

# Aviva NILS Pilot Evaluation Snapshot

February 2014 – February 2015



## About GSNZ

Good Shepherd New Zealand (GSNZ) was established in 2012 with the purpose of assisting disadvantaged women and girls in New Zealand. GSNZ is committed to disrupting the cycles of disadvantage for women and girls, and enabling more connected, resilient communities. A large part of that work is to support the development and growth of domestic microfinance programmes in New Zealand.

Good Shepherd's No Interest Loan Scheme (NILS) is one such programme. NILS offers no interest loans to people on low incomes for the purchase of essential household goods and services. NILS has been developed in Australia over the past 34 years by Good Shepherd Microfinance (GSM), and is now supported and offered in New Zealand through GSNZ. The NILS model is offered to accredited community organisations, allowing them an adaptable way to provide safe, fair and affordable loans to their individual communities.

## About Aviva

Aviva is a Canterbury-based, specialist family violence agency. Aviva was established in 1973 as Christchurch Women's Refuge - New Zealand's first refuge.

In the last 42 years Aviva has significantly evolved the support it offers. Aviva now works with men, as well as women and children, at any point of their journey, from crisis intervention through family violence education, to the support of wider personal wellbeing. Aviva provides an extensive and unique range of specialist services which include traditional services (such as education programmes, advocacy, a free support line and access to temporary accommodation) as well as new services such as ReachOut early intervention support for men; Shine safe@home home security upgrades; Specialist Peer Support; and NILS no interest loans.

Aviva's aim is to better support people to overcome family violence and live safe and fulfilled lives – together or apart.

## About the Aviva NILS Pilot

Aviva NILS is an NGO/private partnership comprising GSNZ, Aviva, and Kiwibank. In 2011 GSNZ approached Aviva with the idea of establishing and implementing a NILS pilot programme for Aviva's clients in Christchurch. GSNZ would support Aviva to establish a new service within its organisation as part of growing a suite of services for its clients experiencing family violence, and use the pilot to learn about the delivery of NILS in a controlled manner in the New Zealand environment.

GSNZ has funded the operational costs of establishing and providing the Aviva NILS pilot (and beyond) and its evaluation, as well as facilitating access to GSM's NILS programme and microfinance expertise in Australia. Aviva has provided the community infrastructure, clients, knowledge of family violence, and has adapted the NILS programme for its own client group (and more widely). Kiwibank has provided the loan capital for the Aviva NILS programme.

The Aviva NILS pilot ran from February 2014 to February 2015, during which time 32 clients completed loan application interviews, and 15 loans were issued to female clients. Concurrently, a formative evaluation was undertaken, documenting the context for this microfinance service, and presenting the knowledge gained during the pilot. 6 in-depth interviews were conducted with clients, 19 with key informants, and secondary data from Aviva NILS was also collected to proceed with the analysis. The key findings and recommendations of this evaluation are presented below.

## Context - Financial Exclusion and Family Violence

“Financial exclusion exists where individuals lack access to appropriate and affordable financial services and products – the key services and products are a transaction account, general insurance and a moderate amount of credit”<sup>1</sup>.

Worldwide, commentators recognise that initiatives that seek to promote financial inclusion can make a significant contribution to reducing poverty and increasing social inclusion. Moreover, they acknowledge that financial exclusion is linked to experiences of financial hardship, increased levels of income inequality and social issues, such as family violence. By providing safe, fair and affordable credit NILS offers financial inclusion. Importantly, the loan process also provides a powerful opportunity to work with clients on building their financial capability.

As one of the many forms of family violence, economic abuse<sup>2</sup> deprives those who experience this abuse of their financial independence. Provision of microfinance loans can assist in overcoming economic abuse.

## Key findings

Between February 2014 to February 2015, 115 enquiries for a NILS loan (or 12 per month) were recorded by the NILS Microfinance Worker at Aviva<sup>3</sup>. It does not include the enquiries received by Aviva administration staff or the referring agencies which were not recorded.

