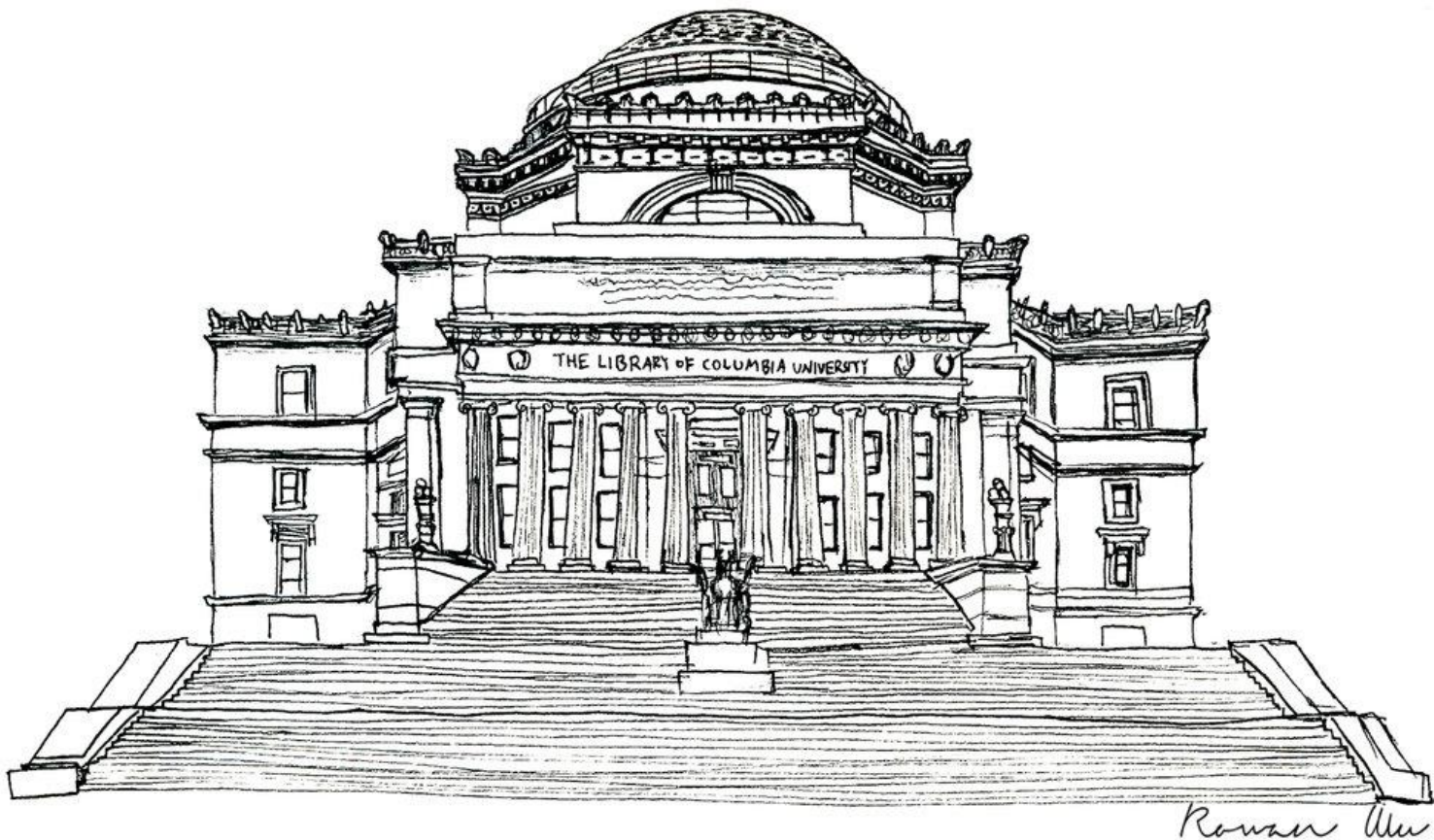


**Developing a Financial Inclusion Program  
for Israel's Arab and Ultra-Orthodox  
Communities: *A Global Perspective***



## **Authors**

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Julio de Barros (*Team Role: Budget Liaison*)

Michael Beneventano (*Team Role: Columbia SIPA Liaison*)

Mohammad Salhut (*Team Role: Project Manager/Lead*)

Roe Ben-Zur (*Team Role: Bank of Israel Client Liaison*)

Stephen LeFevre (*Team Role: Columbia Faculty Liaison*)

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## *Executive Summary and Recommendations*

### Issue:

Israel generally has a high level of financial inclusion: roughly 95 percent of the population has a bank account, for example. The Arab and Ultra-Orthodox populations, however, continue to participate at lower rates. Factors contributing to this appear to include lack of confidence in financial institutions and the national government, as well as under-utilization of digital and mobile mediums. As financial inclusion is not simply an objective on its own, addressing uneven rates of participation among the populations of interest will presumably have a broader impact on economic inequality as a whole.

### Research:

On behalf of the Bank of Israel, this capstone team, composed of graduate students from Columbia University, has attempted to evaluate various approaches to address financial inclusion undertaken by a selected group of countries, whose experience was deemed relevant to the stated issue. The aim of this research, therefore, was to assist the Bank of Israel in identifying comparable solutions that have been employed elsewhere in order to attain higher rates of financial inclusion among, particularly, segments of the population that resemble the Arab and Ultra-Orthodox populations in Israel, whose participation rates remain below the national average.

After consultation with the Bank of Israel, our research has focused primarily on the lessons garnered in the following countries: **Australia, Canada, Estonia, France, Japan, New Zealand, Singapore, Sweden,** and the **United States**. The report will examine various initiatives and programs, as well as existing frameworks, that have been used to increase participation within the formal financial system. Our findings have been categorized into four main focus areas:

1. Financial Literacy and Education
2. Trust-Building, Anti-Discrimination and Consumer Protection
3. Credit & Financial Services Opportunities for Minority Groups
4. Digitization and E-Governance

Financial inclusion is a complex concept that goes beyond households simply being classified as banked or unbanked, although these are important indicators. The level of financial literacy, and available educational resources, are fundamental to the process of increasing participation, especially among a diverse population. On the other hand, without a considerable amount of trust in financial institutions and national governments, it's unlikely that individuals/households will opt to fully engage, therefore, such considerations are similarly vital to the process. Efforts to address uneven rates of participation have taken both non-digital and digital forms. Most, if not all, national governments have offered credit or financial services opportunities to underserved

segments of the population and have, to varying degrees, embraced financial technologies.

## **Recommendations:**

Our team’s conversation with the former U.S. Secretary of the Treasury, Jacob Lew, revealed certain areas of consideration. In order to increase financial inclusion, national governments should seek to primarily lower barriers and make financial services more accessible. This is done in coordination with the private sector, encouraging or requiring them to promote these important goals. Moreover, there are two potential ways that national governments can reach underserved populations, including visits by public officials to the communities of interest and established “Community Hubs” (e.g., CDFI fund) that help bridge the gap between the people and their government.

### **1. National Strategy for Financial Literacy**

Financial Literacy goes beyond comprehending financial knowledge, it's a method for expanding individual financial capability and empowering them to make sound financial decisions. Several countries are striving toward these goals by developing national strategies for financial literacy. New Zealand’s *National Strategy for Financial Capability* sets objectives for financial literacy while coordinating within government and the private sector to provide accessible and tailored education. Canada’s *Count Me in, Canada* also takes a comprehensive approach, seeking to strengthen the financial well-being of Canadian households. Notably, these strategies also incorporate initiatives specifically for indigenous and other minority populations. Australia, likewise, delivers financial education for their indigenous population, while seeking to respect cultural diversity. These efforts provide a framework for Israel to enhance financial capability and build trust with the ultra-Orthodox and Arab populations.

**Recommendation:** Develop and administer a comprehensive national strategy for financial literacy that establishes core financial competency levels among all citizens and accounts for population-specific variables.

- **Ensure close collaboration between the public and private sectors to identify core competencies, establish channels of delivery, and assist communities in greater need of financial literacy support**
  - New Zealand: *National Strategy for Financial Capability*
  - Canada: *Count Me In, Canada*
  - Australia: *Financial Inclusion Action Plan*
  - United States: *National Strategy for Financial Literacy*
  - France: *National Financial Education Strategy*
  - Singapore: *MoneySENSE*
  - Japan: *National Strategy for Financial Education*

- **Provide multiple channels for education that recognizes and respects cultural differences, and allows communities to improve their financial literacy through trusted intermediaries**
  - **Public-Private Partnerships:** New Zealand’s *Sorted in Schools* is a financial literacy program aligned with the national curriculum that is delivered in schools, workplaces, and community-based organizations. Canada’s *Dollars & Sense* Program, for indigenous youth, is administered through a non-profit organization serving indigenous peoples.
  - **Networks in Minority Communities:** New Zealand’s *Good With Money* uses a network of Bank of New Zealand staff of Maori descent to facilitate presentations and workshops on financial education that are tailored to the needs of the Maori people. Australia’s *Indigenous Outreach Program* leverages the expertise of industry and consumer advocates to increase financial knowledge among the indigenous population. Hot lines have been established for indigenous communities to receive assistance and general financial literacy guidance. In addition, Australia’s financial literacy program for adult indigenous peoples, *Money Matters*, provides resources and workshops through community-based volunteers on budgeting/spending plans, banking basics, credit and borrowing and ways to save.
  
- **Administer national financial literacy surveys periodically to assess impact of programs and initiatives, including changing levels of financial literacy**
  - New Zealand and Canada both conducted national surveys prior to developing their strategies to identify areas of weakness. New Zealand’s 2005 first national survey, which identified lower rates of financial literacy in the Maori and Pacific Islander populations, served as the basis for a national financial literacy strategy in 2008. Singapore administers a national survey to assess understanding of risk, investments and financial planning. The results of the surveys are informative and allow these countries to make impactful adjustments.

**Potential Impact:** Based on our research, we believe that a national financial literacy strategy can improve general financial knowledge, helping citizens make better decisions, nurture overall trust in the financial system, and lead to an increase in the usage of mainstream financial products and services.

## **2. Consumer Protection and Financial Inclusion Frameworks**

In some countries, minority groups face unique risks based on their understanding of the financial system and/or institutional discrimination. While these elements can increase stress between consumers and institutions, there are other structural elements, such as lack of financial knowledge or collateral. Without a proper bond between them, consumers may face financial exclusion, over indebtedness, expensive credit, predatory collection practices, and other financial hardships. The United States, for example, established the *Consumer Financial Protection Bureau* to provide an educational and regulatory framework for financial consumers, while Australia partnered with non-governmental organizations, such as Good Shepherd, to create a robust governance framework that oversees their *Financial Inclusion Action Plan*.

**Recommendation:** Create frameworks for Consumer Protection and Financial Inclusion that acknowledge fragilities, oversights, and shortcomings in the financial system, especially among underserved populations.

- **Guarantee certain financial rights for citizens through legislation or appointed government bodies**
  - France's *1984 Banking Reform Law* used a whole-of-government approach to ensure that all French citizens were able to open and operate a bank account. Similarly, citizens could be granted the right to some limited amount of credit (see recommendation 3).
  - France's *Household Over-Indebtedness Commissions* where households and their creditors can negotiate to reach a mutually decided solution.
- **Pass Consumer Protection laws or create a government agency**
  - New Zealand's *2019 Consumer Protection Laws* designed to protect vulnerable populations from debt spirals and predatory lending.
  - The United States' *Consumer Financial Protection Bureau* was established in 2011 to provide consumer education and financial regulation in order to help the financial market function properly.
- **Create a Financial Inclusion Action Plan (FIAP)**
  - Australia's *Financial Inclusion Action Plan* is a public-private partnership that provides a governance structure responsible for developing and monitoring a strategic approach to financial inclusion.
  - Australia's *Indigenous Business Australia (IBA) Corporation* is a government owned corporation that provides loans for indigenous people purchasing their first home, supports indigenous owned businesses, and invests in ventures providing indigenous people work opportunities.

**Potential Impact:** Based on our research, we believe that consumer protection and financial inclusion frameworks, including policies and regulations, can provide a systemic approach to addressing potential issues, and promoting trust, within the formal financial system.

### 3. Micro-Credit/Credit Scoring

Many countries offer Micro-Credit programs as a way to improve financial well-being among vulnerable individuals. Examples include the *No Interest Loan Scheme* in Australia that offers loans of up to AUD 1500 for purchase of household items and *Good Loans* in New Zealand, which offers low or zero-interest loans to low-income families. Both programs are administered by NGOs but are at least partially funded by the government. In the United States, the Treasury Department coordinated with Fico, a private company, to explore alternative credit scoring practices, resulting in the *FICO Score XD*. According to the Findex Survey\*, credit card usage among the Muslim population is low, while overall borrowing and confidence levels in financial institutions are low in both the Muslim and Orthodox communities.

**Recommendation:** Utilize micro-credit and credit scoring programs, using some type of credit history, as methods for underserved populations to enter the financial system

- **Use Micro-Credit programs to introduce the ultra-Orthodox and Arab communities**
  - Offer Micro-Credit loans, even if they are not financially required, as a tool to build trust and credit with the financial institutions.
  - After successful loan repayment individuals can then be offered a larger loan until all of their needs are met and they are a dedicated part of the financial system.
  - Loan repayment and alternative data points (see below) can offer financial institutions the data needed to determine individual creditworthiness, even if they lack traditional financial information.
  
- **Provide interest and fee-free loans to individuals and families on limited incomes with safe, fair, and affordable credit**
  - New Zealand's *Nga Tangata Microfinance Program* serves individuals whose lack of collateral, steady employment, or verifiable credit history precludes them from accessing mainstream financial services.
  
- **Use alternative data sources to increase financial inclusion and extend credit opportunities**
  - The United States' *FICO Score XD* uses data found outside traditional credit files to identify creditworthy individuals who would otherwise be unlikely to obtain traditional credit.
  - Use alternative forms of data, including payment history with utilities, mobile phone, and apartment rent in lieu of usual collateral or credit history order to extend credit or other financial services.
  
