

# Aboriginal Financial Literacy in Canada

Issues and Directions

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Research paper prepared for the  
Task Force on Financial Literacy



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# Aboriginal Financial Literacy in Canada: Issues and Directions

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## Executive Summary

Aboriginal communities and circumstances are varied. The barriers to financial literacy, the cost of the financial literacy deficit and the promises of financial literacy development efforts will vary accordingly. Four broad groups are described, each characterized by specific financial literacy challenges and opportunities. The first two groups concern individuals of Aboriginal descent, often economic refugees from remote communities who are established in urban and in rural centres. The second two groups address Aboriginal communities: the larger, better established and more accessible communities, on the one hand, and the smaller, more remote and less organized communities, on the other. Both face financial literacy challenges that are exacerbated by the complexity of financial decision making in the context of the *Indian Act* and other legal and regulatory barriers.

Aboriginal individuals, entrepreneurs and communities have been affected by financial literacy challenges in many of the same ways that lower-income people and remote populations in Canada have. However, there is the additional weight of specific cultural and structural barriers and the additional pressure of unprecedented opportunities to participate in the financial life of the country after generations of exclusion. Cultural barriers such as language, values that affect financial decisions, the persistence of non-cash-based economies, lack of trust toward financial institutions, and habituation to government program management culture all affect financial literacy. Structural barriers include the huge education, literacy and numeracy deficit, geographical remoteness, and the lack of access to basic banking services.

Solutions and best practices fall into two categories. First, culturally adapted and relevant training has been developed and shown to be effective. Among training efforts, certification programs for financial management experts stand out, with the double benefit of providing expertise for sound financial management of Aboriginal institutions and creating role models who transmit financial literacy to their communities by example and in ways that are culturally appropriate.

Second, Aboriginal financial institutions that integrate financial literacy training in their way of doing business have collectively had the single biggest impact on financial literacy over the last 30 years. As these institutions mature, innovative products and ways of bringing capital into Aboriginal communities are developed that address the legal, cultural and structural barriers, often in partnership with mainstream financial providers. Solutions have been developed, tried, and deployed, and their impact on Aboriginal economic and financial literacy has been demonstrated. Support to bring them to scale will be critical to their success.

## Introduction

Aboriginal people have been affected by financial literacy challenges in many of the same ways that lower-income people and remote populations in Canada have. However, there is the additional weight of specific cultural and structural barriers and the additional pressure of unprecedented opportunities to participate in the financial life of the country after generations of exclusion. Financial literacy will play a key role in the economic prospects of Aboriginal individuals, entrepreneurs, and communities as Aboriginal institutions and governments set the stage to reclaim their place in Canada's economy.

This paper, commissioned by Canada's Task Force on Financial Literacy, is intended as a broad overview of the situation to guide thinking and discussion. It will point out first-order observations on possible directions, but will not attempt to formulate specific recommendations. These should flow out of the consultations undertaken by the Task Force.<sup>1</sup> Hopefully, the paper will help the Task Force appreciate the importance of Aboriginal financial literacy and will help guide these consultations. Aboriginal voices need to lead the effort toward effective financial literacy initiatives if we are to follow the advice of the Organisation for Economic Co-operation and Development (OECD) in its research on global best practices, "Programs and delivery strategies should be oriented towards financial capacity building, where appropriate targeted on specific groups and made as personalized as possible" (OECD, 2009).

### Notes on Terminology

Unless otherwise noted, the term "Aboriginal" is used throughout this paper to describe the descendants of the original inhabitants of North America. "Aboriginal communities" refer

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1 In addition to informal communications with Aboriginal bankers, Credit Union representatives and Aboriginal Capital Corporation officers, consultations for this paper include a break-out session held at the Aboriginal Financial Officers Association of Canada (AFOA) annual meeting in Ottawa on March 2, 2010. The session was facilitated by Jean Vincent, Marc-André Pigeon, and Dominique Collin and included twenty-six participants: seven with professional interest or experience in financial literacy training, eight Aboriginal non-financial program managers, six Aboriginal financial managers or officers, four government representatives (INAC and Canada PPP infrastructure financing programs), and one bank representative.

to First Nation communities (also known as “Indian reserves”), Inuit communities, and Métis settlements. Appendix A contains working definitions of the names and legal terms used in this paper to refer to specific Aboriginal groups or realities that bear on financial literacy.

The paper uses the term “financial literacy” in the same sense as the Task Force on Financial Literacy, that is, “financial literacy” means “having the knowledge, skills and confidence to make responsible financial decisions.” This definition is broadly consistent with the way other organizations, such as the Policy Research Initiative (PRI), define the term “financial capability.”<sup>2</sup> PRI elaborates on the various parts of the definition as follows (PRI, 2005):

- **Financial knowledge and understanding:** The ability to make sense of and manipulate money in its different forms, uses, and functions, including the ability to deal with everyday financial matters and make the right choices for one’s own needs.
- **Financial skills and competence:** The ability to apply knowledge and understanding across a range of contexts including both predictable and unexpected situations and also including the ability to manage and resolve any financial problems or opportunities.
- **Financial responsibility:** The ability to appreciate the wider impact of financial decisions on personal circumstances, the family, and the broader community, and to understand rights, responsibilities, and sources of advice or guidance.

## The Context: Aboriginal People in Canada

Apart from the common experience of dispossession and federal administration, there is little that unites or is common to all Aboriginal people in Canada. Indeed, the Aboriginal community displays a wide range of cultural, linguistic, demographic, historical, and geographic characteristics (many of which predate contact) and an even wider range of

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2 Specifically, PRI defines “financial capability” as a set of financial knowledge, skills, and behaviours among individuals (PRI, 2005).

legal, administrative, financial, and economic circumstances, all of which influence how financial literacy issues play out. It is impossible to do justice to all of the relevant factors in this paper, or even to attempt to point out all the gender, age, and inclusion issues that bear on financial literacy. The numbers that follow<sup>3</sup> set the stage for a rough, first cut at the kinds of situations encountered.

The Aboriginal population reached almost 1.2 million in 2006, accounting for about 4 per cent of the Canadian population. Of this, 53 per cent were registered Indians, 30 per cent were Métis, 11 per cent were non-status Indians, and 4 per cent were Inuit. In 2006, Aboriginal people represented a significant proportion of the census of Saskatoon (9.3 per cent), Regina (8.9 per cent), Thunder Bay (8.3 per cent) and Winnipeg (10 per cent) metropolitan areas, with growth rates over 20 per cent between 2001 and 2006 in Edmonton, Calgary, Winnipeg, Thunder Bay, Toronto, Montreal, Ottawa and Halifax.

The Aboriginal population in Canada is much younger than the broader population. The median age of the Aboriginal population is 27 compared with 40 for non-Aboriginal people. The low median age of the Aboriginal population presents both an opportunity and an imperative to improve the overall financial capability of the population before it reaches later stages in life and confronts the challenges of education, home ownership, personal equity build up, and retirement planning.

The Aboriginal population between the ages of 25 and 64 also lags behind the general population in educational attainment, with 34 per cent having achieved less than high school (50 per cent on reserve) compared with 15 per cent of non-Aboriginal people in the same age category. The education deficit, and specifically the language, literacy, and numeracy deficits, might well be the single most important issue in dealing with Aboriginal financial literacy.

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3 The source for all statistics in this section is Statistics Canada, 2008.

