



Microfinance World View: Current research, thinking and developments

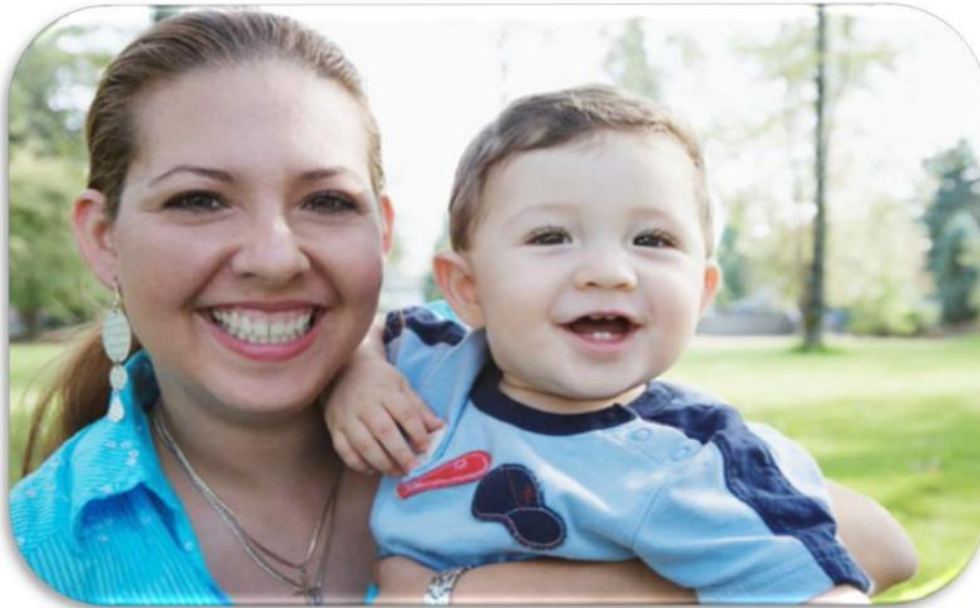
Adam Mooney
CEO, Good Shepherd Microfinance

11 September 2017,
New Zealand Microfinance Network Day



We all aspire to the fullness of life

COURAGEOUS - CONNECTED - COMMUNITIES



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The importance of hope



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[Anna's story](#)



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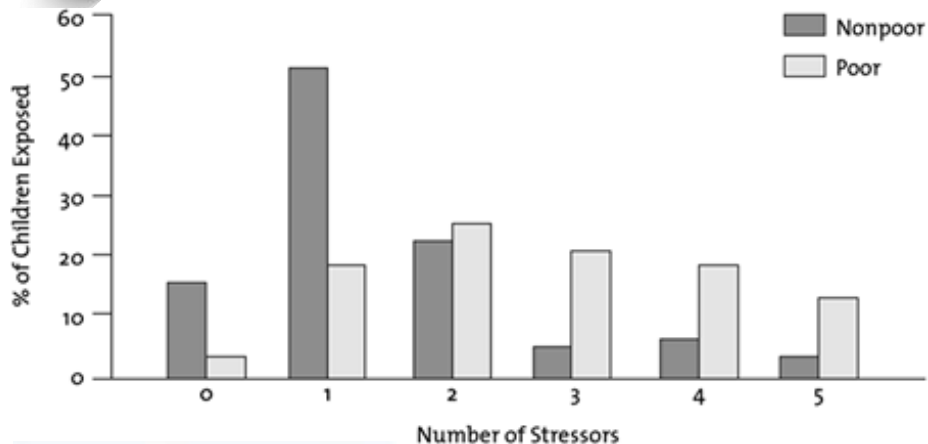
Community-led, Client-led



Melanie's Story
Small loans, big difference



Scarcity of income effects behaviour and choices



Number of Stressors for Poor vs. Non-poor Children

Source: Adapted from "Cumulative Risk, Maternal Responsiveness, and Allostatic Load Among Young Adolescents," by G. W. Evans, P. Kim, A. H. Ting, H. B. Teshler, and D. Shannis, 2007, *Developmental Psychology*, 43(2), pp. 341–351.

