population is 11 percent Aboriginal, 60 percent of fringe financial institutions users in a survey of 174 users self-identified as Aboriginal. This was the first study to report such high usage of fringe financial institutions by urban Aboriginal people.

Other results from that study (Bowles et al. 2011) revealed that:

1. Aboriginal FFI clients are significantly younger than non-Aboriginal FFI clients. 57.5 percent of Aboriginal clients were under 34 years of age compared to only 31.4 percent of non-Aboriginal clients.

2. A predominantly male FFI client base is found in both the Aboriginal and non-Aboriginal sub-samples. However, it should be noted that a significant number of FFI users are female and that the male bias is more pronounced in the non-Aboriginal than Aboriginal samples. In this respect, it is interesting to note that Collin (2011, 9) argues that "a disproportionate number of recent urban [Aboriginal] arrivals are women, often single parents, who are especially vulnerable to economic and other forms of exploitation." The higher percentage of women FFI users in the Aboriginal sample may be a reflection of this.

3. Consistent with national survey data, low-income individuals are the predominant users of FFIs, with nearly 70 percent of FFI clients having an annual income of less than $20,000. Among Aboriginal clients, over 80 percent had annual incomes of less than $20,000.

4. The Aboriginal and non-Aboriginal FFI clients in the sample shared some common characteristics. Both groups were predominantly in rented accommodation, indicating that both had low asset ownership, both featured predominantly male users, and both were in low-income categories. However, it is also clear that Aboriginal users of FFIs had lower average incomes, less education, and were more likely to be younger, more likely to be unemployed and more likely to rely on Income Assistance than the non-Aboriginal users. The entire sample is a relatively low-income group, but within that it appears that the Aboriginal FFI users are even less financially secure.

The results therefore point to some common conclusions regarding the use of FFIs. As we might expect, they are used primarily by low-income individuals. Since many urban Aboriginal individuals are low-income earners, it is not surprising to find them using FFIs.

However, the results also point to some differences between Aboriginal and non-Aboriginal FFI users, and the theoretical literature also points to cultural barriers that are specific to the Aboriginal population.

Nonetheless, the survey results also pointed to another factor not previously identified in the literature: the overwhelming majority of FFI users, 88 percent, had at some point in their lives held bank accounts, and 50 percent still used them regularly. Even among the urban Aboriginal sample, the figures were 84 per cent and 32 per cent respectively. This indicates that the problem is not so much with individuals being "unbanked" in the sense that they are totally excluded from mainstream financial institutions, but with the fact that despite experience with mainstream financial institutions they became users of FFIs as well, or switched away from mainstream financial institutions completely. It was not so much that individuals were "unbanked" as "precariously banked." The concept of being "precariously banked" therefore refers to the situation in which individuals are unable to rely on their mainstream financial institution to meet all of their financial needs and hence resort to using FFIs as needed. In some cases, individuals find that their banks are no longer able to meet any of their financial needs, and they become reliant solely on FFIs. This more complex process and relationship with mainstream financial institutions is better captured by the notion of individuals being "precariously banked" than by a stricter dichotomy between "banked and "unbanked" populations or between financially "included" and "excluded" populations.

This means that any analysis of individuals' relationships with, and use of, FFIs also needs to examine their relationship with mainstream banks. That is, it is the entire financial institution experience and related behaviour that need to be examined.

This section has highlighted three important issues for further analysis. The first of these is a need for better understanding of the levels of financial literacy and literacy needs among urban Aboriginal people, one of the Federal government's "priority groups" in need of financial literacy strengthening. The literature points to some unsettled issues concerning the extent to which low-income individuals in general have lower levels of financial literacy, and these issues can be extended to the identified priority groups, since they speak to the need to contextualize financial knowledge and behaviour. The need to contextualize also gives rise to a second issue for further consideration: the need to gain a better understanding of how urban Aboriginal people make use of and interact with financial institutions, both mainstream and fringe. How are financial institutions used and what is evidence of "exclusion"? Related to this is an analysis of whether these behavioural choices are made without knowledge of the costs involved or due to binding constraints that leave FFI users with few options even if they would prefer to use other financial channels. Thirdly, contextualization also refers to specific sociocultural barriers that Aboriginal individuals may encounter in dealing with financial institutions. These barriers were highlighted by Collin (2011) in the Canadian context and bear greater scrutiny. The purpose of the focus groups was to obtain some qualitative information on these three issues.