Despite a significant decline since 2001, the unemployment rate for Aboriginal people aged 25–64 was almost three times the rate of non-Aboriginal people in 2006 (13 per cent and 5 per cent respectively). It exceeds the national rate in every region. Unemployment can exacerbate poverty and increase the social isolation that perpetuates economic exclusion.

Aboriginal youth, however, represent a wealth of future labour and leadership. Between 2001 and 2026, more than 600,000 Aboriginal youth will come of age and enter the labour market. The 15–29 age group, in particular, is projected to grow by 37 per cent compared with 6 per cent for the general Canadian population (Hull, 2008). These young people are coming of age in a time of unprecedented opportunity for Aboriginal engagement in the mainstream economy. The recognition of Aboriginal rights, interests and grievances; the creation of new governance models and institutions; and the transfer of powers and resources are all contributing to creating a new sense of opportunity. The *Federal Framework for Aboriginal Economic Development* (Canada, 2009) builds on the promise of the growing entrepreneurial spirit among the new generation of Aboriginal leadership.

### **Aboriginal Financial Literacy: Varied Landscapes**

At a high level, four major sets of circumstances and characteristics seem to prevail in the Aboriginal world.

The first two sets capture the urban and the rural or remote reality of individuals of Aboriginal ancestry who do not reside in Aboriginal communities. They find themselves living alone, in clusters, or as part of identifiable minorities in the fabric of Canadian cities, towns and hinterland.

The other two sets are Aboriginal communities at opposite poles. At one end are the well-resourced communities, of which the self-governing Nations are at the leading edge; at the other end are the poor, remote, and disorganized settlements where even basic

infrastructure is lacking. Both sets are clearly delineated territories with their own governance structures and populations that have a common origin, language, culture, and history.

### Urban Environment

Except for individuals of Aboriginal descent who are not connected to Aboriginal communities and the small but growing elite group of educated Aboriginal people, most 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. Because this group is beyond the reach of community-based support programs and institutions, it has limited access to dedicated Aboriginal social, health, and education services. Friendship centres are often the first line of contact for this group and are often called on to intervene when lack of financial literacy—or resources—results in crisis situations, such as electricity being turned off mid-winter.

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. A disproportionate number of recent urban arrivals are women, often single parents, who are especially vulnerable to economic and other forms of exploitation. Studies show that these women are difficult to reach through mainstream social services (Williams, 1997; Canada, 2004).

While the challenges for urban Aboriginal people are great, potential solutions are promising: the scale, proximity of resources, and availability of basic financial services ensure that cost-effective initiatives can result in a rapid change to participants' financial

decision making and economic circumstances. The lessons learned by urbanized members of rural and remote communities often benefit the home community when they, or their educated children, return.

### Rural and Remote Environments

Because they are not in transition, nor part of growing minorities in larger jurisdictions, nor part of organized Aboriginal communities with forceful leaders, members of this group tend to be less visible and, as a result, have the least access to remedial assistance as a group. As is the case with all lower-income Canadians living in rural and remote areas, access to financial services is decreasing. However, the continuing negative attitude toward Aboriginal peoples further complicates access to services. Problems in these communities tend to perpetuate and are harder to address, except in cases where the town has become the hub for a group of Aboriginal communities or the preferred location for regional delivery of Aboriginal services. Much of the Métis and Non-Status Indian population is included in this group.

### Aboriginal Communities

The legal framework for Aboriginal communities, especially the Indian bands managed under the *Indian Act*, has resulted in a number of unintended constraints that affect every aspect of financial activity, from borrowing to investment.

It is beyond the scope of this paper to provide a detailed account of this legal framework. However, it is important to touch on some of the key elements. The *Indian Act* is the primary piece of legislation governing First Nation communities, although court decisions, regulations, and administrative practices are also important for understanding the full extent of the relevant institutional framework. The *Indian Act* has a profound effect on taxation, housing, land titles, property transfer, education, borrowing, land servicing, and many other aspects of the financial activities of individuals, businesses, and institutions operating on reserve. As such, conventional financial ratios such as those used by banks to determine debt load capacity and government incentives become meaningless.

The *Indian Act* determines, among other things, the following:

- Land and home ownership regimes;
- Registration, lease, sale, inheritance, and transfer of property;
- Tax treatment of employment or investment income;
- Access to resources and resource-based income; and
- Governance powers of local administrations.

The *Indian Act* also includes the well-known provisions of section 89. These provisions were designed to protect the integrity of the land base and prevent seizure of Indian property on reserve. They are commonly considered to be the main obstacle to lending on reserve.

Relevant recent legislation that modifies the legal landscape and confers more powers and responsibilities to First Nation governments includes the *First Nations Land Management Act*, the *First Nations Fiscal and Statistical Management Act*, the *First Nations Oil and Gas Moneys Management Act*, and, most importantly, all of the self-government legislations.<sup>4</sup>

Self-government agreements set out arrangements for Aboriginal groups to govern their internal affairs and assume greater responsibility and control over the decision making that affects their communities. Self-government agreements address: the structure and accountability of Aboriginal governments, their law-making powers, financial arrangements and their responsibilities for providing programs and services to their members. Self-government enables Aboriginal governments to work in partnership with other governments and the private sector to promote economic development and improve social conditions....

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4 The Westbank First Nation Self-Government Agreement, a recent example, can be consulted online at [www.ainc-inac.gc.ca/al/ldc/ccl/fagr/wfn/wfn-eng.asp](http://www.ainc-inac.gc.ca/al/ldc/ccl/fagr/wfn/wfn-eng.asp).

Self-government arrangements may take many forms based on the diverse historical, cultural, political and economic circumstances of the Aboriginal groups, regions and communities involved.<sup>5</sup>

Governance regimes for Inuit communities have been redesigned as land settlements in Canada's North and have given rise to a series of historical Comprehensive Claims and Self-Government Agreements, starting with the James Bay and Northern Québec Agreement in 1975.

The Alberta Métis settlement governance regime is defined under the 1998 *Métis Settlements Act*, a provincial legislation.

#### a) Well-resourced Communities

These large, accessible, better organized, and/or resource-rich Aboriginal communities tend to have one or all of the following features:

- Proximity to large urban centres;
- Larger, older and more educated population;
- Strong resource base and regional economic opportunities;
- Strong leadership and separation of politics and economics;
- Solid governance powers, institutions and capacity; and
- Capital from settlements, agreements or economic activity.

Even though they are well-resourced, these Aboriginal communities are often presented with opportunities that they cannot act upon for lack of individual, corporate, or government financial capacity. Access to capital remains a critical need for individuals, businesses and local governments, especially to develop community and economic infrastructure. Financial literacy gaps are critical and difficult to remediate because mainstream financial literacy materials do not address the legal complexity of doing

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5 See Indian and Northern Affairs Canada at [www.ainc-inac.gc.ca/al/ldc/ccl/sgb-eng.asp](http://www.ainc-inac.gc.ca/al/ldc/ccl/sgb-eng.asp).

business on reserve. The problem is exacerbated by the fact that, while the better-managed First Nations have been able to secure broad governance responsibilities, they do not have access to the corresponding powers and institutions that are available to other orders of government. Further, they do not have the scale<sup>6</sup> to afford the level of financial competence that larger administrations take for granted.