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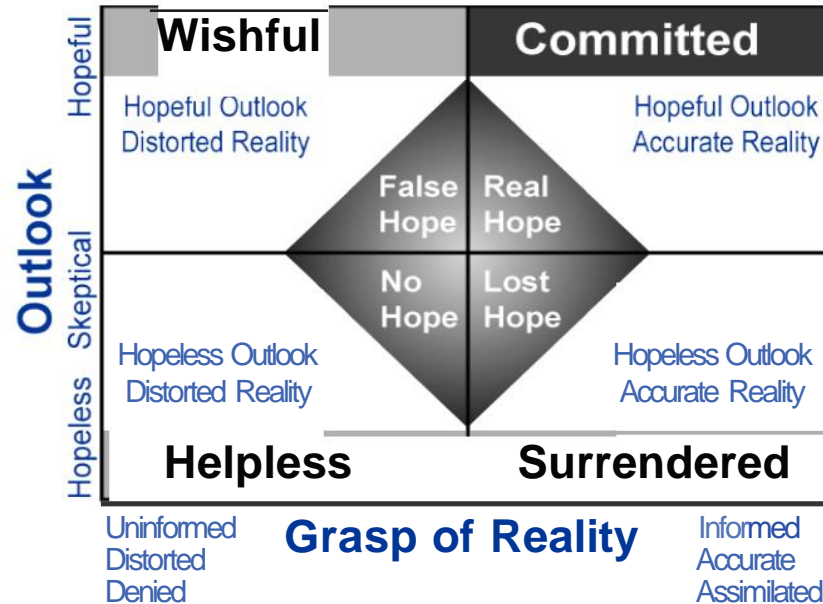
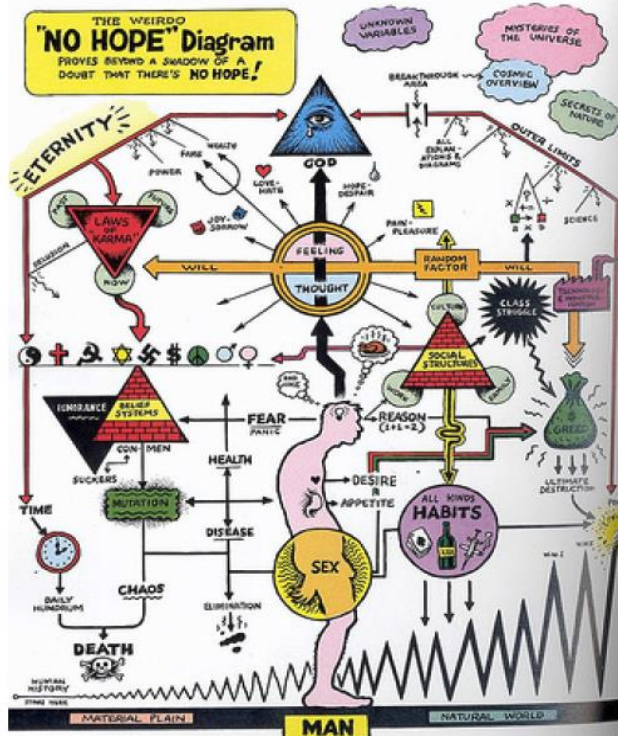


- We have very limited cognitive space and bandwidth
- When you focus heavily on one thing, there is just less mind to devote to other things (tunnelling)



Hope and resilience are interdependent

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Economic resilience - financial inclusion Global



Key Indicators

Account at a formal financial institution (% age 15+)

50% 2011

Saved at a financial institution in the past year (% age 15+)

22% 2011

Loan from a financial institution in the past year (% age 15+)

9% 2011

Account at a formal financial institution, female (% age 15+)

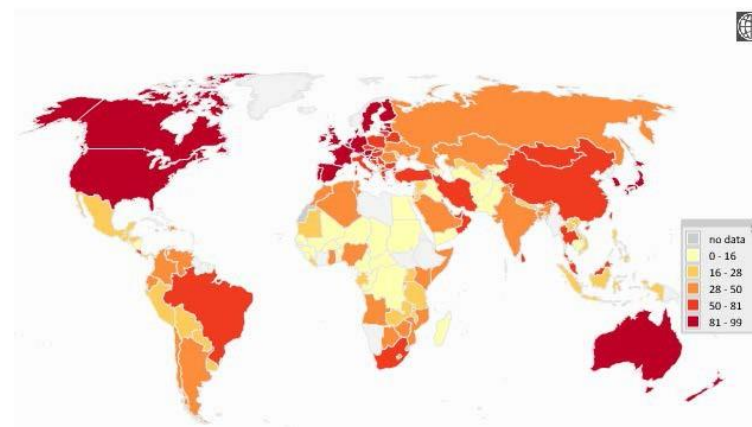
47% 2011

Account at a formal financial institution, income, bottom 40% (% age 15+)

41% 2011

Account at a formal financial institution, young adults (% ages 15-24)

37% 2011



[More than half the world's poor don't have bank accounts: Findex](#)



Economic resilience - financial inclusion East Asia and Pacific

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East Asia & Pacific

(DEVELOPING ONLY, REGIONAL AVERAGES)

Account at a formal financial institution (% age 15+)

55%

2011

Account at a formal financial institution, female (% age 15+)

52%

2011

Account at a formal financial institution, income, bottom 40% (% age 15+)

39%

2011

Account used to receive wages (% age 15+)

17%

2011

Account used to receive government payments (% age 15+)

6%

2011

Account used to receive remittances (% age 15+)

9%

2011

Saved at a financial institution in the past year (% age 15+)

28%

2011

Saved using a savings club in the past year (% age 15+)

4%

2011

Loan from a financial institution in the past year (% age 15+)

9%

2011

Loan from family or friends in the past year (% age 15+)

27%

2011

Debit card (% age 15+)

35%

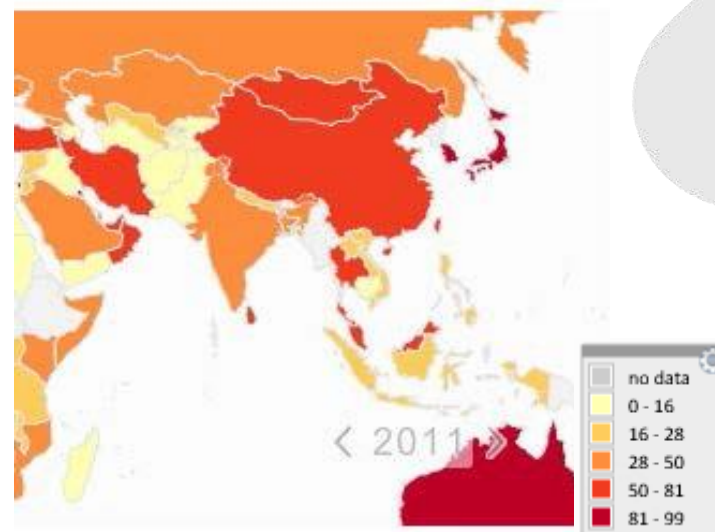
2011

Credit card (% age 15+)

7%

2011

ADULTS WITH AN ACCOUNT AT A FORMAL FINANCIAL INSTITUTION (in %)



Many Australians have limited or no financial resilience

Almost 1 in 10 Australians have '**no understanding**' of financial products and services.