- **Form Public-Private partnerships with financial institutions to provide the micro-credit loans**
  - Australia and New Zealand both provide government funding for micro-credit programs.
  - The Israeli government, in order to kickstart the program and reduce perceived risks, should provide the initial funds needed for the program, as well as some ongoing funds in subsequent years.
  - Loans should be offered directly from financial institutions but in accordance with goals and criteria set by the government.
  - Government regulators should monitor the distribution of all funds made available through the program, as well as the program's effectiveness.
  - Loans can be distributed by community-based institutions, e.g., CDFIs in the United States, in order to expand credit access within minority communities. For example, Orthodox benefit societies (Gamachim) can be encouraged to join this program by receiving funds from the government and being subject to oversight.

**Potential Impact** - Based on our research, we believe that Micro-Credit program can increase interaction with the financial system and induce continued engagement, while also building trust

between the Arab and ultra-Orthodox populations and the formal financial system. (See results of New Zealand's *Nga Tangata Microfinance Program*).

#### 4. Community Outreach System

Different communities have different needs. Australia, Canada, New Zealand, and the United States have each devised tailored initiatives and programs to better connect with their respective indigenous populations, for example. The United States has a broader public-private partnership, called the CDFI fund, which leverages local expertise, while also closing the gap between the nation and its diverse communities. Secretary Jacob Lew referred to these programs as, essentially, “community hubs.” Based on this report’s findings, our team believes that Israel would benefit from specific outreach efforts within the Arab and ultra-Orthodox populations. These may be in the form of targeted financial literacy programs or community-based training and funding opportunities.

**Recommendation:** Establish “Community Hubs” in populations of interest, which conduct targeted initiatives to promote financial literacy and education, provide training and technical assistance, and offer accessible financial services.

- **Create targeted financial literacy programs that are population-specific**
  - Australia’s *Indigenous Outreach Program*
  - Canada’s *Money Matters for Indigenous Peoples* and *Dollars & Sense*
  - New Zealand’s *Good with Money*, *Maori Tribal Council*, and *Papa Whairawa*
  
- **Offer coaching services that can assist individuals trying to navigate the financial system and build infrastructure that allows them to do so**
  - The *Innovation Fund* in the United States awarded money to the City of San Francisco to provide public housing tenants with financial coaching.
  - The *Swedish Post & Telecom Agency* helps local administrative boards implement regional support systems to ensure access to payment services.
  - Estonia partnered with banks to provide publicly available training kiosks across the country to help customers get online, as well as a broader initiative called “*Tiger Leap*” to support IT infrastructure.
  - Secretary Jacob Lew suggested that, in regard to the ultra-Orthodox community, the Israeli government could partner with the private sector to offer “sterile” devices or restricted software (e.g., bank-specific phones).
  
- **Provide special financial services for minority populations, such as the United States’ CDFI fund:**
  - The [Native Initiatives](#) program utilizes the existing CDFI structure to lower barriers and provide financial services for Native Communities.
  - The [Bank Enterprise Award](#) program incentivizes banks and other financial institutions to invest in these communities

- **Appoint community liaisons from the Bank of Israel and other government agencies to build relationships with community organizations and leaders**
  - Secretary Jacob Lew shared a personal story of his visit to a neighborhood in Baltimore, MD, where he met a young man who had made a sum of money working over the summer. Lew asked him what he'd done with the money, to which he explained that it was in a box under his bed. This provided Lew an opportunity for him to share the benefits of the banking system and encourage him to use these services.

**Potential Impact** - Based on our research, we believe that “Community Hubs” would address areas of trust-building and make the financial system more accessible for populations less-inclined to participate by allowing the national government to connect with its diverse communities on a more intimate level.

## **Financial Inclusion Practices, Policies, & Strategies Among the Selected Countries**

In this section of the report, we provide a comprehensive review and analysis of the financial inclusion practices, policies, and strategies employed by the selected countries. This section highlights key country findings by organizing our findings into four focus areas:

1. Financial Literacy and Education
2. Trust-Building, Anti-Discrimination and Consumer Protection
3. Credit & Financial Services Opportunities for Minority Groups
4. Digitization and E-Governance

This categorization is based on a) our assessment of the most widely-used practices across the selected countries, and b) our discussions with the Bank of Israel about key focus areas for financial inclusion. For each category, we discuss the countries whose experiences are most relevant to the Bank of Israel's goal of increasing financial inclusion amongst the Arab-Israeli and Ultra-Orthodox communities. For each country, we will provide a brief background on their financial inclusion policies, discuss successes (and notable shortcomings), and evaluate the relevant data.

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## FOCUS AREA #1: Financial Literacy and Education

<b>Description of the Focus Area</b>	<ul style="list-style-type: none"><li>• Policies, Programs, and Strategies that help people increase their knowledge and skills to effectively manage financial resources</li></ul>
<b>Countries Included in this Focus Area</b>	<ul style="list-style-type: none"><li>• New Zealand</li><li>• Canada</li><li>• Australia</li><li>• United States</li><li>• France</li><li>• Singapore</li><li>• Japan</li></ul>
<b>Relevance to Israel</b>	<ul style="list-style-type: none"><li>• National strategies, that emphasize public-private partnerships to implement programs, can be effective in increasing financial literacy and knowledge of financial products and services</li></ul>

### 1.1 New Zealand

#### **Practices, Policies, and Strategies:**

New Zealand launched its national strategy for financial literacy in 2008<sup>1</sup>. The government decided to introduce a strategy after conducting its first nationwide financial literacy survey in 2005. The [initial survey results](#) showed a strong correlation between financial knowledge and socio-economic status, with lower levels of personal financial knowledge more likely among young people and individuals of Maori or Pacific ethnicity.

The [strategy](#) focused on developing high-quality financial education, extending its delivery to all segments of the population, collaborating with important government stakeholders, and establishing public-private partnerships. The table below discusses the core tenets of the strategy in greater detail.

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<sup>1</sup> Note: Strategy rebranded in 2015 to “National Strategy for Financial Capability”, which focuses on creating a cultural shift that makes conversations about money more comfortable and widespread both with their friends and family as well as with financial institutions

Developing Quality Financial Education	Extending Delivery	Collaborating with Key Government Stakeholders	Public-Private Partnerships
Develop timely, relevant, impartial, and accessible financial education that develops all the core competencies a financially literate person should achieve	Promote flexibility and multiplicity of channels and cultural fit to reach those who need financial education the most; Deliver education through schools, communities, and workplaces	The Retirement Commission serves as the strategy lead, coordinating with the Reserve Bank, Financial Markets Authority, and the Business Community	Establish public-private partnerships to deliver financial education and improve financial literacy; maximize resources and encourage collaboration

In addition to the national strategy, the government also developed a [strategy in 2010 specifically for the Maori population](#). The purpose was to deliver tailored financial literacy services to the Maori population, based on previous survey results showing lower rates of home ownership, assets, and savings in Maori households compared to the rest of the population.

The government, in collaboration with its partners, has implemented several programs to execute the strategy. Notable financial literacy programs, both for the general population and for the Maori population, are listed below:

Notable Financial Literacy Programs			
General Population	Maori Population-Only		
Sorted Program	Good with Money Program	Te Rūnanga o Ngāi Tahu Program	Papa Whairawa Program

### Sorted Program

The [Sorted Program](#) is a free, government funded financial capability program fully aligned with the national curriculum. The program is administered through schools, community-based organizations, and workplaces. Curriculum focuses on core aspects of financial literacy, including debt, budgeting and money management, insurance, and information about New Zealand’s voluntary retirement accounts. The school-based program (Sorted in Schools) is administered through secondary schools and strives to provide equitable access to all students, including Maori and Pacific learners. The community-based and workplace-based programs are more tailored based on the specific needs of the community or organization.

### **Good with Money Program**

The [Good With Money Program](#) is administered by the Bank of New Zealand (BNZ). In keeping with the core tenets of the original national financial literacy strategy, this program delivers financial education that is tailored to the needs and culture of the Maori population. The program uses a network of BNZ staff of Maori descent to facilitate presentations and workshops. Use of a Maori network to administer financial education is part of the financial literacy strategy's emphasis on delivering services through trusted intermediaries. Each participant receives a financial literacy workbook and two BNZ mentors (one Maori and one non-Maori) over the course of a 10-week program. The program covers financial behavior, goal and budget setting, debt management, and savings.

### **Te Rūnanga o Ngāi Tahu (Maori Tribal Council)**

[The Tribal Council](#), established in 1996 to protect and advance the interest of the Maori people, offers a variety of services to improve financial literacy. The services offered included:

- *Tairakau* - online financial literacy digital resource and smartphone app specifically designed for Maori with emphasis on targeting underserved communities. Resources have strong focus on long term behavioral change
- *Games Based Learning* - uses games as a means to make delivery of financial education interactive while providing learning experiences to Maori citizens without consequences of bad decisions

### **Papa Whairawa**

The [Papa Whairawa program](#) focuses on the delivery of home-based programs. This is a financial literacy program for Maori citizens that want to develop personal money skills, understand financial products and services available, and set goals for life events such as retirement. The program is a free, part time program that lasts nine months. Participants also receive ongoing support after the conclusion of the program.

### **Successes and Shortcomings:**

The New Zealand Council for Educational Research recently published an [evaluation of Sorted in Schools](#) to measure the program's progress. Overall, the 2019-2020 evaluation report found that the Sorted in Schools program is having a positive impact. The program, which is underpinned by Maori values, is showing encouraging signs that it's starting to lead to changes in knowledge, attitudes, and behavior for some students. However, systemic challenges exacerbated by COVID-19 have had an adverse impact on the program in 2020. These challenges include teacher recruitment and retention, resourcing, remote settings, and access to digital devices.

Despite these challenges, the program evaluation identified several positive developments:

- **97 percent of surveyed teachers** agree that program resources support Maori and Pacific students' financial education and learning.
- **Across New Zealand, 86 percent of surveyed students** stated that learning about money will help themselves and their families in the future.
  - Maori results did not have a statistically significant difference.
- **Across New Zealand, 79 percent of surveyed students** agree that it's important to learn about money in school.
  - Maori results did not have a statistically significant difference.

However, there were some shortcomings that were identified in the program evaluation:

- **COVID-19 has adversely impacted** the number of students who were able to respond to the survey. For that reason, the report does not offer an assessment on whether the program has met its target for building financial literacy and fostering positive behavioral changes in the Maori and Pacific student population.
  - However, student survey results, although limited, do show positive impact on changing money-related behavior and increasing financial literacy
- **A Majority of Pacific students surveyed** disagreed that they learned money in a way that fit with their culture, and disagreed that they learned about money in situations that are familiar to them and their families.
- The report recommended that curriculum be more closely aligned to Pacific worldview and values to achieve higher rates of success.

## 1.2 Canada

### **Practices, Policies, and Strategies:**

In 2015 Canada adopted a national strategy for Financial Literacy, [Count me in, Canada](#), with the goal of “strengthen[ing] the financial well-being of Canadians and their families”. This national strategy was launched based on gaps identified by a [national survey](#) conducted in 2014. The first stage in establishing this strategy was appointing a Financial Literacy Leader who oversaw national steering committees, financial literacy networks and local governments. The [Financial Literacy Leader](#) served between 2014 - 2019 after which the responsibility for improving financial literacy in Canada became the full mandate of the Financial Consumer Agency of Canada (FCAC).

*Count me in, Canada* established three goals for improving the financial literacy of Canadians, manage money and debt wisely, plan and save for the future, prevent and protect against fraud and financial abuse.

Manage Money and Debt Wisely	Plan and Save for the Future	Prevent and Protect Against Fraud and Financial Abuse
Establish a solid foundation of financial knowledge and skills to make informed financial and spending decisions that are based on needs and priorities grounded in a budget that fits the financial capabilities.	Setting financial objectives and identifying the paths to achieve them by developing a strong understanding of financial products and services available with the costs and benefits associated and in particular raise awareness about existing government workplace benefits.	Improve education into recognizing financial fraud and what avenues are open to help victims of financial fraud, with specific focus on helping older Canadians that are frequently targeted.

To achieve these goals the FCAC took a [two-step approach](#):

1. Promoting the importance of financial literacy and mobilizing stakeholders to work together to develop and deliver engaging financial literacy initiatives.
2. Creating and developing their own free education materials and resources which respond to various needs and knowledge gaps and are readily available mostly online.

Two key initiatives of the program are the creation of the [Financial Literacy Month \(FLM\)](#) in Canada which is aimed at raising awareness and taking action by conducting national conventions and local events where Canadians can come and learn more about the importance of making a budget, having a plan to save money and reduce debt, and understanding financial rights and responsibilities as an example to a few main topics discussed during the FLM. The second key initiative was building the Canadian [Financial literacy Database](#) which encompasses all resources produced from all participating organizations, provides free, easy access to all resources and events that promote financial literacy. In addition, the FCAC offers a [Financial Toolkit](#) that includes 12 online learning modules aimed at providing adults basic financial information and tools to make better informed decisions.

The national strategy focused on all aspects of the Canadian society including programs targeted at people with disabilities, Women, youth, seniors, indigenous people and more. Below are examples of programs undertaken in a couple relevant sectors:

### **Indigenous People:**

- [Financial literacy for Indigenous youth](#) - Two programs were launched, one aiming at indigenous school age children and the other at post-secondary indigenous students. The first program, [Dollars and Sense](#), was created with the goal of increasing students' understanding of saving and budgeting and teaching them how to set financial goals, understanding spending and credit, and how to identify and protect themselves from fraud. The second program, Financial Empowerment, focuses on financial planning and

issues affecting financial decision making. Both programs are designed to be culturally relevant to the students and their heritage.

- [Money Matters for Indigenous Peoples](#) - a free financial literacy program for adult indigenous people. The program provides resources and workshops budgeting and spending plans, banking basics, credit and borrowing and ways to save. The Indigenous people's program was uniquely developed to meet the specific challenges faced by the Indigenous communities.

### **Low income Canadians:**

- [Volunteer Income Tax Program and Tax Clinics](#) - supporting low income individuals in filing their tax returns ensuring proper filling which could actually provide them with tax refunds. The tax clinics are run by local community organizations where people can get assistance and file their taxes for free. In 2018, this program helped almost 10,000 Canadians file their taxes and receive over CAD 27 million in tax refunds, improving their financial position.
- [Get your Benefits program](#) - The program created by a coalition of health specialists created a booklet focusing on health benefits and social programs that are available to Canadians who have filed their tax returns. This booklet was distributed by front line health care workers and is updated yearly with the goal of increasing utilization of the health benefits provided by the federal and local governments.
- [Financial Empowerment Champions program](#) - The program which is conducted locally by social service providers aims at increasing the financial well-being of low income individuals mostly by improving their financial knowledge and literacy. Funded in part by the Canadian government and in part by partners matching funds, the program allows for individuals to receive one-on-one financial coaching, provides assistance with tax filing and accessing government benefits and helps with basic banking needs.