Focus Group Results

To investigate the financial behaviour of and use of financial institutions by urban Aboriginal people, three focus-group meetings were held.[6] The participants, thirty in total, were all attending a financial literacy class as part of employment transition programs in Prince George, BC. The financial literacy classes were offered by the Aboriginal Business and Community Development Centre, run in conjunction with the employment transition programs offered through two urban Aboriginal organizations.

The participants were all Aboriginal, and had a range of ages and employment and location histories. Some participants had already obtained employment, while others were in the job search process. The length of time that individuals had spent in Prince George, or any city, varied. The focus groups were held immediately after the financial literacy session of the employment transition program. In part, this was a matter of logistics, but was also designed to permit adherence to one of the principles of research with Aboriginal people, namely, reciprocity. Since part of the motivation for holding the focus group was to obtain information on participants' financial literacy levels, it might be thought that having the focus group immediately following a financial literacy class would bias the results. This is a justifiable concern, but was outweighed by the concern of the agencies organizing the workshops that there be some reciprocity in the process—that is, that participants would be able to follow up on what they had learned in the financial literacy classes by asking "experts" questions as well, which might assist them in financial decision-making.[7] As researchers, we engaged in this more interactive and reciprocal process and adjusted the research approach accordingly in two ways in order to reduce the risk of biased answers. The first adjustment involved us not seeking to gauge participants' financial literacy levels and needs at a particular point in time (as survey instruments usually try to do), but to invite discussion of participants' experiences and behaviour with the goal of assessing financial literacy indirectly. Secondly, the results of the focus group, as presented below, were shared with the financial literacy program deliverer, and comment was invited on whether the results were based on information that she had provided at the financial literacy session or represented the views and knowledge of the participants themselves. In her opinion, the focus group results were not affected by the material presented during the session, and she noted that, in fact, some of what is reported below was also expressed by the participants themselves in the workshop, which reinforces the findings.[8] Nevertheless,

6 Focus groups have been previously used as a method to examine financial literacy issues; see, for example, Kempson et al. (2013, 19–26) for a different application.

7 The "experts" here refer to the author and a research assistant who were both present for the focus groups. We shared knowledge with participants about the nature of the research project, our own experiences with banks, and on a number of aspects of bank regulation and policies.

8 The financial literacy session concentrated on two main issues: budgeting and the cost of loans. With respect to the latter, the cost of payday loans was included, but the costs of different types of bank accounts and of phone plans, both of which were discussed by participants in the focus group as reported below, did not form part of the financial literacy program session.

the non-random sample and the conditions under which the information was gathered mean that the findings of this study should be taken as indicative rather than definitive.

Each focus group lasted for about an hour, with open-ended discussion formats. Of course, the sample was not random in terms of either the urban Aboriginal population as a whole or of financial institution users and was dictated by the enrolment of the employment transition programs. Nevertheless, the insights gained from the discussion of financial behaviour and experience were important and are discussed below, following the analysis in section 2, under the three headings of financial literacy levels and needs, low income and fringe financial institutions use, and specific Aboriginal dimensions. It should be noted that the discussion with respect to the latter two headings especially—low-income and Aboriginality—is intended to be viewed as intersecting and as describing the experience of low-income urban Aboriginal persons (although, of course, some of the experiences are also common to low-income non-Aboriginal people).

Financial Literacy Levels and Needs

Evident from all three groups was that most participants had good knowledge of the comparative costs of banking and borrowing. Twenty-nine of the thirty participants had bank accounts, and there was generally sound knowledge of the costs involved with those accounts. As one participant explained:

> I have the largest banking package, I've tried switching down to be frugal with my dollar transactions but it ended up … costing me more … because of my [extra transactions]. So I just switched back to the larger one …it evens out over the year … however, I think it's like $13 or $12.90 [per month] and I think that's very expensive.

This type of situation was also mentioned by another participant who had a basic bank account but was surprised to find the cost of adding on-line banking and then the cost of e-transfers resulted in her paying much more than she had anticipated. Another commented that "the service fee packages … shouldn't be so expensive."