1 in 10 Australians have **no savings** at all.



2 million Australians experience **severe to high** financial stress



1 in 2 people follow a budget.

1 in 5 Australians had **no** access to credit in the last 12 months.

8.7% report having **no access** to any type of insurance.

25% of people report having experienced difficulties accessing financial services in the last 12 months.

1 in 2 people make extra repayments on personal loans.



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Source: Financial Resilience in Australian 2015 (NAB, CSI) (August 2016)

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What is financial inclusion?

Financial inclusion - The process of delivering affordable financial services to people that are financially excluded.

Financial exclusion - A person is considered financially excluded when he/she has either no access to some or all the services offered by mainstream financial institutions in his/her country of residence or does not make any use of these services.

Economic mobility - Movement along stages of a financial inclusion continuum.

Financial inclusion continuum - Where a person moves from financial crisis to resilience and inclusion, through observable steps and using services, with clear outcomes. Typical stages along a continuum include: crisis, financial hardship, hardship transition, stable, income generation, growth and consolidation, wealth creation, independence and resilience.



Human need for financial resilience

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Resilience enablers:

Make connections and good relationships

Avoid seeing crises as insurmountable problems

Accept that change is a part of living

Move toward your goals

Take decisive actions

Look for opportunities for self-discovery

Nurture a positive view of yourself Keep things in perspective

Maintain a hopeful outlook

Take care of yourself

[Source: Road to resilience, American Psychological Association](#)



A little about us

Good Shepherd Microfinance is Australia's largest microfinance organisation. We offer a range of people-centred, affordable financial programs for people on low incomes at different financial stages of their lives.

Our aim, together with those of our community partners, is to enable clients to realise their own economic wellbeing, as they define it themselves, through appropriate financial services. As a result, people feel valued, accepted, included and in control of their own finances and lives.

PURPOSE

To enable economic wellbeing and resilience for people on low incomes, especially women and girls

VISION

Fullness of life for all people, living in connected resilient communities

VALUES

Human dignity, respect, social justice, audacity, compassion and reconciliation

STRATEGIC PRIORITIES



Community-led



Reach



Impact



Inform



Strength



We offer a range of financial programs designed to meet the need of people on low incomes.



No Interest Loan Scheme (NILS) is a community based program providing access to fair and safe credit (up to \$1,200).



StepUP offers low interest loans in partnership with NAB for personal or household purposes to people on low incomes (from \$800 to \$3,000).



Good Money delivers financial services through community finance stores in Victoria, South Australia and Queensland (opening 2017) in partnership with NAB and state governments.



AddsUP supports people on low incomes to develop financial independence through a matched savings incentive (\$500) in partnership with NAB.



Good Insurance works with Australia's largest insurance companies to provide appropriate, affordable and flexible insurance options tailored to the needs of people on low incomes.



Debt Deduct is a pilot offering a debt consolidation loan through financial counsellors and is operating in South Australia.



Microenterprise is a new three year pilot operating in the northern suburbs of Adelaide to support people on low incomes to start their own business.

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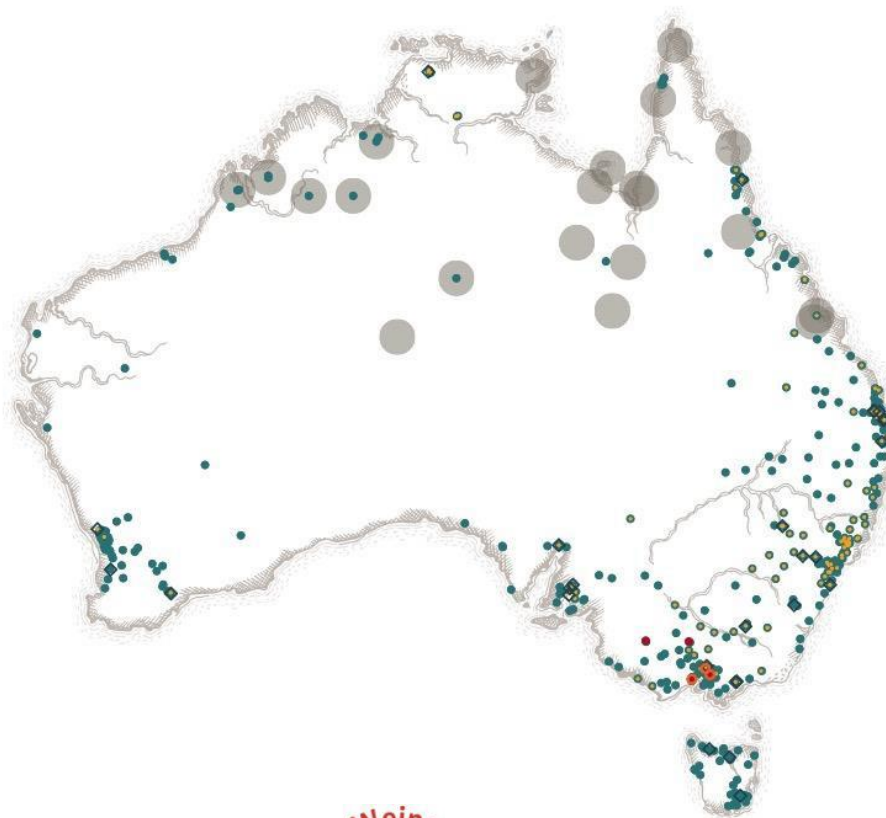
Our microfinance programs are offered in 659 locations by 178 local community providers.