### **Successes and Shortcomings:**

In its review of the implementation of the *Count me in, Canada* program in 2019 the FCAC found that the program had a positive impact on the financial literacy of Canadians. More than 1.8 million Canadians participated in the different programs, and more than 2500 resources are now available on the Canadian Financial literacy Database. An OECD survey found that Canadian adults ranked third out of 30 countries on an international survey of financial capabilities and Canadian 15-year old students ranked second out of 15 in a similar OECD survey.

Despite the success of the national strategy, still over 50% of Canadians do not have a budget that they use to make financial decisions and do not save for unexpected expenses. The Financial Literacy Leader role has been phased out and the responsibility for continuing and maintaining the financial literacy programs is in the hands of the FACA. Due to COVID-19 the FACA has

been more focused on providing assistance to those in need due to pandemic related changes and has focused less energy in promoting and expanding the *Count me in, Canada* program.

## 1.3 Australia

### **Practices, Policies, and Strategies:**

Improving Financial Literacy is included under action areas number two, “Capabilities, Attitudes and Behaviours”,<sup>2</sup> with the specific goal of “Build[ing] financial literacy and capabilities among vulnerable groups”.<sup>3</sup> In total during 2019 over 550,000 individuals participated in different financial literacy workshops conducted by the various [partners of the FIAP program](#). Most initiatives focused their programs on improving core financial skills including budgeting, debt saving, planning and goal setting and ways to seek help.

Financial services companies created initiatives to build financial capabilities such as financial literacy workshops targeting vulnerable groups such as Indigenous communities, students in disadvantaged areas, refugees and individuals soon to retire. These programs focused on basic budgeting, goal setting, insurance products, investments, interest and avoiding dangerous debt. Other initiatives included scholarships for Indigenous and diverse students and providing scholarships to other organizations to fund financial counselling scholarships for Indigenous and culturally and linguistically diverse people.

Other programs led by not-for-profit organizations included workshops to upskill employees within the community services sector, one-on-one support to vulnerable clients, community education programs, training and outreach on budgeting, saving and spending, debt, planning and support services. Another program taken by some of the participating organizations was educating and assisting vulnerable individuals with their tax filings with the goal of maximizing their eligibility for different benefits.

### **Money Smart program**

A program created by the Australian Securities and Investments Commission, the core of the Money Smart is a website which includes different calculators, tips and guidance on making informed decisions about managing money. Besides the information provided to all Australians Money Smart has two additional programs: Money Smart for Teachers and an Indigenous Outreach Program.

### **Money Smart for Teachers:**

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<sup>2</sup> FIAP, “Submission to Senate Inquiry”, 3.

<sup>3</sup> *ibid.*

The Money Smart for Teachers program has built a financial education curriculum to children from age 5 to youth aged 25. Each age group has specific [goals and teaching tools relevant to that age group](#):

Ages 5-7	Ages 8-10	Ages 11-14	Ages 15-25
Recognising money, Buying goods, Needs and wants, Goods vs services	Budgeting, planning & saving, Needs vs. wants, History of money, Foreign currency	Costly services, Gaming, Entertainment, Responsible use, E-security	Car ownership Mobile phone ownership Moving out of home Credit and debt First job Online financial transactions

In addition to an established curricula, Money Smart for Teachers offers teachers ready-to-use teaching tools, most of which are online modulus that can easily be used in the classroom and which are compatible with the approved Australian Curriculum to easily implement the program. Money Smart also offers schools funds to help schools pay for relevant costs. While its main goal is to build and improve financial literacy among Australian youth, the [Money Smart for Teachers](#) program also offers professional development programs for the teachers themselves aimed at helping teachers improve their own financial health and thus be able to serve as an example in the classrooms. The program uses a “train the trainer” model where 240 teachers were trained to train other teachers to teach and facilitate the curriculum built by the program.

### **Indigenous Outreach Program**

The program aims at increasing the financial literacy among Aboriginal and Torres Strait Islander consumers. A second goal of the program is to work with industry and consumer advocates to increase the financial knowledge of, and improve the services provided to Indigenous Australians. The program includes a dedicated hot-line where indigenous people can call and receive assistance and general financial literacy advice. In addition the program has created specific publications geared for the Indigenous communities about day to day money management issues such as taking out loans, using credit cards and insurance. Another resource offered by the program are audio ads in all different indigenous dialects to better reach the indigenous communities.

## 1.4 United States of America

### Practices, Policies, and Strategies:

#### **Financial Literacy & Education Committee (USDT)**

FLEC was established in 2003 and is tasked with directing the ongoing National Strategy for Financial Literacy, with the latest iteration released in [2020](#). The committee is composed of 23 federal government entities and chaired by the Secretary of the Treasury with the Director of the Consumer Financial Protection Bureau serving as Vice-Chair. Its primary function is to review financial education activities and opportunities across the federal government, assess their impact, and update accordingly. The CFPB plays a leading role in helping traditionally underserved consumers and communities, such as women and minorities.

## 1.5 France

### Practices, Policies, and Strategies:

OECD data aggregation on the degree of financial literacy in the G20 regularly finds France to perform worse, in relative terms, to other European countries. Through its national surveys to understand financial literacy and proficiency, the Banque de France found that of the three standard questions it uses to assess financial literacy, specifically knowledge of interest rates, inflation, and the value of diversification, “only 30% of those surveyed answered all three questions correctly.” The youngest and oldest surveyed are typically those who are least financially literate, and the former population is of much greater concern for the French government, according to first-hand conversation. To that end, since 2016 the Banque de France was tasked by the French government to steer France’s national financial literacy and educational strategy. The French strategy for improving financial literacy is based on the principles delineated by the OECD, endorsed by other G20 countries.

#### **‘My Money Matters’ Educational Platform**

In early 2017, the Banque de France initiated an online portal that served as the central information source in France on all matters regarding “day-to-day banking, budgetary, economic and financial questions.” The interface, modeled from the Netherlands’ ‘Money Wise’ platform, tries to strike a balance between comprehensiveness as a source of informational capital, and simplicity to ensure widespread accessibility. While the Banque de France documents the use of My Money Matters to be widespread and increasing, it continues to employ any and all means within its budgetary constraints to inform the French public.

## **Banque de France – Ministry of Education Partnership**

The Bank and the French Institute for Public Financial Education have, as of late 2016, formed an intra-governmental partnership meant to develop an educational curriculum for integration into the pre-university education system in France. The objective is to give teachers the requisite training and substance to introduce school students to the concepts of money, budgeting, securing credit, savings and taxes, compounding that knowledge base over the course of years in school. Cyrille Stevant of the Banque de France is and was our team's contact person regarding the development of this program, and its establishment could serve as an optimal blueprint for a similar such effort in a different context.

## **1.6 Singapore**

### **Practices, Policies, and Strategies:**

Singapore conducts a semi-regular 'Financial Planning Attitudes Survey' led by the Monetary Authority of Singapore that gives its government a sense of Singaporean residents' financial literacy. Some of the survey's recurring questions provide an understanding of: i) risk associated with investments, ii) general investment-related knowledge, and iii) financial planning related behaviors. In team conversations with the Monetary Authority of Singapore, the objective over the last two decades has not been as concentrated on financial inclusion as it has been on financial preparation. To that end, Singapore's national efforts have focused on education, information, and continued financial sophistication.

### **MoneySENSE**

In 2003, Singapore began its first effort to inform and empower citizens or residents by providing an online platform, one of the first of its kind in the world. MoneySENSE, as a platform, is meant to be an educational resource composed of language and instruction that is in 'laymans' terms so all users can understand it. The MoneySENSE platform's collective objective is to serve as an informational resource that assists Singaporeans in financial planning for the future, focusing on specific life events such as:

- Student borrowing
- Home purchasing
- Marriage and Family Planning
- 'Rainy Day' Emergency Funds
- Other Asset Purchases

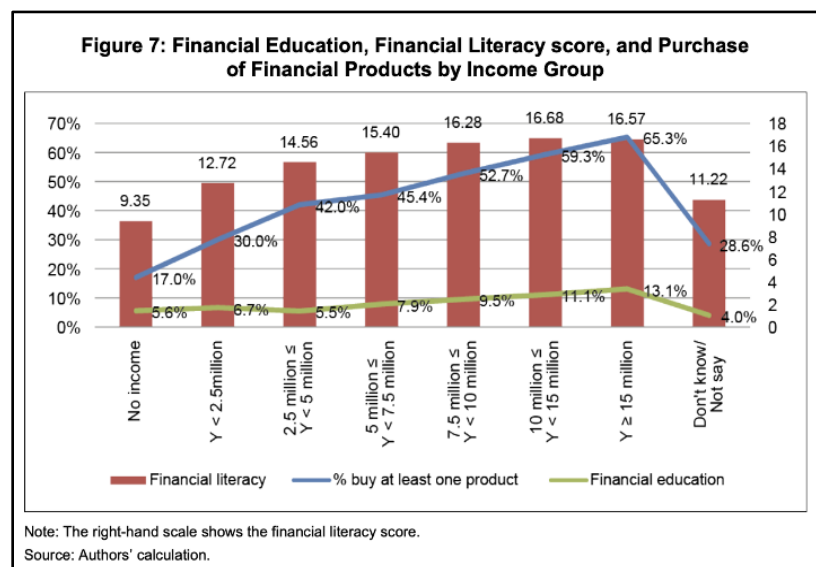
Additionally, MoneySENSE, during times of financial or health crisis (e.g. Financial Crisis, COVID-19 Pandemic, etc.) publishes specific budgetary and guidance that consumers rely on when their preferred financial institutions offer more scant guidance. Among its most popular tools is the 'Financial Health Check,' which seeks to help consumers and households appreciate

the nature of their personal financial balance sheets. Data published by the Monetary Authority suggests more prominent usage during peak crisis periods, with progressively increasing usership since the tool's introduction nearly twenty years ago. The Monetary Authority of Singapore is presently working on adapting the tool to help consumers understand the risks and opportunities associated with digital finance's impact on individuals and enterprises. Consumers, through financial technology and banking digitization, possible exposed to products and services that the Monetary Authority deems as being riskier than traditional offerings; it will be MoneySENSE's obligation to educate and protect those consumers.

## 1.7 Japan

### Practices, Policies, and Strategies:

In 2017, the Central Council for Financial Services Information, a governmental advisory group affiliated with the Bank of Japan, conducted an online survey of 25,000 Japanese individuals aged between 18 and 79. Focused on three primary pillars, financial knowledge, investment or savings behavior, and financial planning posture, the survey found a strong correlation between the amount of education attained and knowledge exhibited. Moreover, the survey demonstrated the Japanese government's anticipated outcome that those respondents who possessed either a higher general education level or who were members of the highest income groups were more likely to also possess general financial literacy. As such, the Japanese government has committed to redouble its efforts to leverage resources, digital or otherwise, to improve financial literacy, namely through public-private partnerships. The Japanese Government has adopted the National Strategy for Financial Education in response to this and other surveys which demonstrate a general lack of adequate financial education.



## Nomura Group Financial and Economic Educational Partnership

Since the 1990s, Nomura Group has been providing financial and economic educational resources for Japanese students during and prior to their time in University. The Nomura-Japanese government partnership has been a highly productive one in providing a baseline framework from which other, similarly productive partnerships may blossom. A more detailed collation of the services Nomura provides, per its website are:

	Off-Site Lectures	Courses	Stock Education Contest	Teaching Materials	Publications	Web
Elementary School Students	●			●	●	●
Junior High School Students	●		●	●	●	●
High School Students	●		●	●	●	●
College Students		●	●	●	●	●
Adults		●			●	●

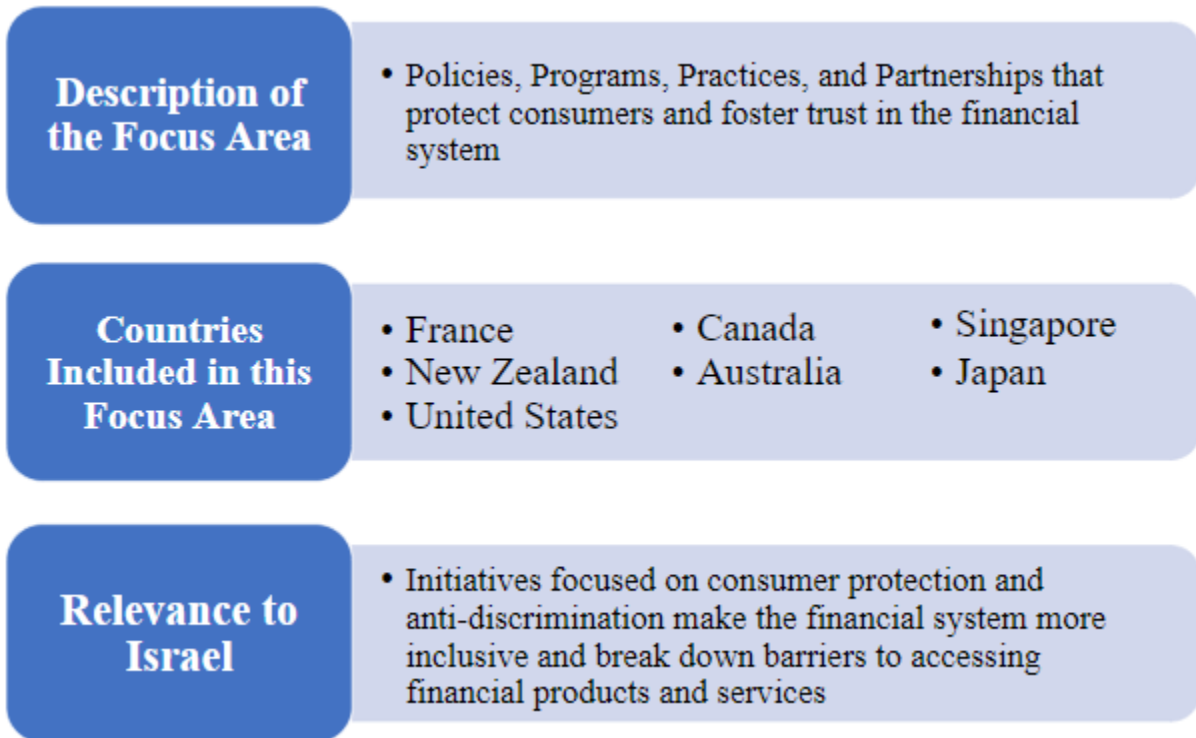
In addition to sponsoring courses at universities throughout Japan and establishing lifelong learning programs for adults, the Nomura partnership has created:

- “Manabow Classes” through which Nomura employees visit elementary schools around Japan to reach students about basic economic and financial concepts
- Junior High School Investing Workshops (nation-wide)
- Hosting the NOMURA Business Challenge
- Teaching senior high school students about the role of money in their future
- Sponsoring seminars on financial literacy for schoolteachers
- Publishing various teaching materials for curricular introduction into academic curricula or as supplementary materials to existing courses

While our team did not find data to demonstrate the efficacy of the Nomura partnership, the cited 2017 survey is mobilizing resources in Japan towards similar such partnerships.

