Annex B:

Case Studies

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AUSTRALIA

Australian Commonwealth Government Indigenous Procurement Policy

Introduction

The Indigenous Procurement Policy (IPP) is an Australian Government policy introduced in 2015 that was designed to stimulate Indigenous entrepreneurship, business and economic development, so as to provide Indigenous Australians with more opportunities to participate in the economy. The IPP contributes to the National Agreement on Closing the Gap, developed in partnership between the Australian Government, state and territory governments, local government and peak organisations, and which commits all Australian governments to greater efforts to overcome the entrenched inequality faced by Indigenous people.

The IPP aims to increase the Australian Government's procurement of products and services provided by Indigenous businesses through three distinct and discrete components. These three components include setting targets for the annual volume and value of contracts awarded to Indigenous businesses, providing Indigenous businesses opportunities to demonstrate value for money before a general approach to market is made, and lastly, mandating Indigenous employment and business participation targets for certain high value procurements.

The objectives of the policy are to:

- grow demand for Indigenous businesses, products and services;
- stimulate Indigenous entrepreneurship, business and economic development;
- provide Indigenous Australians with more opportunities to participate in the economy; and
- support wealth creation for Indigenous businesses, people and communities.

Through the IPP, Indigenous businesses have showcased their capability as key delivery partners in major government projects and have demonstrated their capacity to deliver high quality goods and services to government.

The Australian Government is committed to iterative policy design and meaningful engagement with stakeholders to ensure the IPP and other Indigenous business supports meet emerging needs, and deliver ongoing value to the Australian Government and the Indigenous economy. Consequently, the Australian Government is considering how to build on the success of the IPP. Several possible IPP reform options are being explored, including changing the definition of a Indigenous business to 51% Indigenous owned, managed and controlled. Consideration is also being given to increasing opportunities for Indigenous businesses within Australian Government procurement processes, to ensure benefits of the IPP are flowing to Indigenous people as intended.

Pre-Reform Situation

It is essential to recognise the broader context of Indigenous economic participation in Australia. Indigenous people have experienced historical exclusion from, and discrimination within, the economic system such as stolen wages, a lack of access to capital or generational wealth, as well as lower rates of financial literacy and education more broadly.

The Australian Government is one of the largest purchasers across Australia. The IPP was introduced as a means to address the historic exclusion of Indigenous businesses from the Australian Government supply chain. Prior to the introduction of the IPP, Indigenous businesses secured limited business from Australian Government procurement and thus the policy was designed with the primary purpose to improve the access of Indigenous Australians to a significant source of opportunities to participate in the economy.

Policy Initiatives and Implementation

The IPP is now well embedded into the Australian Government Procurement Framework – it has become a usual way of doing procurement, and Indigenous participation arrangements are increasingly becoming a normal part of doing business with government. Alongside the IPP, most state and territory governments have arrangements in place to increase Indigenous participation, and targets are also increasingly applied to major infrastructure and construction projects through National Partnership Agreements. States and territories, and the corporate sector, are embracing Indigenous participation into their procurement policies and supply chains.

There are three components of the Australian Government's IPP:

1. Annual targets for the volume and value of contracts to be awarded to Indigenous businesses by the Australian Government and each Portfolio.
2. The Mandatory Set Aside (MSA), which requires that Indigenous businesses be provided an opportunity to demonstrate value for money before a general approach to market. The MSA applies to all procurements to be delivered in remote Australia and for all other procurements wholly delivered in Australia valued AUD 80,000-AUD 200,000 (GST incl.).
3. Indigenous employment and businesses participation targets of between 3 and 4 per cent apply to contracts wholly delivered in Australia valued at AUD 7.5 million or more in 19 industries, known as Mandatory Minimum Indigenous Participation Requirements (MMRs).

The success of the IPP is measured by:

- An increase in the number of Indigenous businesses awarded a contract; and,
- An increase in the volume and value of contracts awarded to Indigenous businesses.

Portfolios' IPP performance against the targets is published annually. The targets broadly reflect Indigenous population levels and ensure Indigenous people and businesses are proportionately represented in Australian Government procurement, and are not excluded from the economic opportunities afforded by participation in the Australian Government's supply chain.

Outside of the current ongoing reform process, previous changes have been made to the IPP. In 2020 the policy underwent several changes, including the expansion of the list of industries to be held to the MMR standards from 8 to 19 industries, significantly increasing the number and scope of opportunities for Indigenous businesses and job seekers.

The Australian Government provides supply side business support to assist the Indigenous business sector access capital and build capability and capacity, and this makes an important contribution the implementation and impact of the IPP. This support includes through

Indigenous Business Australia and four state based Indigenous Business and Employment Hubs across the economy.

Impact

As of 26 March 2024, the IPP has generated over AUD 9.5 billion on contracting opportunities for Indigenous businesses, involving 64,000 contracts awarded to more than 13,900 businesses. Every Australian Government portfolio exceeded their 2022-23 procurement targets. Overall, Australian Government procurement exceeded the contract count target by 684% (target of 1,881 against total contracts count of 14,747), and exceeded the value target by 277% (target of AUD 379,071,174 against total contracts value of AUD 1,429,471,412). In 2022-23 Indigenous businesses continued to win more contracts under the MSA, including in remote areas. Since July 2016, 607 contracts valued at AUD 36.3 billion awarded to 313 major suppliers have been subject to the MMR component of the IPP.

Additionally, Indigenous businesses are key to creating jobs and employing more Indigenous Australians as the Indigenous employment rate is higher among Indigenous businesses than non-Indigenous businesses. A recent study using distinct data sources found the average rate of Indigenous employment among Indigenous businesses is 35%, compared to 2.2% among non-Indigenous businesses.[1]

Research evidence suggests that Indigenous businesses are much more likely to employ an Indigenous person than a non-Indigenous business,[2] and provide skills development and training.[3] Further, case study evidence suggests that Indigenous businesses can create a climate of fostering Indigenous youth into long-term career pathways in environments where there is self-determination and capacity to build and develop community-based values.[4]

Since the policy was introduced in 2015 the Indigenous business sector has grown rapidly[5] and the IPP, alongside other like policies and increased public and private sector investment, has contributed to the increase in the size[6] and resilience[7] of the Indigenous business sector. On census night 2021, around 17,900 Indigenous Australians identified themselves to be business owners; an increase of approximately 6,320 new business owners compared with the 2016 census.[8] Additionally, Indigenous businesses themselves are growing rapidly. Supply Nation

[1] Eva, C. (2023). Indigenous-owned businesses are key to closing the employment gap. Available at: https://theconversation.com/indigenous-owned-businesses-are-key-to-closing-the-employment-gap-208579#:~:text=Our%20analysis%20shows%203%2C327%20businesses,Koorliny%20%E2%80%93%20Australian%20Indigenous%20Employment%20Index.

[2] Hunter, B. (2015). Indigenous employment and businesses: Whose business is it to employ Indigenous workers?, Centre for Aboriginal Economic Policy Research (Australian National University). Available at: https://caepr.cass.anu.edu.au/sites/default/files/docs/CAEPR_Working_Paper_95_0.pdf

[3] Morrison, M., Collins, J., Krivokapic-Skoko, B., Basu, P. (2017). Differences in the economic and social contributions of private and community-owned Australian indigenous businesses, *Journal of Australian Indigenous Issues*, 20(1), 23-40.

[4] Fordham, AE., Robinson, GM., and Blackwell, BD. (2017). Corporate social responsibility in resource companies – Opportunities for developing positive benefits and lasting legacies. *Resources Policy*, 52, 66-76.

[5] Department of the Prime Minister and Cabinet (2018). The Indigenous Business Sector Strategy. Available at: https://www.niaa.gov.au/sites/default/files/publications/ibss_strategy.pdf

[6] Supply Nation (2023). Supply Nation Research Report No. 8: The geographies of Indigenous business in Australia. Available at: https://supplynation.org.au/research/research-reports/

[7] Polidano, C., Evans, M., Moschion, J. and Martin, G. (2022). Indigenous business and snapshot study 2.0. The University of Melbourne. Available at: https://fbe.unimelb.edu.au/cibl/research

[8] NIAA analysis of Australian Bureau of Statistics (2022) *2021 Census of Population and Housing*, [Census Table Builder], accessed 19 April 2023

businesses reported business growth at 13% p.a. compared to 3% p.a. for the economy as a whole from 2011-2017.[9]

Several research projects are underway to further analyse the impacts of Indigenous preferential procurement policies across Australia and build an Indigenous business and economic dataset to produce longitudinal Indigenous business statistics. These projects aim to inform the sector and its stakeholders, including policy and decision makers and Indigenous business owners.

More broadly, the IPP supports Indigenous wealth creation, as well as providing opportunities to support the long legacy of Indigenous innovation and entrepreneurialism. Creating opportunities to grow the Indigenous economy contributes to improvements across a broad range of priority areas, such as education, health and more broadly empowering Indigenous Australians to pursue self-determination.

Challenges and Lessons

The IPP is currently undergoing a reform process as a part of the Australian Government's commitment under the Buy Australian Plan. Central to the reform options being considered, is a change to the eligibility criteria for accessing the IPP from 50% Indigenous ownership, to 51% Indigenous owned, managed and controlled. Alongside options to increase the ambition of the IPP, the Australian Government is exploring options to address community concerns about 'black cladding' – a colloquial term used to describe disingenuous arrangements where the economic benefits are not flowing to Indigenous people as intended.