The larger and wealthier Aboriginal communities have nevertheless managed to capture the attention of governments, major banks (see Appendix C for a list of bank branches on reserves), and resource-based industries operating on their traditional lands. These communities have become the testing ground for a number of innovative ways of doing business, including certification by the International Organization for Standardization of their government programs and services and the development of property taxation regimes on lands set aside for development. This requires a much higher degree of financial capacity on the part of decision makers—and voting members who need to understand, debate and ratify decisions—than is the norm for mainstream communities of comparable size.

#### b) Resource-poor Communities

These communities and their members face the same challenges as the previous group, compounded by greater distance from urban centres, language, poverty, and lack of access to even the most basic commercial financial services. To the extent that capital for business is available at all, it is through subsidized Aboriginal institutions. Inuit and Northern communities fall disproportionately into this category.

## The Challenge and Shifting Context of Financial Literacy

Larry Orton's literature review, *Financial Literacy: Lessons from International Experience* (2007), highlights the changing circumstances that make financial literacy a major policy

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6 Six Nations of the Grand River, the largest First Nation in Canada, has an approximate population of 23,000, half of which live on reserve. Over 60% of the First Nations in Canada have populations of 500 or less.

concern in most western jurisdictions today. In the context of financial literacy, these changing circumstances represent broad shifts in demographics, financial markets, employment and pension systems, increased consumer involvement in financial markets, and greater consequences of poor financial decisions. How does this shifting context affect Aboriginal financial literacy?

## **Demographic Changes**

In most developed countries, an aging population, increased life expectancy and diminishing public financial capacity create the need for more savings expertise on the part of individuals.

The Aboriginal population is young and growing. This has significant implications for a “life events” approach to financial literacy. A large proportion of the Aboriginal population is in the early phases of financial life (e.g., finding employment, pursuing education, buying a car, and buying a first home) and will thus benefit from early interventions and financial education that addresses the early life stage. Management of personal retirement savings and assets is a less pressing capacity requirement than learning to build a savings base, accessing home ownership financing, and accessing business development financing, insurance, or employment pensions and benefits. Nevertheless, it is important to recognize that the elderly segment of the Aboriginal population has few savings and little or no pension benefits.

## **Financial Market Changes**

Across developed economies, wholesale and retail banking continue to evolve with the opportunities created through technological change and market innovation.

However, while the proliferation of new products made possible by technological advances increases access and reduces credit costs for customers who fall into conventional credit scoring systems, there is a corresponding decrease in access and increase in credit costs for those who do not—including most Aboriginal people.

Along with an increase in credit costs for atypical clients, the more complex array of players and instruments means that consumers have more decisions to make with regard to fees, interest rates, options, insurance, choice of borrowing, investment instruments, etc. This increased complexity and the specialized financial vocabulary it entails cause many to fall behind.

As access to service from legitimate institutions decreases, alternative, predatory financial service providers (e.g., those providing payday loans and cheque-cashing services) become the only option for the less financially literate or lower income clients.

This trend is common knowledge within the Aboriginal population, especially in urban centres. Grocery and convenience stores, gas bars and other small businesses located on or near remote reserves routinely cash cheques and offer credit on terms that vary from compassionate generosity to extortion. In the absence of access to legitimate or affordable services, many First Nation administrations are stepping in and offering low-fee, low-interest or interest-free cheque-cashing services or payday lenders to employees or their members.<sup>7</sup>

In the majority of Inuit communities, locally owned cooperatives and general stores have been the financial institution by default, cashing cheques, making advances or offering credit. Several cooperatives have actively worked on the establishment of credit unions to take over this role.<sup>8</sup>

The changing nature of financial services is especially significant in rural and remote communities. Until the 1980s when major banks began to reduce their rural branch networks, remote communities with atypical economic circumstances still had access to

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7 Darrell Hasiuk, Ulnooweg Development Group Inc. (consultation).

8 The *Fédération des coopératives du Nouveau-Québec* was involved in establishing a short-lived Caisse Populaire in Povungnituk in the 1970s. See “FCNQ studies the possibility of a regional credit union” at [www.nunatsiaqonline.ca/archives/030530/news/nunavik/30530\\_01.html](http://www.nunatsiaqonline.ca/archives/030530/news/nunavik/30530_01.html) for a description of a recent attempt to stimulate credit union development in Nunavik.

face-to-face banking with empowered local managers, who offered what, in effect, was character lending. The focus on local understanding and trust as opposed to strict financial formulae was more consistent with Aboriginal values and needs.

For many Canadians, electronic or online banking has replaced face-to-face banking. The shift toward increased technology can further marginalize segments of the Aboriginal population where computer literacy and access to computers and the Internet are a problem.

Even where there is access to personal banking services, many Aboriginal people fail to meet the increased requirement for government-issued picture identification to open an account. There is a wealth of anecdotal evidence about the difficulty elderly, low-income, urban Aboriginal people have in cashing their residential school compensation payments.

### **Changing Employment and Benefits Systems**

As in the broader population, part-time work, contract work and self-employment are replacing long-term continuous employment for Aboriginal people. Drawing on census data from 2001 and 2006, the *Federal Framework for Aboriginal Economic Development* (Canada, 2009) shows that there has been a 25 per cent growth in self-employed workers in the Aboriginal population compared with a 7 per cent growth among non-Aboriginal people. As traditional employer benefits packages give way to individuals having to seek benefits and manage their retirement savings, the need for financial literacy increases dramatically.

A few Aboriginal-owned and -managed pension and benefits plans exist in Canada, serving Aboriginal public service employees, teachers and police. The Native Benefits Plan is a good example. Established in 1979 by the Atikamekw-Montagnais Council with assets currently in the \$300-million range, it is a defined benefits pension plan that is owned, controlled, and managed by a First Nation. Several benefits packages developed by or in partnership with mainstream pension plans actively promote benefits plans and insurance and retirement savings options to Aboriginal communities and workers. These include the

Many Nations Multi-Employer Pension Plan, the LIFE Benefit Plan, and CINUP (Canadian Indian Nations Umbrella Plan).

The erosion of social and financial safety nets along with income patterns that are increasingly interrupted leave vulnerable members of the Aboriginal population more exposed than they have been in the past. It is a vicious circle where the least financially literate fall further behind; greater social and economic disparity results. The young and rapidly growing Aboriginal workforce presents an opportunity to introduce defined benefits coverage while potential contributions largely exceed benefits payments. Failing to act will result in a painful situation when the demographic trend reverses.

### **Increased Consequences of Poor Financial Decisions**

The evolution of financial products, markets, and technologies presents opportunities for financially literate citizens who are well versed in the emerging financial tools and products. However, there are increasing dangers associated with shortcomings in understanding and the poor financial decisions that result. During consultations for this paper, even financially well-educated participants indicated that they found it difficult to understand all the details and fine print associated with managing their own financial affairs.

## **Cultural and Structural Barriers to Financial Literacy**

Broadly speaking, the barriers to financial literacy can be seen as either cultural (arising from differences in values, attitudes, and language) or structural (arising from bureaucratic, institutional, and geographic factors). In many cases, structural barriers reflect and reinforce cultural barriers.

### **Cultural Barriers**

The obvious culture-related barriers are language, the survival of non-cash traditional economic patterns, and the clash between traditional and modern values. This includes the

fear that becoming modern, or adopting modern values and behaviours, might involve losing one's identity.

Two other, less documented, cultural barriers deserve mention: the legacy of generations of government project and program administration culture and the absence of the social and cultural framework of values within which the trust bond develops. This bond is central to participation in economic life.