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## **FOCUS AREA #2: Trust-Building, Anti-Discrimination and Consumer Protection**



### **2.1 France**

#### **Practices, Policies, and Strategies:**

France has a robust record in providing public aid to over indebted households. In 1989, France created a mechanism, known as ‘Household Over-Indebtedness Commissions’ (a/k/a HOCs) through which households and their creditors can negotiate to reach a solution. Households in France became increasingly indebted in the late 1980’s following domestic measures taken to liberalize access to credit for individuals in the mid 1980s. Progressively, this mechanism strengthened the rights of the household in relative terms (versus creditors), after it became evident that the problem was ubiquitous through French society.

#### **The Neiertz Law and Over indebtedness**

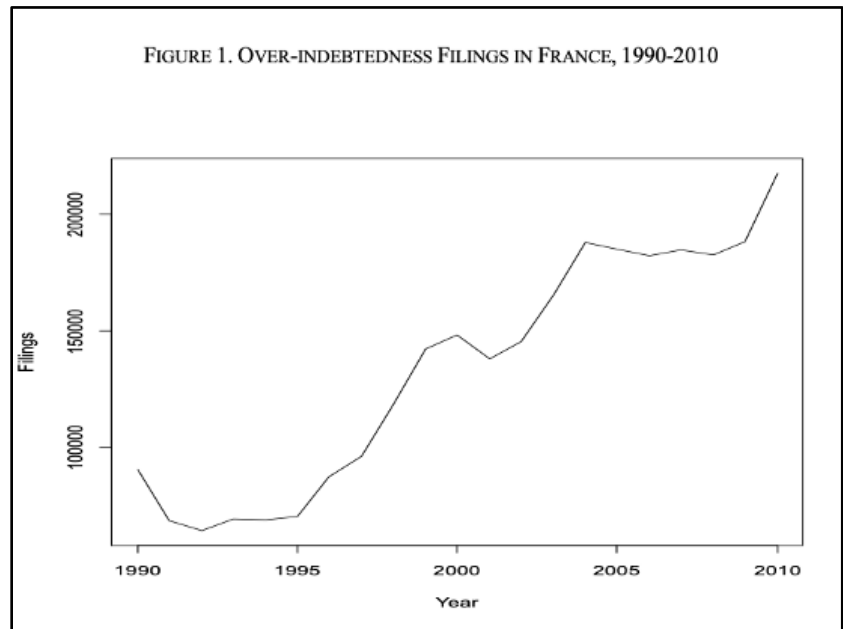
In the French legal code, Law No. 89-1010, passed on December 31, 1989, popularly known as the ‘Neiertz Law’ introduced two bifurcated mechanisms designed to both prevent and resolve household over-indebtedness. The preventative dynamic of the law aimed to improve access to

and comprehension of information by households that would help protect borrowers over time. In cases of over-indebtedness, the law permits either negotiated resolutions or solutions the HOC implements after being formally approved by a judge. While at the outset of this law's passage creditors had much leeway in deterring the ultimate course of action changes over time have increased the relative leverage of households, for example:

- Since 1995, HOCs, after hearing both parties in a case, have the capacity to propose recommendations to a judge (oft-implemented)
- Since 2003, HOCs have the capacity to propose 'fresh start' or 'clean slate' plans in which all debts the household has are cancelled in exchange for a sale of all assets held by that household

While the law does not specifically target specific minorities or segments of the population, it does help those most socially and economically marginalized be placed in a more symmetric position relative to their creditors.

Additionally, by creating a committee that our team determines to be assiduous in its desire to lessen the workload of the judiciary and help individuals regain their financial footing, France has taken an innovative approach to resolving financial distress. While the law was predicated on responding to the exponential growth of indebted households in the late 1980s, its operative efficacy over time has been a useful tool for including and supporting struggling households.



## 2.2 New Zealand

### Practices, Policies, and Strategies:

In 2018, the Ministry of Business, Innovation, and Employment (MBIE) [conducted a review](#) of New Zealand's consumer protection laws. The MBIE determined that existing laws did not sufficiently protect borrowers from predatory lending. The key findings from the study include the following:

- **Expensive Credit**
  - Lenders are charging borrowers with high interest rates. In some cases, interest rates approached [800 percent per annum](#).
- **Excessive Lending**
  - Lenders are providing too many loans to indebted borrowers. This creates a cycle of unmanageable debt levels.
- **Exorbitant Fees**
  - Fees charged are often unreasonable and subject to change. Similar to interest, high fees are causing debt spirals and making borrowers more susceptible to financial shocks.
- **Harmful Debt Collection Practices**
  - Lenders are engaging in irresponsible debt collection practices. The harmful practices include false and misleading claims made by lenders, unaffordable repayment schedules, excessive interest and fees, and harassment (i.e. frequent calling, coercive behavior, etc.)

The findings also showed that unfair and deceptive lending practices [disproportionately affect](#) the Maori and Pacific Islander populations. Maori and Pacific Islanders are more likely to rely on revolving credit arrangements for everyday purchases such as groceries and transportation. Continued reliance on credit for everyday purchases makes these borrowers susceptible to predatory lenders.

To protect vulnerable populations from debt spirals and predatory lending, the government introduced several changes to New Zealand’s consumer protection laws in 2019. A summary of these changes is listed in the table below:

<p><b>Increased Enforcement and Stricter Penalties for Lenders</b></p> <ul style="list-style-type: none"> <li>● Tougher penalties for irresponsible lending</li> <li>● Dispute resolution schemes for affected borrowers</li> </ul>	<p><b>Interest Rate and Cost of Credit Caps</b></p> <ul style="list-style-type: none"> <li>● Interest and fees charged on high-cost loans limited to 100 percent of the amount borrowed</li> </ul>	<p><b>New Requirements for Assessing Suitability of Loans</b></p> <ul style="list-style-type: none"> <li>● New regulations requiring lenders to confirm borrower can repay without substantial hardship</li> </ul>
<p><b>Additional Compliance Requirements</b></p> <ul style="list-style-type: none"> <li>● Duties imposed on directors and senior managers of credit lenders to ensure compliance with regulations</li> </ul>	<p><b>Responsible Advertising Standards</b></p> <ul style="list-style-type: none"> <li>● New regulations set minimum advertising standards for credit products</li> </ul>	<p><b>Greater Transparency in Debt Collection</b></p> <ul style="list-style-type: none"> <li>● Disclosure requirements established for debt collectors (i.e. amount borrowed, borrower rights)</li> </ul>

These changes are being implemented over the course of a two year period (2020-2021). Although too early to measure the effectiveness of these changes, the government anticipates that enhanced consumer protection will lead to better outcomes and reduced debt in the long-term for borrowers, especially for those in the Maori and Pacific Islander populations.

## **2.3 United States of America**

### **Practices, Policies, and Strategies:**

#### **Consumer Financial Protection Bureau**

The [CFPB](#) was established in 2011 in order to provide for education and regulation that will allow the consumer financial market to function properly. They offer a number of consumer resources, such as guides to accessing bank accounts and other financial services, including home, auto, and student loans. They also propose federal consumer financial rules after research, public input, and discussions on advisory bodies, and then enforce these rules by taking action against banks, companies, or individuals who have broken them.

## **2.4 Canada**

### **Practices, Policies, and Strategies:**

The standing of First Nation people in Canada is governed under the [Indian Act of 1876](#) which allows the community to elect Chiefs and local councils to pass by laws in specific areas. [The First Nations Fiscal Management Act](#), passed first in 2006 and amended in 2013, widens the authority of the First Nations government into [other financial areas](#) including property taxation and local revenues. Apart from financial literacy programs detailed below that are used to improve the financial skills of First Nations people while also improving the trust between them and the Canadian financial system, the Canadian government, and the Bank of Canada specifically, also help fund nonprofit organizations that promote the First Nation communities. One such NGO is the [Tulo Centre of Indigenous Economics](#). The Tulo Centre conducts several programs with the main program being an Applied Economics certificate program in cooperation with Thompson Rivers University which gives the graduates skills to promote economic development across the different indigenous communities in Canada.

## **2.5 Australia**

### **Practices, Policies, and Strategies:**

Australia's main action to build trust between the Aboriginal and Torres Island people and the financial system is being conducted through financial literacy programs detailed under section

1.3. Similar and in addition, to the Financial Inclusion Action Plans, described in section 3.3, organizations in Australia also create a Reconciliation Action Plan (RAP) that is focused on promoting and improving the lives of the Aboriginal and Torres Island people in Australia. While not necessarily connected to financial inclusion, financial institutions also partake in the RAP with plans offering special microcredit loans to indigenous people, commitment to spend with indigenous owned businesses and perhaps most importantly for trust building a commitment to increase the make-up of indigenous people in their workforce. One such example is the [RAP of the National Australia Bank](#), one the four leading financial institutions in Australia. The RAP program is being led by [Reconciliation Australia](#) a not for profit organizations with the goal of furthering and improving race relations in Australia.

An important initiative to improve the financial inclusion of indigenous owned businesses is the [Indigenous Business Australia Corporation](#) (IBA). Established [by law](#) in 1989 as a government owned corporation, IBA operates in three areas. The first, IBA provides home loans to indigenous people to help purchase their first home. The second area of IBA's operation is to help support Indigenous owned businesses whether it be in starting a business, growing it or purchasing another business. IBA provides support in creating the business and financial plans and also provides loans that could also take the form of a [grant if certain conditions](#) are met. The third area of operations is in investing in ventures that provide indigenous people work opportunities, the option to accumulate wealth and gain business and financial skills. [As of 2020](#), IBA had a home loan portfolio consisting of 5364 loans with a value of over AUD 1.3 billion, and had AUD 169 million of equity in Aboriginal and Torres Island owned businesses.

## 2.6 Singapore

### **Practices, Policies, and Strategies:**

The Singaporean approach to financial digitization and technological advancement has been to embrace the breadth and depth of change while leveraging its capacity to increase accessibility and competition (thus lowering pricing). The Singapore Monetary Authority's Senior Minister and Chairman, Tharman Shanmugaratnam, has been a key advocate in the country's implementation of both a direct funds transfer/e-payments service (peer to peer and peer to corporate) and establishing a centralized data repository in partnership with financial institutions. Singapore has been and continues to be one of the world's leaders in managing the risks associated with and capitalizing on the opportunities presented by trends associated with digitization. Singapore's national framework is centered around enhancing the experience of the consumer while protecting their privacy (data) and increasing efficiency.

## **PayNow**

In July 2017, the Singaporean Association of Banks launched PayNow, an e-payments service in which (initially) retail customers at a number of financial institutions or payment processors could transfer and receive sums in Singaporean dollars. The Singaporean government uses national identification numbers or creates a virtual payment address through which users can receive and send funds. The following nine banks and three non-financial institutions are collaborating on:

1. Bank of China
2. Citibank Singapore
3. DBS/POSB Bank
4. HSBC
5. Industrial and Commercial Bank of China Limited
6. Maybank
7. OCBC Bank
8. Standard Chartered Bank
9. UOB
10. GrabPay
11. LiquidPay
12. Singtel Dash

Shortly following PayNow's initial introduction, the government introduced a corporate feature to PayNow which enabled retail customers to send payments to entities, including businesses, government agencies and other associations. As of the first quarter of 2020, more than 75% of all Singaporeans between the ages of 20 and 75 are registered for and use PayNow, while 60% of active enterprises in Singapore are registered through the platform's corporate feature. Monthly transaction volume has been steadily increasing since its introduction and proved its reciprocal utility to citizens and government alike during the COVID-19 pandemic. While data demonstrating usage both during and after the pandemic has yet to be published, our team does not anticipate the tool's relevance to be transitory.

## **Singapore Financial Data Exchange (SGFinDex)**

SGFinDex is an initiative Singapore launched in late 2020, in partnership with several governmental and quasi-governmental agencies, including the Monetary Authority of Singapore, the Smart Nation and Digital Government Group (SNDGG), and the Ministry of Manpower (MoM). The platform is meant to supplement Singapore's previous introduction of a 'National Digital Identity' (SingPass). SGFinDex is a 'central gateway' that enables Singaporeans to consolidate the entirety of their financial information into a single, standardized form. That portfolio can then be used through tools like MyMoneySense or with participating financial institutions to make more informed financial decisions. SGFinDex serves as a conduit for

confidential and secure data sharing between partnering institution in a fashion that empowers consumers. It is important to note that SG FinDex is not a database and does not store user's personal financial data.

According to our team's conversations with the gateway's management team within Singapore's Monetary Authority, the objective of SGFinDex is to help individuals retrieve their financial information, understand the areas where their balance sheets or credit histories are deficient, and work with relevant expertise to proceed in a fashion that will help them better prepare financially for the future.