Participants were also aware of the fees charged for withdrawing cash from another bank's ATM: "[D]ollar-fifty for that bank, dollar fifty for that bank," indicating two bank fees for one transaction. "I have a problem giving my money away for nothing" said another in reference to this practice. ATM fees were discussed, including the differences between the fees for using ATMs at mainstream banks and at grocery stores.

Many commented that they would like higher interest rates on savings accounts and no fees on chequing accounts, clearly showing an understanding of what they received and paid. The knowledge of comparative costs extended beyond banking fees. For example, one participant explained which pawn shop he preferred to use based on its slightly lower re-purchase rates. There was extended discussion of the activation fees associated with prepaid credit cards. Furthermore, discussion moved into other areas and participants also discussed the merits of various phone plans. "That's why minutes are better, pay-and-talk is better than contracts," explained one participant. There was even a quite detailed discussion of the procedures that needed to be undertaken for reclaiming money from long-closed bank accounts.

All of this demonstrates that financial literacy in the sense of having an understanding of the comparative costs of basic financial services, which are the services most widely used by the participants, is certainly evident. Knowledge of the costs of other services, such as phones, was also evident, and the discussion also revealed that budgeting frequently takes place in the sense of comparing the costs of the various services and choosing the lowest-cost option to meet particular needs.

When discussion moved to other financial products and technologies, however, it was clear that financial literacy decreased. Some found information on mortgages difficult to understand. Others found the range of accounts, and the pressure to open them without sufficient information and explanation, an unpleasant banking experience. "I just didn't like the fact that … [my bank kept talking about] opening different accounts. I just thought it was chequing and savings and that was it," said one.

The lack of time spent by bank staff to explain different accounts and products was also viewed as a problem: "I've been banking all my life but the thing is the same as she [another participant] said, they don't seem to have as much time as they used to, that kind of thing." Another said that "they're [the banks] very assumptive of where everyone's at." In other words, participants did not feel well-informed about services beyond those which they regularly used, and viewed the banks themselves as less-than-helpful in providing the necessary information, in part due to changes in the financial services industry itself, which has become less customer-oriented.

Other participants expressed reservations about their ability to take advantage of computer technology and questioned banks' role in providing sufficient education in this area. As one participant explained:

> You know what I've often thought … would be nice in a bank, if they actually had a computer right there, like a couple of computers that people could actually learn on—how to do online banking and that kind of stuff. Like, right there so that they could, you know, practice it, have somebody there that could show them how to do it, those kinds of things.

Others noted that they had received such help, but only after asking for it specifically. The general trend towards on-line banking was also seen as problematic. As one participant noted:

> Not everybody has a computer … They're always assuming for the middle-to-upper class rather than the middle class, you know, the people that don't have all this money to do all these kinds of things. And I mean, sure, the library's open on the weekends, but it's, you know, like, you get an hour on the library, that kind of thing. So if you don't have a computer of your own, then you spend all your time trying to get an appointment.

This discussion also points to the weakness in the argument made by the federal Task Force (quoted above) that "a single source website is key to allowing Canadians to inform themselves with high quality, unbiased information from a range of expert sources" (2010, 6) in the context of many low-income people not having access to computer resources.

Some participants had held accounts with credit unions. One respondent noted that "the ones in Vancouver are a lot cheaper than banks," again highlighting a high degree of awareness of comparative costs. Another participant noted that "the only problem with credit unions is you can't transfer any money from one credit union to the other … That was quite the downside … when you're an hour away from one town and three hours away from another town. It's hard." Another volunteered: "I picked my bank because it's the largest bank and it's across Canada." The issue raised here about the availability of banking services for mobile people is one that came up in other contexts as well, as discussed further below.

Low Incomes and FFIs

The discussions summarized above indicated that participants in general were financially literate in the sense of having a good knowledge of the comparative costs of basic financial services and displaying evidence of budgeting. Knowledge of other financial services and products, such as on-line banking and mortgages, was more limited, but this is understandable in the context of individuals living on low incomes. Statements from participants included:

> "Once you pay your rent, there's not much left over."
>
> "You pay rent, pay your bills, sit at home and look at four walls. You get used to it after a while."
>
> "I totally have nothing [food] in my place right now."
>
> "[Budgeting skills are not really needed because there's] not much left to budget."

