



# BEYOND GDP

The Economic and Social Impacts of the  
IFI Ecosystem in Canada

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 NACCA

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## INTRODUCTION TO THE ECONOMIC AND SOCIAL IMPACTS OF THE IFI ECOSYSTEM



Leveraging its long history in gathering and analyzing program and lending data from Indigenous Financial Institutions (IFIs), the National Aboriginal Capital Corporations Association (NACCA) engaged the Conference Board of Canada (CBoC), the foremost applied research institution in Canada, to assess core data gathered over five years. The data set used represents a sizable share of the IFI ecosystem's lending and funding activities, but it is not exhaustive. The CBoC Report set out to identify and measure the crucial role that IFIs and their national association play in driving Indigenous economic development, wealth creation, and improving social outcomes for Indigenous peoples in the face of numerous systemic barriers.

While data collected by NACCA demonstrates clear economic impacts of IFIs lending and program delivery, IFIs go beyond fostering business creation and growth and employment; they actively dismantle social and economic barriers that hinder Indigenous entrepreneurship and prosperity. IFIs improve the lives of the clients and the communities they serve. By immersing themselves in community, IFIs foster trust and, while serving their current clientele, IFIs and NACCA are thinking generations ahead, cultivating an ecosystem for future Indigenous entrepreneurs and business leaders to thrive. This work is also important for Canada, the Conference Board of Canada points out.

According to the National Indigenous Economic Development Board's Reconciliation Report, equalizing economic opportunities for Indigenous people (closing the productivity gap) alone could boost Canada's GDP by \$27.7 billion annually or 1.5% of the economy.<sup>1</sup>

In their report, the CBoC describes the transformative impact of IFIs and NACCA in overcoming some of these barriers by providing loans, non-repayable government contributions, and support services to Indigenous-owned and/or controlled businesses, 55% of which were located on-reserve. IFI clients cover a wide spectrum of business structures including sole-proprietorships, partnerships, corporations, community owned businesses, non-profits and joint ventures. The data analyzed by the CBoC Report covers over 6,900 loans and non-repayable government contributions, supported by NACCA's Aboriginal Business Financing Program (the "ABFP") and Aboriginal Developmental Lending Assistance (the "ADLA"), that together with related client equity contributions, were valued at \$813.2 million (2020 constant dollars).

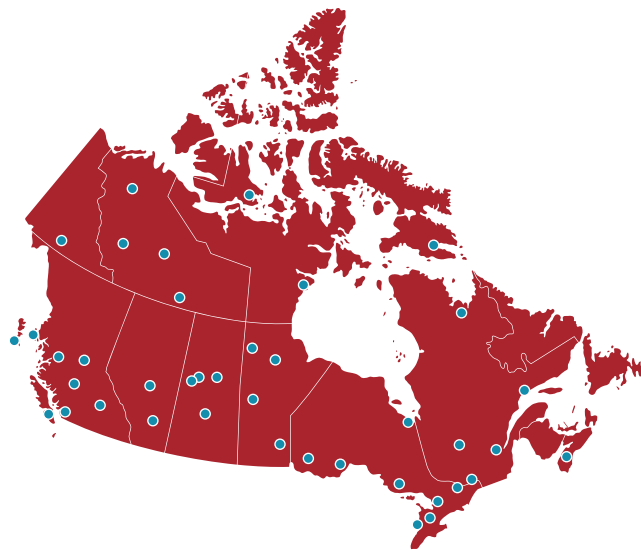
This document, draws on the 2023 CBoC report "The Economic and Social Impacts of Indigenous Financial Institutions: A Model-based Approach," and highlights key economic and social impact outcomes of the IFI network.

<sup>1</sup> National Indigenous Economic Development Board, Reconciliation: Moving Canada Forward by \$27.7 Billion, 2016.

# THE IFI ECOSYSTEM

*“...Indigenous people in Canada face barriers to accessing capital that other Canadians do not face. These include a legal and regulatory environment that is unfavorable for economic development, barriers to control over lands and resources, underinvestment in housing and infrastructure, low rates of financial literacy, higher costs of doing business, a lack of support for business growth and a complex government funding regime.”<sup>2</sup>*

IFIs are dedicated to nurturing the growth and achievements of Indigenous entrepreneurs across Canada. By investing in Indigenous entrepreneurs, IFIs contribute to improved well-being for individuals and their families, and these positive impacts spill out into wider communities enhancing their prosperity, self-determination, and long-term sustainability. The IFI network has provided over 50,000 loans totaling \$3 billion to businesses owned by First Nations, Métis, and Inuit people.



<sup>2</sup>Recommendations Report on Improving Access to Capital for Indigenous Peoples in Canada, The National Aboriginal Economic Development Board, July 2017.