### Language and Cultural Values

The language barrier is huge. Most First Nations and all northern Aboriginal communities continue to cherish, use, and live in their traditional language. Although census data reveal the continued erosion of language capacity and its use in the home, financial and exchange concepts continue to bear the stamp of traditional languages and values. In the mid-1980s, the author was often in the situation of needing to refer to concepts such as simple and compound interest with native Cree- and Inuktitut-speaking audiences. Translators, at a loss for equivalent expressions, coined new words or interrupted the presentation to slowly explain the new concepts and complained about the lack of words to do even that.

Where the language barrier is lifting, the traditional values associated with money nonetheless survive for extended periods and continue to guide financial behaviour. These values are tied to the non-cash, barter, or what anthropologists have called the gift economy<sup>9</sup> in opposition to the market economy. A gift economy is characterized by informal terms of exchange, trust, sharing, family care, and relationship-building. It is perhaps epitomized in the Aboriginal potlatch.<sup>10</sup>

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9 There is a long and ample tradition of research, dating back to the seminal work of Marcel Mauss, on the gift or social economy, and much of it is based on or includes data from First Nations. See Hyde (1983) or Godbout (2000) for recent overviews of the field. Natcher (2008) provides a lively illustration of the situation described here in Inuit communities.

10 The potlatch is a ceremony practiced among Aboriginal people of the Pacific Northwest, the main purpose of which is redistributing wealth and strengthening the bonds of reciprocity.

The gift economy tends to be set in opposition to the mainstream cash economy where more goods and services are monetized. Aboriginal people can be reluctant to enter into the mainstream economy for fear of losing touch with their own sense of value and tradition. For example, what is characterized as prudent savings in a mainstream context was described as “hoarding” by an Inuk respondent who was concerned about an obligation to come to the help of extended family members.<sup>11</sup>

The gulf between the language of the gift economy and the cash economy and the tendency to consider the first as traditional and the other as foreign illustrates the depth of support and education that will be needed, not only to improve financial understanding, but to change attitudes and behaviours. Of course, there is no inherent contradiction between the gift and the cash economies—both exist in parallel throughout all economies. The first generation of financially literate Aboriginal innovators is starting to provide role models that integrate the two.

### Trust and the Social Contract for Financial Services

The language barrier is compounded by the trust barrier, which is a formidable obstacle to literacy and access to banking services. Most 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.

The social contract that implicitly underpins the trust relationship between a financial service provider and its clients needs to be built up, and this starts with recognizing the Aboriginal perspective. Most large Canadian financial institutions have now understood this and, starting in the late 1980s and early 1990s, began to pay strong attention to careful

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<sup>11</sup> Field material collected by the author in Kuujjuaq in 1982.

relationship-building with Aboriginal community leaders and emerging Aboriginal youth leaders who showed interest in finance and entrepreneurship.

### Program Management Culture

A related cultural issue offers another lens on the values and practices associated with money: the culture of government project and program management. Project management is surely the most widespread body of financial management experience in Aboriginal communities. It is the reference for all things financial. While it comes with benefits, it has significant drawbacks: lack of multi-year planning capacity or incentive; cash-based management of long-term assets; contributions in response to political pressure; lack of responsibility; supervision by government program managers who lack extensive financial literacy; and built-in incentives for the wrong type of decision making, even if unintended (spend in order to hold on to financing levels, build projects around contribution criteria rather than opportunities, etc.). Certified Aboriginal financial managers especially deplore the lack of incentive to hire (and listen to) staff with sound financial management capacity, even when this expertise is available.

The culture resulting from government program financing can be observed at every level of Aboriginal financial management, from First Nation capital asset management to the implementation of policies that regulate social assistance payments. For many individuals, for example, the social assistance policy discourages savings and employment. At the band level, the annual budget cycle discourages long-term and even multi-year planning. This approach then filters down and affects the financial behaviour and decisions of individuals, who often have no other models.

To be sure, considerable attention has been given to this issue, and governments have supported a number of excellent initiatives to reverse the situation. These include support for the Aboriginal Financial Officers Association certification program and the development of professional financial management reporting.

## Structural Barriers

### Basic Literacy and Numeracy

The Aboriginal population has a lower overall level of schooling and educational achievement than the mainstream Canadian population and often lacks the basic prerequisites for financial literacy and empowerment. In its analysis of the 2003 International Adult Literacy and Skills Survey (IALSS), Statistics Canada reports that for all regions where Aboriginal and non-Aboriginal literacy levels were compared (Northern Territories, Manitoba, and Saskatchewan urban areas), Aboriginals consistently scored lower than the non-Aboriginal population (Canada, 2005).

The Movement for Canadian Literacy (2003) claims that while the IALSS ranked the literacy skills of almost half of Canadian adults below the acceptable range, Canada's Aboriginal peoples demonstrated even lower literacy rates, pointing to the fact that the proportion of registered Indians with less than Grade 9 education in 1996 was approximately double that of other Canadians. The IALSS reports that, in Ontario, 31 per cent of native people living on reserve have no formal education, or less than Grade 9, compared with 10 per cent of the non-native population. This is more than triple the rate. The sense of urgency is echoed in the government response to the survey, "As the Canadian economy becomes more knowledge-intensive, Aboriginal people lacking the necessary education and literacy skills to compete in the labour market will be excluded from the new economic opportunities and will be pushed even further to the margins of society" (Canada, 2003).

It is no surprise that post-secondary achievements demonstrate similar gaps. According to the Canada Millennium Scholarship Foundation (2005), there was a gap of about 15 percentage points between the post-secondary educational attainments of Aboriginal Canadians (39 per cent) and non-Aboriginal Canadians (54 per cent).

## Remoteness

A second structural challenge is remoteness. The on-reserve First Nation and Inuit segments of the Aboriginal population are divided into three roughly equal groups (see Appendix B for a more detailed demographic breakdown and definitions related to remoteness):

- About 30 per cent of communities are considered urban and have easy geographical access to locations where most financial services are offered;
- About 40 per cent are classified as rural and typically have more difficult road access to smaller towns and cities that offer fewer services to choose from, but where basic banking is usually available;
- About 30 per cent can be called remote. Representing some 200 communities with just under a third of the population, this group has no year-round road access or, in over half of them, no road access at all to a population centre that offers financial services.

A comparison of data between 1995 and 2005 shows that this situation is moving very slowly toward increased accessibility.

## Lack of Access to Financial Services

Closely tied to remoteness, but more pervasive, is the lack of access to basic financial services. A sense of the scale of under-banking among Aboriginal people can be had by looking at the geographic distribution of the Aboriginal population and the availability of bank branches in Aboriginal communities. Of the 500 or so rural and remote communities, only 15 have access to bank branches or agency outlets in the community (see Appendix C for an inventory of the availability of banking services in Aboriginal communities).

The availability of on-reserve banking services is of course an imperfect measure of access to banking services. Banking is slowly becoming available to Aboriginal people outside the community, as attitudes change and old stereotypes are put aside. Regional bank managers

have come to realize the business potential of income-rich Aboriginal communities and have started to cultivate strong relationships.