Through reform, the Australian Government aims to ensure the IPP eligibility criteria and verification process empowers Indigenous business owners to have control over the business's money and work, and make sure disingenuous actors are not using Indigenous businesses and people to access procurement policies or acquire contracts they otherwise would not be able to. Additionally, this process provides corporate and government buyers the assurance that when they buy from a Indigenous business, they are empowering Indigenous people and communities.

Public consultations for the reforms concluded in March 2024. Feedback was received through several mechanisms including virtual consultations, written submissions in response to a public discussion paper, and an Indigenous business survey. The Australian Government has listened and learned from Indigenous businesses, tier one companies, service providers, Indigenous chambers of commerce, academics, Commonwealth, state and territory governments and other key stakeholders. Feedback will inform the Australian Government's decisions on the next steps for reform.

These reforms reflect the Australian Government's commitment to evidence-based policy making and iterative policy design necessary to ensure the IPP meets the contemporary needs of the Indigenous business sector, and promotes economic empowerment, self-determination and meaningful progress against the National Agreement on Closing the Gap.

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[9] Supply Nation (2020). Supply Nation Research Report No. 1: State of Indigenous Business: Driving growth across the Indigenous business sector. Available at: https://supplynation.org.au/research/research-reports/

Case Study: ASIC's Indigenous Outreach Program and Indigenous Financial Services Framework

This case study on ASIC's Indigenous Outreach Program and Indigenous Financial Services Framework has been prepared by ASIC in line with the 2024 APEC Economic Policy Report (AEPR) on Structural Reform and Financial Inclusion.

Introduction

ASIC's vision is for a strong, fair, and efficient financial system that promotes confident and informed participation of all investors and consumers. ASIC is also publicly committed to the reconciliation journey as outlined in our Reconciliation Action Plan,[10] which includes our vision that Aboriginal and Torres Strait Islander peoples have the freedom to pursue and achieve the financial lives they value.

ASIC has had a dedicated Indigenous Outreach Program (IOP) team since 2009. The IOP is a specialist team working across the organisation to provide advice, insights and support to ensure the needs and requirements of Indigenous investors and consumers are understood and addressed appropriately, effectively, and in a way that is culturally sensitive and responsive. This involves collaboration with Indigenous communities, financial services industry, service providers including government agencies, and consumer advocates.

To support the financial inclusion of Indigenous peoples, IOP also undertakes outreach trips to urban, rural, and remote Indigenous communities to allow for timely insights of financial services challenges and experiences impacting Indigenous consumers and investors, and ensure ASIC has a channel for ensuring that intelligence is considered by ASIC. To date, IOP has supported ASIC's success on a significant number of regulatory outcomes and consumer campaigns.[11]

In 2023, ASIC developed and published the Indigenous Financial Services Framework (Framework)[12] to promote key learnings developed through an extensive consultation process, including with Indigenous peoples and communities, on how Indigenous peoples engage with Australia's financial system. The Framework recognises the unique governance structures, economies, trade relations, knowledge and management systems that existed across Indigenous communities long before and after colonisation. In recognising this, the Framework emphasises that these existing systems, paired with the diverse range of values and cultures across Indigenous communities, has and continues to influence the nature and extent to which Indigenous peoples engage in the financial system.

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[10] *See ASIC's Stretch Reconciliation Action Plan: January 2023 – January 2026 for more information.*

[11] *See ASIC's Indigenous Outreach Program | ASIC on ASIC's website for more information;* Media Release (24-031MR) *ASIC issues Urban Rampage with interim stop order over concerns of financial harm to First Nations consumers* (29 February 2024); Media Release (22-176MR) *Court finds Select AFSL and its agents acted unconscionably when selling insurance products: Royal Commission case study* (11 July 2022); Media Release (17-115MR) *Book up provider in South Australian Indigenous community ordered to pay $167,500 for exploitation of consumers* (13 April 2017).

[12] *See ASIC's Indigenous Financial Services Framework on ASIC's website for more information.*

Pre-reform situation

Whilst Australia has made some efforts to formally recognise Indigenous peoples in the Australian Constitution[13] and with government to Close the Gap on Indigenous outcomes across a range of areas,[14] much progress still remains; and to this day Australia is one of the only Commonwealth economies without a treaty agreement with its Indigenous peoples. Further, in recent times, the financial capability and inclusion of Australians has remained at the forefront of government commitments through efforts such as ASIC's *National Financial Capacity Strategy*.[15] However, these efforts have historically not considered the unique experiences of Indigenous peoples and communities. The need for a stronger understanding of Indigenous peoples experience of the financial system in Australia highlighted to ASIC the importance of taking a consultative and considered approach through the development of its Framework.

In continuing IOP's work in supporting the Framework's development, it was important to consider that Indigenous peoples can bring a higher level of trust and greater expectation of goodwill when accessing financial goods and services. This is due to Indigenous economies operating as part of social and cultural relationships, which can influence how decisions are made when choosing between products and services. Further, many Indigenous peoples' attempts to engage in the financial system are hindered due to the systemic conditions under which a service can be accessed. These conditions often ignore the lived experiences of Indigenous peoples. For example, meeting identification requirements with multiple names and conflicting dates of birth recorded across service providers and systems and maintaining lines of contact with service providers in remote areas, where street names and house numbers are less common and internet access is limited.

The continuous uncertainty, disempowerment, and exclusion from engaging in the financial system has resulted in often lower levels of financial wellbeing and poor financial outcomes for Indigenous peoples. In turn, this has further impacts on an individual's overall wellbeing, mental health, and livelihood.

Policy initiatives and implementation

To support and build a stronger understanding of Indigenous peoples experiences of the financial system, IOP initiated the Framework's development process. ASIC committed to a Indigenous-led process, placing Indigenous peoples' voices and experiences at the heart of the project and allowing truth-telling from Indigenous communities. The incorporation of Indigenous peoples' experiences and the impact of colonisation remains an integral part of the Framework. Recognition and understanding of the differences between non-Indigenous and Indigenous peoples' experiences of the financial services system distinguishes the Framework.

The key stakeholders involved in this consultation process included Indigenous communities across Australia; ASIC and other consumer protection agencies; participants from financial services industry, including financial services providers such as banks, credit unions, superannuation funds and insurance providers; community service providers, including

[13] *See View The Statement – Uluru Statement from the Heart on the Uluru Statement from the Heart's website for more information.*

[14] *See Home | Closing the Gap on Closing the Gap's website for more information.*

[15] *See national-financial-capability-strategy-2022.pdf (moneysmart.gov.au) on Moneysmart's website for more information.*

financial counsellors and financial capability workers; and government agencies with priorities and programs focusing on Indigenous peoples.

Aboriginal and Torres Strait Islander peoples have been historically prohibited and excluded from participating in Australia's financial system due to past policies, legislation, and practices. Consequently, for many Indigenous communities this engagement has generally only occurred in the last two to three generations.[16] Indigenous Elders and community leaders, as the traditional knowledge holders of Indigenous communities, have generally had less exposure to Australia's financial system than younger generations, and thus face a dichotomy between connecting the values, systems, and knowledge of their existing economies to that of the imposed Western financial system. As such, the Western economy and use of money and finances are often seen as sitting outside of how Indigenous families, communities, and economies operate. Legislation, policies, and practices imposed through colonisation, including Western definitions of land and resource ownership, also disrupted and destroyed these economies, and overruled Indigenous values and priorities. Much of this impact continues to be felt by Indigenous peoples today.

ASIC's Framework compiles these experiences through the Framework's four Key Learnings. These learnings have been tested and confirmed by Indigenous consumers and communities as important concepts to be acknowledged and understood as part of positive change. The Framework outlines how ASIC will use the Key Learnings to inform our work and priorities relating to Indigenous consumers.

The Key Learnings are:

1. **Indigenous peoples had unique, established economies before colonisation. These economies continue today, and should be understood, respected, and maintained**.
   This learning focuses on embedding an understanding and acknowledgement of existing, established and thriving Indigenous economies operating across Australia. These economies were built upon the values held by Indigenous people, governance and knowledge systems, and the resources available. Whilst these economies were impacted significantly by colonisation, aspects of these economies continue to operate across families, communities and regions today. This is seen through the use of money based on values, priorities and responsibilities to others, such as caring for family and community, and thinking of money as a resource to help the whole family not just one person.
2. **Indigenous peoples have been prohibited and excluded from participating in the Australian financial system.**
   This learning focuses on building acknowledgement and understanding of historic legislation and policies that dismissed Indigenous economies, for example being paid in rations, having limited employment opportunities and limited access to Government support, and also the subsequent policies that have prohibited access and wealth accumulation within Indigenous families and communities. We were told actual financial inclusion for Indigenous people only commenced one or two generations ago for many Indigenous families, and others who continue to feel excluded from the financial system and participating in the Western economy today.
3. **Financial wellbeing affects all aspects of Indigenous peoples' lives.**
   This learning focuses on the understanding that money impacts on all aspects of an individual and family's wellbeing. Often there is a siloed approach to service provision, which fails to acknowledge and understand the interconnectedness of money and its impact on all other aspects of wellbeing. Physical and mental health is a good example

[16] See [ASIC's Indigenous Financial Services Framework]() on ASIC's website for more information.

of this, if you are feeling in control of your money and financial choices you are likely to have good mental and physical health – if you don't feel in control of your money and financial choices this has dramatic impacts on your mental and physical health.

