



## **Precarious Banking in Prince George Urban Aboriginal Individuals' Financial Behavior and Experiences: Some Focus Group Evidence**

### **KEY FINDINGS:**

- Aboriginal people have been identified as a priority group by federal policy initiatives designed to address financial literacy.
- This study revealed that financial literacy levels among Aboriginal people were higher than are often revealed in survey data
- Fringe Financial Institutions (FFIs), such as payday loan companies, were used primarily as a last resort or due to bank policies being in conflict with the participant's work/life circumstances. FFIs were used for convenience and for their policies on personal identification as opposed to being used because the participants lacked financial literacy.
- Research identified the need for 'financial literacy plus' programs for Aboriginal people, the need to raise income levels through policy interventions, and have employers pay a living wage for waged employment.

### **INTRODUCTION**

This research brief explored the financial behavior and experience of urban Aboriginal people and their use of banks, credit unions, and fringe financial institutions (FFIs). Two trends stimulated the research. The first was that Aboriginal people have been identified as a priority group by federal policy initiatives, such as the National Strategy for Financial Literacy. The second is the growth of FFIs in Canada which has led to a change in the institutional financial landscape. These FFIs are rapidly growing and often charge very high interest rates for their services. Research has shown that lower-income groups that may not have access to mainstream financial institutions typically use these services. One study showed that 60 % of the clients of fringe financial institutions self-identified as Aboriginal in a city with an 11 % Aboriginal population. This study aims to determine the extent of

financial literacy among urban Aboriginal people and to examine the extent to which they use FFIs. The main goal of this research project is therefore to investigate and study the financial behavior and experience of urban Aboriginal individuals. Policy implications of these findings are discussed and policy recommendations are given that can better meet the needs of the urban Aboriginal population.

### **PARTNERSHIPS**

Aboriginal Business and Community Development Centre

National Collaborating Centre for Aboriginal Health

### **METHODOLOGY**

This research paper used a focus group methodology to conduct its research. Three focus groups were interviewed and the findings were reported on. This approach enabled the participants to provide more information about their financial behavior and experience as opposed to a survey based methodology. Each focus group comprised of ten urban Aboriginal participants. The focus group sessions were held in Prince George, British Columbia and took place immediately after a financial literacy class that was part of an employment transition program. With the focus groups meeting directly after a financial literacy class there were potential for bias results. However the researchers took precautions during the data collection to reduce the risk of biased answers. However due to the non-random sample and the conditions under which the information was gathered the findings of this study should be taken as indicative rather than definitive.

The purpose of this study was to understand the financial barriers faced by urban Aboriginal people and their use of urban financial institutions including banks, credit unions, and payday lenders. This study aimed to inform public policy on how best to meet the financial service needs of urban Aboriginal people.

### **MAIN FINDINGS**

Evidence from all three focus groups showed that most participants had a good knowledge of the comparative costs of banking and borrowing. 29 of the 30 participants had bank accounts and there was generally sound knowledge of the costs associated with those accounts. When discussions moved to other financial products and technologies, for example mortgages, it was clear that the level of financial literacy among participants decreased. Participants did not feel well-informed about services beyond those which they regularly used. One of the main reasons for the non-use of these services was due to the fact the many of the individuals were living on low incomes.

While participants showed an understanding of basic financial literacy and had access in all but one instance to bank accounts many still used FFIs for some of their banking needs. The fact that nearly all of the participants had bank accounts did not preclude some from

periodically using FFIs. Users of both mainstream banking and FFIs can be described as 'precariously banked.'

Participants used FFIs for a number of different reasons including convenience, a lack of ID, and FFIs were able to provide credit in the cases of participants having low income or a history of bad debts. The convenience factor played a major role in the use of FFIs by the participants with many stating that the longer opening hours in comparison to mainstream banks were especially important, specifically to those working in industrial camps around the northern part of British Columbia and who therefore only spent limited amounts of time in urban centres. The convenience factor also applied to cashing cheques compared to the holds that banks placed on them. For remote workers, a 3 or 5 day hold on a cheque is problematic especially when access to online banking or a computer is limited or non-existent as many participants alluded to.

In regards to borrowing money participants saw FFIs as a last resort that were used due to their inability to receive loans from their bank or to meet a short-term emergency need. This behavior highlights the value of 'financial literacy plus' programs which incorporate matched savings programs that allow low-income individuals to build savings accounts and demonstrate regular savings behavior for credit building purposes and/or that provide emergency loan services.

## **CONCLUSION**

The research took a closer look at the financial behavior of urban Aboriginal people, a 'priority group' under the federal government's national financial literacy strategy. There are concerns over the level of financial literacy among Aboriginal people and the increased use of fringe financial institutions such as payday lenders. The research indicated that these concerns over financial literacy and the increased use of payday lenders due to a lack of financial literacy to be largely unfounded. The thirty Aboriginal focus group participants displayed a good level of basic financial literacy as measured by their ability to articulate the comparative costs of banking services. Many of the financial literacy skills shown by participants were also self-taught and the research also revealed that participants practiced budgeting and displayed knowledge of basic financial services. The main constraints that participants faced were income constraints not a lack of knowledge of how to best use financial institutions and products. The use of FFIs was primarily for reasons of convenience or as a last resort and not due to a lack of information or financial literacy. A lack of ID, limited opening hours of mainstream banks, and the availability of credit were all reasons given for using an FFI.

## **POLICY RECOMMENDATIONS**

To overcome the use of FFIs by Aboriginal people and increase the level of financial literacy in Aboriginal communities the following policy recommendations were given:

- The federal government needs to focus on policies that promote ‘financial literacy plus’ programs. These programs would provide an opportunity for participants to raise their income levels and creditworthiness through programs such as matched-savings programs and emergency loan facilities.
- Emphasis should be placed on policies to raise income levels among low-income earners, many participants stated that even with budgeting their low incomes were the main reason they used FFIs.
- Banks should adapt and adopt longer opening hours as the research showed that many low-income customers lack the access to a computer and thus on-line banking is not an option for them.
- The research also noted that making financial institutions more physically welcoming spaces, by displaying aboriginal art for example, and employing frontline Aboriginal workers would help to reduce some of the barriers felt by Aboriginal people.

**For more information on this project visit:**

**<http://uakn.org/research-project/precarious-banking-in-prince-george-2/>**

**ABOUT US:**

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The Urban Aboriginal Knowledge Network, the UAKN, is a community driven research network focused on the Urban Aboriginal population in Canada. The UAKN establishes a national, interdisciplinary network involving universities, community, and government partners for research, scholarship and knowledge mobilization. For more information visit: [www.uakn.org](http://www.uakn.org)



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