Even though many participants had low incomes, all but one of them, as noted above, had bank accounts. The one who didn't explained that he "didn't believe in the financial system … to me it's all based on greed and I'm not into that, and I will not participate in it." He chose instead "to live completely off the grid." This was a case, therefore, of self-exclusion for ideological reasons rather than of being "unbanked" due to financial exclusion.

The fact that nearly all of the participants had bank accounts, however, did not preclude some from periodically resorting to the use of fringe financial institutions. A number also had relatives who did so. This confirmed previous research by Bowles et al. (2011) that many FFI users are better described as "precariously banked," in the sense that they use both mainstream and fringe financial institutions, rather than as "unbanked," as much of the literature suggests.

Some used FFIs, even though they knew they were more expensive, because they were "less hassle" than mainstream institutions. This referred to the fact that at FFIs the transactions are straightforward, there are no decisions to make about which accounts should be used, and no pressure to purchase other products such as life insurance. This is partly a matter of financial literacy—not having the knowledge or confidence to decide upon the correct use of accounts—but also a matter of wishing to avoid sales pitches as well.

Another reason cited by participants for the use of FFIs could be classified as "convenience" in the sense that FFIs had longer opening hours than banks and did not require appointments.[9] This was seen as especially important for those working in the industrial camps around the northern part of the province and who thus spent only limited amounts of time in urban centres, as well as for those working shift work. As one participant explained, "[Y]ou're spending all your days off … wandering around, trying to get these things done," and the need for appointments at banks increased the difficulties of this.

This was a common theme, with another participant commenting, "It's the bank, they should have longer hours." After noting that the latest any bank is open is 8 pm, the participant argued that

> they should be closed later on, later than that time. Because … people will have to get ready to leave their job and whatnot and then they gotta think of the travelling time from their job to the bank. And especially if they work out of town.

Another noted that "Money Mart and Cash Mart is open 'till … 11. Some are open 24 hours."

Speaking of her sons, who live in one of the smaller urban centres in northern BC, one participant said that "they cash their cheque at a grocery store, they had to buy $200 worth of groceries in order to get the cash, 'cause they missed the bank." The challenges of remoteness and irregular work hours made banks difficult to access. As noted above, on-line banking out of branch hours is not an option for many.

As well as bank hours, the holds placed on cheques by banks were also problematic, especially for workers who might have only three days off in town before having to return to out-of-town work. Obviously, a five-day hold on cheques thus causes problems.

Convenience factors have been identified in previous studies of FFI usage, as have ID requirements. This latter factor was experienced by participants in the focus groups as well. Talking of friends and family members, one participant said that "at Money Mart and Cash Plan, they usually take a picture of them and fingerprints and they open an account for them, so they can cash their cheques there." Another agreed, asking "why don't they use the same method that Cash Plan and everybody uses in the bank for people who open up an account? Maybe it would be a lot easier." Others had been turned away because they did not have a permanent address (one was staying in a shelter at the time). One was able to cash

9 Other studies have also noted the 'spatial convenience' of FFIs in low income neighbourhoods where mainstream financial institutions have been closing branches. See ACORN Canada (2004) and Buckland et al (2005) for Canada and Leyshon et al (2008) for the U.K. Spatial convenience was not identified as a factor in this study.

cheques without ID since he was a long-standing customer of the bank and was known to the tellers.

It should be noted that in addition to the factors identified above, there are some other factors that also explain FFI use. For example, some FFIs offer incentives for referrals to their businesses. Twenty dollars was mentioned in discussions as the sum available to those getting friends to open an account. This is an attraction for those on low incomes.

Participants indicated that as well as using FFIs for cheque cashing for reasons related to convenience and ID, some had also borrowed from FFIs. The reasons for this were primarily to meet short-term emergency needs or for special events, and because some participants were unable to obtain credit from their own banks because of low income or a history of bad debts—that is, some participants had bank accounts but were not eligible for credit. Some had not actually applied for credit: "I'm too afraid to get rejected … slam-the-door-in-my-face kind of thing. 'Cause I know my credit ain't that good."