4. **Indigenous peoples have many different versions of financial success. This needs to be accepted and encouraged. All Indigenous peoples should be empowered to achieve their vision of success.**
   This recognises Indigenous peoples' strengths and resilience continue, and as such we will continue to apply values and priorities deemed important to managing finances and financial decision making. Success can look different, it can be a fridge full of food to feed family, to can be a working car to assist extended family members travel needs, it can be owning your own house, or running your own business. Each vision of success should be respected, encouraged and overall should not be judged by the values of others.

Impact

ASIC is working towards a range of long-term outcomes outlined in the Framework, however the outcomes require a range of stakeholder collaboration and commitment. Whilst ASIC intends to embed the Framework's Key Learnings across our organisation and activities, we also encourage a range of organisations to consider as part of their own objectives aimed at positive financial outcomes for Indigenous consumers.

To further this objective, ASIC developed distinct engagement streams including:

- **ASIC's Indigenous Advisory Group:** This group's objective is to ensure Indigenous consumers' needs, experiences and perspectives continue to inform ASIC's work. This group will also inform ASIC of emerging and systemic challenges from Indigenous consumers' experiences of the financial system.
- **Cross-Government Engagement Group:** This involves regular, ongoing engagement by the IOP team with government agencies whose functions and responsibilities align with the Framework outcomes through their programs and services for Indigenous peoples. The purpose of this group is to identify opportunities for agencies to collaborate on key challenges and share information and data, and opportunities for joint engagement and outreach to communities.
- **Financial Services Industry Engagement:** This focuses on ongoing involvement and support of the financial services industry through existing arrangements and networks aimed at supporting positive engagement with and access to financial services for Indigenous consumers and communities.

ASIC acknowledges the long-term nature of the Framework's outcomes, and complex nature of Indigenous consumer and communities experience with engagement and access to the financial system. ASIC continues to have a strong commitment to progressing the activities involved in this work, and our regulatory objectives where Indigenous consumers are impacted by harms and misconduct.

Challenges and lessons

Several key lessons were observed by ASIC throughout the process of developing and implementing the Framework and its findings.

Various financial services industry bodies, with a range of experience and understanding levels, have significant commitments and even legislative requirements to understanding their customer base. Industry members were conscious of their knowledge gaps, often keen to understand more, and commit to continuous improvement in their customer service. However, a significant challenge remains for both industry due to the lack of data on Indigenous peoples' engagement with the financial system. In part, this has resulted from the failure to consistently and comprehensively collect accurate data, which further impacts the ability to measure and evaluate the commitments and initiatives that are in place. The importance of a consistent, highly engaged and committed financial services industry cannot be overestimated in making and maintaining progress, and accurate and comprehensive data is an important move to build accountability for these commitments.

This includes a sector that listens to the voices of Indigenous peoples and holds itself accountable for the quality and timing of outcomes. Initiatives like Reconciliation Action Plans, standard setting by industry associations, and law reform driven by consumer advocates have contributed to many Indigenous peoples taking their place in the economy as well-informed customers able to participate in their own financial wellbeing journey.

Further, ASIC heard the importance of reaffirming these positive financial stories and success of Indigenous peoples. ASIC heard stories of extreme resilience, skill with finances, from making 'a little go a long way' through to investment, the importance of sustained income from employment, intergenerational wealth creation through superannuation, home ownership and growing business successes. The importance of the strengths-based approach to the development of the Framework was an opportunity to encourage broader awareness of the strength and resilience of Indigenous communities.

Lastly, financial inclusion requires careful attention to the fault lines of social and cultural exclusion. Through taking a wholistic approach that understands intersecting factors such as poverty, language, literacy, geographic location, and access to services; new and existing forms of inequality and exclusion can be more effectively understood.

CANADA

Introduction

Canadians face an increasingly complex and digital financial marketplace. Recent economic challenges have exposed the fact that financial vulnerability can affect anyone—regardless of income, background, or education. Without access to basic, quality, products and services many vulnerable financial consumers (or those at risk of becoming vulnerable) are unable to build financial resilience and well-being—especially as financial inclusion acts as a bridge to these goals.

For instance, previous estimates have pointed out that while Indigenous Peoples make up 5% of the population, they account for around 2.2% of GDP[17], and that advancing women's equality and improving inclusion could add an additional 0.6% percent increase to annual GDP growth[18]. In order to better understand and address financial inclusion—defined in terms of access, usage, and quality[19]— that is essential to the economic prosperity and financial security of Canadians, Canada has undertaken structural reforms.

For example, since established by the Government of Canada in 2001 to protect the rights and interests of consumers of financial products and services, the Financial Consumer Agency of Canada (FCAC)'s mandate has been expanded and strengthened. An important milestone took place in 2018, when the federal government introduced structural reforms as part of legislative amendments to strengthen FCAC's mandate and powers and a new Financial Consumer Protection Framework in the *Bank Act* to further advance the rights and interests of consumers in their dealings with banks. These amendments also strengthened FCAC's role in financial literacy by integrating it into its mandate.

In July 2021, FCAC published the renewed National Financial Literacy Strategy 2021-2026 (National Strategy) with the goal of helping to create a more accessible, inclusive, and effective financial literacy ecosystem for all Canadians.

Pre-reform situation: Environmental context

FCAC was established in 2001 to protect financial consumers. Education was recognized as a central component of consumer protection from the beginning, and the mandate expanded in 2007 to acknowledge the importance of financial literacy. Recent years have brought new

[17] MGI-The-power-of-parity-Advancing-womens-equality-in-Canada-Executive-summary.pdf (mckinsey.com)
[18] An Overview of the Indigenous Economy in Canada (bankofcanada.ca)
[19] Financial Inclusion (worldbank.org)

legislation, which has expanded this mandate again and reinforced financial literacy's contribution to Canada's broader financial consumer protection measures[20].

While 98% of Canadian adults have a bank account[21], there is evidence that many still face significant barriers, such as lack of access, to getting quality financial products and services. For example, nearly one-fifth of Canadians are unable or reluctant to use digital banking[22]. Many consumers have also demonstrated being unclear on, or incorrect about, the key features of financial products, including the costs and their rights and responsibilities as users of these products[23,24,25]. There is also a significant financial help gap, particularly for those with low income or other vulnerabilities[26,27].

In fact, consumers with vulnerabilities are more likely to be affected by economic disruptions, report lower financial security and financial resilience, and encounter greater barriers to financial inclusion overall[28]. Importantly, while financial vulnerability can affect anyone regardless of income, background or education, in recent years hardships have increased more for Indigenous Peoples, recent immigrants, women and those living on a low income. FCAC's Monthly Financial Well-being Survey, started in 2020, shows that 56% of Canadian households report having trouble or sometimes struggling with their financial commitments (as of January 2024)[29], with the aforementioned vulnerable groups being even more likely to report such challenges.

Policy initiatives and implementation: FCAC's National Financial Literacy Strategy

The first National Financial Literacy Strategy 2015-2020[30] emphasized providing individual consumers with the knowledge, skills and confidence needed to make informed financial decisions and improve their financial well-being. It acted as a lighthouse, helping to find and gather relevant organizations such as not-for-profit organizations, other government organizations, academics, and those in the financial services industry, and identify them as members of the broader financial literacy ecosystem.

While this approach is still important to the National Strategy 2021-2026, the current focus is less about what individual consumers can do, and more about what the financial ecosystem can do collectively to help Canadians build financial resilience. Financial resilience was chosen as the primary target as it is the ability to adapt or persevere through both predictable and

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20 The Financial Consumer Protection Framework: Enhanced protection for bank customers - Canada.ca
21 2021 Methods-of-Payment Survey Report - Bank of Canada
22 The Daily — Trends in online banking and shopping (statcan.gc.ca)
23 Pilot Study: Buy Now, Pay Later Services in Canada - Canada.ca;
24 Payday loans: Market trends - Canada.ca
25 Open Banking and Consumer Protection: Canadians' Awareness and Expectations - Canada.ca
26 Financial Help Project Report (prospercanada.org)
27 Research to help FSRA improve the lives of vulnerable consumers | Financial Services Regulatory Authority of Ontario (fsrao.ca)
28 Consumer Vulnerability: Evidence from the Monthly COVID-19 Financial Well-being Survey - Canada.ca
29 Canadians' Financial Well-being: Summary of FCAC survey findings - Canada.ca
30 National Strategy for Financial Literacy Count me in, Canada

unpredictable financial choices, difficulties, and shocks in life, and is intimately tied to financial inclusion. Moreover, the ability to build financial resilience does not lie in the hands of the consumer alone but is rather a function of both individual actions and systemic facilitation.