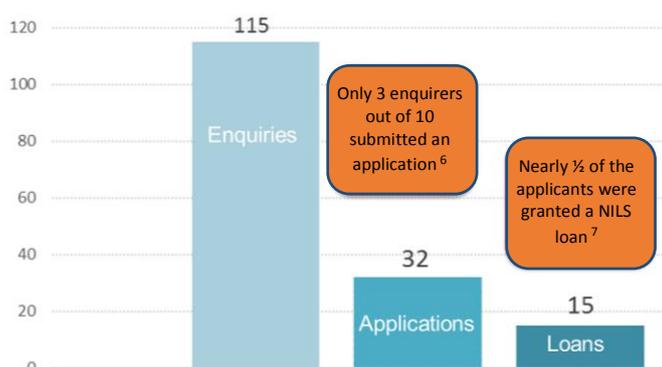
30% of enquirers submitted an application for a loan<sup>4</sup>.

The relatively low conversion of enquiries to applications can be attributed to the ineligibility of clients and more specifically to:

- Clients asking for a debt consolidation loan
- The client not being one of Aviva’s clients
- The client withdrawing her/his application before the application was completed
- The purpose of the loan was not an approved loan purpose (e.g. car loan)
- The client was an Alliance Staff Member

50% of loan applications were approved<sup>5</sup>. It is important to highlight that during the pilot the eligibility criteria became more flexible to respond to the specific profile of Aviva’s NILS target clients.

**Table: Number of Enquiries/Applications/Loans at Aviva NILS - February 2014 to February 2015**



<sup>1</sup> Connolly C, Measuring Financial Exclusion in Australia, Centre for Social Impact (CSI) – University of New South Wales, 2014, for National Australia Bank, p5.

<sup>2</sup> Economic abuse can take a number of forms, including: controlling access to financial products and services; generating economic costs such as destroying property, and putting household liabilities in someone’s name, leaving them with the responsibility for serving the debts; refusing to contribute to the household budget; preventing someone from engaging in employment or training.

Note: Comparisons were not made in the Evaluation to the experience with NILS in Australia, but these have been added into this summary document to provide context. Refer footnotes 3-7 below.

<sup>3</sup> This aligns with the number of enquiries per NILS provider in Australia (both funded and unfunded).

<sup>4</sup> The Australian national average for NILS is higher than this, at nearly 50%.

<sup>5</sup> The Australian national average for NILS is slightly higher than this.

<sup>6</sup> The Australian national average for NILS is 5 out of 10.

<sup>7</sup> The Australian national average for NILS is 2 out of 3.

When the pilot concluded in February 2015, the loan transaction data suggested that there were variations in the repayment patterns of the 15 clients who have received loans from Aviva NILS. Six (40%) had not missed a scheduled loan repayment when the other nine (60%) clients had missed repayments but all of them had made repayments.

Income source of clients who missed payments	Number of clients concerned	Number of missed payments during the pilot duration	Reasons for missing payments
Wage	3	1 to 3	Temporary unexpected issues (redundancy, sickness, issue with automatic payment)
	1	10	Financial hardship – prioritised paying off a high interest debt first
Benefit	2	1	Temporary unexpected issues (redundancy, sickness, issue with automatic payment)
	1	6	Difficulty bearing the cost of bank account fees which puts clients in overdraft
	2	More than 6	Financial hardship

While missing payments is not ideal, a few of the informants interviewed reflected that this behaviour might be *“an example of smart financial management. Missing a payment, for a loan that does not incur any penalties or interest, and paying other bills first, is a smart financial decision.”*

It must also be highlighted that throughout the non-payment periods there was a continued interaction between the Aviva NILS Microfinance Worker and the clients.

*“The NILS Microfinance Worker keeps in touch with people, so that when things arise for them, they are able to sort that out together ... other life challenges sometimes get in the way of repaying loans. This is a different experience from what people would get at other agencies, where they borrow money ... banks, fringe lenders”*

*“Lot of people miss payments, but they make contact and get back to paying again. It’s real, honest communication ... let her know they are moving out of house and have to have the carpets cleaned; off sick from work, and not getting paid, so missed paying for one week and then back onto it; ... (it’s a) real testament to the service that people make contact. No one feels like they have to hide, or make up stories. It’s about the incentives that other services put in place that make people think they have to make up a story, if they can’t meet their responsibilities.”*

### Aviva NILS Loan amount and purpose

The amount of NILS loans varied between \$499.99 and \$2,000 (the upper limit for Aviva NILS). The 15 NILS loans had an average value of \$1,385. The total amount of lending was \$20,785.