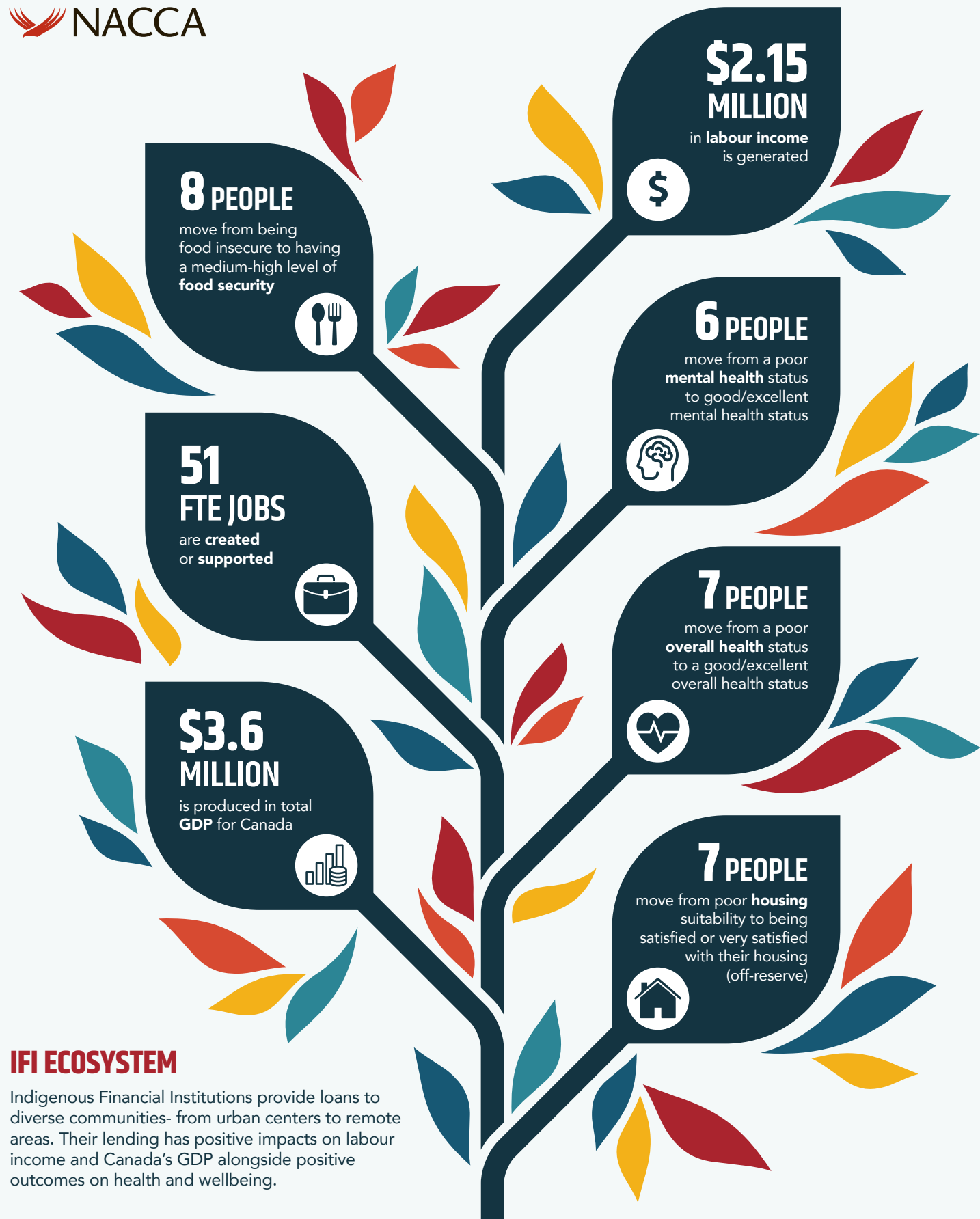
# THE NATIONAL ABORIGINAL CAPITAL CORPORATIONS ASSOCIATION

**NACCA**, the National Aboriginal Capital Corporations Association, is a membership association network of over 50 IFIs dedicated to stimulating economic growth for all Indigenous people in Canada. It supports IFIs by designing and delivering programs to meet the evolving needs of its members.



Throughout this report, you will note the use of the term “**Indigenous Financial Institution (IFI)**” replacing the term “Aboriginal Financial Institution (AFI).”





**IFI ECOSYSTEM**

Indigenous Financial Institutions provide loans to diverse communities- from urban centers to remote areas. Their lending has positive impacts on labour income and Canada's GDP alongside positive outcomes on health and wellbeing.