To this end, the National Strategy motivates and mobilises stakeholders in the financial ecosystem to work together towards the common goal of strengthening the financial resilience and increasing the financial inclusion of Canadians. This approach includes:

1. A guiding framework, created in close consultation with stakeholders at every stage, for all stakeholders to use
2. A supporting Measurement Plan and associated tools, to help with sharing stakeholders' initiatives and their Strategy-Aligned Measures of progress

The framework of the National Strategy is based on 6 Priorities and 18 supporting evidence-based Target Outcomes. Together, these are designed to help remove barriers in the financial system that can limit financial inclusion by preventing individuals from accessing, understanding, or using products, services and support. For example, one barrier includes information about financial products and services that is difficult to understand, while another focuses on the fact that Canadians and their needs are not easily homogenized. This recognizes that many women, people of colour, Indigenous Peoples, newcomers to Canada, older adults, or people living on low incomes have unique needs that are not addressed by what is commonly held to be the "average" reference point.

The Measurement Plan was developed as a companion piece to the National Strategy, to help create collective agreement about how best to evaluate the financial outcomes and the growth in resilience among Canadians. Data is key to understanding consumer barriers to inclusion and financial resilience, and to developing new solutions that might help address the identified gaps. Some of the initiatives FCAC undertakes are general surveys[13] and targeted experiments and interventions[31] aimed at changing knowledge, confidence, skills and behaviours.

The Measurement Plan encourages stakeholders to develop, use, and share Strategy-Aligned Measures (SAMs) within their financial literacy initiatives. These SAMs are metrics that provide direct and clear evidence of progress towards each of the Strategy's specific Target Outcomes. Those who share SAMs become Adopters of the Measurement Plan and have their measures added to the Measures Library tool. Stakeholders can also share findings emerging from their use of SAMs in the National Financial Literacy Strategy Dashboard.

These SAMs were developed in close collaboration with financial literacy ecosystem stakeholders, both in Canada and internationally. For example, the National Strategy involved targeted roundtable discussions with at least eight key, invitation-only, stakeholder groups (e.g., Indigenous Peoples and women), which included representatives from 90 organizations.

[31] Refund to Savings Canada Pilot Study Evaluation - Canada.ca

Roundtable discussions for the Measurement Plan included more than 100 stakeholders; documents from both were made available for public consultation prior to publication.

Impact: Progress on the goals of the National Strategy

FCAC's two National Strategies have helped to ignite and fuel ongoing domestic and international conversations about financial literacy. These frameworks have not only been fundamental to guiding stakeholder messaging and efforts but have also continued to shape the work of FCAC.

In 2022, FCAC used the data from its Monthly Financial Well-being Survey to study the impact of the rapidly evolving economic environment on consumers' financial vulnerability[13]. For instance, some consumers are more likely to experience negative financial outcomes compared to the average Canadian, including those with low income (1.7 times), Indigenous Peoples (1.4 times), and women (1.1 times)[12]. In 2023, FCAC identified that two-thirds of mortgage holders reported having trouble meeting their financial commitments[32]—a group previously considered financially secure. This latter report provided the groundwork for FCAC's Guideline on Existing Consumer Mortgage Loans in Exceptional Circumstances, which set out expectations for federally regulated financial institutions to provide tailored support to consumers at risk.

FCAC has also developed targeted interventions to help improve the financial resilience of Canadians. For instance, research indicates a significant gap between men and women in financial confidence and knowledge starting from a young age. To help address the issue, FCAC developed an intervention which used an educational platform, targeting students in grades 6-12, to deliver gamified information about financial concepts. In a separate collaboration with an academic institution, young women aged 16-25 were encouraged to share stories about their own financial knowledge and experiences with feeling financially confident. Both experiments showed that by using behavioural design, it is possible to increase self-reported financial confidence and financial knowledge among girls and young women.

These are all examples of initiatives that were both guided by, and continue to directly support, many of the National Strategy's Priorities, including the need to communicate in ways people understand, build and provide for diverse needs, use behavioural design to simplify financial decisions, and strengthen financial consumer protection measures.

Other measures of progress come from the Measurement Plan and its associated tools. The Measures Library has grown to include over 150 Strategy-Aligned Measures (SAMs) shared by Canadian and international organizations, while the National Financial Literacy Strategy Dashboard highlights the work of 25 Adopters (with more currently being added) which collectively have shared 34 initiatives with 60 associated findings. These findings cut across

[32] FCAC Report: The financial well-being of Canadian homeowners with mortgages - Canada.ca

all of the National Strategy's Priorities and have been shared by stakeholders from across the ecosystem.

Challenges and lessons

Prior to the creation and launch of FCAC's first National Strategy, there was little available knowledge regarding the state of Canadians' financial literacy, their financial behaviours, and their inclusion within the financial marketplace. Lessons learned from the first National Strategy were key to improving the current one[33]. While interest in financial literacy has grown rapidly, there remain few sources of support for stakeholders interested in conducting research to better understand consumers' financial literacy. FCAC, for instance, does not have the ability to support such stakeholder initiatives directly.

For these reasons, measuring financial literacy and the impact of National Strategies remains a challenge. As such, it is encouraging that so many stakeholders have signed on—and that new ones also continue to do so—as Adopters of the Measurement Plan in support of the National Strategy. Although the onboarding process often requires a personalized approach as stakeholders learn about how they fit into the process, it has nonetheless motivated many stakeholders to improve the evaluation of their initiatives and to share their measures and findings with others.

Oversight for different aspects of financial services and products are divided between the federal government and 13 provincial and territorial governments. As such, the approach to financial literacy in Canada is based on collaboration across jurisdictions and among various players in the ecosystem from the outset, as is highlighted by the extensive input and collaboration from stakeholders when developing both National Strategies. With this in mind, FCAC continues to lead and coordinate regular meetings and promote information exchange with all stakeholders—including financial literacy networks, a Consumer Protection Advisory Committee, and a Financial Literacy Working Group for Indigenous Peoples[34].

Finally, consumers with vulnerabilities (e.g. those with low income or low financial confidence) and those within vulnerable groups (e.g., Indigenous Peoples, women, newcomers) continue to face barriers to financial inclusion, in part fostered by discrimination, poorly communicated information, and a lack of appropriate products and services tailored to their needs. Encouragingly, FCAC's stakeholders have responded positively to the messages in the National Strategy and Measurement Plan about the need to collect more information on demographics and vulnerabilities. In turn, this information can help identify exactly which consumers are most likely to face barriers to inclusion—foundational work that can more easily lead to testable solutions.

[33] Summative Evaluation of the Financial Literacy Program: Final Evaluation Report - Canada.ca
[34] FCAC's partners and collaborators - Canada.ca

With a regulatory framework for Consumer-Driven Banking on the Canadian horizon, we believe FCAC's approach will continue to bear fruit. It emphasizes the power of clear and unified messaging and the role of data in shaping future thinking and continues to bring closer many of the key stakeholders in this evolving space—from fintechs, non-profits, financial service providers, and other government departments and regulators.

CHILE

Introduction

In March 2023, Law 21.550 was enacted, establishing the Electronic Family Wallet (BFE, by its acronym in Spanish), a pioneering initiative that provides a monthly government-funded allowance to help households offset rising food prices (until December 2023). In November 2023, the BFE was awarded with the 2023 Avonni National Innovation Prize in the IDB Public Innovation category, recognizing it as the most innovative tool from public management that year

Post-reform situation

The main changes introduced by the BFE include:

- Easier access to financial resources: It offers beneficiary families an electronic payment method that allows them to purchase food and basic goods more quickly and securely.
- Reduction of poverty and inequality: By providing a direct subsidy to the neediest families, it helps improve their quality of life and reduce economic and social gaps.
- Greater control and transparency: The use of an electronic card facilitates the monitoring and control of public spending on this subsidy, helping to prevent fraud and misuse of resources.
- Boost to the local economy: By increasing the purchasing power of beneficiary families, it has a positive impact on the local economy as it encourages spending in community stores.

Policy initiatives and implementation

The BFE stipulates a monthly fiscal charge contribution, equivalent to USD 14 per beneficiary, intended for purchases in food-related businesses to counteract food price inflation due to fiscal and monetary stimuli during the Covid pandemic.

This benefit replaced the previous policy called Basic Food Basket Compensatory Contribution. The approval of this law enabled the contribution to be delivered from May 1 until December 31, 2023, covering up to 20% of the value of purchases made by the beneficiaries in the food sector. Beneficiaries can also choose not to use the balance during a purchase, with the option to reactivate it anytime. Moreover, in the last three business days of each month, beneficiaries can use the contribution without the percentage limit and can accumulate any remaining balance for the following months. The creation of the BFE has multiple benefits related to banking, digitization, and formalization of the economy. It also allows for more efficient management of state benefits and improves the user experience in receiving these benefits.

Impact

Law No. 21.550 required the Ministry of Finance to present a detailed report in November 2023 to the Finance Committees of both the House of Representatives and the Senate regarding the results of this benefit. An evaluation was carried out by the World Bank and the Bill and Melinda Gates Foundation's "Government to People" (G2Px) program, which concluded that the BFE effectively fulfills its purpose of providing monetary resources to households for purchasing products in a context of rising food prices. This is evidenced by its high usage rates -which exceeded 95%- involving more than 1.4 million beneficiaries, predominantly in smaller shops such as grocery stores, butcher shops, and bakeries. Following this positive evaluation, the validity of the BFE was extended by law until 30 April 2024.