In some urban areas, financial institutions with a mission have made targeted efforts to reach out and accommodate individual Aboriginal clients, including those in financial distress. Vancity, for example, has opened a branch in partnership with the Portland Hotel Society in Vancouver's Downtown Eastside. This branch, Pigeon Park Savings, provides more accessible and affordable banking services for the poor and homeless, a disproportionate number of whom are Aboriginal people. Vancity also offers financial literacy and peer-lending programs to Aboriginal clients.<sup>12</sup>

Affinity Credit Union in Saskatchewan is another example. This institution has started working with local First Nations, opening a service branch on a First Nation and offering preloaded debit cards to eliminate the money lender and begin building credit history.

### Lack of Access to Capital

Of course, beyond access to basic banking services is the issue of access to loan capital for housing, business, education and other purposes.

For years, commercial banks refused to consider loans to Aboriginal people, businesses, and communities unless government guarantees were supplied. First Nations infrastructure and public works were funded on a cash basis. Governments had to create their own business loan funds or provide guarantees to jump-start Aboriginal economies. Individuals with deposits in banks and credit unions were denied loans unless cash deposits were left as security. Bonding and insurance were unavailable. Part of the problem was the inability to pledge assets located on reserves due to restrictions in the *Indian Act*. More important, though, was the perception that there was not sufficient

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12 See Vancity's Aboriginal banking Web page for details at:  
<https://www.vancity.com/MyCommunity/OurVision/GrowingTheSocialEconomy/InvestingInTargetedCommunities/FirstNationsAndAboriginal/>.

business to justify investing the time and legal expertise in understanding how to do business with Aboriginal communities.

This began to change in the mid-1980s as banks became aware of the growing business represented by millions of dollars in land claim settlements, treaty land entitlement settlements, self-government agreements, impact benefits agreements, resource-sharing agreements, and other sources of cash payments to First Nations. By the late 1980s, all of the major banks had developed *Indian Act* and on-reserve banking expertise, and by the early 1990s, all of them had Aboriginal banking units. The bank of Montreal named Ron Jamieson, from the Six Nations, Vice-President in charge of Aboriginal banking in 1992 and, in 1996, promoted him to Senior Vice-President. Royal Bank Senior Vice-President Charlie Coffey championed the cause of Aboriginal banking nationally.

Banks developed new products, such as mortgage instruments for on-reserve housing, which for the first time did not rely entirely on government guarantees. The financing of First Nation government activities became widespread. In 1997, the Government of Canada, in partnership with the Canadian Bankers Association, developed a guide on how to do business on First Nations that is still available on the Internet in a re-edited version (Canada 2005) and was widely used to train bankers.

However, the levels of business remain limited. Financing for housing is still elusive, and the infrastructure and housing backlog is undiminished. A sense of the scope of the challenge is revealed in a study (Collin and Rice, 2009) which determined that \$45.5 billion in capital would have been needed from commercial sources in 2003 to fuel an Aboriginal economy running at the same speed as the Canadian economy. The study assessed at \$2 billion the total value of commercial loans in circulation at that time, most to Aboriginal communities or their businesses.

Access to capital for Aboriginal individuals and business remains low, partly because of the difficulty for Aboriginal individuals to build equity through home ownership in all but the

few communities that have a sufficiently large internal market. The difficulty is increased by standard credit scoring systems that cannot accommodate the non-standard income and expense patterns of life in Aboriginal communities.

## The Way Forward: Directions for Improvement

Financial literacy is the main goal or the indirect benefit of a large number of initiatives. It is beyond the scope of this report to attempt to identify them all or to comment on their relative impact and cost-effectiveness. However, a brief overview of the different types of initiatives will be helpful in illustrating how the challenges identified in this paper are being met and where additional efforts are needed. Examples are included for illustration purposes only.

Two main groups of initiatives stand out. The first group is directly aimed at financial literacy training. Content and delivery ranges from including basic financial literacy elements in school curricula to delivering highly focused specialized certification programs through universities or Aboriginal institutions that are directed toward meeting the immediate financial administration needs of Aboriginal communities.

The second group includes initiatives that support financial literacy or have financial literacy as an indirect benefit, such as urban crisis-centre assistance for Aboriginal individuals, the modernization of the Aboriginal community financial administration framework, and the establishment of Aboriginal commercial and developmental financial institutions that include financial literacy considerations in the design and delivery of products and services.

### Financial Literacy Training

#### Youth and School-based Programming

Schools are increasingly paying attention to financial literacy and including basic elements in education curricula. With increasing education achievement levels, basic literacy and

numeracy are rapidly evolving in Aboriginal communities. This provides Aboriginal youth with a better foundation in financial literacy for the future. However, the increasing demands of financial literacy may be outpacing the capacity increase resulting from these efforts.

This seems to be the situation for Aboriginal youth in the US, according to the 1997-2006 Jump\$tart Coalition for Personal Financial Literacy survey, sponsored by Merrill Lynch (Jorgensen and Mandell, 2007). The survey shows that Native American high school senior students continue to lag behind average American high school students in financial literacy skills. The tests measured the students' ability to make informed financial choices on key money management, credit, savings, tax and insurance issues. Eighty-seven per cent of Aboriginal students failed the tests compared with sixty-two per cent of all students. It should be noted that Aboriginal youth who reach senior high school have already been subject to intensive financial literacy efforts, which raises serious questions about the efficiency of this training.

In each of the five surveys, conducted in 1997, 2000, 2002, 2004 and 2006, Native American youth scored lower than any other ethnic groups on test results. Given that the study was carried out in mainstream education institutions, and thus did not include students who dropped out of high school before their senior year, the results likely overstate the financial literacy of average Native American youth living on reservations. Canadian Aboriginal youth tend to live in more rural and remote settings, with less access to mainstream education than their American counterparts. This suggests that their level of financial literacy achievement would be even lower.

Youth entrepreneurship development programs, scholarships, and awards have a positive impact in increasing financial literacy and directing youth toward careers in the financial sector. These are offered through multiple sources including Aboriginal institutions such as the Aboriginal Financial Officer Association, the National Aboriginal Achievement Foundation, Peace Hills Trust, the First Nations Bank of Canada, most of the 50 or so

Aboriginal Capital Corporations and Aboriginal Community Futures Development Corporations, the Business Development Bank of Canada, government economic and youth entrepreneurship programs, and a number of private enterprises such as Syncrude Canada Ltd.

School bank programs, such as the one offered by the Kahnawake Caisse Populaire, familiarize students with bank accounts, bank cards, and other basic financial tools and concepts.

The effects are beginning to appear in Aboriginal communities as the first cohort of finance and computer literate students graduates and becomes available for employment. But the full impact will take years to materialize. It will take time for these graduates to work their way up the Aboriginal administrative and leadership ranks, to adapt mainstream financial literacy knowledge to the specific circumstances of their communities, and to become effective role models with the capacity to deliver financial literacy advice that is relevant to local needs in words and behaviour understood by their peers and elders.

### Adult Education and Financial Literacy Programs

A number of lower-profile initiatives have been directed toward out-of-school Aboriginal youth or the adult population in urban centres. These initiatives often involve the delivery of standard financial literacy programs that have been adapted in content and delivery for Aboriginal participants. In some cases the programs are offered by the adult education branches of academic institutions in partnership with Aboriginal governments, or by the Aboriginal units of mainstream financial institutions. In other cases, they are the initiatives of Aboriginal organizations partnering with mainstream financial literacy programs.