### Items commonly purchased



**5 loans**  
33%



*Including Furniture, Heat pump, Lounge suite*

**4 loans**  
27%



**4 loans**  
27%



**1 loan**  
7%



**1 loan**  
7%

## Why clients chose Aviva NILS

*"This loan will allow me to start working and move off a benefit."*

*"There are no busses to get me to work because I work very early hours. I will save money paying \$100 each week for someone to drive me."*

*"I was renting my furniture but didn't realise I wasn't going to own it and I've been afraid I would be left with nothing."*

*"Independence. I don't have anything; this is a chance to set myself up."*

*"Keep my house warm for my children. Smaller power bill."*

*"At the moment my kids are sitting on the floor. I'm really in need of this and I've had to start all over again as my ex has taken all my stuff and I have really bad credit."*

*"It will provide a safe home for my children so the cycle of abuse doesn't continue."*

## Intersection with Work and Income

Informants identified a range of ways in which Aviva NILS complements, and offers a point of difference to, the grants and recoverable assistance offered by Work and Income:

- A number of goods and services are not included in Work and Income's criteria, including air conditioners, musical instruments, computers, some health equipment and car repairs except in limited circumstances
- The income level of four of the Aviva NILS clients was above the Work and Income threshold for assistance
- Three Aviva NILS clients accessed this service once they had exhausted their recoverable assistance allocation, as defined in the Work and Income policy, for any given 12-month period
- Service delivery is a point of difference from that experienced at Work and Income
- One client accessed loans from Aviva NILS to meet the preferences of suppliers of services they needed - their landlord preferred to receive rental accommodation bonds from sources other than Work and Income

## Client perspectives of the impact of Aviva NILS

The immediate outcomes experienced by the recipients of NILS loans, included both wellbeing and economic outcomes. Wellbeing outcomes included, family reunification; increased confidence and sense of achievement; reduced stress, worry and conflict; improved living standards; and, increased community participation and positive social interactions. Economic outcomes included cost savings; reduced use of 'fringe lenders'; increased financial capability; and, increased financial independence through employment, completion of work-relevant training, and less reliance on family and friends. Previous research suggests that such immediate outcomes are the fore-runners to longer-term outcomes, that is, a shift from financial and social exclusion to financial and social inclusion.

## Professional perspectives of the impact of Aviva NILS

*"The client I referred got her loan approved for a lounge suite and a coffee table ... been excellent for her, as in a DV situation and all the furniture belonged to her partner and his family ... so amazing for her to get something of her own, brand new, and the first thing she has ever been able to have ... given her a lot of pride in herself, making sure that she makes the payments each week. Already she is thinking about what the next thing will be that she can put in a loan application for ... given her a lot of confidence ... amazing for her actually ... she has so much pride in it, so house proud, so going to keep it good ... think it's because it's new. She told me it was so good to do something on her own ... shown her she can do something on her own, rather than having to depend on other people."* (professional interviewee)

*"... everything in her flat is borrowed ... she says that now NILS is here she can set herself up ... says once she's paid off the lounge suite, she'll apply again to replace the next thing ... now NILS is here, she says she won't be tempted to go to the loan sharks."* (professional interviewee)

*"It has helped her turn her life around ... needed a roof over her head so she can keep the family together ... for people who have children in their care that is significant ... has real potential to make significant changes for people."* (professional interviewee)

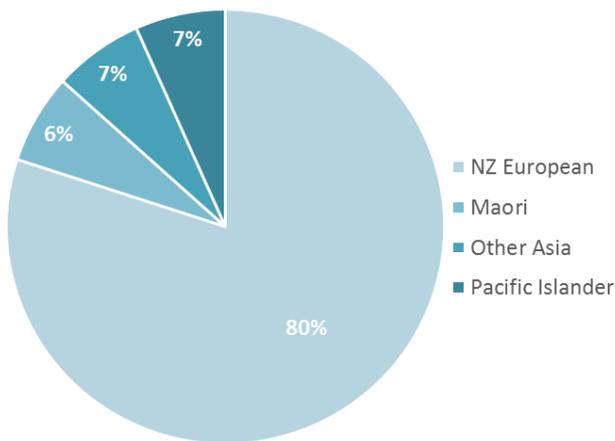
## Key aspects of the Aviva NILS service

These elements present in the delivery of the Aviva NILS service most strongly influenced the results:

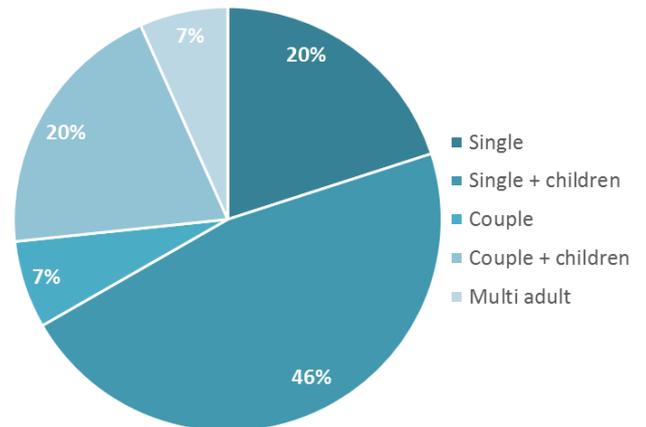
- The level of capability of the NILS Microfinance Worker, in particular their ability to engage strongly and develop a relationship with clients
- High levels of collaboration and partnership between the various organisations involved
- Strong leadership being provided by the host agency, along with its commercial nous with
- The proven effectiveness and accredited nature of NILS
- Straightforward, undemanding and understandable NILS business processes
- An ethical product and loan application process
- Approach founded on community development principles
- Inclusion of financial literacy and financial management capacity development in the loan process
- NILS approaching lending through a ‘social justice lens’