In September 2023, a similar mechanism was established to provide assistance in response to natural disasters that occurred in Chile, enabling them to buy construction materials. This has been activated twice between 2023 and 2024, following severe rains and fires, providing up to approximately USD 2,000 based on the extent of home damage.

Challenges and lessons

The main challenge of the BFE is conveying to the public the temporary nature of the aid provided through this mechanism, a common challenge for all types of state assistance. Despite its speed and reduced bureaucratic requirements, it can sometimes make it difficult for people to fully understand the exceptional nature of the resources received.

CHINA

Promoting Inclusive Finance Through Structural Reform

Introduction

In China, providing financial services at an affordable cost to those in need based on the principle of equal opportunity and sustainable business is an important prerequisite for sustainable economic and social development. It is also necessary for implementing the APEC Putrajaya Vision 2040 and the Aotearoa Action Plan. As the economy moves from the stage of rapid growth to the stage of high-quality development, China has built a widespread, inclusive modern financial system, which injects new vitality and impetus into economic and social development. Since 2015, the Chinese government has implemented the Plan for Promoting the Development of Inclusive Finance (2016-2020) (hereinafter referred to as the Plan), which focuses on supply, demand and environment to promote the flow of financial resources to small and micro enterprises(SMEs), farmers, low-income groups, the disabled and the elderly, and other vulnerable groups, so as to enhance the resilience of economy and society.

The situation before the reform

Before the implementation of the plan, China's financial system was characterized by diversified service providers, wide service coverage and high utilization rate of mobile Internet payment. However, it was still facing challenges such as unbalanced financial services and under-developed financial infrastructure. On one hand, the accessibility of financial services was relatively low. According to the IMF Financial Services Accessibility Survey, in 2015, the number of commercial bank branches per thousand square kilometers in China was 10.21; The number of commercial bank branches per 100,000 adults was 8.53. On the other hand, the level of financial services varied greatly between regions and between urban and rural areas. In 2015, Beijing, Shanghai,and Zhejiang, which are eastern areas, had 2.1207, 1.6652, and 2.236 branches of financial institutions per 10,000 people respectively. However, Henan, Hubei, and Yunnan, which are central and western areas, had 1.3442, 1.2805, and 1.1936 branches per 10,000 people respectively. The level of rural financial services was far lower than that of urban areas. Ningxia, Anhui and Tianjin had the most branches of rural financial institutions per 10,000 people, which were 0.3294, 0.1081, and 0.0517 respectively. In addition, as financial resources were more distributed to large and medium-sized enterprises and key industries, and financial institutions were more inclined to provide traditional credit products, it was difficult for SMEs to get enough diversified and tailored financial services.

Policy objectives and implementation

China issued the Plan for Promoting the Development of Inclusive Finance (2016-2020) at the end of 2015, taking measures on supply side, demand side and financial environment, aiming to improve the coverage and accessibility of satisfactory financial services. The Plan targeted to meet the growing demand of the business entities and the people. In particular, SMEs, farmers, low-income groups, people with disabilities and the elderly should be provided of convenient, timely and safe financial services at reasonable prices.

On the supply side, the Plan focused on establishing a system, which was diversified, covering a wide range of financial products and services, and innovative. First, a multi-tiered system was built to guide all types of financial institutions to actively develop financial inclusion based on their own conditions. Banks were encouraged to use fintech to expand their service coverage. Second, supply of inclusive financial products and services was expanded. Banks were guided to allocate more credit resources to SMEs, farmers and other vulnerable groups, and increased small re-lending and re-discounting to support agriculture, so as to reduce social financing costs. Third, the capacity and driving force of inclusive financial services were enhanced. Commercial banks set their leading role in promoting the inclusive financial system, allocated more resources to inclusive finance, and utilized technology to improve financial products and service.

On the demand side, policies were inclined to meet the financial needs of economically and socially vulnerable groups. First, in view of the weak awareness of financial risks and the lack of financial knowledge among specific groups, China popularized financial knowledge, improved capacity of financial consumption and risk screening, and strengthened regulation on marketing behaviors. Second, China used monetary policy tools such as the differentiated reserve requirement ratio to support financial institutions and private capital in supporting the development of inclusive finance, and ensure the accessibility of basic financial services to people in need. Third, China enhanced the protection of the rights and interests of financial consumers, improved management of the appropriateness of financial products and information disclosure, and guided consumers to invest and spend rationally based on their risk tolerance.

From the financial environmental perspective, China accelerated the development of infrastructure, policies and regulations to improve the conditions for financial inclusion. First, China strengthened sharing of credit information among SMEs and rural households, improved the rural payment environment, upgraded the credit information system and statistical system for inclusive finance, and promoted the balanced distribution of financial resources. Second, China developed laws and regulations, to clearly indicate the rights and obligations of those who supply and demand inclusive financial services. Third, China provided policy incentives for developing inclusive finance, including differentiated regulatory policies, fiscal, tax and monetary policies supporting inclusive loans.

In addition, China took measures to ensure the implementation of the Plan. First, a monitoring and evaluation system was established for analyzing the development of inclusive finance, focusing on monitoring financial risks, identifying problems and proposing resolutions. Second, coordination was improved among agencies. As the leading agencies, the State Administration of Financial Regulation and the People's Bank of China, together with the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Civil Affairs, the Ministry of Finance and etc.,worked closely for solving major problems and implementing the Plan. Third, China actively exchanged and learned experience from other economies and regions, as well as international organizations such as the World Bank and the Global Partnership for Financial Inclusion.

Policy impact assessment

Since the implementation of the plan, China has made great progress in financial inclusion. First, the accessibility of financial services has been greatly improved. There are institutions in every town, financial services for every village, and financial account for each family. According to the IMF's Financial Services Availability Survey, the number of commercial bank branches per 1,000 square kilometers in China increased to 10.83, and the number of commercial bank branches per 100,000 adults reached 8.78 in 2021. Second, financial services in underdeveloped and rural areas have been improved. In central and western regions, the number of urban commercial bank branches per 10,000 people in Hubei, Yunnan increased from 1.2805, 1.1936 in 2015 to 1.3432, 1.2249 in 2021, respectively, narrowing the gap with the eastern region. In rural areas, the number of branches of rural financial institutions per 10,000 people generally increased, with the cumulative increase of more than 100% in 11 provinces, and more than 50% in 5 provinces. By the end of 2023, the coverage rate of rural banks reached 97.93 percent, an increase of about 2 percentage points compared with 2017. All towns are covered by insurance services. Third, loans to SMEs show a good trend of increasing volume, expanding coverage and decreasing prices. By the end of 2021, the balance of loans for SMEs was CNY 19.2 trillion, increased 27.3% year on year; the number of small and micro credit accounts reached 44.56 million, increased 38%; the interest rate of newly issued SMEs loans was at a historically low level.

In a word, the implementation of the Plan has significantly improved financial inclusion in China. Inclusive finance gets both universal and beneficial, and the financial supply system gets more and more inclusive and diversified.

Lessons and challenges

Experience in developing inclusive finance is as follows: first, guidelines and rules are fundamental. China attaches importance on top-level design, and sets priorities on optimizing allocation of public resources, conducing market resources to areas with unbalanced and inadequate services, and alleviating the problem of insufficient financial services caused by information asymmetry. Second, goal-oriented and problem-oriented methodology is important. With a view to improve the coverage and accessibility of financial services, focusing on regions and people in need, China sets specific targets in different areas including financing, savings, payment and insurance, and strives to address specific obstacles of inclusion. Third, leading role of the market is decisive. China respects market rules, protects market drivers of innovation, improves the legal framework, policy support and financial infrastructure, and creates a favorable and inclusive financial ecosystem.

In the future, China will make persistent efforts to further advance structural reform, expand the breadth and depth of inclusive financial services, inject new vitality into the development of the real economy, and promote high-quality and sustainable economic and social development.

INDONESIA

Introduction

Indonesia recognizes financial inclusion as a critical driver of inclusive economic growth and fostering sustainable financial system stability. Widespread availability of financial products and services across all societal segments presents significant opportunities to generate economic activity for everyone. This not only propels inclusive economic growth but also paves the way for poverty reduction between groups and regions, opens new avenues for Micro, Small and Medium-sized Enterprises (MSMEs), and enhances overall societal well-being.

Unfettered access to affordable financial products and services empowers individuals and businesses to invest, save, and better manage their financial risks, thereby bolstering their economic resilience. Furthermore, financial inclusion serves as a pivotal element in achieving eight of the 17 Sustainable Development Goals (SDGs). Societal well-being has also been proven to correlate positively with financial inclusion and literacy, where a 1% increase in financial literacy and inclusion can elevate the Human Development Index by 0.16%.

The Indonesian government has continuously engaged all stakeholders to collaborate through various initiatives aimed at propelling financial inclusion. This enhancement of access to financial services is being pursued through both demand-side and supply-side strategies. On the demand side, the government endeavors to strengthen economic and financial capabilities and raise public awareness regarding the significance of the financial system. These efforts are materialized through a series of policies and literacy and financial inclusion initiatives to ensure that at least the population falls within the "bankable" category.

From a supply-side perspective, the government is augmenting the availability of financial services accessible to all segments of society. The government's efforts to promote financial inclusion have been translated into various policies, including the National Strategy for Financial Inclusion (Strategi Nasional Keuangan Inklusif/SNKI). This strategy holds a pivotal position in Indonesia development agenda and serves as a guide for all stakeholders in collaborating to broaden access to financial products and services for all Indonesians.