At its launch, SGFinDex had the following participants, collated by category:

- Government
  - Ministry of Manpower
  - Monetary Authority of Singapore
  - Smart Nation Singapore
    - § The Singaporean government's efforts to technologically enable the entirety of the country in the present
- Non-Governmental
  - The Association of Banks in Singapore
- Financial Institutions
  - Citi
  - DBS/POSB
  - HSBC
  - Maybank
  - OCBC Bank
  - Standard Chartered Bank
  - UOB

Because of the gateway's novelty, the Monetary Authority has yet to collect or survey participants to appreciate efficacy or usage, but the team responsible for its implementation at the Monetary Authority of Singapore will update us once such data is published.

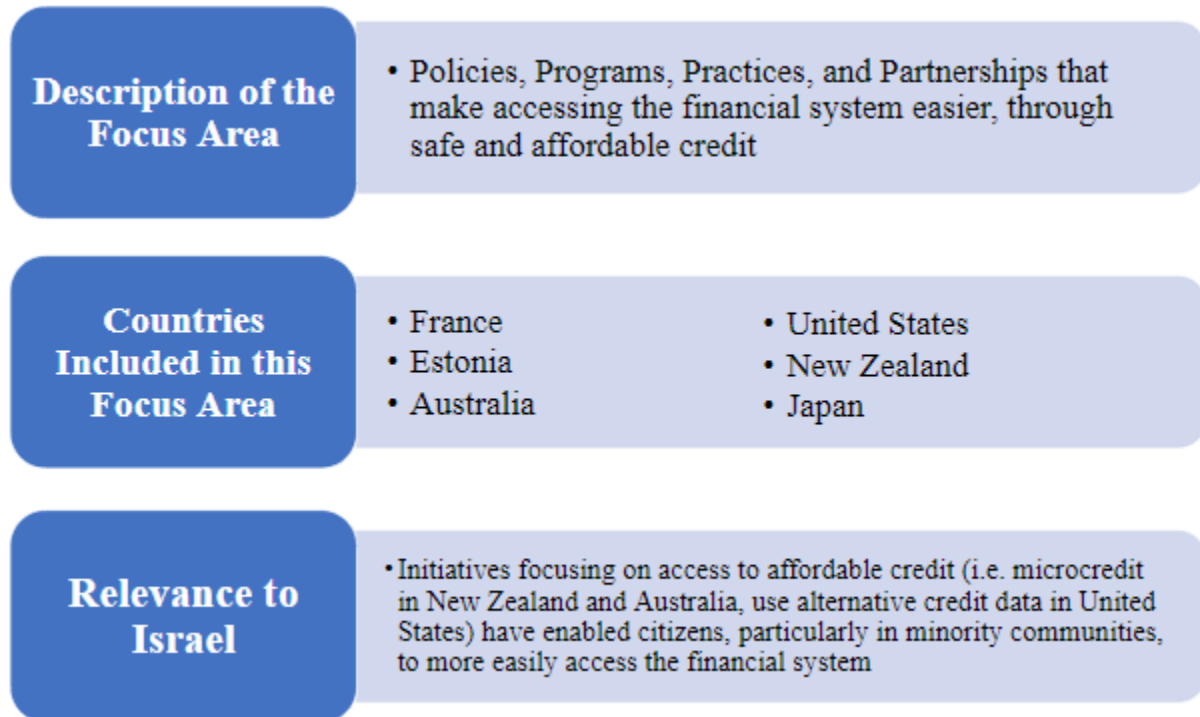
## 2.7 Japan

### **Practices, Policies, and Strategies:**

The Consumer Affairs Agency (CAA) and Financial Services Agency (FSA) are [responsible for financial consumer protection in Japan](#). The agencies are collectively responsible for issuing regulations, supervising financial institutions, and disseminating risk information and warning the public. Japan's approach to consumer protection includes providing financial education (i.e. to prevent fraud), enforcing conduct regulations (i.e. bank requirements to disclose key information about investment products), and reviewing and resolving complaints (i.e. from the public about financial products and services). In addition, the Financial Instruments Sales Law requires financial institutions to be held liable for a consumer's loss if the institution did not meet disclosure requirements or failed to meet its regulatory obligations. The regulation and enforcement mechanisms in place ensure that consumers are protected, and if adversely affected by the actions of a financial institution, have recourse through the dispute resolution process.

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## FOCUS AREA #3: Credit & Financial Services Opportunities for Minority Groups



### 3.1. France

#### Practices, Policies, and Strategies:

France, led by the Banque de France, has undertaken two strategies to extend credit and include both citizens and residents financially. France was the first country in all of Europe to address the issue of financial exclusion. The French government does not, as a matter of practice, collect data on residents or citizens that dichotomizes them based on their ethnic or religious background because it is against French law to do so. There are, however, litmus tests and filtration measures in place across financial institutions that seek to qualify citizens and/or residents for different services or forms of credit based on their socioeconomic status. The professional training and educational background of consumers seeking to access a range of financial services are weighted heavily in the ultimate decision to provide the same. Moreover, as additional context, institutions often use residential addresses to reach certain conclusions about the demographic background of a consumer seeking access.

Beyond the aforementioned, two key initiatives have been undertaken to enhance financial inclusion via expansion of financial services that:

- Guarantee French resident, citizen, or legal entity the right to a bank account
- Establish a credit mediation scheme that concentrates on the smallest enterprises in France (which are often owned by minority groups).

### **The Right to a Bank Account Law**

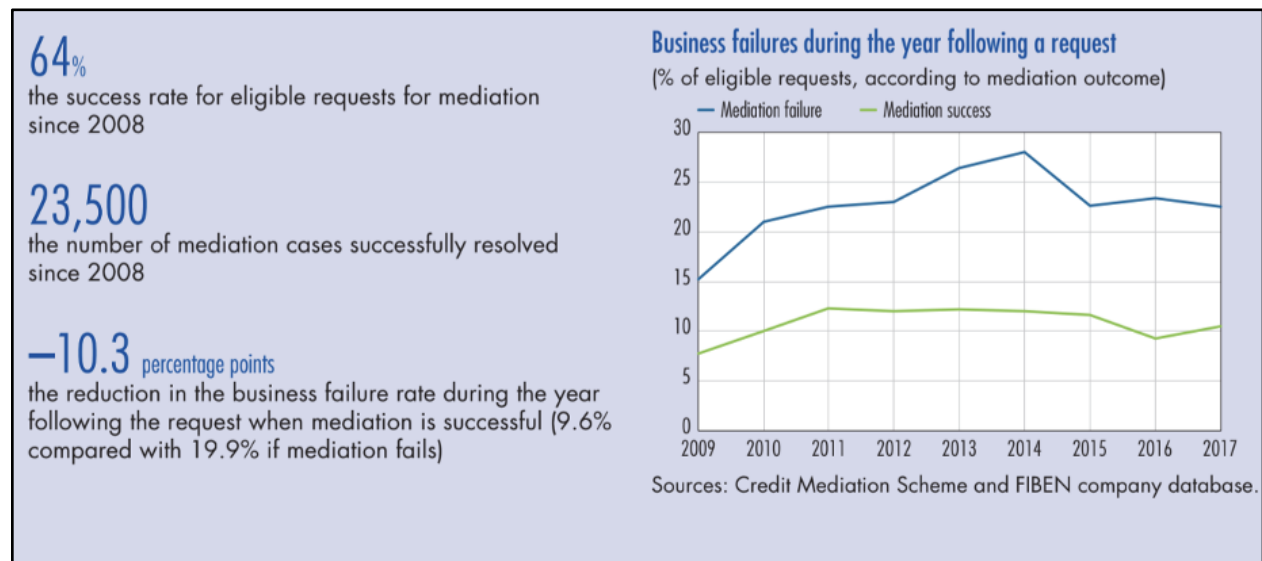
Through the Bank Reform of 1984 (see Article 58 of Law 84-46, January 1984), the Bank of France established the right of any resident or citizen in France to a bank account. In the years since the reform was passed, three important whole-of-government initiatives were undertaken to supplement its effectiveness and ensure inclusion. First, the French government expanded the legal scope of the law in 1998 to also include legal entities. Second, when it became common practice to for banks to impose substantial fees and other financial penalties against persons (usually very low-income) or entities that leveraged their right under the law, the French government penalized those banks and acted as an intermediary to designate a fitting financial institution. Third, the *Comite Consultatif*, along with France's charter on bank services acted, in 1992, to specify the rights and services that Banks must provide to include (sourced directly from the Bank de France guidance memo):

- Opening, maintenance and closure of the account
- One change of address per year
- Bank account details (RIB)
- Ability to receive bank transfers
- Monthly account statements
- Cash transactions
- Cheque deposits and bank transfers
- Over-the-counter cash deposits and withdrawals at branches
- Payments by direct debit, interbank payment order or bank transfer
- Remote access to an account holder's bank balance
- A debit card that is limited by account balance
- Two bank checks (or equivalent means of payment) per month.

Three surveys taken over different time periods demonstrates the efficacy of the reform within French society. In 1966, only 18% of households held a checking or savings account; that number increased to 92% shortly after the passage of the law in 1984, and has been 99% since 2001. The French initiative was lauded as a unanimous success across the European intellectual and financial communities, and was ultimately used as a framework for a broader European Union directive on financial inclusion in 2014.

## The Banque de France's Credit Mediation Scheme

In October 2008, in the depths of the global financial crisis, the French government introduced a system through which small businesses struggling to access credit during the recessionary period could have a means to do so. In response to the supply-side shock of Banks restricting almost all forms of credit in the French economy, a 'National Credit Mediator' was appointed with the mission to come to the aid of businesses facing financing difficulties. In addition to the aforementioned, the French government launched the initiative with a secondary objective of ensuring that the French financial system was continuing to extend credit and respond positively to the public support measures passed. Since the passage of this initiative, the results have been as follows:

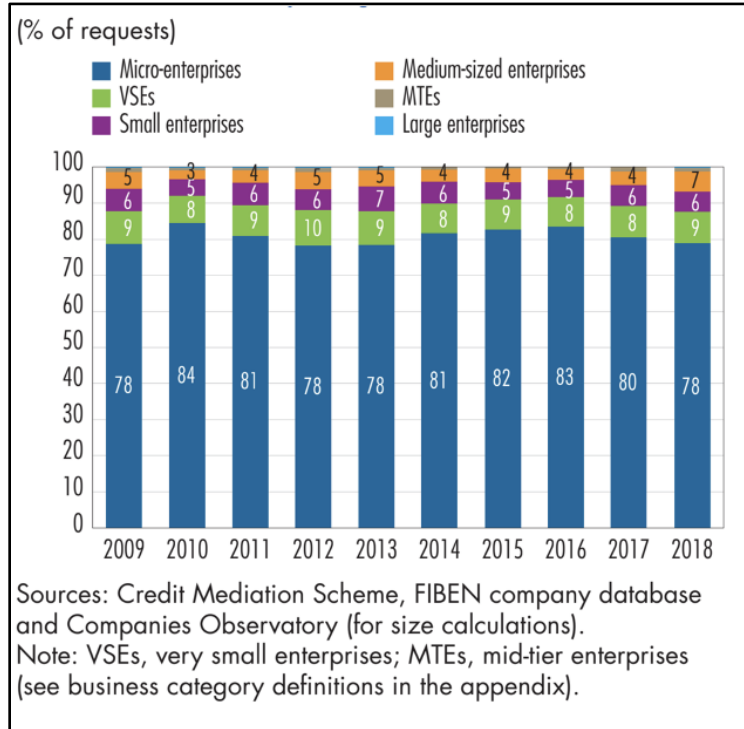


The businesses that have applied come from a variety of sectors within the French economy, with the most consistently challenged category since the initiative's formation being the consumer, wholesale, and retail sector:

(% of requests)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	10-year change
Agriculture	2.6	7.0	3.0	2.4	2.9	2.9	5.1	5.7	6.7	5.2	2.6
Industry	15.4	12.2	13.4	12.6	13.4	11.6	11.4	10.4	11.0	12.6	-2.7
Construction	17.7	18.6	18.4	19.1	19.1	17.9	18.1	15.8	15.5	16.5	-1.3
Wholesale and retail trade	26.6	25.1	26.9	27.9	27.6	28.4	27.3	26.4	25.1	26.1	-0.5
Transport	3.8	3.7	4.1	3.4	4.3	3.9	3.7	6.4	5.3	4.0	0.1
Accommodation and food services	9.7	10.9	10.2	10.0	10.4	10.5	10.8	11.8	10.9	10.1	0.4
Information and communication	3.1	2.5	3.0	2.7	2.5	2.4	2.7	2.3	2.3	2.1	-1.1
Real estate	4.4	3.6	3.1	3.8	4.0	5.3	4.8	5.7	5.9	5.2	0.9
Specialist and service activities	10.1	9.2	10.1	10.2	8.7	9.5	9.0	8.3	8.9	9.8	-0.3
Education – other services	6.6	7.3	7.9	8.0	7.1	7.6	7.2	7.2	8.4	8.5	1.9

Sources: Credit Mediation Scheme, FIBEN company database and Companies Observatory (for activity sector identification).

The most important element for consideration in the Bank of Israel’s context is the size of the businesses, as their general scale can and indeed is (in the eyes of the French government) indicative of the demographics of the owners. The adjacent graph demonstrates the size of businesses requesting mediation from the Banque de France, with micro-enterprises (the smallest such businesses and those mostly owned by immigrants and minorities) representing the overwhelming majority.



### 3.2 Estonia

#### Practices, Policies, and Strategies:

##### **Public and Private**

The networked collaboration between the public and private sectors evolved naturally as Estonia's inclusion and digitization process progressed, as notes Kattel and Mergel (2019): CEOs, non-profit executives, and academics moved between sectors, accepted short-term government positions, or were invited to act as strategic advisors to the Prime Minister and President.

The phenomenal success of Estonian IT start-ups such as Skype spawned a new powerful network of Estonians with IT skills and members of the local start-up community, which became known as '[Skype mafia](#)' (after the successful Estonian company, later acquired by Microsoft), mainly developers and entrepreneurs with common values and ideas. As a result, between public and private entities, layers of trusted network partnerships have developed, focusing on exchanges and strategic planning initiatives (Kattel & Mergel, 2019).

## **Banking**

The integration of the banking system is well described by Kattel and Mergel (2019). Banks have set up training kiosks across the country to help their customers get online. To secure the banking system, the leading bank at the time in the country, Hansapank built up the data infrastructure and recruited cyber security experts. Some of the best cyber security minds migrated from banks to the government, which was crucial in responding to the [DDoS attack in 2007](#) and paved the way for future staff mobility.