## Aviva NILS loan recipients’ demographics

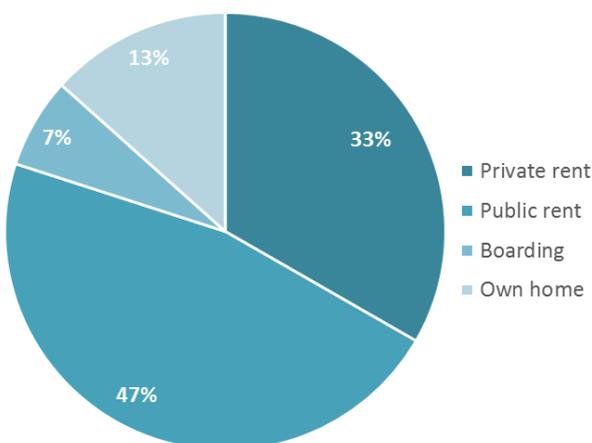
### Ethnicity



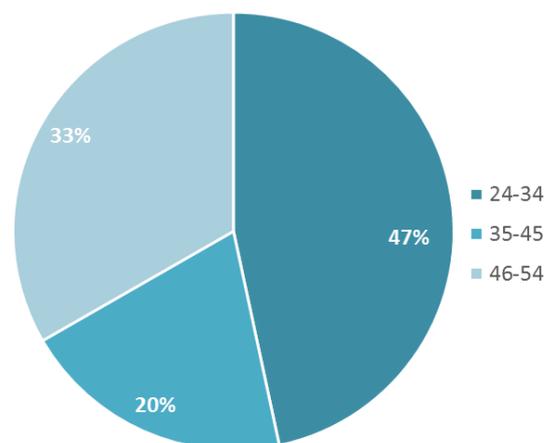
### Household type



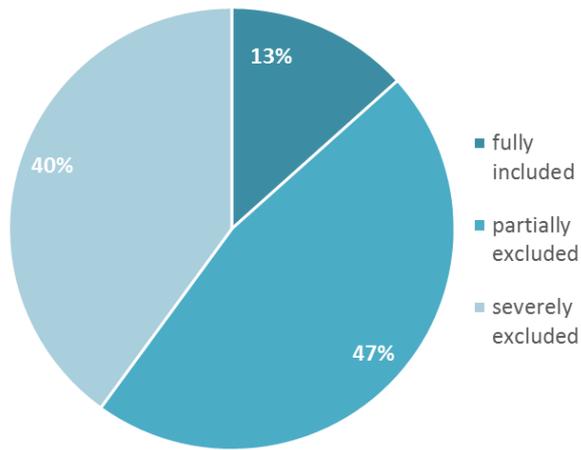
### Housing type



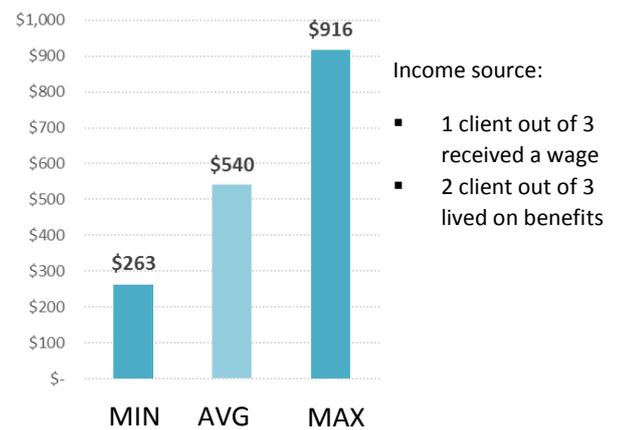
### Age bracket



## Financial exclusion levels <sup>8</sup>



## Income sources and weekly amount

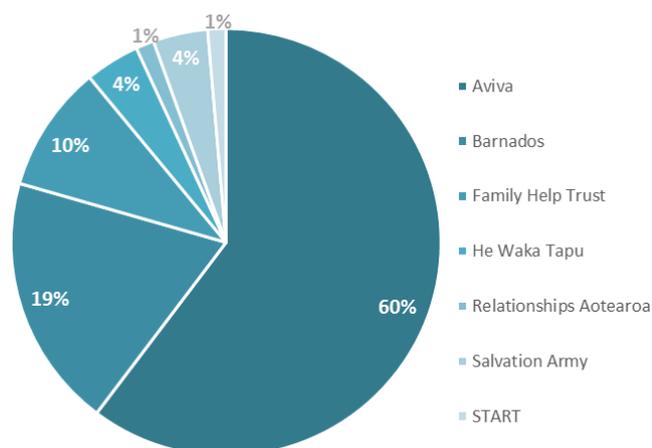


## Client referral

During the course of the 12-month Aviva NILS pilot, the target client population for this NILS service was restricted to those who resided in Canterbury and who were existing clients of Aviva and its Alliance partners. The 73 clients who met the eligibility criteria for a NILS loan were referred from the following organisations as shown below.

However, interviewees reported that *“There weren’t as many referrals as they would have liked.”*

*“I’ve been surprised at the low uptake of NILS loans ... appears to be a dichotomy between a huge need and low levels of uptake.”*



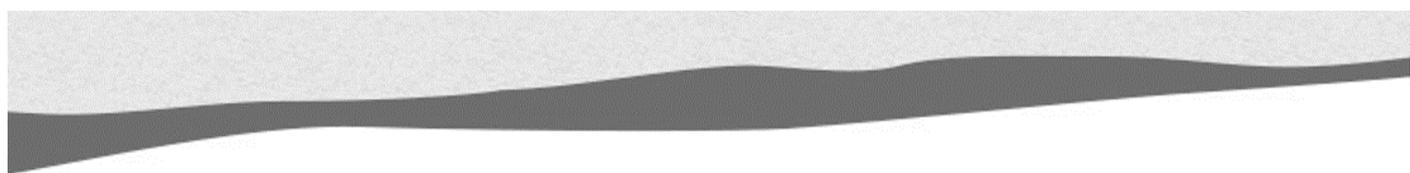
Reasons for the low referral numbers include:

- Easy access to credit, including from fringe lenders, and the high tolerance for debt within New Zealand
- Issues of privacy, shame and lack of interest in financial matters within New Zealand’s culture and identified by some evaluation informants
- Lack of awareness and understanding about microfinance within New Zealand
- Inconsistency within referring agencies regarding their understanding of the NILS programme

## Recommendations for ‘scaling up’ NILS in New Zealand

- NILS should be expanded both in terms of the geographic area of coverage as well as ensuring more referrals are made from a wider pool of referring agencies
- Ensure that new NILS providers’ resources (human, knowledge, financial and influence) and locations are carefully matched to the needs of targeted communities
- Ensure that NILS is focussed on adding value and complementing other policy and operational responses led by government, commercial and philanthropic sectors that address issues of income poverty, over-indebtedness and financial and social exclusion
- The key aspects of the NILS service model that must be replicated in order to maintain its integrity and effectiveness must be clearly identified and maintained, but with room for adaptation to meet local needs
- Create a mechanism to support people’s journey along the financial inclusion continuum by making a package of microfinance services and products available in new geographical areas, to new target populations, and via both generalist (targeting all people living on a low income) and specialist (targeting particular groups within society or to achieve particular ends, such as addressing family violence) delivery mechanisms

<sup>8</sup> Refer footnote 1 above. A client who has all three of these key services is deemed to be ‘fully included’. A client without access to one of these services is deemed to be ‘partially excluded’, and a client with access to only one of the three key services is deemed to be ‘severely excluded’.



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