Community Banking Projects for Low-income Canadians: A Presentation Examining Four Projects to Promote Financial Inclusion

By Jerry Buckland, PhD
Menno Simons College
Winnipeg, Mb., Canada
Acknowledgements

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Outline

- Introduction
- Methods
- The Banking Context for Low-income Canadians
- The Projects
- The Issues
- Conclusion
Introduction

- This report examines four distinct and geographically dispersed projects referred to here as community banking projects.

- The examination is based on key informant interviews and available project documents.

- The report does not seek to undertake an evaluation of quantifiable outcomes but to qualitatively analyse key issues to do with the development and implementation of community banking projects in Canada.

- The key issues are drawn particularly from issues raised by key informants, who are stakeholders in one of these projects.

- *Community banking projects* refers to an identifiable outlet or service tied to existing outlets that offers one or more financial services for low-income people.

- Various ‘transactions’ & ‘developmental’ oriented financial services.
Method

- Data for the report come from organization publications, newspaper articles and interviews of key informants.

- The key informant interviews were the most important source of data. Fourteen interviews were undertaken with key informants involved with one of four community banking projects, with 2-5 respondents speaking for each of the four projects.

- The key informant interviews were undertaken from November 2006 to June 2007 following an interview schedule (Appendix). Data gaps were then identified and follow-up conversations were arranged with several of the informants.

- Notes were taken for all interviews and all but one interview was completed in English and audio recorded. Once the interviews were completed, the data were analyzed using a qualitative process involving an issue identification process.
The Banking Context

Inner-city banking services are available through *mainstream*, *fringe* and *informal* sources.

- Mainstream banking services –offered by banks, trust companies, credit unions, *caisses populaires*– are an integral part of any modern capitalist society.

- Fringe banks –including cheque-cashers, payday lenders and rent-to-owns– are an important service for lower income people and used by people from a variety of backgrounds in a limited way. Some fringe banks, notably pawnshops, have been around for thousands of years.

- Informal financial services –loans from a family member or cashing a cheque at a corner store– are also old practices but continue in modern and modernizing economies for some people.
The Banking Context (continued)

- Mainstream banks and others have sought to address financial exclusion in various ways.

- Many of these efforts come from, or are done in partnership with mainstream banks and credit unions. Most of them concentrate on financial education, counselling or, with asset building, are indirectly tied with banking.

- In some cases government has stepped in with policy and regulations requiring certain types of bank services. E.g., in Canada: Access to Basic Banking regulations; in the US: the Community Reinvestment Act.

- This presentation examines a particular type of response to financial exclusion, through community banking projects.
<table>
<thead>
<tr>
<th>Project</th>
<th>Owner</th>
<th>Operator(s)</th>
<th>Community Agency Partner</th>
<th>Financial Institution</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Save</td>
<td>RBC</td>
<td>RBC</td>
<td>St. Christopher House</td>
<td>RBC</td>
<td>Bain &amp; Company</td>
</tr>
<tr>
<td>Pigeon Park Savings</td>
<td>Vancity Credit Union</td>
<td>-PHS: ‘front room’ service</td>
<td>PHS</td>
<td>Vancity Credit Union</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>-Vancity: ‘back room’</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>processing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Financial Service Centre</td>
<td>NECRC</td>
<td>-CFSC: on site services</td>
<td>NECRC</td>
<td>Assiniboine Credit Union</td>
<td>Winnipeg Partnership Agreement, Winnipeg Foundation, Alternative Financial Services Coalition</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-ACU: account opening, cheque-cashing, ‘back room’ processing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Desjardins Mutual Assistance Fund</td>
<td>Desjardins</td>
<td>Credit counselling agency and Local caisse populaire</td>
<td>Credit Counselling Agencies, e.g., GRAPE</td>
<td>Local caisse populaire</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Buckland: Community Banking Projects</td>
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</tbody>
</table>
### Community Organizations Involved

<table>
<thead>
<tr>
<th>North End Community Renewal Corporation</th>
<th>PHS Community Services Society</th>
<th>St. Christopher House</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Founded</strong></td>
<td>1998</td>
<td>1912</td>
</tr>
<tr>
<td><strong>Neighbourhood</strong></td>
<td>North-End, Winnipeg</td>
<td>Downtown Eastside, Vancouver</td>
</tr>
<tr>
<td><strong>Website</strong></td>
<td><a href="http://www.necrc.org/">http://www.necrc.org/</a></td>
<td>Not available</td>
</tr>
<tr>
<td><strong>Annual Budget</strong></td>
<td>$2.5 million</td>
<td>$8.4 million</td>
</tr>
<tr>
<td><strong>Funding Sources</strong></td>
<td>Winnipeg Partnership Agreement, Neighbourhoods Alive, United Way and Winnipeg Foundation</td>
<td>Principal Funders: Province of BC Health and Housing Departments</td>
</tr>
<tr>
<td><strong>Staff</strong></td>
<td>20 permanent, 15 contract</td>
<td>200</td>
</tr>
<tr>
<td><strong>Clients/Participants</strong></td>
<td>300 individuals and organizations</td>
<td>10,000 each year served by organization</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>Community development, house renovations, community safety, job training</td>
<td>Housing, health-care, skills development, social enterprises, advocacy</td>
</tr>
<tr>
<td><strong>Related programs</strong></td>
<td>Community Financial Services Centre</td>
<td>Pigeon Park Savings</td>
</tr>
</tbody>
</table>
## Financial Institutions Involved