An example of the latter is the partnership between the Bent Arrow Traditional Healing Society and the Edmonton Financial Literacy Society (EFLS).<sup>13</sup> EFLS has a mandate to

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13 See *The Rainy Day Project* report, which is available online at [www.homewardtrust.ca/uploads/report\\_rainy\\_day\\_phase\\_one.pdf](http://www.homewardtrust.ca/uploads/report_rainy_day_phase_one.pdf)

increase financial literacy among Edmonton's poor and homeless. The partnership with the Bent Arrow Traditional Healing Society enabled it to adapt its fairly standard financial literacy curriculum on budgeting, spending habits, banking, and housing to Aboriginal values and circumstances. This partnership increased Aboriginal engagement and the likelihood of behaviour change outcomes.

The trial program was launched in Edmonton in 2006 and, significantly, was set up with good pre- and post-program evaluations to track the success and longer-term outcomes of the project. Preliminary findings indicate that participants have significantly increased their basic financial literacy skills and are moving to improve their economic circumstances. The long-term impact of the program is still under evaluation.

### Certified Financial Management Training

Significant efforts have been made to support and increase the financial know-how of Aboriginal finance and economic development administrators. These are often tied to certification programs, including the following.

The Council for the Advancement of Native Development Officers offers two-tiered (technician and professional) Aboriginal Economic Development Officer certification. The National Aboriginal Capital Corporation Association (NACCA) has developed custom training courses for Aboriginal financial institution staff and board members. "Analyzing a Business Plan" is now a University of Saskatchewan accredited course. The "Financial Management" course is pending accreditation. NACCA has also developed financial literacy tools for member institutions' staff and board members, such as a financial performance indicator dashboard and a financial risk assessment tool. NACCA administers a federally funded training and support program used by member institutions to increase the professional capacity of board members and staff.

Central to the discussion of financial literacy is the Certified Aboriginal Financial Manager (CAFM) designation and training program offered by the Aboriginal Financial Officers

Association (AFOA). The fourteen-course program is broken down into two achievement levels: completion of the first six courses leads to a Certificate in Aboriginal Financial Management; completion of the eight additional courses leads to a diploma in Aboriginal Financial Management. Four of the CAFM courses are offered only online through AFOA Canada. Ten courses in the AFM Educational program are delivered by AFOA accredited universities and colleges throughout Canada. The Law course is offered both online and in colleges and universities. CAFM designation can be applied for once the training is complete. AFOA also offers ongoing specialized training workshops in Aboriginal financial management issues.

Facilitating the recruitment and training of qualified Aboriginal financial managers results in institutional capacity. This, in turn, opens the way for further investment in Aboriginal communities, including investment by the Aboriginal communities themselves.

Beyond these direct benefits, financial literacy also filters down to the community level through the presence and activity of respected role models and mentors who are capable of communicating financial literacy information and approaches in ways that are understood in the community.

### **Aboriginal Institutional Initiatives**

The need for increased financial literacy is such a fundamental dimension of the Aboriginal agenda that it permeates almost every aspect of government and institutional activity in Aboriginal communities. Several key initiatives relevant to the Aboriginal financial literacy challenge are in place:

- Short-term, immediate relief for individuals in crisis situations;
- Development and support for an Aboriginal financial governance framework with standards, controls, and incentives for Aboriginal communities; and,
- Aboriginally owned and controlled commercial and developmental financial institutions that integrate financial literacy considerations in their approach to service delivery.

## Crisis Intervention Centres

Aboriginal people, especially the low-income urban Aboriginal population, are especially vulnerable to financial crises as a result of low financial literacy and immediate financial pressure. Friendship centres, women's shelters, Aboriginal counselling services, suicide prevention centres, Aboriginal urban housing corporations, and other organizations operating in urban centres routinely intervene to assist individuals who are suffering from the results of bad financial decisions or, as is often the case, who are victims of predatory lending practices. These institutions are in the best position to offer focused, high-impact financial literacy training to the segment of the population that is most in need.

Unfortunately, they lack the resources to do so in an organized and effective manner.

## Financial Governance Initiatives

The effort over the last fifteen years to develop modern Aboriginal financial governance systems and capacity is having a significant impact on financial literacy. Many factors have contributed to the redesign of Aboriginal financial management practices, including the following:

- the development of self-government models;
- the partnership opportunities between Aboriginal communities and private sector interests;
- the development of reserve land set aside for economic purposes;
- the development of First Nation property taxation regimes;
- the pressure for increased accountability on the part of Aboriginal recipients of government transfers;
- the growing array of own-source income streams for Aboriginal governments; and
- the need for access to capital from market sources.

These developments, in turn, have increased the pressure for revised accounting and reporting requirements, the hiring of qualified financial managers, and the development of financial management codes and standards.

The *First Nations Fiscal and Statistical Management Act* (2005) established the First Nations Financial Management Board with a mandate to develop financial management standards, certification and oversight. The Act also created the First Nations Tax Commission to provide a fully accountable governance framework for First Nations to exercise property taxation powers. It provided for the management of statistical information through the First Nations Statistical Institute, and featured a First Nations Finance Authority that, for the first time, provided First Nations with the same capacity to access low-cost long-term market capital for infrastructure development that other orders of government in Canada have used to finance the development of their communities.

Indian and Northern Affairs Canada is exploring ways to re-allocate its resources and authorities to replace annual cash-based infrastructure management with a modern system that will make long-term asset planning, financing, and management possible. All of these developments create an environment with better incentives for professional financial management, but they will require significant investments to develop adequate levels of Aboriginal corporate financial literacy.

### Aboriginally Owned and Operated Financial Institutions

Over the last 30 years, a number of Aboriginally owned and operated financial institutions have been established that reach out to Aboriginal individuals, businesses, and public institutions with products and services that are tailored to their circumstances and legal environment. These include products such as basic banking services, micro-lending, high-risk business start-up and expansion financing, housing programs, personal and business financing, infrastructure financing, insurance, employee benefits plans, tax-exempt investment instruments, and other tools.

## Commercial Aboriginal Financial Institutions

In the order of their establishment, the commercial Aboriginal Financial Institutions (AFIs) in Canada include five caisses populaires,<sup>14</sup> Peace Hills Trust, the First Nations Bank of Canada, which was developed in partnership with the Toronto Dominion Bank, and three recently established credit unions. Commercial AFIs are primarily (and in some cases exclusively) active in First Nation communities. They have designed products and services that are adapted to the circumstances of their client base and are consistent with the legal and regulatory framework for doing business on reserve. One innovative instrument they have developed is the Trust Deed arrangement, which allows members living on reserve to use their land and building as security for loans. It has been in use for over 20 years by the Kahnawake Caisse Populaire. Given the strong competition from commercial banks for the mature Aboriginal banking business, the competitive edge of AFIs rests on their greater capacity to take into consideration the financial literacy needs of their constituencies and to design products and delivery in a culturally appropriate way.

## Developmental Lending

As distinct from commercial lending, developmental lending focuses on high-risk business start-up and early growth lending. There is a critical need for this in Aboriginal communities where access to capital is one of the main obstacles to business development. Aboriginal institutions that address this need have been active in Canada for close to 30 years. They are the Aboriginal Capital Corporations (ACCs) and the Aboriginal Community Futures Development Corporations (ACFDCs).<sup>15</sup>

The Aboriginal financial institution developmental lending network encompasses some fifty-five ACCs and ACFDCs. All of these are Aboriginally owned, controlled, and operated, and they are located for the most part on or near Aboriginal communities across Canada. They provide financing and support to Aboriginal businesses with services that include

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14 The Caisse Populaires in Wendake and Mashteuiash have been in operation for more than 50 years, making them the oldest Aboriginally owned and operated financial institutions in Canada.