**FOR EVERY \$1 MILLION LENT BY INDIGENOUS FINANCIAL INSTITUTIONS**

**THE ECONOMIC IMPACTS OF THE IFI ECOSYSTEM**

**Impacts on GDP**

The ability of IFI lending to generate \$3.6 million in Canadian GDP from a \$1 million investment resonates profoundly, impacting both the economy and society. This outcome signifies more than just monetary growth; it embodies a broader narrative of inclusivity, empowerment, and partnership between Canada and the Indigenous economy. Beyond strengthening Indigenous communities, this multiplier effect fortifies Canada's overall economic landscape, with the success of IFI lending representing a unified strategy that bridges the divide between Indigenous and non-Indigenous economic activities.



**Impacts on Labour Income**

In 2021, 18.8% of Indigenous people lived in a low-income household, compared with 10.7% of the non-Indigenous population.<sup>3</sup>

Labour income plays a pivotal role in the economic cycle driven by IFI lending, acting as a vital engine that propels economic improvement forward for Indigenous communities and individuals.

**The Conference Board of Canada research found that for every dollar an IFI lends, \$2.15 dollars are generated in labour income.**

By supporting labour income, IFIs positively influence well-being for individuals in several ways. This includes enhancing financial stability and reducing uncertainty, enabling better access to and affordability of, essential needs, improving physical and mental health by alleviating financial stress and anxiety, providing increased opportunities for education and skill development, and lessening social isolation and marginalization. These impacts on labour income also go beyond the individual, rippling outward into families and communities.

<sup>3</sup> Indigenous population continues to grow and is much younger than the non-Indigenous population, although the pace of growth has slowed, The Daily, Statistics Canada, September 21, 2022, Page 19.

# THE SOCIAL IMPACTS OF THE IFI ECOSYSTEM



**“In the IFI-driven direct employment scenario, 75 per cent of off-reserve Indigenous workers would report high or medium food security, while only 59 per cent of the reference population would.”<sup>4</sup>**



## Impacts on Food Security

According to the First Nations Food, Nutrition & Environment Study<sup>5</sup>:

- Many First Nations face the challenge of extremely high rates of food insecurity. Overall, almost half of all First Nation families have difficulty putting enough food on the table. Families with children are affected to an even greater degree.
- The price of healthy foods in many First Nation communities is much higher than in urban centres and is therefore beyond the reach of many families.
- The current diet of many First Nation adults is nutritionally inadequate, which is strongly tied to food insecurity and limited access to healthy food options.
- Traditional food access does not meet current needs. Over half of all adults reported that harvesting traditional food is impacted by industry-related activities, as well as climate change.

Improving food security in Indigenous communities, whether on or off-reserve, is a critical focus for IFIs. IFIs serve a wide range of communities, and in communities with high unemployment rates, access to healthy and affordable food is often limited, leading to elevated levels of food insecurity compared to the non-Indigenous population. This manifests in hunger, malnutrition, physical and mental illness, deepening poverty, and social isolation and marginalization.

Food security is attained when a community has reliable access to sufficient, safe, and nutritious food that meet their dietary needs and preferences for an active and healthy life. IFIs play a vital role in enhancing food security by bolstering the availability and accessibility of food in the communities in which they invest.

The research and analysis conducted by the CBoC highlighted a significant disparity between Indigenous workers in IFI-driven jobs and unemployed people from similar backgrounds. In the IFI-driven direct employment scenario, 75 per cent of off-reserve Indigenous workers would report high or medium food security, while only 59 per cent of unemployed people from similar backgrounds would.<sup>6</sup>

IFIs achieve this positive impact by increasing economic activity, generating employment opportunities within the communities, and by directing lending to, and fostering the development of, businesses geared toward food production and food services industries including fisheries, aquaculture, hydroponics, ranching, farming, food stores, and restaurants. This approach not only boosts economic prospects but also helps to ensure a more sustainable, autonomous and healthy future for communities, as they gain greater access to the nutritious food needed for their well-being.

<sup>4</sup> Food Insecurity in Indigenous Communities, Seeds of Diversity, April 2021  
<https://seeds.ca/schoolfoodgardens/food-insecurity-in-indigenous-communities/>

<sup>5</sup> First Nations Food, Nutrition & Environment Study, Final Report for Eight Assembly of First Nations Regions, November 2019, Page 148.

<sup>6</sup> The Economic and Social Impacts of Indigenous Financial Institutions: A Model-based Approach with Case Illustrations, The Conference Board of Canada, 2023, Page 32.



### SELF-RATED OVERALL HEALTH

86 per cent of off-reserve Indigenous workers modeled in the IFI investment scenario would report high or medium levels of overall health, while 71 per cent of the reference population would.<sup>7</sup>

<sup>7</sup> The Economic and Social Impacts of Indigenous Financial Institutions: A Model-based Approach with Case Illustrations, The Conference Board of Canada, 2023, Page 33.