Significant milestones have been achieved againts the targets set forth in the SNKI. However, the government needs to continuously double their efforts in educating and providing information and assistance on financial products and services as well as improving financial infrastructures in remote areas to accelerate financial literacy and inclusion in Indonesia.

Pre-reform situation

Optimizing financial sector growth in Indonesia requires expanding adequate public access to financial services with continuous monitoring and evaluation. Various stakeholders employ different approaches to measure this expansion. According to Global Findex 2014 data, only 36% of Indonesian adults had a financial institution account. The Financial Services Authority (Otoritas Jasa Keuangan/OJK) Survey of Financial Literacy and Inclusion (Survei Nasional Literasi dan Inklusi Keuangan/SNLIK) also measures financial product and service usage, revealing an increase in Indonesia's financial inclusion rate from 59.7% in 2013 to 67.8% in 2016. Financial literacy also rose from 21.8% in 2013 to 29.7% in 2016.

On a macroeconomic level, at the end of 2014, around 903 per 1,000 adults in Indonesia owned third-party funds accounts. In the same period, credit account ownership per 1,000 adults stood at roughly 221. Examining credit channeling to MSMEs, outstanding credit and financing provided by banks to MSMEs exceeded Rp731 trillion from a total of approximately 10.9 million credit accounts at the end of 2014. This channeling represented around 19.74% of total credit channeling and covered roughly 27.14% of all credit/financing accounts. These data highlight the importance of continually evaluating saving and lending indicators to assess their role in expanding financial access and supporting the economy.

Access to financial services also requires focusing on the availability of infrastructure facilities. While bank branches and ATMs exist, more attention is needed for people in remote areas. Initiatives utilizing fast and inexpensive digital technology are seen as a potential solution to this challenge.

Recognizing these various aspects of financial inclusion, the Indonesian government need to formulate measurable policies to support expanded financial access. Aligning financial inclusion with the development agenda necessitates a benchmark that can be used to: establish benchmarks for developing inclusive financial programs, identify obstacles hindering their implementation, and monitor the achievement of these programs at both central and regional levels.

Policy initiatives and implementation

Indonesia's commitment to financial inclusion is formally enshrined in the **SNKI**, first published in 2016 and updated in 2020 through Presidential Regulations No. 82 of 2016 and No. 114 of 2020. This strategic framework serves as a roadmap for all stakeholders to formulate integrated sectoral policies aimed at promoting financial inclusion. The primary financial inclusion target is to achieve 90% access to formal financial services for the adult population by the end of 2024. Additionally, other indicators are used to guide the expansion of financial access, namely access/reach, usage, and quality.

Financial inclusion emphasizes providing financial services tailored to the diverse needs of different population groups. While encompassing all segments of society, financial inclusion activities focus on groups underserved by formal financial services, namely low-income individuals; micro, small, and medium-sized enterprises (MSMEs); cross-group populations such as Indonesian Migrant Workers, Women, Social Welfare Services Recipients (PPKS), and communities in remote, outermost, and island areas.

Furthering the implementation of SNKI, the Regulation of the Coordinating Minister for Economic Affairs of Indonesia Number 4 of 2021 Concerning the **Implementation of the National Strategy for Financial Inclusion** was enacted . This initiative provides an opportunity or local governments, through an inter-agency forum called the Regional Financial Access Acceleration Team (TPAKD), to formulate financial inclusion strategies in their respective regions. This opportunity is mandated given Indonesia's social and geographical diversity, necessitating diverse strategies to support financial access aligned with the needs and capabilities of each region.

The expansion of financial access is also supported through the **Financial Services Without Offices for Financial Inclusion (Agen Laku Pandai)** program initiated by OJK. This program is an initiative to provide financial services without offices through Laku Pandai agents, who can reach people in remote areas, such as grocery stores, stalls, or even individuals. This strategy aims to support financial inclusion by expanding access to financial services for people, especially in remote and unbankable areas through providing simple, easy-to-understand financial products tailored to the needs of people who cannot yet access formal financial services. It also facilitates economic activities for the community, thereby driving economic growth and equitable development between regions in Indonesia, particularly between rural and urban areas.

Financial access for MSMEs, which make a significant contribution to GDP and job creation, is also being continuously enhanced. Bank Indonesia, as the macroprudential regulator in Indonesia, through the **Macroprudential Inclusive Financing Ratio** (RPIM) policy, requires banks to channel credit to MSMEs of at least 30% of the total credit they provide by 2024. This policy is being implemented gradually since 2021 to assist MSMEs in obtaining the financing they need, developing their businesses, and creating jobs. Additionally, RPIM also encourages banks to be more creative in developing financial products and services tailored to the needs of MSMEs.

In 2023, the urgency and attention to financial inclusion were further emphasized in **Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector**. This law specifically sharpens the regulatory framework governing the implementation of financial inclusion. The government, OJK, and Bank Indonesia, mandated by law, have spearheaded strategic initiatives and programs to achieve widespread and equitable financial inclusion across all regions and segments of society. In addition, synergy is needed to formulate strategies, as well as monitor and evaluate the implementation of a sustainable Financial Literacy and Financial Inclusion strategy.

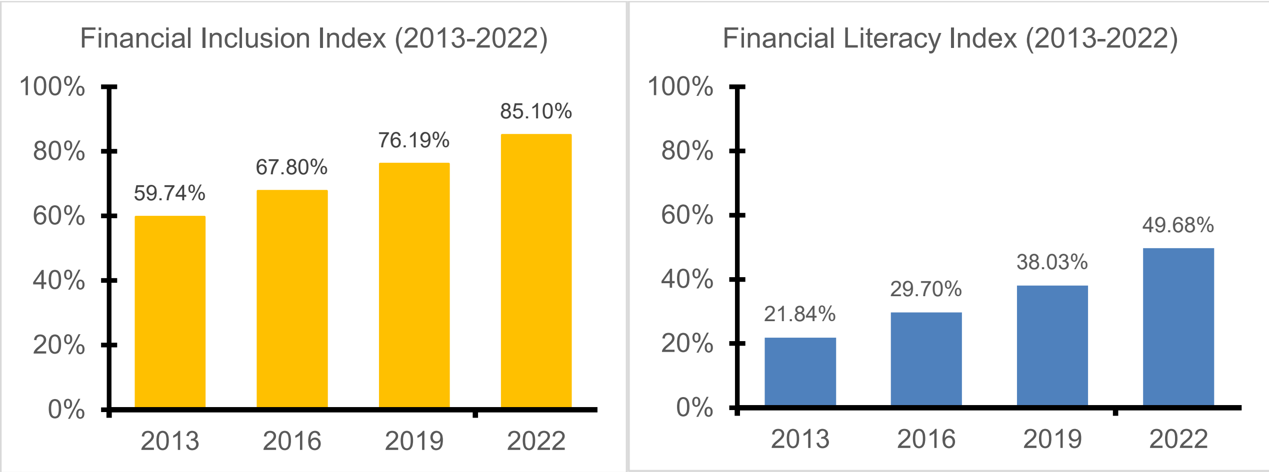
OJK, as one of the regulators in the financial services sector, has issued various policies, such as POJK No. 3 of 2023, which requires financial service providers to carry out activities aimed at improving financial literacy and inclusion at least once every semester. This regulation was then amended through POJK No. 22 of 2023 concerning Consumer and Community Protection in the Financial Services Sector. OJK has also outlined ambitious development targets to be achieved by 2027, as outlined in the Roadmap for Supervision of Financial Services Actors, Education, and Consumer Protection (2023-2027). In terms of financial literacy and inclusion, OJK has set a target of 65% for the financial literacy index and 93% for the financial inclusion index.

Impact

Significant milestones have been achieved against the targets set forth in the SNKI. The percentage of adults with bank accounts has steadily increased, as has the adoption of digital financial services. This demonstrates that government initiatives have yielded positive outcomes and that public awareness of the importance of financial inclusion is growing. The positive impacts of enhanced financial inclusion are already being felt across various sectors. MSMEs are gaining easier access to capital, small entrepreneurs can expand their businesses, and the public has a wider range of options for saving, investing, and managing their finances.

The SNLIK conducted by OJK in 2022 showed that the financial literacy index of the Indonesian people was 49.68 percent, up from 38.03 percent in 2019. Meanwhile, the financial inclusion index this year reached 85.10 percent, an increase from the previous SNLIK period in 2019 of 76.19 percent (Figure 1.).

Figure 1. Financial Inclusion Index & Financial Literacy Index



Source: *https://snki.go.id/keuangan-inklusif/*

This indicates that the gap between the literacy rate and the inclusion rate is narrowing. In 2023, the National Financial Inclusion Council (Dewan Nasional Keuangan Inklusif/DNKI) also announced that the financial inclusion index in Indonesia has reached 88.7%. Bank account ownership in Indonesia has witnessed a remarkable surge, reaching 52% in 2021, as revealed by the World Bank's Global Findex Database 2021. This growth extends to e-money account ownership, which has experienced a significant uptick, soaring from around 815,000 users in 2014 to an impressive 18.8 million in 2021. Further bolstering this trend, 75 million Indonesians made payments using their mobile phones in 2021, a substantial increase of 33 million compared to 2014.