15 For a map and a full list of ACCs and ACFDCs see [www.nacca.net/eng-about.html](http://www.nacca.net/eng-about.html)

business loans, micro-loans, financial consulting services, start-up support, and loan aftercare. Since their establishment in the late 1980s, they have turned over their \$200 million capital base several times and provided more than 30,000 loans to Aboriginal small business totaling over \$1.3 billion.<sup>16</sup>

Developmental AFIs offer financial products that are designed for the circumstances of Aboriginal entrepreneurs. Moreover, the developmental mission of these institutions ensures that through their ways of doing business, they build the financial literacy of clients, staff and board members. Business financial literacy training for staff and board members, business advisory services for borrowing members, and personalized relationships with borrowers all represent high impact literacy efforts delivered by Aboriginal institutions in a language and manner and at a time suited to their population. Agricultural lending AFIs have offered mentoring in accounting that is adapted to the circumstances of Aboriginal farmers, taking into account the *Indian Act*, land tenure, and fiscal circumstances to ensure their access to provincial and federal sources of assistance.

In terms of the impact on financial literacy, this effort has likely reached the largest number of Aboriginal individuals (the author estimates some 20,000 entrepreneurs over a period of 30 years, accounting for repeat loan business, and several thousand board and staff members). These individuals for the most part live and work in their communities where they become role models and community leaders.

Not surprisingly, AFIs are evolving as their market, the Aboriginal entrepreneurial base, matures. Examples of leadership include the establishment, in partnership with the Toronto Dominion bank, of the First Nations Bank of Canada by the Saskatchewan Indian Equity Foundation, one of the first ACCs.

ACCs have also given impetus to networks of related innovative financial instruments. An example of this is the establishment of the Aboriginal Savings Corporation of Canada, which

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<sup>16</sup> Ibid.

is administered by the Native Commercial Credit Corporation of Canada (NCCCC). The NCCCC is one of the more successful AFIs, with a capital base of \$8 million. The Savings Corporation has developed approved investment instruments for First Nation individuals and has raised \$6.5 million with six bond issues to invest in business, infrastructure, and housing in First Nation communities. The NCCCC has also played a leading role in the creation of one of the first Aboriginal venture capital funds, the \$6-million First Nations Venture Capital of Quebec. This fund includes, among other partners, a labour-sponsored venture capital fund, the *Fond de solidarité des travailleurs du Québec*, Investissement Desjardins, and the Native Benefits Plan (a First Nation owned, controlled, and managed defined benefits pension plan, established in 1979 by the Atikamekw-Montagnais council with assets currently in the \$300-million range).

The amounts are small, to be sure, but each of these new instruments has been tested, the concept proven, the partnerships established and the delivery capacity demonstrated. With the right support and conditions, such as have been made available to equivalent Aboriginal financial institutions in the US through the *Community Reinvestment Act* and the Native Community Development Financial Institution programs, they could rapidly get to scale and multiply benefits in terms of wealth creation—and financial literacy.

Indeed, Oweesta, the Native American Community Development Financial Institutions (CDFI) association, which is the US counterpart of the National Aboriginal Capital Corporation Association in Canada, has been the mover behind the Native Financial Education Coalition (NFEC),<sup>17</sup> a group of local, regional, and national organizations and government agencies that have joined together for the purpose of promoting financial literacy education in Native communities and providing Native American groups with a

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17 The NFEC has been actively involved in US financial literacy research and policy development. In 2007, it released financial literacy policy recommendations indicating as priorities the increase in funding for the CDFI Fund to support stronger institutional infrastructure and provide adequate funding for culturally appropriate youth financial education programs. Support for matched savings programs like Individual Development Accounts and Children's Savings as well as anti-predatory lending legislation were also included in their recommendations. This material can be found on their website at [www.nfec.info/policy](http://www.nfec.info/policy).

voice and an instrument to develop financial literacy. At present, there is no equivalent in Canada.

## Conclusions

This overview was prepared to guide the thinking of the Task Force on Financial Literacy and provide a framework for consultations.

It shows that financial literacy is a major challenge for Aboriginal people and an obstacle to their full participation in the Canadian economy at a time when Aboriginal communities are presented with unprecedented economic opportunities that could reverse the cycle of poverty and exclusion. Most of the factors that are responsible for low financial literacy in lower income and remote Canadian communities apply to Aboriginal people, but these factors are compounded by cultural and structural barriers specific to Aboriginal circumstances.

Financial literacy efforts can be approached from two directions; it is recommended that consultations address both.

The first is a broad thrust to address the basic minimum literacy needs of individuals through culturally appropriate and effective training. This includes youth in school and adults, especially those in crisis situations. The professional financial literacy requirements of Aboriginal finance officers are being addressed through certified training programs.

The second is a focused effort to further build and sustain the financial literacy capacity of Aboriginal institutions, governments and financial institutions in the expectation that they will help create the conditions for the creation of wealth, without which financial literacy training is useless. A side benefit of this effort could well prove to be the single biggest contribution to financial literacy capacity development in Aboriginal communities: the multiplication of leaders and role models capable of translating and spreading financial

literacy in their communities through personal example and culturally appropriate communication.

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## Appendix A: Terminology

The following is adapted from Indian and Northern Affairs Canada on-line resources, which can be viewed in full at: [www.ainc-inac.gc.ca/ap/tln-eng.asp](http://www.ainc-inac.gc.ca/ap/tln-eng.asp)

**Aboriginal peoples:** The descendants of the original inhabitants of North America. The Canadian Constitution recognizes three groups of Aboriginal people — Indians, Métis and Inuit. These are three separate peoples with unique heritages, languages, cultural practices and spiritual beliefs.

**Aboriginal rights:** Rights that some Aboriginal peoples of Canada hold as a result of their ancestors' long-standing use and occupancy of the land. The rights of certain Aboriginal peoples to hunt, trap and fish on ancestral lands are examples of Aboriginal rights. Aboriginal rights vary from group to group depending on the customs, practices and traditions that have formed part of their distinctive cultures.

**Aboriginal self-government:** Governments designed, established and administered by Aboriginal peoples under the Canadian Constitution through a process of negotiation with Canada and, where applicable, the provincial government.

**Aboriginal title:** A legal term that recognizes an Aboriginal interest in the land. It is based on the long-standing use and occupancy of the land by today's Aboriginal peoples as the descendants of the original inhabitants of Canada.

**Band:** A body of Indians for whose collective use and benefit lands have been set apart or money is held by the Crown, or declared to be a band for the purposes of the Indian Act. Each band has its own governing band council, usually consisting of one chief and several councillors. Community members choose the chief and councillors by election, or sometimes through custom. The members of a band generally share common values, traditions and practices rooted in their ancestral heritage. Today, many bands prefer to be known as First Nations.

**First Nation:** A term that came into common usage in the 1970s to replace the word "Indian," which some people found offensive. Although the term First Nation is widely used, no legal definition of it exists. Among its uses, the term "First Nations

peoples” refers to the Indian peoples in Canada, both Status and non-Status. Some Indian peoples have also adopted the term “First Nation” to replace the word “band” in the name of their community.