## **Educational Policies**

The Tiger Leap and its successor, the Look@World, demonstrate the public-private relationship in the educational initiatives that were needed to get the population online. Estonia's early emphasis on integrating IT education with general schooling was critical in facilitating digital transformation. The Tiger Leap was a first step toward bringing all schools online, and it was funded by both public and private sector organizations. Look@World attracted private sector participation and co-sponsorship. Both services had an immediate impact on Estonian youth, resulting in the rise of a thriving IT start-up sector and, potentially, recent changes in government operations (Kattel & Mergel, 2019).

## **3.3 Australia**

### **Practices, Policies, and Strategies:**

In 2015 the Australian government adopted the UN Sustainability goals a part of which was to adopt a national Financial Inclusion Action Plan (FIAP). The plan is led by a non-profit organization, Good Shepherd Australia, and is being partially funded by the Australian government and is also being audited by the Australian parliament. The FIAP provides a platform for organizations to build their own financial inclusion plan based on an agreed upon national strategy of practical actions which supports the overall goals of the program,

The goals under the first action area in Australia's Financial Inclusion Action Plan (FIAP), Products and Services, are to improve access to financial products and services and to “promote savings and other supports that protect people in times of need associated with financial risk”.<sup>4</sup> Based on these goals, a [2019 survey](#) of the FIAP found that different organizations taking part in the FIAP had programs in place to promote savings which target 41,000 clients with a total value of the programs of over AUD 19,300,000. In addition 1,440,000 customers have received affordable financial products and services.

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<sup>4</sup> Good Sheperad Microfinance, “Financial Inclusion Action Plan (FIAP) Program: Submission to Senate Inquiry into the Sustainable Development Goals March 2018”, (2018) <https://www.aph.gov.au/DocumentStore.ashx?id=3a5af0a3-04c7-4f44-847d-d8ceaa12bc82&subId=564527>

Companies and organizations in different sectors offer different programs. Companies in the energy sector, for example, offered debt forgiveness and matching debt payments to eligible customers while financial institutions offered savings programs where customers were placed in a savings plan which evaluated their performance and offered rewards. Three micro-credit programs are:<sup>5</sup>

No Interest Loan Scheme	Step Up Loan	Good Money
Offers low income individuals interest free loans of up to AUD 1500 for purchase of household essential items (Fridge, furniture, car repairs). Customers must have a pension or health care card or earn less than AUD 45,000 annually. Loans are offered based on a Circular Community Credit process where each repayment goes back to the total funds available for the community.	Setting financial objectives and identifying the paths to achieve them by developing a strong understanding of financial products and services available with the costs and benefits associated and in particular raise awareness about existing government workplace benefits.	A partnership between NGO, Local government and Financial institutions to provide safe and affordable financial services such as No interest loans, financial counseling and insurance.

Also in 2015 the Australian government has [committed](#) AUD 33.3 million over 5 years to fund Micro-Credit programs such as the programs mentioned above and more.

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<sup>5</sup> <https://goodshepherdmicrofinance.org.au/services/no-interest-loan-scheme-nils/>;  
<https://goodshepherdmicrofinance.org.au/services/good-money/>;  
<https://goodshepherdmicrofinance.org.au/services/stepup-loan/>

### **Public - Private Partnership - FIAP Australia**

In 2015 the Australian government appointed Good Shepherd an NGO to lead the national effort into improving financial inclusion. A partnership group was built comprising of Good Shepherd, The Department of Social Services, EY (Ernst & Young) and the Centre for Social Impact UNSW (CSI). Where Good Shepherd is responsible for the program development and strategy, EY verifies each partner that joins the FIAP program and delivers them progress reports and CSI evaluate the impact of the FIAP program as a whole and conducts research to evaluate the different action plans.

A robust governance structure was put in place to ensure accountability for all parties involved:

- “1. Partnership Group is responsible for making all program-related decisions, supported by an expert Advisory Group, comprising experienced professionals from across the various sectors represented by the FIAP program.
2. An independent Program Reviewer has been appointed, to ensure that governance and risk, particularly any perceived and/or real conflicts of interest, are being appropriately managed.
3. FIAP participants make public commitments to take action to realize greater financial inclusion and resilience within their own sphere of influence.
4. They also participate in robust program Evaluation and Quality Assurance processes, and outcomes are regularly reported.
5. The program is also generating a robust evidence-base on what works and why, and what the impact is, in the short, medium and longer term.”

In addition, the FIAP program hosts quarterly conferences, “Community of Practice”, for all participating organizations to share good practices between the different organizations and review lessons learned to improve the impact and effectiveness of the FIAP program.

## **3.4 United States of America**

### **Practices, Policies, and Strategies:**

#### **Community Development Financial Institutions Fund (USDT)**

Established by the Riegle Community Development and Regulatory Improvement Act of 1994, the Community Development Financial Institution ([CDFI](#)) fund was designed to expand access to affordable credit and capital in minority and economically distressed communities.

Administered by the U.S. Department of the Treasury, the fund is a public-private partnership

that directs federal funds and private sector capital towards community-based financial institutions. There are now over 1,000 CDFIs that offer local expertise for investment decisions in areas underserved by the traditional banking sector.

- The [CDFI Program](#) and [Capacity Building Initiative](#) offer support and training for new and existing CDFIs, including technical assistance and market research
- The [New Markets Tax Credit](#) Program provides tax credits for Community Development Entities that attract private-sector investment
- The [Bank Enterprise Award](#) Program provides monetary awards to FDIC-insured depository institutions for increasing their investment in CDFIs
- The [Native Initiatives](#) generates economic opportunity for Native Communities by supporting the creation and expansion of Native CDFIs
- The [Bond Guarantee Program](#) makes debt available to CDFIs through the Federal Financing Bank
- The [Capital Magnet Fund](#) offers competitively awarded grants to finance affordable housing solutions

*“In the 20 years since it was created, the CDFI Fund has awarded more than \$2 billion to CDFIs all over the country. And in many cases, these CDFIs are the only sources of capital for borrowers in the communities they serve.” -Secretary Jacob Lew ([Financial Inclusion Forum](#))*

### **Financial Inclusion Forum (USDT)**

In 2015, the U.S. Department of the Treasury and U.S. Agency for International Development hosted the Financial Inclusion Forum to bring government officials and private sector representatives together to address financial inclusion. As a result, several [initiatives](#) were launched, including:

- Establishing additional CDFIs in the Mississippi River Delta
- Private funding for the Accion Frontier Inclusion Fund, which promotes financial service innovation
- Private funding for Operation HOPE, which provides financial education to women and girls living in the southeastern United States
- Creating the Catalyst Fund, which provides capital and technical assistance to help improve technology-based financial inclusion products (sponsored by the Gates Foundation and J.P. Morgan Chase)
- A partnership between PayPal and Village Capital, which sponsors two venture development programs supporting entrepreneurs that are developing technology-based solutions
- Piloting FICO Score XD, which uses data found outside traditional credit files to identify creditworthy individuals who would otherwise be unlikely to obtain traditional credit.

### **Financial Empowerment Innovation Fund (USDT)**

The [Innovation Fund](#) was a one-time initiative announced in 2014 to support the development and evaluation of new strategies promoting financial access and capability. That year, the U.S. Department of the Treasury awarded approximately \$6 million for 11 projects. These included contracts addressing classroom-based financial capacity building and post-secondary education decision making, as well as developing innovative financial products and services. Examples include:

- The private company, Banking Up, was awarded money in order to start a pilot program using prepaid cards as a gateway to more credit opportunities for low-income individuals.
- The City of San Francisco was awarded money in order to provide individuals living in public housing with financial coaching and counseling services.

### **US Direct Express (USDT)**

A [Debit Mastercard](#) provided by the U.S. Department of the Treasury as a way to get your federal benefits, even if you do not have a bank account. This includes: Social Security, Supplemental Security Income (SSI) and Veterans benefits.

### **Office of Innovation (CFPB)**

The office, housed in the Consumer Financial Protection Bureau, works with companies, consumer groups, regulators, and other stakeholders to promote competition, innovation, and consumer access in the financial marketplace. This is done by:

- Creating policies/sandboxes to reduce potential barriers to innovation
- Engaging with stakeholders who promote consumer-beneficial innovation
- Coordinating with Federal, State and international regulators

### **Model Safe Accounts Pilot (FDIC)**

This was a [one-year pilot](#) launched with nine financial institutions to evaluate the feasibility of offering safe, low-cost transactional and savings accounts for underserved consumers. Pilot banks were provided with the FDIC Model Safe Accounts Template that they could alter, as needed. Safe Accounts are “checkless, card-based electronic accounts that allow withdrawals only through automated teller machines, point-of-sale terminals... and other automated means.”

### **Successes and Shortcomings:**

#### **FICO Score XD**

A [FICO White Paper](#) estimates that approximately 53 million American consumers are “unscorable.” 28 million consumers have credit bureau files that are “not sufficient” for scoring. Another 25 million consumers have no credit bureau file at all. This means that approximately

22-25% of American adults (53 out of 240 million) are “credit-invisible.” To address this issue, FICO, LexisNexis Risk Solutions, and Equifax [established a partnership](#) to expand access to credit with the debut of FICO Score XD.

The objective of this partnership is to a) give a credit score to millions of Americans who do not have credit files, or whose credit files contain outdated or limited information, and b) use alternative data sources, powered by analytics, to increase financial inclusion and extend credit opportunities, in a safe and responsible manner, to a much broader population. The FICO Score XD looks at public records and a person’s history with phone, cable, and utility payments to generate scores on the same 300-850 scale used for standard FICO Scores. The FICO Score XD acknowledges that millions of consumers, who do not have a traditional credit score, do have a credit history. The new score leverages data from the sources noted above to enable institutions to safely extend credit. Throughout a yearlong pilot program with many of the largest lenders in the US, the majority of credit applicants who were previously unscorable could be scored with FICO Score XD. Millions of people in the newly scorable population were found to be creditworthy (according to a FICO press release in 2016).

In a [May 2018 Press Release](#), FICO announced that the FICO Score XD has helped score an additional 26.5 million consumers that were previously unscorable. A study from [Oliver Wyman](#) found that (before the launch of FICO score XD) 75% of American adults had a credit score, but only 51% of African Americans and 58% of Latinos had a credit score. This initiative likely led to a significant increase in credit scoring for minority populations in the United States. While more data is needed to assess the full extent to which minority communities were affected by this initiative, early indications are that the use of alternative data in producing a credit score is increasing access to mainstream credit opportunities.

### **Bank Enterprise Award**

The [Bank Enterprise Award](#) Program, established in 1994, awards FDIC-insured depository institutions for increased investment. Through the Bank Enterprise Award Program (BEA Program), the CDFI Fund provides monetary awards to FDIC-insured depository institutions (*i.e.*, banks and thrifts) that successfully demonstrate an increase in their investments in CDFIs or in their own lending, investing, or service activities in the most distressed communities. BEA Distressed Communities are defined as those where at least 30 percent of residents have incomes that are less than the national poverty level and where the unemployment rate is at least 1.5 times the national unemployment rate.

Over the last three years, institutions receiving [BEA program awards have increased](#) their a) investments in certified CDFIs by \$102.9 million, b) their loans and investments in distressed communities by nearly \$1.4 billion, and c) provision of financial services in distressed communities by \$50.2 million. [Estimates](#) of investments that were in addition to what was

reported for Community Reinvestment Act (CRA) purposes ranged from 10 to 15 percent up to 100 percent.

### **Model Safe Accounts Pilot (FDIC)**

There were more than 3,500 accounts opened during the period. Of those accounts, 662 were transaction accounts (with 80 percent remaining open afterward) and 2,883 savings accounts (with 95 percent remaining open afterward). The nine banks [reported](#):

- Relatively low overdraft risk on these accounts
- Fraud concerns were largely unfounded
- Some challenges with traditional marketing and outreach strategies that were overcome by training staff about benefits of Safe Accounts for unbanked/underbanked customers
- The various business models were based on FDIC Model Safe Accounts template

### **Native Initiatives Program**

The [Native Initiatives](#) program generates economic opportunity for Native Communities by supporting the creation and expansion of Native CDFIs. The initiatives have contributed approximately \$120 million in financial and technical assistance to CDFIs and provided over 1600 hours of training to Native CDFIs.

According to [Senate Testimony on the Native Initiatives Program](#), the Native Initiatives Program has made some significant inroads and generated substantive results in increasing the availability of credit and capital in Native Communities. From FY 2010 to FY 2018, NACA Program award recipients originated nearly \$620 million in loans and investments. Of this amount, more than \$312 million was dedicated to business and microenterprise loans and investments, financing more than 1,600 businesses; and more than \$117 million was for home purchases or home improvement financing. In addition, nearly 174,000 individuals have been served by financial literacy and training programs. One example of the impact:

- **Certified Native CDFI Four Directions Development Corporation (Orono, ME)** partnered with Wells Fargo & Company to provide a home down payment assistance program aimed at homeownership opportunities for Native Americans in Maine. Four Directions will provide up to \$5,000 in down payment assistance to tribal members to help address low rates of homeownership of Native Americans in Native Communities in the state.

### 3.5 New Zealand

#### **Practices, Policies, and Strategies:**

New Zealand launched the [\*Safer Credit and Financial Inclusion Strategy\*](#) in 2019 to formalize its efforts to enhance access to financial products, protect citizens from debt spirals, and improve the consumer experience with financial services providers. The strategy complements the existing framework implemented under the [\*National Strategy for Financial Capability\*](#) launched in 2015. The strategy is a collaborative effort between the government, the financial services industry, and community organizations.

The principal objectives of the strategy are as follows:

- Provide clear pathways to access to financial products and services that are affordable and appropriate.
- Establish collaborative partnerships between the government, financial services, and community sectors to deliver inclusive products, services, and support.
- Foster a responsive and accountable financial services system that understands, supports, and responds to the needs and best interests of customers in vulnerable circumstances.