Many participants viewed building a good credit rating as desirable and important, but could find no way of doing so given their income levels. Their aspirations were modest in this respect:

> I'm trying to get an overdraft, like give me a chance, give me a ten-dollar overdraft. And then if I can prove myself with ten, move it over to forty or something, 'cause I would like to have an overdraft. 'Cause even if it's a small amount, like ten dollars, prove to them you can do it and then do it again.

> I think they gotta give us a chance. 'Cause … sometimes … we need that money so we go to another place and get that money … and … they'll take charges … fees or whatever … the loan sharks.

Thus, FFIs were seen as a last resort in the face of an inability to get loans from participants' bank. This also shows the value of "financial literacy plus" programs which incorporate, for example, matching savings programs that allow low-income individuals to build savings accounts and demonstrate regular savings behaviour for credit building purposes, and/or that provide emergency loan services. It also reinforces the point made by Soederberg (2014) that the poverty industry, of which FFIs are a part, cannot be understood as simply a reflection of consumers choosing greater convenience, but is inextricably linked to income levels, the prevalence of waged employment that does not pay a living wage, and inadequate levels of welfare and other government program payments.

One of the participant quotations above addresses the "fear of rejection" in asking for a loan. For individuals with histories of institutional rejection, banks may be particularly challenging. Some further explorations of this theme for Aboriginal people are discussed further below. It is worth noting that a class dimension is involved here as well, with participants expressing the opinion that banks cater mainly to the wealthy and that they feel uncomfortable in banks as a result. As one participant noted:

> They're used to all the big money coming into here. Well, you know what, it's the little money people [who keep] the banks going.

Another contrasted how he felt more respected ("amounting up") when he went into a bank with a paycheque to deposit as opposed to those times he had a social assistance cheque:

> I know it feels good when you go there with your paycheques. Because you amount out, amount up to them. They have paycheques, you have paycheques. And it makes me feel very low when I walk in there with my social assistance cheques.

Another reported feeling looked down upon when going into a bank with "government cheques." When asked what characteristics participants would like to see in a bank, one response was "down-to-earth workers." These statements are specifically about banks, but are likely linked to wider societal attitudes. Issues related specifically to Aboriginal identity are discussed below.

Aboriginal Dimensions

It was argued in section 3.1 that participants in the focus groups displayed a significant grasp of basic financial literacy. Interestingly, much of this had been self-taught. Participants did share that as Aboriginal people growing up on reserves, they did not have a history of banking in their families and communities. Some reported that their grandparents had kept money at home and didn't use banks. One participant reported that his parents, living on a reserve, kept their money with the local store manager. Another reported: "One thing I've learned from watching my grandparents, they didn't trust the banks at all. My grandfather's a trapper and a fisherman." Another reported the same situation, with the result that "we didn't understand how to approach a bank or even how to open an account until later in life."

There was thus some evidence of distrusting banks and feeling alienated from them. For this reason, discussion turned to how banks could be more inviting to Aboriginal people. Many of the responses here centred on how the presence of Aboriginal and other minority staff is beneficial in this respect. One participant noted that a diverse bank staff was more welcoming. "Over in the branch in [X], they have an Aboriginal lady that works there, they have a Chinese lady that works there, a couple people who are Indian. It's just a little different atmosphere." Others referred specifically to Aboriginal staff, with one arguing that the ideal bank would be with "all Aboriginal workers" and "bannock at the doors." One respondent mentioned the Aboriginal art on display at the provincial government's service centre, the BC Access Centre, compared to its complete absence at any bank. One of the major banks in the city was known for hiring Aboriginal people, indicating that there is awareness of representation issues in mainstream financial institutions, and a respondent noted that it was known within Aboriginal circles as "the Indian bank," and attracted this person's business for that reason.

Interestingly, when asked whether an Aboriginal-owned, not just an Aboriginal-staffed, bank would be preferable, there was little support. Comments from participants here included:

> That would be pretty hard to be working there. People would be like. "C'mon brother, you're my brother."
>
> Yeah, you would have to practice saying "Sorry, sir."
>
> Yeah, I think it would be pretty hard. Because, you know, in traditional ways … family are around each other a lot.