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Locations

- NILS (630)
- ◆ StepUP Loan (39)
- Debt Deduct Pilot (5)
- Remote Services Delivery Areas
- Good Money (3)
- AddsUP (94)



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Good Shepherd Microfinance

Good Shepherd Microfinance is Australia's largest and most experienced microfinance organisation.

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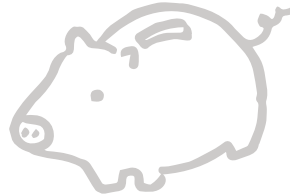
205,338

PEOPLE REACHED



94%

OF NILS CLIENTS LIVING
UNDER THE POVERTY LINE



REPAYMENT RATES
CONSISTENTLY ABOVE

95%



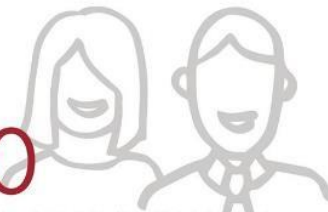
22%

OF NILS CLIENTS ARE
ABORIGINAL OR TORRES
STRAIT ISLANDER PEOPLE



1500

DEDICATED MICROFINANCE
WORKERS AND VOLUNTEERS



659

LOCATIONS NATIONALLY



Good Shepherd Microfinance has a successful record of mutually beneficial partnerships that support our mission and purpose.



Australian Government
Department of Social Services



Department of
Human Services



THE GOOD GUYS®



Fair
Trading



ASIC
Australian Securities &
Investments Commission

MONEYSMART
Simple guidance you can trust



Tasmanian
Government



Economic mobility through microfinance



Key Phase	Crisis/ hardship	Stability	Income generation	Resilience
Individual wellbeing	Low control Dependent Isolated	Some control More included	Participation Valued included Contributor Dignity	Strong Confident Adaptable
Economic contribution	Cost intensive High welfare Many services	Fewer services Self manage	Self sustaining Paying taxes Minimal Government services	Creating wealth Net investor

Economic mobility

Source: Good Shepherd Microfinance



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Economic case for financial resilience (Australia)

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People in the first five segments of the 10-stage financial inclusion continuum prepared by Daymark on behalf of Good Shepherd in October 2012 experience a great to limited level of financial exclusion and have potential to benefit from moving up the continuum.

	Financial Crisis	Financial hardship	Hardship Transition	Stable, asset building	Stable wellbeing	Income generation	Growth consolidation	Wealth creation	Financial independence	Wealth Distribution
Payday loans										
Bankruptcy support										
Financial counselling										
Hardship program										
CentrePay advance										
Debt control arrangements										
Financial literacy advice										
NILs										
StepUP										
Matched savings										
Credit card										
Personal loan										
General savings										
Insurance (contents)										
Insurance (life and other)										
Business advice										
HECS debt										
Business loan										
Home loan										
Income protection										
Tax advice										
Superannuation advice										
Family trusts										
Term deposits										
Investment property										
Investment planning										
Margin loans										
Shares / bonds										
Self managed super										
Estate planning										
Private client planning										

Target segments

Access to financial service

Source: SPP analysis, GSM Financial Inclusion Continuum (2012)

NILS
No Interest Loan Scheme
Good Shepherd Microfinance

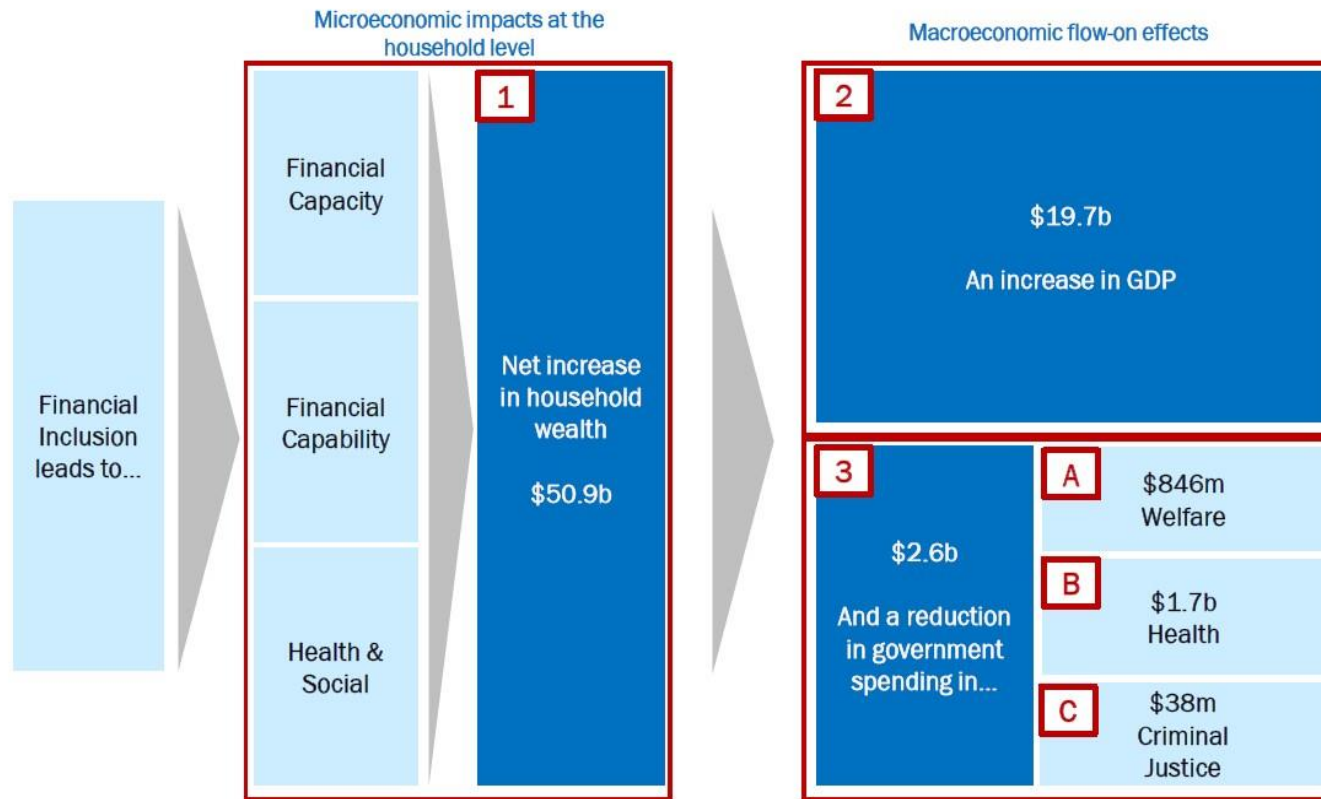
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Economic case for financial resilience (Australia)