Notable programs and strategy partners are illustrated in the chart below. The programs are intended to reach New Zealanders who are most vulnerable, including the Maori and Pacific minority populations

<b>Notable Credit and Financial Services Programs</b> <i>Safer Credit and Financial Inclusion Strategy</i>				
<b>Categories</b>	<b>Community Finance</b>	<b>Microfinance</b>	<b>Debt Resolution</b>	<b>Coordinated Referral Networks</b>
<b>Programs</b>	<b>Good Loans Program</b>	<b>Nga Tangata Microfinance Program</b>	<b>DEBTsolve</b>	<b>Money Talks Referral Program</b>
<b>Partners</b>	<i>Ministry of Social Development; Ministry of Business, Innovation, and Employment; Ministry of Maori Development; Kiwi Bank (state-owned bank); Bank of New Zealand; Good Shepherd New Zealand; Salvation Army; Aviva; along with dozens of other community-based organizations</i>			

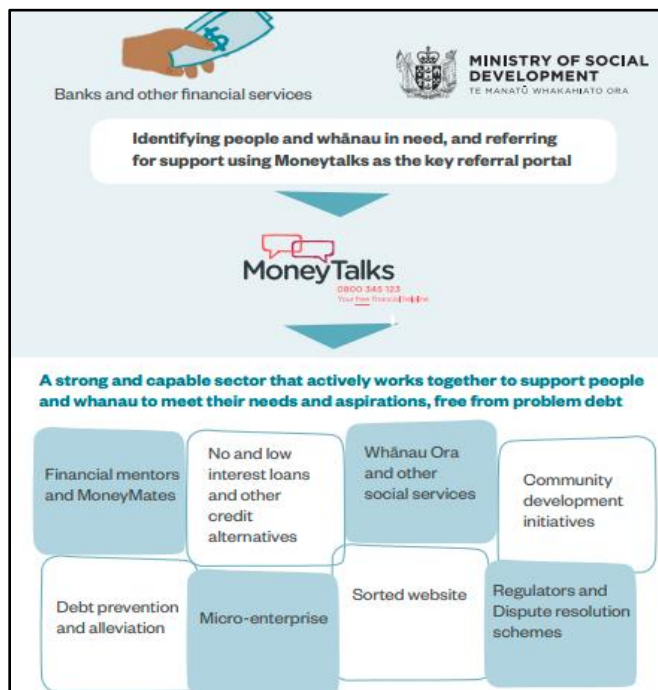
## Good Loans Program

[Good Loans](#) is a partnership between Good Shepherd New Zealand, the Bank of New Zealand<sup>6</sup>, and the Ministry of Social Development, delivered by community provider partners like The Salvation Army, Aviva, and Presbyterian Support Otago. This community finance program offers no and low-interest loans for essential goods and services, to support low-income families in New Zealand. Prospective borrowers apply through a community loan worker (*the community provider*) and capital is provided by the Bank of New Zealand (*committed \$60 million to the program*). The community provider acts as the intermediary between the borrower and the financial services institution.

## Nga Tangata Microfinance Program

[Nga Tangata Microfinance](#), launched in 2010, provides interest and fee free loans to individuals and families on limited incomes with safe, fair, and affordable credit to help escape debt cycles of high interest debt. Like the Good Loans program, Nga Tangata is intended to serve those individuals whose lack of collateral, steady employment, or verifiable credit history precludes them from accessing mainstream financial services. Low-Income New Zealanders are provided either asset building loans (i.e. refrigerators, washing machines, beds, glasses, dental work) or debt relief (granted for the purpose of repaying an existing high interest loan). Loans are provided to borrowers once they have discussed their situations with a financial mentor and are aware of their options, risks, and repayment requirements. Nga Tangata is financially-backed by

Kiwibank, a New Zealand state-owned bank. Over the last seven years, Kiwibank has provided the capital for over [\\$1,000,000 worth of microfinance loans, to over 300 borrowers](#).



## DEBTsolve Program

[DEBTsolve](#) is a recently launched pilot program designed to assist New Zealanders with unsustainable levels of debt. The program offers specialist debt counseling and advocacy support services. Debt counselors will create a financial plan of action, for debt reduction and repayment plans, in consultation with the borrower. The debt counselor acts as the intermediary between the borrower and the financial services provider. The program's guiding

principles include getting people back on their feet, obtaining appropriate reductions in debt,

<sup>6</sup> One of New Zealand's big four banks (not to be confused with the Reserve Bank of New Zealand)

arranging manageable repayment plans, and prioritizing the most effective use of the DEBTsolve loan.

### **MoneyTalks Referral Program**

The [MoneyTalks Referral Program](#) is a coordinated referral process between financial institutions, government agencies, and community agencies to help citizens access appropriate financial products and services. The public, private, and non-profit sectors work together by identifying vulnerable New Zealanders and referring them to MoneyTalks as their first point of contact. MoneyTalks will identify the specific needs of the individual, and then connect them with a services provider. Services providers include financial mentors, the microfinance program, debt alleviation programs, financial literacy, and consumer protection agencies. A breakdown of the referral process is shown in the chart above.

### **Successes and Shortcomings:**

An [external evaluation](#) was commissioned in 2016 to examine the effectiveness of the Nga Tangata Microfinance Program. The evaluation estimated that since inception, the program has contributed to savings of approximately \$800,000 in credit charges and costs for program participants, of which 70 percent went to minority communities (Maori, 42 percent; Pacific Islander, 28%). The evaluation also compared loan recipients to non-loan recipients based on reserves, level of engagement with financial services providers, and changes in financial behavior. The evaluation found that, on average, participants had higher reserves/savings for emergencies (37% versus 29%), were more likely to engage with a financial services provider (90% versus 79%), and were more likely to have made positive financial changes (74% versus 64%), than non-loan recipients.

A [follow-up evaluation](#), conducted in 2020, demonstrates the program's growth and effectiveness in supporting New Zealand's minority communities. The program has issued 550 loans totaling over \$1.2 million since inception. As of 2020, the program has contributed to savings of approximately \$3 million in credit charges and costs for participants. 80 percent of loan recipients stated that the loan, and financial mentoring received through the program, has made a big difference in how they now spend money. Despite the program's success, the scale is relatively small, and would require expansion to deliver a more tangible impact on financial inclusion amongst New Zealand minority groups.

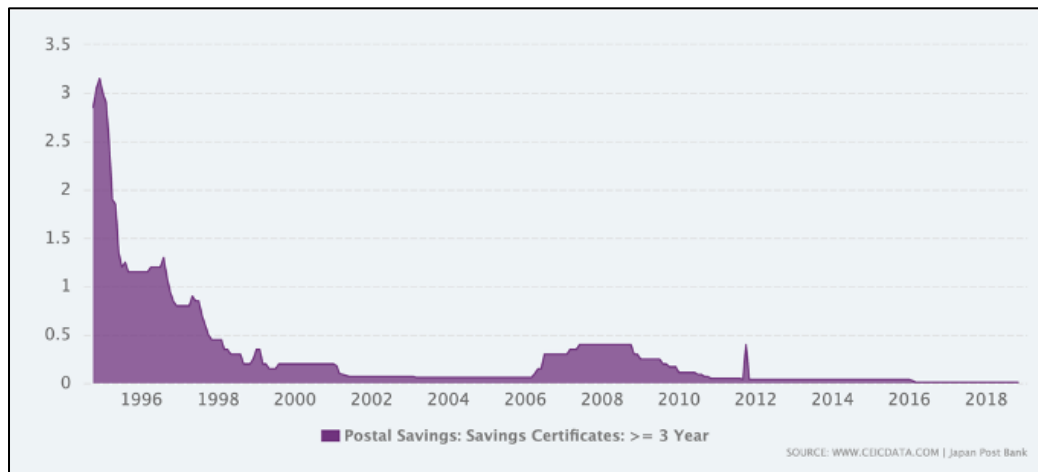
## 3.6 Japan

### Practices, Policies, and Strategies:

In the contemporary Japanese experience, Japanese people have been faced with a lower savings rate, difficulty obtaining credit, a concentrated public-finance system, and ballooning domestic poverty. Over the two decades between 1994 and 2013, the recipients of government assistance in Japan have almost tripled, while incomes have stagnated or regressed in real terms. In a historic context, the government has innovated in ways that have had a demonstrably positive output on domestic economic growth. For the purposes of this report, we will focus on Japan's most substantial historic achievement in developing financial services in an inclusive fashion domestically, namely its unique 'Postal Savings System.'

### **Japan Postal Savings System**

In 1875, the Japanese government set up savings accounts in 1875, which over time grew to become the single largest deposit-taking financial institution in the world. The unusual scale achieved, totaling nearly \$2 trillion in depository assets, is a symmetric function of the number of rural Japanese citizens who took advantage of the adequate incentives the Japanese government provided (in the past) in addition to the access for those without means to access traditional financial services (rural people). At the time of the system's establishment, banks did not establish requisite safeguards or guarantees on deposits that gave citizens the confidence on which their relationship with the postal system was predicated.



The volume of deposits has decreased over time, but each of Japan's 24,000+ post offices had or has a bank inside, providing basic services including:

- Selling life insurance
- Cashing checks
- Issuing depository certificates
- Check-paying/payroll services

Most recent data suggest the system accounts for somewhere between one-third and one-half of all the deposits held by any financial institution in Japan. The United States attempted to replicate the popular appeal of the Japanese model but ultimately failed because of the private-sector alternatives that were at the disposal of Americans. The populations in the United States who capitalized on the duplicate American system were either urban immigrants who did not trust private financial institutions or rural citizens without means to accessing them. Our team believes there may be potential for replication of a similar such system in Israel, involving community centers in Arab communities that are managed or run by other Arab-Israelis.

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## FOCUS AREA #4: Digitization and E-Governance

<b>Description of the Focus Area</b>	<ul style="list-style-type: none"><li>• Policies, Programs, Practices, and Partnerships that focus on the digital delivery of financial services</li></ul>
<b>Countries Included in this Focus Area</b>	<ul style="list-style-type: none"><li>• Sweden</li><li>• United States</li><li>• Estonia</li><li>• Japan</li></ul>
<b>Relevance to Israel</b>	<ul style="list-style-type: none"><li>• Initiatives focused on digital delivery of financial services enhance access and draw larger portions of the population into the financial system</li></ul>

### 4.1 Sweden

#### Practices, Policies, and Strategies:

##### Cash Use

In the last ten years, Swedes [reporting](#) to have used cash for their last transaction has fallen from 40 percent to less than 10 percent (Table 1). Instead they primarily use their debit card or the app Swish. Sveriges Riksbank stated that this trend has strengthened during the Covid-19 pandemic, especially among previously laggard demographic groups. The decreasing cash use hasn't been caused by traditional factors, like a higher GDP or interest rates, but likely by government measures against tax evasion and the banknote/coin changeover, as well as the availability of digital alternatives.

Around the same time, in 2012, the app [Swish](#) was also created. Unlike other payment applications, Swish is a corporation started by six of the largest banks in Sweden, which quickly made it broadly available to the public. More banks have since utilized the service and the application has nearly 8 million users, with circa 75 percent of the Swedish population reporting

to have used it to make payments in the last 30 days (Table 2). While predominantly used by younger people, older people appeared to begin using Swish more during the pandemic.

Table 1

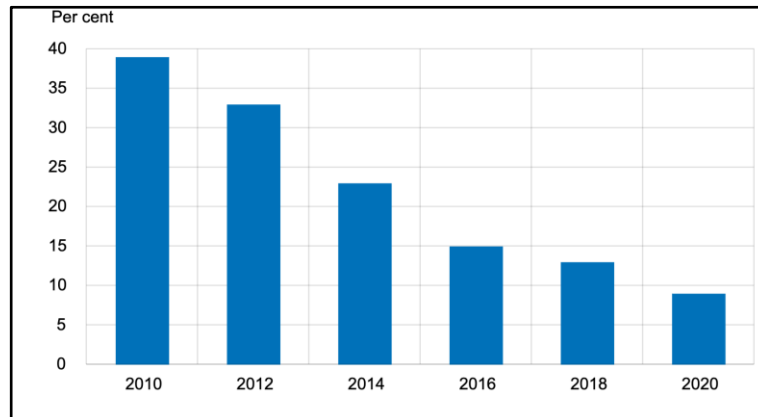
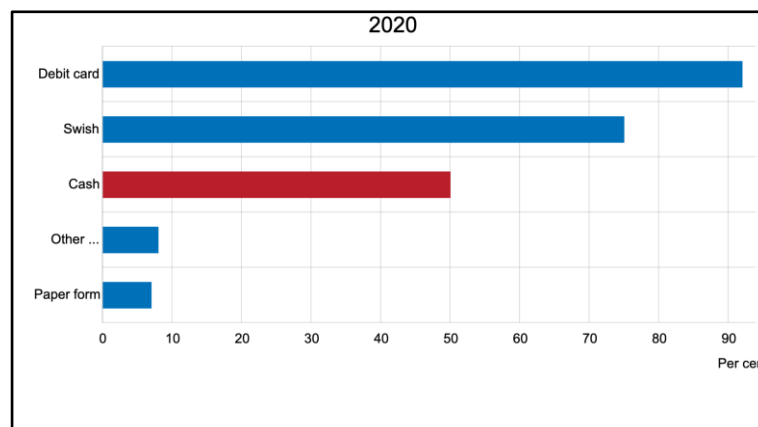


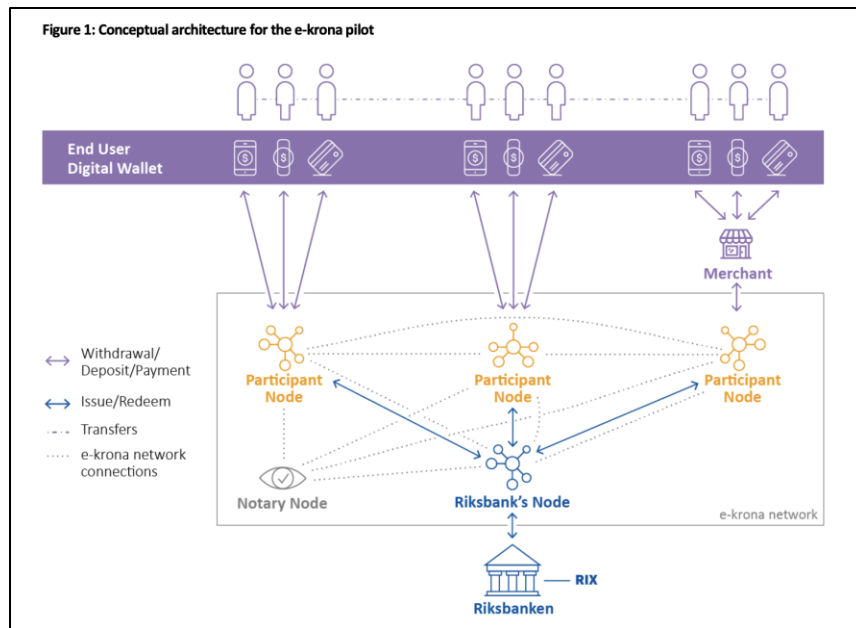
Table 2



### **E-krona**

As noted, because cash-use is declining in Sweden, fewer vendors are accepting cash for purchases, and digital developments are providing convenient payment methods, Sveriges Riksbank has initiated a pilot project to explore a technical solution for the Swedish kroner to be used in electronic form, e-krona. From their February 2020 [report](#):

*“The main aim of the pilot is for the Riksbank to increase its knowledge of a central bank-issued digital krona. There is currently no decision on issuing an e-krona, how an e-krona might be designed or what technology might be used.”*



## BankID

[BankID](#) is a citizen identification solution that allows companies, banks and government agencies to authenticate and conclude agreements with individuals over the Internet. The BankID network includes most of Sweden's largest banks and over 8 million people use BankID on a regular basis.