**Indian:** Indian peoples are one of three groups of people recognized as Aboriginal in the Constitution Act, 1982. It specifies that Aboriginal people in Canada consist of Indians, Inuit and Métis. Indians in Canada are often referred to as: Status Indians, non-Status Indians and Treaty Indians.

**Status Indian:** A person who is registered as an Indian under the Indian Act. The act sets out the requirements for determining who is an Indian for the purposes of the Indian Act.

**Non-Status Indian:** An Indian person who is not registered as an Indian under the Indian Act.

**Treaty Indian:** A Status Indian who belongs to a First Nation that signed a treaty with the Crown.

**Indian Act:** Canadian federal legislation, first passed in 1876, and amended several times since. It sets out certain federal government obligations and regulates the management of Indian reserve lands, Indian moneys and other resources. Among its many provisions, the *Indian Act* currently requires the Minister of Indian Affairs and Northern Development to manage certain moneys belonging to First Nations and Indian lands and to approve or disallow First Nations by-laws. In 2001, the national initiative Communities First: First Nations Governance was launched, to consult with First Nations peoples and leadership on the issues of governance under the *Indian Act*. The process will likely take another two to three years before any new law is put in place.

**Indian status:** An individual’s legal status as an Indian, as defined by the *Indian Act*.

**Inuit:** An Aboriginal people in Northern Canada, who live in Nunavut, Northwest Territories, Northern Quebec and Northern Labrador. The word means “people” in the Inuit language — Inuktitut. The singular of Inuit is Inuk.

**Land claims:** In 1973, the federal government recognized two broad classes of claims — comprehensive and specific. Comprehensive claims are based on the assessment

that there may be continuing Aboriginal rights to lands and natural resources. These kinds of claims come up in those parts of Canada where Aboriginal title has not previously been dealt with by treaty and other legal means. The claims are called “comprehensive” because of their wide scope. They include such things as land title, fishing and trapping rights and financial compensation. Specific claims deal with specific grievances that First Nations may have regarding the fulfillment of treaties. Specific claims also cover grievances relating to the administration of First Nations lands and assets under the Indian Act.

**Métis:** People of mixed First Nation and European ancestry who identify themselves as Métis, as distinct from First Nations people, Inuit or non-Aboriginal people. The Métis have a unique culture that draws on their diverse ancestral origins, such as Scottish, French, Ojibway and Cree.

**Off-reserve:** A term used to describe people, services or objects that are not part of a reserve, but relate to First Nations.

**Reserve:** Tract of land, the legal title to which is held by the Crown, set apart for the use and benefit of an Indian band.

**Tribal council:** A regional group of First Nations members that delivers common services to a group of First Nations.

## Appendix B: Remoteness and Access to Financial Services

The on-reserve First Nation and the Inuit segment of the Aboriginal population is divided in three roughly equal groups: urban, rural, and remote.

The table below shows the degree to which remoteness is an issue for First Nations and Inuit Aboriginal communities. Comparison of 1995 to 2005 figures shows this situation moving very slowly.

ACCESS	ZONE	1995	2005	Percentage of communities (1995)	Percentage of population (1995)
<b>Urban</b>	1	185	190	27.8%	34.3%
<b>Rural</b>	2	279	286	41.9%	36.2%
<b>Remote</b>	3	26	27	3.9%	3.5%
	4	123	110	18.5%	18.2%
	5	53	N/A	7.9%	7.8%
Subtotal		202	137	30.3%	29.5%
<b>TOTAL</b>		666	613	100%	100%

### Urban

Zone 1: FN community located within 0 < 50 km from the nearest service centre

### Rural

Zone 2: between 50 < 350 km

### Remote

Zone 3: over 350 km

Zone 4: no year round road access

Zone 5: no road access (most of these in the Arctic).

**Note on data:** 1995 data are based on research done by the author on the basis of the INAC registry for on-reserve Indian and Inuit populations with measure of distance to nearest service centre established by Robin Armstrong, INAC research unit, in 1992 (unpublished). 2005 data are based on an updated estimate of average distance to closest service centre from INAC Economic Development. The 2005 data set did not include 53 arctic communities, hence the difference in overall total.

## Appendix C: Bank Branches in Aboriginal Communities

There were some 666 First Nations reserve and Inuit communities in Canada in 2005. Of these, about 150, representing under a third of the population, are located within reasonable driving access to urban centres where full service financial institutions can be found.

On reserve bank branches can be found in 34 Aboriginal communities in all, 19 of them among the more accessible by road. Some of the larger and more accessible communities, including those with large amounts of land leased to non-Aboriginals, have multiple bank branches (Westbank First Nation, for example, has four branches, three of them located on land set aside for development and for which First Nations are not the primary clientele). Of the 500 or so rural and remote communities, only eleven have bank branches and only four have agency outlets.

Of the total 47 branches or agency outlets, mainstream commercial banks account for 32 while Aboriginal Financial Institutions (First Nations Bank of Canada, Peace Hills Trust and First Nation Credit Unions or Caisses Populaires) account for 15.

The following chart was prepared by the author on the basis of Aboriginal banking information made available by banks and credit unions on their web site, and through personal contacts. It shows the limited number of communities where financial services are available, and their degree of remoteness, as defined in the previous appendix.

Interestingly, the number of branches has not significantly increased since 1997 when the author prepared a similar chart in advance of a summit meeting between the Minister of Indian Affairs and the senior bankers in Canada. Not included here are branches offering Aboriginal banking services, but located outside Aboriginal communities.

PROVINCE	ACCESS ZONE	COMMUNITY	BMO	CIBC	RBC	SCOTIA	FIRST NATIONS INSTITUTION OR CREDIT UNION
AL	1	Hobbema		X			Peace Hills Trust
AL	1	Siksika	X				
AL	1	Tsuu Tsina	X				
BC	3	Bella Bella		X			
BC	1	Hagwilget			X		
BC	1	Park Royal - West Van	X	X		X	
BC	1	Tsahaleh	X				
BC	1	Tzeachten			X		
BC	1	Westbank	X	X	X		Peace Hills Trust
MB	1	Cross Lake			X		
MB	3	Nisichawayasihk Cree			X		
MB	2	Norway House			X		
MB	2	Opaskwayak				X	
MB	2	Peguis			X		
NFLD	4	Nain	X				
NU	5	Cambridge Bay			X		
NU	5	Rankin Inlet			X		
NWT	3	Fort Smith	X				
ON	1	Garden River					Anishnabek Nation Credit Union
ON	1	Akwesasne	X				
ON	1	Kitchenuhmaykoosib		X			
ON	1	Oshweken	X		X		
ON	1	Rama				X	
ON	1	Walpole Island					First Nations Bank of Canada
ON	1	Webequie			X		
QC	1	Betsimites	X				
QC	3	Chisasibi		X			First Nations Bank of Canada
QC	4	Eastmain		X			
QC	1	Kahnawake					Caisse Populaire
QC	1	Mashteuiatsh					Caisse Populaire
QC	1	Mistassini					Caisse Populaire
QC	4	Waskaganish	X				
QC	2	Waswanipi					Caisse Populaire
QC	4	Wemindji	X				
QC	1	Wendake			X		Caisse Populaire
SA	1	Cowessess					Affinity Credit Union
SA	1	Fort Qu'Appelle					Peace Hills Trust
SA	1	Saskatoon					First Nations Bank of Canada