Financial inclusion is associated with benefits at the household level – measured by a net increase in household wealth. This has flow-on benefits which are realised in the form of an overall macroeconomic benefit (GDP) as well as a reduction in government spending in certain areas.



Source: SPP analysis

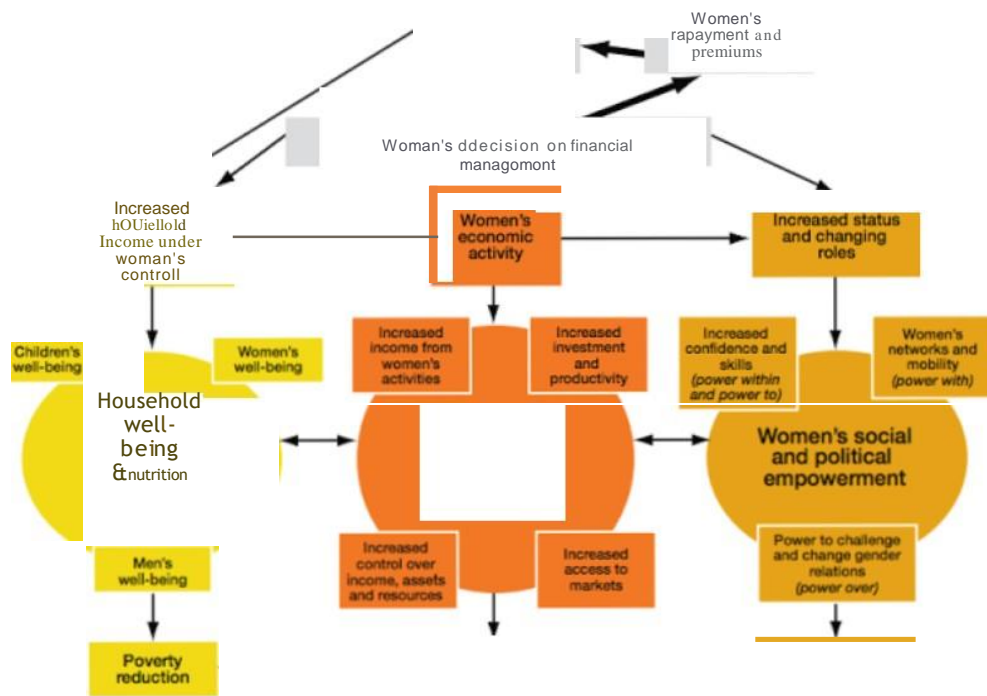


Women are most effective inventors in areas that count

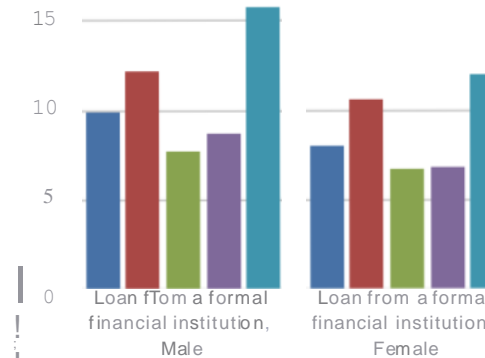
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FIGURE 1
Microfinance and women's empowerment virtuous spirals



Adults who borrowed from a formal financial institution in



Source: World Bank, Global Findex Database



Client first - protection and advocacy



What is the Smart Campaign for Client Protection in Microfinance?

A special presentation for YOUR INSTITUTION made possible by the Smart Campaign
www.smartcampaign.org



<http://smartcampaign.org/>

Vision:

- Put the interests of clients first
- Provide transparent, respectful services
- Distinguish microfinance industry as leader in responsible finance
- Facilitate implementation of the client protection principles