In their own words, these views represent a critique of what in the academic literature is referred to as the informational advantage of relationship banking. That is, while many have argued that relationship banking, in which lenders have more detailed personal knowledge of their borrowers, is a more efficient form of assessment than the credit scoring methods used by large institutions now, it is also recognized that relationship banking does run the risk of the lender being unduly influenced by knowledge of the borrower, which can lead to poor lending decisions (see Elyasiani and Goldberg 2004). Focus-group participants, in the quotations above, were alluding to a special variant of this in which lenders and borrowers have close personal relationships, and suggesting that an Aboriginal-owned bank might experience this problem. Certainly, this demonstrates a significant and sophisticated level of financial literacy, although one that is seldom considered in the standard definitions and measurements of the concept.

Conclusion

The financial behaviour of Canadians has recently been highlighted by federal policy initiatives designed to address financial literacy. This is occurring at a time when there is also increasing concern over the growth and use of fringe financial institutions (FFIs) such as payday lenders. Aboriginal people have been identified as one of the "priority groups" for a national financial literacy strategy, and were also found in a recent study to be significant clients of fringe financial institutions.

This paper reports on discussions with thirty urban Aboriginal participants in three focus groups designed to give better knowledge of their financial behaviour and experience. While the study is only indicative, it does highlight some important findings and policy implications, both of which point to the need to undertake further research in this area. The results show that participants displayed a good level of basic financial literacy as measured by their ability to articulate the comparative costs of banking services. Much of this financial literacy was self-taught, and those who had grown up on reserves had little previous family and community experience with financial institutions.

Participants also revealed that they practiced budgeting, but that their main challenges were their low incomes, not an inability to manage them. In this respect, the policy emphasis of government on financial literacy is misplaced, and the emphasis should be on policies to raise income levels; at a minimum, financial literacy programs should be designed as "financial literacy plus" programs that offer participants an opportunity to raise their income levels and creditworthiness through incentives such as matching savings programs.

None of the participants was “unbanked” in the sense of not having a bank account when she or he desired to have one; one participant was voluntarily unbanked. The others all had bank accounts, but use of fringe financial institutions was not uncommon. This arose primarily for two reasons. First, FFI cheque-cashing services were used for convenience and ID reasons; the limited opening hours of mainstream banks and the holds they often placed on cheques were seen as particularly problematic for individuals with non-standard work hours and workplaces outside of urban centres, such as resource industry work camps. Second, FFIs were used for loans when credit was not available from mainstream banks.

For banks, the policy implications of these findings suggest that, for participants in this research and people like them, on-line banking is not a substitute for longer opening hours. It also clear that some participants did not feel comfortable with the perceived pressure from banks to purchase more complex financial products that they did not fully understand, and found the physical and social spaces of banks unwelcoming to them as low-income and Aboriginal people. To overcome this, government policy focus needs to be on funding and working with urban Aboriginal organizations to provide appropriate “financial literacy plus” programs with matching savings and emergency loan facilities, rather than concentrating solely on partnering with mainstream financial institutions.

Bibliography

ACORN Canada. 2007. *A Conflict of Interest: How Canada's Largest Banks Support Predatory Lending*. Research report.

ACORN Canada. 2004. *Protecting Canada's Interest: Reining in the Payday Loan Industry*. Special report. November.

BMO. 2014. "BMO Rainy Day Survey: Canadians Average $35,237 in Emergency Savings, But Many Don't Have Enough to Last One Month." September 8, accessed August 19, 2015, http://newsroom.bmo.com/press-releases/bmo-rainy-day-survey-canadians-average-35237-in-tsx-bmo-201409080966606001.

Bowles, P., D. Ajit, K. Dempsey, and T. Shaw. 2011. "Urban Aboriginal Use of Fringe Financial Institutions: Survey Evidence from Prince George, British Columbia." *Journal of Socio-Economics* 40(6): 895–902.

Buckland, J. 2010. "Are Low-Income Canadians Financially Literate? Placing Financial Literacy in the Context of Personal and Structural Constraints." *Adult Education Quarterly* 60(4): 357-376.