Several statistics from the financial services industry also provide positive signals. The credit/financing to GDP ratio also remains above 30%, while the Third Party Funds to GDP ratio is also recorded to be above 35% (Figure 2. and Figure 3.).

Figure 2. Credit/financing to GDP

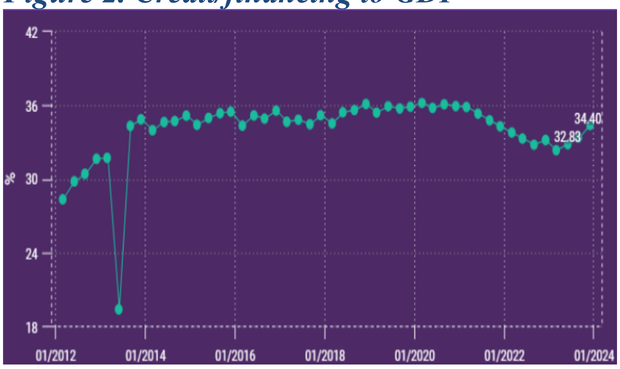


Figure 3. Third Party Funds to GDP

Source: *https://www.ceicdata.com/id/country/indonesia*

Support for MSMEs through the RPIM policy at the end of 2022 at 20.8% shows the confidence and commitment of the banking sector to continue supporting the provision of credit/financing to MSMEs. Several innovations in financial products to support MSMEs are also being carried out, such as microcredit (KUR) and credit to fight usurers which can be accessed through bank agents and fintech funding that utilizes digital technology. In terms of ownership of saving and lending accounts, which is measured by ownership per 1,000 adults, it also shows significant growth (Figure 4. and Figure 5.). This sustainable growth is expected to continue to boost economic activity to support health, education, and living standards.

Figure 4. Credit Account per 1.000 Adults

Figure 5. MSME Credit Account per 1.000 Adults

Source: https://www.ceicdata.com/id/country/indonesia

Other indicators showing the positive impact of financial inclusion also show a significant increase. In 2023, Indonesia's Human Development Index (HDI) in 2023 reached 74.39, an increase of 0.62 points (0.84 percent) compared to the previous year (73.77). In terms of the poverty rate, the percentage of the poor population in March 2023 was recorded at 9.36 percent (target 6.5-7.5%), down 0.21 percentage points from September 2022 and down 0.18 percentage points from March 2022. The impact measured through Gross Domestic Product (GDP) was recorded at IDR 20,892.4 trillion and GDP per capita reached IDR 75.0 million or USD 4,919.7. Collectively, significant improvements need to be accelerated to achieve the target of 90% financial inclusion by the end of 2024, while at the same time, the government will continue to closely monitor economic indicators.

Challenges and lessons

Despite these advancements, several challenges remain to be addressed to accelerate and expand the reach of financial inclusion. A key challenge lies in the need to bolster financial literacy among the populace. A significant portion of the population still lacks understanding of the benefits and characteristics of financial products and services, leading to suboptimal utilization of financial products. Additionally, many individuals remain trapped in illegal and detrimental financial products. Another challenge is the limited financial infrastructure in remote areas. Access to financial services in these regions remains restricted, hindering the ability of individuals in these areas to access financial products and services.

The implementation of structural reforms for financial literacy and inclusion in Indonesia has demonstrated several successes, as detailed in the preceding section. These include enhanced financial access, expanded financial product and access point development, and improvements in various macroeconomic indicators. However, the implementation of these structural reforms also faces several challenges, including the digital divide, inadequate infrastructure capabilities for network access points and financial access, and the complexity of regulations and coordination among stakeholders. Ultimately, through strong coordination and synergy, the Indonesian government has integrated financial literacy and inclusion factors into its economy's development agenda in formulating and implementing structural reforms.

CHINESE TAIPEI

On the Fair Treatment of Consumers Evaluation Mechanism

Introduction

The protection of financial consumers is an indicator of the progress of an economy's financial legal system. After the financial crisis in 2008, economies have increasingly paid attention to the protection of financial consumers to rebuild financial consumers' confidence in the financial services industry. In 2011, the Organization for Economic Co-operation and Development (OECD) officially adopted the G20 High-Level Principles on Financial Consumer Protection, establishing the important guideline that financial institutions should treat financial consumers in a fair and reasonable manner during financial transactions.

To encourage the financial industry to pursue the best interests of consumers and enhance financial consumer protection as its operational policy, and to establish a corporate culture centered on fair treatment of consumers from the management level, as well as to enhance the awareness and legal compliance of financial practitioners regarding financial consumer protection, Chinese Taipei referred to international norms and regulations related to financial consumer protection laws, and in 2015 promoted the "Principles for Treating Consumers Fairly by the Financial Services Industry." In addition, the "Evaluation Mechanism of Principles for Treating Consumers Fairly by the Financial Services Industry" has been implemented since 2019.

Pre-reform situation

Before the implementation of the fair treatment system, there were many deficiencies in the financial services industry in terms of consumer rights protection. For example, some businesses used exaggerated and misleading advertising during marketing, or provided ambiguous explanations for complex financial products, resulting in consumers lacking sufficient product information. There were also cases where improper internal compensation mechanisms led to conflicts of interest for sales staff, causing them to neglect the best interests of consumers.

Policy Initiatives and Implementation

To implement the promotion of fair treatment of consumers, the Financial Supervisory Commission (FSC) has implemented the evaluation mechanism for fair treatment of consumers by the financial services industry since 2019, continuously reviewing and updating the evaluation content.

1. Evaluation targets:

Every year, financial entities encompassing domestic banks, securities companies, and insurance firms are required to undergo an evaluation assessing their fair treatment of consumers. The evaluation indicators are divided into two main categories (with a maximum score of 130 points): The first category is the 10 principles of fair treatment of consumers, including the principles of duty of care and loyalty, truthful advertising and solicitation, disclosure, and notification, etc., worth a total of 100 points. The second category is the board of directors' emphasis and concrete actions on promoting fair treatment, worth 30 points.

2. Policy focus items:

To encourage businesses to continuously improve their actions related to fair treatment of consumers, special bonus points are awarded for some key items each year. The two items with increased scoring in 2025 are as follows.

(1) The measures taken by financial institutions to prevent fraud and their effectiveness will be included as a bonus item under the "principle of due care and fiduciary duty" to encourage businesses to assist customers in preventing fraud, strengthen financial security, and protect legitimate economic activities.

(2) The soundness of the complaint handling mechanism will be included as a bonus item under the "principle of complaints protection". By referring to the international norms and best practices regarding complaint handling, the effectiveness and efficiency of processing complaint cases within the financial industry can be improved. For example, establishing a risk-based escalation reporting mechanism, investigating the root causes of complaint patterns, etc. If a specific type of complaint case surges during a certain period, the original reporting level may only be to the manager level, but after assessing the risk, it can be escalated to report to the deputy general manager or higher levels for the management to consider whether to increase manpower, change processes, or handle cases by type.

Publishing the evaluation results undoubtedly provides a positive incentive for businesses. The FSC announces the top 25% and over 25%-50% of businesses and awards the top 25% of businesses. The FSC also presents the Best Improvement Award to one business that has made concrete improvements or actions in fair treatment of consumers, and the winning business shares its practical experience in implementing the principles of fair treatment of consumers for other businesses to learn from. Additionally, for businesses ranking in the bottom 20%, they are required to submit improvement plans and take other measures to encourage self-inspection and strengthen internal control and internal audit deficiencies, thereby improving corporate governance.

Impact

Since the implementation of the fair treatment of consumers evaluation system, it has gradually produced positive effects. In order to receive favorable evaluations, many businesses have indeed promoted internal reforms, comprehensively reviewed their internal operating processes, and established sound mechanisms for fair treatment of consumers in areas such as product design, information disclosure, compensation systems, and consumer dispute resolution. They have also continuously optimized measures related to fair treatment of consumers, thereby helping to reshape a corporate culture concerning consumer interests. Related optimization measures include prioritizing services for the elderly, developing financial products suitable for the elderly and disabled, providing sign language video translation services, establishing accountability systems and responsibility maps, and utilizing financial technology to establish anti-fraud models for fraud detection and prevention.

Challenges and Lessons

1. Fair treatment of consumers has become a policy trend, and during the implementation process, businesses will inevitably face some challenges, such as the corporate culture transformation, putting more resources on employee training to enhance the concept of fair treatment of consumers, and new assessment system may bring additional burdens. Financial regulatory authorities and the industry still need to continue communication and coordination to seek the most appropriate way to promote these initiatives.
2. Fostering financial inclusion is an essential component of sustainable, resilient, and inclusive economic growth which Chinese Taipei has been pursuing over the years. Chinese Taipei will continue to incentivize the financial industry to offer more fair treatments to their customers. Over time, the financial industry will overcome the inevitable burdens and adopt necessary adjustments.

THE RUSSIAN FEDERATION

“Russia’s National Financial Literacy Strategy Implementation” – Case Study

Introduction

The Strategy on financial market development until 2030 emphasizes the role of the financial market in economic growth and improving quality of life of population, stresses the need of improving financial literacy of the population and creating conditions for sustainable growth of the financial industry. One of the priorities is to ensure that citizens and businesses have access to financial instruments that meet their needs. Greater financial inclusion cannot be achieved without improvement of financial literacy of population that can use financial instruments most effectively and in their best interests.