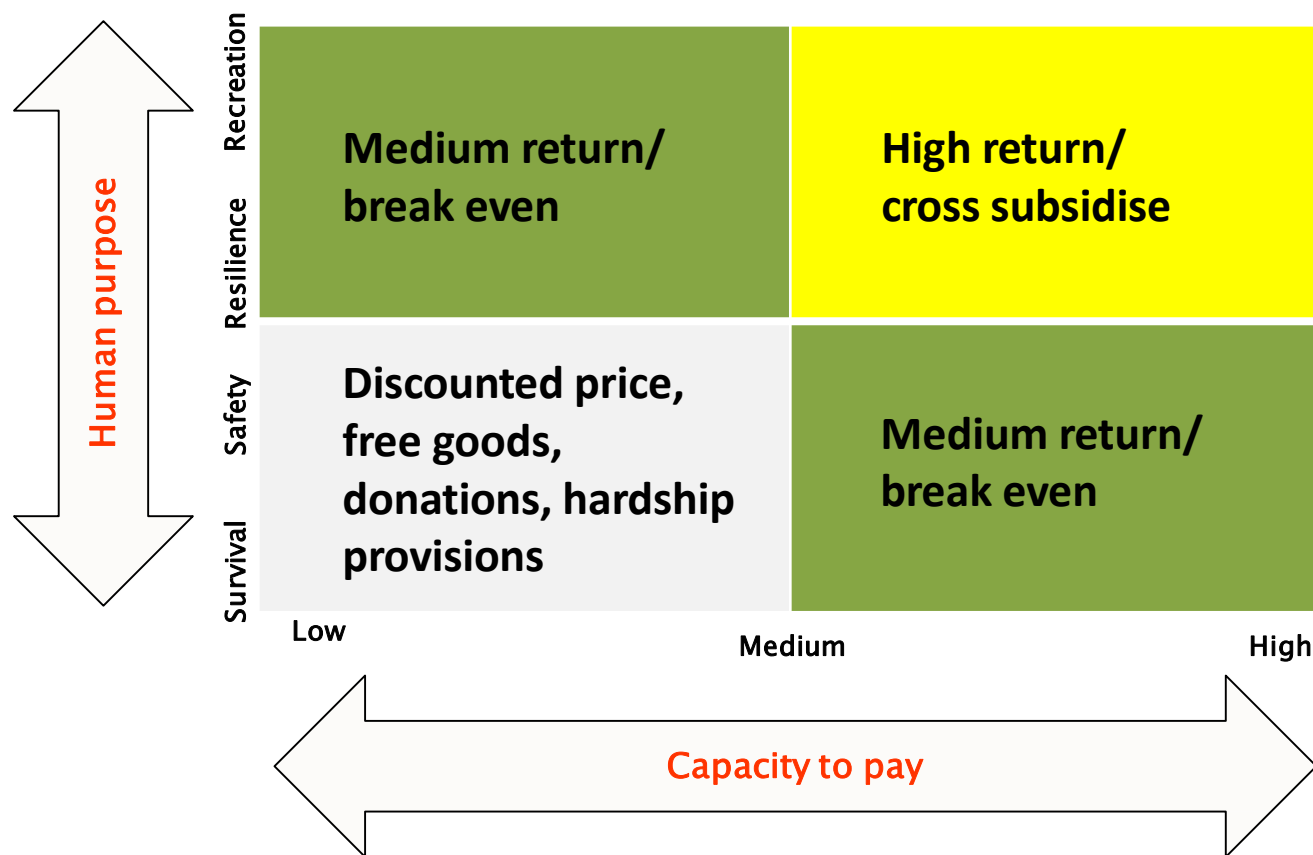
Principles:

- Avoidance of over-indebtedness
- Transparent pricing
- Appropriate collections practices
- Ethical staff behaviour
- Mechanisms for redress of grievances
- Privacy of client data



Progressive Pricing

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Social commodity price optimisation framework:
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Who are the main actors?



Client to realise
own vision of
economic
wellbeing



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FACE TO FACE

The key issues in UK financial
regulation 2013 >



Is the G20 taking action?



Global Partnership
for Financial Inclusion

Home ABOUT GPFI SUBGROUPS PUBLICATIONS NEWS

Home / News / G20 Leaders Welcome Progress on Financial Inclusion

G20 Leaders Welcome Progress on Financial Inclusion

Leaders of the G20 welcomed progress made by the Global Partnership for Financial Inclusion (GPFI) on advancing financial inclusion. In their [declaration](#) released at the end of the Summit in St. Petersburg on September 6, 2013, the G20 Leaders endorsed the following recommendations of the GPFI Report and committed to continue these efforts under the Australian G20 Presidency:

"- to analyse the work which already has been done and develop further priorities for 2014 and beyond with an updated Financial Inclusion Action Plan which sets the stage in particular to: increase private sector involvement; harness innovative mechanisms such as mobile instruments and technology, especially in remittances area; identify how to tackle the bottleneck in uptake by increasing incentives to the poor to take up financial services and to improve financial literacy and financial consumer protection of the vulnerable groups such as women, migrants and youth.

- to call upon relevant SSBs: (i) to continue their progress to integrate consideration of financial inclusion in their work, consistent with their respective mandates; (ii) participate in relevant activities of the GPFI and engage GPFI representation in relevant activities of the SSBs; and (iii) give attention to emerging issues in financial inclusion of relevance to multiple SSBs.

- as the SME finance gap in the global economy remains large, to call upon the IFI/DFIs to further support country efforts and find innovative approaches and tools to address the SMEs finance challenges and constraints, and to call upon governments to continue especially to strengthen the financial markets infrastructure to lower costs of serving SMEs responsibly.

- to call upon relevant government agencies and development partners to assess the current state of the financial inclusion in countries in order to sustainably improve the situation and to monitor the effects of the policy interventions, particularly using the G20 Set of the Financial Inclusion Indicators."