Buckland, J. 2011. "Money Management on a Shoestring: A Critical Literature Review of Financial Literacy and Low-Income People." Research paper prepared for the Task Force on Financial Literacy, February 9.

Buckland, J., Guenther, B., Boichev, G., Geddie, H. and Mutch, M., 2005. "There Are No Banks Here": Financial and Insurance Exclusion in Winnipeg's North End, *mimeograph*.

Buckland, J., T. Carter, W. Simpson, A. Friesen, and J. Osborne. 2007. "Serving or Exploiting People Facing a Short-Term Credit Crunch? A Study of Consumer Aspects of Payday Lending in Manitoba." Report prepared for the November 2007 Public Utilities Board Hearing to Cap Payday Loan Fees, 15 September.

Buckland, J., A. Fikkert, and J. Gonske. 2013. "Struggling to Make Ends Meet: Using Financial Diaries to Examine Financial Literacy Among Low-Income Canadians." *Journal of Poverty* 17(3): 331–55.

Buckland, J., and X.-Y. Dong. 2008. "Banking on the Margin in Canada." *Economic Development Quarterly* 22: 252–63.

Canadian Payroll Association (CPA). 2014. "Payroll Survey Shows Weakening Financial Picture for Employed Canadians." September 10, accessed August 19, 2015, http://www.payroll.ca/cpadocs/Media/NewsReleases/2014NPWEmployeeResearchSurveyNationalNewsRelease.pdf.

Collin, D. 2011. "Aboriginal Financial Literacy in Canada: Issues and Directions." Research paper prepared for the Task Force on Financial Literacy, February 9.

Elyasiani, E., and L. Goldberg. 2004. "Relationship Lending: A Survey of the Literature." *Journal of Business and Economics* 56(4): 315–30.

Financial Consumer Agency of Canada (FCAC). 2014. *Toward a National Strategy for Financial Literacy, Phase 2: Priority Groups*. Ottawa.

Jorgensen, M., S. Dewees, and K. Edwards. 2008. *Borrowing Trouble: Predatory Lending in Native American Communities*. Longmont, CO: First Nations Development Institute.

Kempson, E., A. Atkinson, and O. Pilley. 2004. "Policy Level Response to Financial Exclusion in Developed Economies: Lessons for Developing Countries." Report by the Personal Finance Research Centre, University of Bristol, September.

Kempson, E., V. Perotti, and K. Scott. 2013. *Measuring Financial Capability: A New Instrument and Results from Low- and Middle-Income Countries*. Washington DC: World Bank.

Kitching, A., and S. Starky. 2006. "Payday Loan Companies in Canada: Determining in the Public Interest." Parliamentary Information and Research Service Report, 26 January.

Kitching, A., S. Starky, S., and P. Bergevin. 2007. "Bill C-26: An Act to Amend the Criminal Code (Criminal Interest Rate)." Parliamentary Information and Research Service Report, 28 September (revised version).

Maman, D., and Z. Rosenhek. 2015. "'Financial Education is About Everybody's Self-Regulation': Financial Literacy as a Moralizing Project." Paper presented at the Society for the Advancement of Socio-Economics Conference, London, July 2.

Nene, K. 2011. *First Nations Financial Fitness: Your Guide for Getting Healthy, Wealthy and Wise.* Vancouver: Aboriginal Financial Officers Association of British Columbia.

Leyshon, A., S. French, and P. Signoretta, P. 2008. "Financial Exclusion and the Geography of Bank and Building Society Branch Closure in Britain." *Transactions of the Institute of British Geographers* 33(4): 447–65.

Simpson, W., and J. Buckland. 2009. "Examining Evidence of Financial and Credit Exclusion in Canada from 1999 to 2005." *Journal of Socio-Economics* 38: 966–76.

Soederberg, S. 2014. *Debtfare States and the Poverty Industry: Money, Discipline and the Surplus Population*. New York: Routledge.

Stegman, M. 2007. "Payday Lending." *Journal of Economic Perspectives* 21(1/Winter): 169–90.

Task Force on Financial Literacy. 2010. *Canadians and Their Money: Building a Brighter Financial Future,* accessed August 19, 2015, http://www.financialliteracyincanada.com/pdf/canadians-and-their-money-1-report-eng.pdf.