Financial literacy and education also became essential for citizens’ financial resilience everywhere, helping to plan their everyday life, make smart choices for the future retirement as well as cope with turbulent situations. Understanding the risks and strengthening financial literacy and knowledge are key to wellbeing of the individuals and contribute to the overall financial inclusion and stability of the financial system. That is why the successful policy initiative on financial literacy improvement implemented in the Russian Federation as part of wider financial inclusion policies was chosen for this case study.

Pre-reform situation

The Russian financial industry expanded actively during the early 2000s, household income and savings increased as well, however consumer financial literacy did not improve, and financial consumer protection did not meet new challenges. While lending to households was growing, more and more households were struggling to understand the risks and obligations they were assuming, or the full range of financial choices. The Government recognized the need to address the financial knowledge, skills, and behavior of population and to enable it to better navigate rapidly evolving financial services and launched a financial literacy pilot project in 2011 to develop new programs and instruments.

The results in a few pilot regions have shown that the systematic comprehensive work gives positive outcomes, but it was not enough for the significant improvement economy-wide. Young people didn’t develop good attitudes and skills of financial management at their families as the parents didn’t have these skills. Moreover, the fragmented teaching of financial literacy in educational institutions, the lack of accessible educational programs and educational materials for all segments of the population (primarily for schoolchildren and students), as well as the lack of qualified teachers of the basics of financial literacy didn’t help to solve this problem.

Also new challenges were raised even bigger than previously, for example, development of investment markets required understanding the relationship between risk and profitability (the lower the risk, the lower the yield). Digitalization of financial services, from one side improved access to finance, from other side, increased risks and required prompt coordinated actions from the Central Bank, Ministry of Finance and other stakeholders. These and other factors led to the transition from pilot projects to the nationwide policy initiative – developing and adopting first National Financial Literacy Strategy.

Policy initiatives and implementation

In 2017, the Russian government and Central Bank adopted first National Financial Literacy Strategy for the period 2017-2023. The development and approval of this Strategy was recognized as an urgent and necessary measure to stimulate economically rational behavior of the population and, as a result, improve its well-being and the quality of life of citizens, including through the use of financial products and services of appropriate quality.

The joint actions of the Central Bank, the Ministry of Finance and other federal and regional authorities within the implementation of the Strategy built nationwide financial literacy infrastructure. Elements of financial literacy are included in federal state educational standards at all levels of education (schools, colleges and universities) and various educational programs and materials produced in both digital and traditional formats. For grades one through nine, the basic financial literacy course has become compulsory since the beginning of 2022/23 academic year. It is taught within mathematics, computer science, elementary science, social science and geography. In addition, for high schools the curricula aligned with the new standards in 2023. Financial literacy is taught in 98 percent of general education organizations and 96 percent of professional educational organizations, with coverage of 78 percent of school students and 69 percent of higher education students, respectively. The e-catalogue of financial literacy was created. Additionally to the e-learning kits the range of teaching/learning digital materials were developed to help teachers.

This achievement is resulted from the dedicated and collaborative work of the Ministry of Finance, the Central Bank, Ministry of Education, the Center for Financial Literacy of the Research Institute of the Ministry of Finance of the Russian Federation, and methodological centers of higher education institutions. Based on leading educational institutions of higher education, 5 federal methodological centers for improving financial literacy of the population have been established, carrying out educational and educational work with different age groups of citizens (students, students, adult citizens, older citizens).

Commission for the implementation of the 2017-2023 Strategy approved a unified framework of competencies in financial literacy, combining competencies in financial literacy for students and for adults. Olympiads on financial literacy were held, in which more than 350 thousand students and students took part. The effectiveness of the programs are measured by the regular financial literacy surveys and tests (competences based) as well as by measuring of the level of financial inclusion.

The total coverage of the information and communication campaign in the field of financial education amounted to over 60 million citizens, including older citizens, people with disabilities, citizens in difficult financial situations, representatives of small and medium-sized businesses. In 2022 alone, more than 30 million citizens took part, including over 12 million citizens watched online financial literacy lessons, more than 3 million citizens took part in an online financial literacy test, more than 4.3 million citizens became the audience of the mortgage marathon.

In all regions regional financial literacy programs have been approved and implemented, coordinating bodies on financial literacy have been established; regional financial literacy centers have been established and are functioning in 53 regions; in 77 regions, proactive budgeting practices are being implemented; in 14 regions, resource centers for financial education volunteers.

The implementation of the 2017-2023 Strategy has made it possible to lay a stable foundation for further improvement of financial literacy and the formation of a financial culture of citizens. A system of financial literacy infrastructure and programs at the federal and regional levels has been formed in their interrelationship, effective tools for promoting financial literacy have been introduced within the education system, and a basic architecture for working with adult citizens through information and educational activities has been created.

Impact

During the period of implementation of the Strategy 2017-2023, it was possible to achieve notable successes in the field of improving financial literacy. The results of a study conducted in 2022 indicate that the level of financial literacy of the economy's citizens as a whole has increased. Russians have improved their understanding of the essence of such concepts as "loan interest": an increase in the proportion of correct answers from 68 percent in 2017 to 75 percent in 2022 and "inflation" (an increase in the proportion of correct answers from 78 percent in 2017 to 81 percent in 2022). Respondents also increased awareness of responsibility regarding debt behaviour (an increase in the proportion of correct answers from 65 percent in 2017 to 69 percent in 2022), increased awareness of organizations protecting the rights of consumers of financial services (an increase in the proportion of correct answers from 38 percent in 2017 to 51 percent in 2022).

The financial behaviour of citizens in certain aspects has become more stable and responsible. The shares of the surveyed citizens having a financial reserve for an unforeseen event increased from 37 percent in 2017 to 47 percent in 2022. Those, making financial decisions on their own from 38 percent in 2017 to 51 percent in 2022; distributing their income so that it is enough for current expenses from 54 percent in 2017, up to 62 percent in 2022. The results of citizen surveys show that citizens with a higher level of financial literacy have more reliable inflation expectations, which means they can plan their finances more rationally.

The positive effect of the popularization of financial literacy is especially strongly reflected in the growth of financial literacy indicators of young people - according to the results of the survey, young people demonstrate more rational and responsible financial behaviour. 33 percent consciously choose a financial service compared with 27 percent of adults. 55 percent make savings compared to 45 percent of adult citizens, Young people are better versed in digital and investment financial instruments (60 percent use double authentication when using online finance compared to 36 percent of adult citizens, 23 percent actively invest compared to 11 percent of adult citizens). The introduction of financial literacy into the educational process had a significant impact on this.

Challenges and lessons, next steps.

At the beginning of this decade, the Russian economy and financial market faced new challenges, including the new coronavirus pandemic (COVID-19), geopolitical turbulence. These challenges required prompt decisions by the Government and the Central Bank. Citizens, for their part, also demonstrated a high level of adaptation to external factors, the ability to overcome crises, which was facilitated, among other things, by the consistent work carried out for more than ten years to improve financial literacy in Russia. This work became critically important for the development of the well-being of citizens and the financial system.

However, the results achieved do not fully meet the goals of forming sustainable models of long-term planning, investment and financial behavior yet. At the present stage, the growth of the well-being of citizens can ensure their more active participation in the Russian economy. It is necessary to continue to increase citizens' awareness of financial market instruments and to develop skills for a rational choice of these instruments.

A new Strategy is focusing on economically active adults and involving the promotion of budget and investment literacy especially among newbie retail investors so that they act prudently, the safe use of new financial technologies, responsible borrowing and a culture of savings among adult population and MSMEs. It includes support for the formation of a sufficient level of savings of citizens, including for socially vulnerable groups of citizens, as well as information about tools, support for expansion of long-term investments of citizens in the Russian economy, including with bonds for the population, individual investment accounts, development of life insurance and other instruments.

The challenge, that adults, unlike young people, are less receptive to new information. An adult is ready to explore new issues in case of practical interest, for example, to solve practical problems. Therefore, as part of the implementation of the new Strategy, it is necessary to increase the interest of adults in financial literacy and use the teachable moments effectively. The strategy is aimed at improving financial literacy and financial culture, increasing the well-being of all citizens of the economy and is focused on taking into account the needs and capabilities of a citizen at different stages of his life cycle. At the same time, it takes into account the interests of certain groups of citizens who require special measures and programs to improve their financial literacy and form their financial culture, taking into account opportunities and life situations.

It is also necessary to take into account that the rapid development of digital technologies has significantly changed traditional approaches to the provision of financial services, increased the requirements for financial cybersecurity, which refers to the basic knowledge, skills and abilities of citizens in the field of safe use of digital financial technologies. Currently, many citizens in Russia can make most financial transactions online around the clock using mobile applications. The development of such solutions, along with the advantages for consumers of financial services, has also led to an increase in fraudulent activities using digital technologies, an increase in the number of illegal participants in the financial market and "financial pyramids" operating via the Internet. An important role in these processes will be played by a customer-oriented and ethical financial business aimed at long-term mutually beneficial relationships with customers.