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Customers/ Members</td>
<td>105,000</td>
<td>5.8 million</td>
<td>14 million</td>
<td>355,000</td>
</tr>
<tr>
<td>Employees</td>
<td>548 (2008)</td>
<td>42,000</td>
<td>60,858</td>
<td>2,600</td>
</tr>
<tr>
<td>Branches</td>
<td>24</td>
<td>891 service centres in 536 caisses</td>
<td>1,443</td>
<td>60</td>
</tr>
<tr>
<td>ATMs</td>
<td>43 (2008)</td>
<td>2,787</td>
<td>4,232</td>
<td>80</td>
</tr>
<tr>
<td>Assets</td>
<td>$2.1 billion</td>
<td>$144.1 billion</td>
<td>$537 billion</td>
<td>$14 billion</td>
</tr>
<tr>
<td>Revenue</td>
<td>$51.7 million</td>
<td>$9.4 billion (or $189 million)</td>
<td>$20.6 billion</td>
<td>$357 million</td>
</tr>
<tr>
<td>Net Income</td>
<td>$11.7 million</td>
<td>$54 million (or surplus $988 million)</td>
<td>$4.7 billion</td>
<td>$45.3 million (net earnings)</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>Not available</td>
<td>12.3%</td>
<td>23.5%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Charitable Donations</td>
<td>Not available</td>
<td>$72 million in sponsorships, donations and scholarships</td>
<td>$42 million</td>
<td>$5.6 million</td>
</tr>
<tr>
<td>Miscellaneous Organizational statement</td>
<td>“largest credit union in Manitoba based on memberships and in the top 10 English-speaking credit unions based on assets”</td>
<td>“Canada’s largest integrated financial cooperative group”</td>
<td>“Canada’s largest bank as measured by assets and market capitalization”</td>
<td>“Canada’s largest credit union”</td>
</tr>
</tbody>
</table>

*Source: Assiniboine Credit Union, Desjardins Group, RBC, Vancity Credit Union.*
Community Financial Services Centre, North End, Winnipeg
Identified Issues

1. Tension of Perspectives

• This research project revealed that stakeholders involved in these community banking projects have different interests, understandings and values.

• Project development can draw on these constructive tensions between stakeholders.

• If resolving tensions at the level of interests is difficult it may require one to explore understandings and values.
Identified Issues

2. The Disadvantaged Socioeconomic Context

- Three of the four projects—the Cash & Save, the Community Financial Services Centre and Pigeon Park Savings—are located in one (or more) particular inner-city neighbourhood.

- Each of these neighbourhoods is characterized by the disadvantages.

- Vancouver’s Downtown Eastside and Toronto’s Parkdale neighbourhoods are also characterized by relatively high levels of people with mental illness or dealing with substance abuse issues.

- These neighbourhoods have also experienced changes in regards to availability of financial services over time.
Identified Issues

3. The Key Project Catalysts

- Cash & Save: 3 key events were catalysts.

- Community Financial Services Centre has some interesting parallels to the Cash & Save.

- Pigeon Park Savings: closure of another project was one key event.
Identified Issues

4. A New Tier of Banking

- Cash & Save: a Bank-owned cheque-casher
- CFSC: A ‘transition’ bank
- PPS called a ‘junior credit union,’ a ‘red-green’ or ‘duct-tape’ design
Identified Issues

5. Unique Financial Challenges

• The financial data on these four projects are limited.

• All of the community banking projects face unique financial challenges.

• RBC’s goal is that the Cash & Save be financially viable, i.e., to cover, at minimum, its costs through fee revenue.

• The Community Financial Services Centre has unique resources & challenges.

• Pigeon Park Savings has run a deficit that has been, year-by-year balanced by Vancity.
Identified Issues:

6. The Importance of Partnerships

• Complex task requires partnerships

• Cash & Save: RBC, St. Christopher House & Bain & Co.

• CFSC: Alternative Financial Services Coalition, Assiniboine Credit Union, North End Community Renewal Corporation, Winnipeg Partnership Agreement

• PPS: PHS Community Services Society, Vancity Credit Union

• Desjardins: Desjardins Fédération, Local Caisse Populaires, Budget Counselling Agencies
Identified Issues:

7. The Importance of People and Relationships

• While many people in several organizations played a role in the creation and development of each of these projects in some cases there are a few outstanding people or relationships.

• Cash & Save: CEO/ED RBC & St. Christopher House; Bain & Co. & St. Chris representatives

• PPS: CEO/ED Vancity & PHS

• CFSC: AFSC; ACU representative
Identified Issues:
8. Cross-cultural Dialogue

• Dialogue across ‘cultures’ was identified as another factor associated with the community banking projects. By culture we refer not to the foundational concept of worldview but to differences in attitudes and experiences across different socioeconomic groups within a society.

• The most obvious cross-cultural tension identified by respondents was between banks and inner-city residents.

• Several respondents noted that the projects required building of cross-cultural dialogue and trust among organizations involved, especially community organizations and FIs.
Conclusion

- The banking conditions in inner-cities in Canada are quickly changing and some FIs are responding.

- One key conclusion from this research is that community banking projects are expensive and are not likely to become self-sufficient.

- Another conclusion from this research is that partnerships and building relationships across types of organizations is important.

- The role of government in these projects needs to be clarified, both in terms of public policy and funding.

- The quality of this analysis was limited by the limited amount of data on these projects. If we are to learn from these projects and develop an understanding of what is best practice then evaluations need to be standardized and the data made public.

- Finally, the small number of community banking projects in Canada reflects a shortage of resources applied here and interest in the issue.