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G20:
Argentina
Australia
Brazil
Canada
China
France
Germany
India
Indonesia
Italy
Japan
Republic of Korea
Mexico
Russia
Saudi Arabia
South Africa
Turkey
United Kingdom
USA
European Union



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Microfinance is just one activity



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Economic mobility requires a range of products

- Microcredit - small scale lending initially within peer groups, whereby shared accountability for loan repayment replaces the need for regular security (collateral) traditionally requested by financial institutions.
- Customers are generally able to migrate to less onerous borrowing such as individual loans, lines of credit, etc. once a reliable credit record has been established through the initial group loan.
- Recognised as a potentially effective application to sustainably reduce poverty in a dignified and empowering manner
- In many cases has enabled women to improve gender equality and reduce vulnerability



What drives success? The evidence

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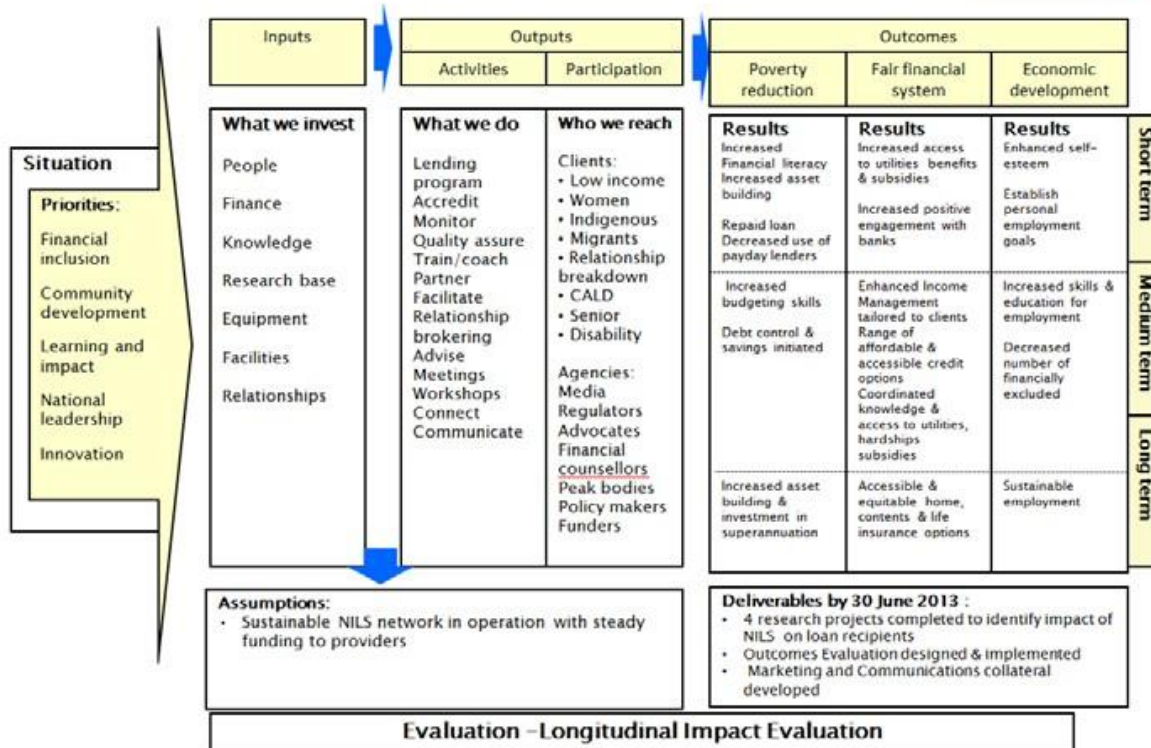


Evidence: Impact measurement

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NILS PROGRAM LOGIC 2012

Draft for discussion



“What did you want to happen?” “What also happened?”

MSC: most significant change methodology



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Circular Community Credit



[Four corners story – 38:38](#)



Role play - G20 leaders briefing

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ACTIVITY

1. Form into groups of 3
2. Choose a country and a role:
 - a) Prime Minister
 - b) Prime Minister's adviser
 - c) Voter
3. Take 3 minutes to consider what should be included in a financial inclusion action plan
4. Adviser presents idea to Prime Minister (2 mins)
5. Prime Minister announces to Parliament (2 mins)
6. Voter reflects on policy and announcement (2 mins)
7. Share observations with rest of room
 - a) What was compelling?
 - b) What needs more work?
 - c) Do you support the action plan?



Majority world leads in innovation

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Challenges and behavioural design

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Hundreds Of Suicides In India Linked To Microfinance organisations



MUMBAI, India (AP) -First they were stripped of their utensils, furniture, mobile phones, televisions, ration cards and heirloom gold jewelry. Then, some of them drank pesticide. One woman threw herself in a pond. Another jumped into a well with her children.

Over-Indebtedness in Mexico:

Its Effect on Borrowers



Microfinance
CEOWM-
KingGroup



Insurance: Essentials By AAI - A great partnership with a great Queensland company.

- ✓ Two levels of “essential” cover with low total coverage and corresponding low premiums
- ✓ Fortnightly, monthly or annual premiums
- ✓ Premiums payable through CentrePay in many cases
- ✓ No fees for instalments, or cancellations
- ✓ No ‘standard’ excess for first 2 claims in a year
- ✓ Dedicated Contact Centre for quotes and sales

Car

- ✓ Choose from \$3,000 or \$5,000 car cover, plus \$20m in public liability including damage to other vehicles

Contents

- ✓ Choose from \$10,000 or \$20,000 Contents cover, including temporary accommodation if your home becomes uninhabitable

Essentials
by AAI

supported by  Good Shepherd
Microfinance

Car
Cover

Contents
Cover

Car
Plus

Contents
Plus

SUNCORP



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Insurance: Affordability through targeted cover that enables cheaper premiums for essential protection.