<sup>8</sup> The Economic and Social Impacts of Indigenous Financial Institutions: A Model-based Approach with Case Illustrations, The Conference Board of Canada, 2023, Page 34.

### SELF-RATED MENTAL HEALTH

86 per cent of off-reserve Indigenous workers modeled in the IFI investment scenario would report excellent to very good levels of mental health, while 74 per cent of the reference population would.<sup>8</sup>



## Impacts on Self-rated Overall Health and Mental Health Status

**“...across Canada, First Nations, Inuit and Métis Peoples face unacceptable health disparities.**

**Due to the legacy of colonialism and systemic racism, they are more likely than other Canadians to experience persistent poverty, food insecurity and barriers to housing and education — key contributors to chronic illnesses and other health challenges.”<sup>9</sup>**

- In 2011, the life expectancy for the First Nations household population at age 1 was 72.5 years for males and 77.7 years for females. This was 8.9 and 9.6 years shorter than for non-Indigenous males and females.<sup>10</sup>
- “...the suicide rates among First Nations people, Métis and Inuit were many times higher than the non-Indigenous rate during the 2011 to 2016 time period.”<sup>11</sup>
- “In comparison to non-Indigenous adults, the prevalence of Type 1 and Type 2 diabetes combined is nearly three times greater for First Nations adults living on reserve and in northern communities, and two times greater for First Nations adults living off reserve (PHAC, 2018).”<sup>12</sup>

IFIs help to improve health and mental health outcomes in communities through increased economic activity, by generating employment opportunities, and through direct lending to health and wellness businesses. These businesses include healthcare facilities, Indigenous health professionals and Indigenous cultural activities. By investing in these targeted areas, IFIs help to improve overall health outcomes in Indigenous communities. This approach helps to ensure healthier futures for these communities, as individual’s health improves, and communities gain greater control over their health systems, practices and resources.

<sup>9</sup> <https://www.cma.ca/our-focus/indigenous-health#:~:text=Due%20to%20the%20legacy%20of,illnesses%20and%20other%20health%20challenges.>

<sup>10</sup> Life expectancy of First Nations, Métis and Inuit household populations in Canada, Health Reports, Statistics Canada, December 18, 2019.

<sup>11</sup> Suicide among First Nations people, Métis and Inuit (2011-2016): Findings from the 2011 Canadian Census Health and Environment Cohort (CanCHEC), National Household Survey, Aboriginal Peoples, Statistics Canada, June 28, 2019.

<sup>12</sup> The Prevalence of Type 2 Diabetes Among First Nations and Considerations for Prevention, National Collaborating Centre for Aboriginal Health, Regine Halseth.



**The CBoC analysis shows that the employment created by IFI investments cuts the share of workers unsatisfied with their housing situation by over half [54%] from 26% in the reference population to 12%.<sup>13</sup>**



## Impacts on Housing Suitability and Satisfaction

According to the 2021 Census:<sup>14</sup>

- Over one in six Indigenous people (17.1%, or 309,345 people) resided in housing deemed unsuitable for the number of occupants, as per the National Occupancy Standard. This statistic revealed that Indigenous individuals were nearly twice as likely as their non-Indigenous counterparts to experience crowded living conditions (17.1% versus 9.4%). These figures emphasize the prevailing disparities in housing quality and overcrowding between Indigenous and non-Indigenous populations.
- Indigenous people were almost three times more likely to live in a dwelling in need of major repairs (16.4%) in 2021 than the non-Indigenous population (5.7%).

It is widely accepted that having suitable housing is crucial for maintaining good physical and mental health, reducing the risk of illness and stress associated with unstable living conditions.

Additionally, secure housing plays a significant role in economic stability both for individuals and communities. Access to suitable housing enables individuals to plan for the future, putting down roots in their community and fostering connections to their cultures and to each other. For Indigenous children, stable housing positively impacts their education, leading to regular school attendance, better academic performance, and access to follow-on supports.

IFIs play a significant role in enhancing housing suitability and satisfaction levels among Indigenous communities. This improvement is achieved through various means, including the boost in economic activity and labor income, the creation of job opportunities within their regions, and strategic lending specifically targeted to Indigenous-led residential construction. IFIs also extend support to sectors that support the development of housing including traveler/worker accommodation, real estate leasing, and services related to maintaining buildings and dwellings.

<sup>13</sup>The Economic and Social Impacts of Indigenous Financial Institutions: A Model-based Approach with Case Illustrations, The Conference Board of Canada, 2023, Page 36.

<sup>14</sup>Housing Conditions among First Nations people, Metis, and Inuit in Canada from the 2021 Census.



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