## Nordic Innovation Centre

The Bank of International Settlements [announced](#), in 2020, their plan to establish the Nordic Innovation Centre, a BIS Innovation Hub in Stockholm, which will be a collaborative project between the central banks of Sweden, Norway, Denmark, and Iceland. The center will work to deepen the analysis of relevant financial innovation within the central banking community and advance research for digital solutions in banking.

## FI's Innovation Center

*Finansinspektionen* is the Swedish government's financial supervisory authority. It has been [tasked](#) with advising potentially new FinTech contributors, while the Swedish Agency for Growth Policy has been tasked with researching the finance technology sector in order to propose measures that would improve innovation. FI [functions](#) as a point of contact for companies, provides information and guidance, and promotes coordination among the Swedish authorities.

## PTS

Swedish Post & Telecom Agency ([PTS](#)) helps local administrative boards design and implement regional support and development initiatives that ensure access to basic payment services,

especially in the towns and rural areas where the need hasn't been met by the market. The Swedish government has also promoted, and collaborated with, private sector companies like [Betalningshjälpen](#) (i.e. payment help), which works with consumers to access the various services, such as BankID and Swish.

## 4.2 United States of America

### **Practices, Policies, and Strategies:**

#### **ConnectALL**

An [initiative](#) to help Americans from across the country, at every income level, get online and have the tools to take full advantage of the Internet. It was part of the Obama administration's broader effort to address "[the digital divide](#)" between those with and without internet connectivity. The administration submitted a recommendation to the FCC for them to reform a \$1.5 billion per year Reagan-era phone subsidy program into a 21st Century national broadband subsidy to help low-income Americans get online, as well as called on the private sector to help connect 20 million more Americans by 2020. Additionally, it aimed to:

- Increase the affordability of broadband for low-income Americans
- Initiate a national service effort to deliver digital literacy skills
- Increase access to affordable devices
- Bring together private sector companies helping to deliver affordable connectivity
- Marshal philanthropic support for digital inclusion

#### **FinHub (SEC)**

The Securities and Exchange Commission established the Strategic Hub for Innovation and Financial Technology, of FinHub, in 2018. It leads the agency's efforts to encourage responsible innovation in the financial sector by identifying and analyzing emerging financial technology trends and engaging with market participants. In [2020](#) the unit became a stand-alone office, with the director reporting directly to the SEC chair.

#### **Special Purpose National Bank Charters (OCC)**

*"A question raised by technological advances in financial services and evolving customer preferences is whether it would be appropriate for the OCC to consider granting a special purpose national bank charter to a fintech company."*

The Office of the Comptroller of the Currency is given the authority to charter special purpose banks. This [report](#) documents some of the reasons why they believe it may be in the public interest to grant such charters in the fintech sector. These include:

- Ensuring that such companies will operate in a safe and sound manner
- Promoting consistent supervision of national banks and fintech companies
- Providing a path for fintech companies to join the federal banking system

## 4.3 Estonia

### Practices, Policies, and Strategies:

#### **Background**

Estonia has excelled in the area of financial inclusion as a result of the country's massive digitization effort over the last 30 years. Estonia is regarded as a remarkable success story in the field of e-government as a result of its efforts. Not only among Central and Eastern European countries, but also among the original European Union member states and other leading Information and Communication Technology (IT) countries, the country has been ranked highly in international comparisons measuring information-society developments (Kalvet, 2012). The [2020 United Nations e-government survey](#) (United Nations Department of Economic and Social Affairs, 2020) ranks Estonia as a top performer in e-government development (those in the highest rating class of the very high rating group) alongside Denmark, the Republic of Korea, Finland, Sweden, the United Kingdom, among others. The 2008 report describes the country as “reinventing itself from the confines of the previous Soviet era into a Baltic catalyst for digital adoption and innovation”.

The country is considered advanced and sophisticated in terms of accessible online public services. Kalvet (2012) points that all public services have an e-service portion: all state and local government departments, public-law practitioners, and private-law practitioners conducting public-law functions must recognize digitally signed documents. Because every **Estonian public agency is obligated to accept digitally signed documents** and most private sector companies prefer this form of electronic services, the country is considered a leader in this segment. As of 2021, Estonia is about to reach 100 million digital signatures. This simple technology saves [5 days every year for the citizen](#).

“If we replace all the digital documents signed during this time with usual paper ones, the resulting stack of paper will be at least 14 times higher than an average TV tower.”

*[Estonia ID initiative](#)*

These developments have piqued international interest, especially among developing countries interested in following Estonia's lead. Together with [New York Times](#), [Financial Times](#), and [Forbes](#), The New Yorker published [an article](#) titled "Estonia, the Digital Republic" in 2017 putting it as a virtual, borderless, block-chained, and safe,' according to the article. In such media, Estonia's digital government success is often represented in conjunction with its flourishing IT industry,

most of times following the history of Skype and its impacts to the country's society (Kalvet, 2012).

### **X-Road and e-ID**

The progress of Estonia's e-government infrastructure is based on two key pillars, both of which were implemented in 2001 and which effectively establish a digital state and digital citizens: the X-Road data infrastructure and a mandatory national digital ID. X-Road is a data sharing layer and interoperability network for existing decentralized databases that can be used by both public and private sector actors. It is platform and architecture agnostic, allowing for safe data transfers and the recognition of trustworthy actors in the delivery of digital services (Kattel and Mergel, 2019).

“The digital ID makes it possible for citizens to be identified digitally and to use digital signatures. Together, X-Road and the digital ID make it possible to digitally sign any contract, access essentially any public service such citizens' digital medical history, order prescriptions, file taxes, vote, and much more. It is thus our main goal to understand how Estonia achieved such a forefront position in e-governance and how that played a part in the financial inclusion of Estonians.” (Kattel and Mergel, 2019)

### **A “No-Strategy” strategy**

Kattel and Mergel (2019) also describe the process behind the Estonia's digital transformation: the authors show that Estonia's digital transition has been a three-decade journey that began when the country regained independence in the early 1990s and continues today. It was influenced by various legislative proposals as well as subsequent discussions and trends. This has been an ad hoc and spontaneous method for the most part. Instead of adapting to domestic problems and preparation cycles, many structural policy plans for digital change have adopted the rhythms of European funding phases (Kattel and Mergel, 2019)

Ever since the first democratic government took power in 1992 with the fall of the Soviet Regime, the IT growth has been seen as a source of strategic advantage, a sign of leaving the socialist history behind, and an indication of an opening up from the society and economy -- a head towards the West. At the moment, the idea of digital change was part of a larger diplomatic consensus that involved the decision to join the European Union and NATO. The digital agenda continues to enjoy broad political patronage. Anyone interested in Estonia's digital history has an obligatory pit stop at the [e-Estonia website](#), which has become part of Estonia's official image and branding. More technically, the informal dynamic power and capability for change was provided by a number of integrated and mostly self-managed public-private networks, few of which had been institutionalized or formalized. In Estonia's digital transformation, however, unconditional cross-party support for the digital agenda has become a constant.

‘[What is our Nokia?](#)’ was the catchphrase that fueled the Estonia political discussion around the digital take-off. The Finnish phone-maker had become an example for the Estonians and a primary technological goal. The discussions were not talking about a simple transition but a true act of

'leapfrogging' the West's technology. Since Estonia lacked the political will and economic potential to grow its own substantial industry, the emphasis shifted to creating what could be described as general-purpose technology. Rather than focusing on particular IT and electronics sectors, the political priority was to cultivate IT as a general-purpose socioeconomic capability that could be spread by as many people as possible.

It is therefore important to state that the government strategy is often seen as a "no strategy" with much independence given to the many state actors in order to achieve a "free-market" outcome.

### **Main features of Estonia's digital economy**

Kattel and Mergel (2019) describe the main principles that guided the Estonian technological change:

1. Focus on future-oriented and "utopian" solutions
2. Public digital architecture should be universal in nature.
3. Decentralized digital agendas (including databases) of ministries.

Academics played an important role in the early decision-making processes as members of the Informatics Council, the first institutional advisory body on IT, which was formed in 1990 (Kattel and Mergel, 2019). The backbone of the digital transformation, the X-Road, for instance, has its origins in the council.

### **External and Private Collaboration**

Estonia's IT geography was formed in large part by its proximity to Scandinavia. In 1991, the government split the Ministry of Communications into two state-owned corporations and established Eesti Mobiiltelefon, a mobile joint venture with Swedish and Finnish partners. In terms of the X-Road, the government worked hard to extend the backbone of the technology infrastructure, but the country has never had a single digital entity or consolidated or even standardized public datasets, despite this seemingly cohesive strategic shift. Instead, policymakers and civil servants have sought policy input from cross-sectoral networks in order to further a digital transition agenda.

Another important point is that the country population is small enough and there are close ties between politicians and IT businesses. The fact that public-private collaborations launched major IT investments and digital networks as joint ventures with Scandinavian state-owned firms, and then mostly through the banking sector, resulted in the creation of such a network between the political and business spheres. Banks were at the forefront of implementing the national e-ID as electronic banking became more prevalent in the late 1990s. The banks funded IT education in schools and for the general public through the educational Tiger Leap and Look@World initiatives

in the late 1990s and early 2000s so that people could access their internet resources (Kelvet, 2012, Kettle and Mergel, 2019).

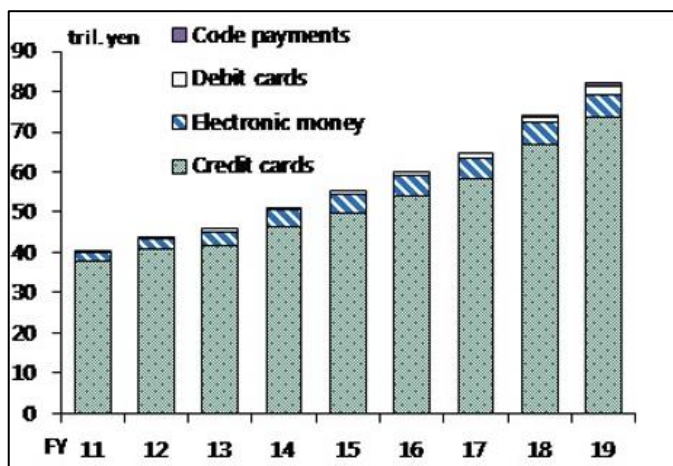
## 4.4 Japan

### Practices, Policies, and Strategies:

The Japanese approach to digitization can be traced to a 1994 Japanese Cabinet meeting convening and unveiling a “Master plan for promoting government-wide use of IT” that planted the seeds of a sustained national effort towards digitization that lasts until this day (Nielsen 78). More contemporarily, Japan initiated a plan, in 2016, that was a declaration of Japan’s intent to be the most technologically advanced nation in the world, centered on creating electronic identities for all citizens, data-sharing across government ministries, and more efficient interaction between government and citizen. Relative to its developed peers, Japan has done a poorer job of introducing open banking and APIs to its market. Since the COVID-19’s pandemic introduction to Japan, the concept of financial inclusion has centered around redoubling efforts to digitize and financially connect citizens to their government.

### **Encouragement of Digital Transformation**

In 2018, Japan’s Financial Services Agency (FSA), the government body tasked with regulating banks in Japan, amended the country’s 30-year-old banking act to permit open banking. While the amendment itself lacks specific guidance on data portability and makes implementation of open banking by Japanese companies voluntary, it is a seminal step in the right direction because of the country’s similar struggle with high cash usage. In Japan, roughly 80 percent of all consumption is cash-based, thanks



partially to the lack of a sufficiently developed electronic payment network that has gained ubiquitous approval. Japanese e-payments providers are highly fragmented and have yet to be practically used by Japanese companies, despite the abstract gesture.

### **Bank of Japan’s Central Bank Digital Currency (CBDC)**

In 2020, following China’s lead, Japan announced its intention to introduce a digital currency in 2021, to address a binary problem: the need to encourage continued cashless transactions and overall national efforts to financially digitize. The Bank of Japan’s effort was organized jointly

with six other countries, including the Bank of England and the United States, chiefly as a reactionary measure to China's preceding efforts to digitize its currency, thereby increasing the Yuan's reach around the world. While the stated objective is to prevent China's monetary infrastructure from gaining the 'first-mover' advantage in the digital currency race, Japan's secondary objective is to use digital currencies to enhance digital financial inclusion (as defined by the World Bank) in the Japanese socioeconomic context.

Japan's character as a high cash-usage society makes digital access to financial services, particularly currency, a potentially revolutionary development. The Bank of Japan's CBDC has, as part of its binary policy intent, the capacity to lower transaction costs for the financially excluded while also helping them manage their sometimes unpredictable income (attributable to irregular or part-time work) and/or expenses. Moreover, the additional risk associated with loss or theft of cash will be rendered de minimis upon adoption of the CBDC as a regular part of life in Japanese economic society. One of the most substantial non-financial factors that inhibits inclusion in Japan is the percent of the population that resides in rural or remote areas and thus have difficulty accessing financial services; the CBDC is also meant to address the needs of this population segment.

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