Essentials By AAI has been made more affordable by including only the most essential levels of cover

Car

- ✓ Cover for the customer's vehicle is capped at either \$3,000 or \$5,000
- ✓ Limited options, e.g. hire car and windscreen cover are excluded

Contents

- ✓ Cover for the customer's contents is capped at either \$10,000 or \$20,000
- ✓ Non - “essential” items are not included, for example jewellery, clothing and cutlery



Insurance: Building trust with customers is a significant barrier

Microfinance workers at specific NILS locations are trained to raise awareness of insurance, and Essentials, for NILS clients

Essentials
by AAI

supported by  Good Shepherd Microfinance

Referring Provider Network

¹Effective January 2017

²Networked operation



NILS
No Interest Loan Scheme
Good Shepherd Microfinance



Understanding

Shortening the PDS was made a priority; and a short video explaining insurance and Essentials is available on the Essentials website

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Financial Inclusion Action Plan



PURPOSE:

- To realise inclusive growth for individuals and communities in Australia by reducing inequalities and increasing financial inclusion and financial resilience through collective actions of organisations across industry, government, academia and the community sector.



Australian Government
Department of Social Services



Good Shepherd
Microfinance



CENTRE
for **SOCIAL**
IMPACT



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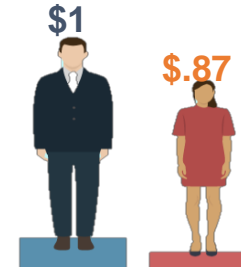
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Current state of Australia

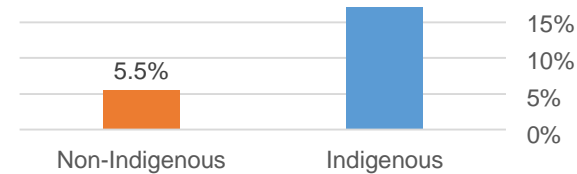
Growth has not been inclusive and equal



- Growth has not been inclusive:
- GDP per capita rose from \$17,362 in 1990 to \$45,514 in 2015 (in 2015\$)
- But the male/female earnings gap was 13% in 2016 and the unemployment rate of Indigenous was 17% while that of non-Indigenous was 5.5% in 2011
- Inequality has been increasing:
- Gini increased from 0.307 in 2005-06 to 0.333 in 2013-14 Therefore we recommend these high level actions:
- Address economic participation and employment
- Increase economic resources and reduce income inequality (gender pay gaps, superannuation, etc.)



Unemployment Rates, 2011
Source: ABS, Census



Current state of Australia

Financial Inclusion and Financial Resilience is low



Specifically, many adults have limited **Economic Resources**:

- 47% have limited to no savings
- 17% struggle with debt
- 17% would have difficulty raising money in an emergency

And Financial Knowledge and Behavior is also limited across the population:

- 48% of population report only having a 'basic understanding' of financial products and services - a further 9% report 'no understanding'

In addition, many adults also have poor access to **Financial Products & Services**:

- 25% face barriers to access
- 20% have no access to credit
- 12% have an unmet need for credit
- 16% are under-insured

And **Social Capital** is somewhat limited:

- 4% of adults are socially isolated
- 3% need social support, but have no access to it

ECONOMIC RESOURCES

- Savings
- Debt management
- Ability to meet living expenses
- Ability to raise funds in an emergency
- Income level

FINANCIAL PRODUCTS & SERVICES

- Access to a bank account
- Access to credit & needs met
- Access to insurance & needs met

FINANCIAL KNOWLEDGE & BEHAVIOUR

- Knowledge of financial products & services
- Confidence using financial products & services
- Willingness to seek financial advice
- Proactive financial actions

SOCIAL CAPITAL

- Social connections
- Access to social support in times of crisis
- Access to community and government support when needed

Financial Inclusion Action Plan: Collective action, leading change

Centre for Social Impact, Financial Resilience 2016



History of the FIAP Program From International Goals to Local Action

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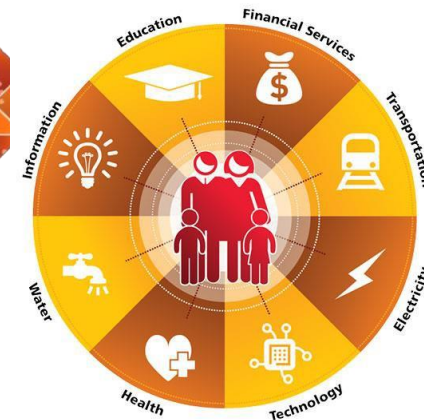


A key learning from the aftermath of the Global Financial Crisis is that Governments alone cannot create financially inclusive and financially resilient communities. It is through cross-sector collaboration that true inclusive growth can be achieved.

In addition, prevention of long-term financial hardships can be achieved through building capabilities, ensuring greater access and removing barriers to inclusive finance. The Financial Inclusion Action Plan program seeks to achieve this across customers, employees, suppliers and communities.

Brief Timeline:

- 2008 - Global Financial Crisis
- 2010 - G20 Summit in Seoul, Korea
- 2010 - Establishment of the Global Partnership on Financial Inclusion (GPFI)
- 2014 - Australia hosts G20 and reaffirms commitment to GPFI
- 2015 - Millennium Development Goals end and post-2015 agenda begins
- 2016 - Sustainable Development Goals are launched by the United Nations
- 2016 - FIAP program launches with 11 trailblazer organisations



MasterCard Centre for Inclusive Growth



Final thoughts: Fullness of life

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Thank You

Questions

Adam Mooney
CEO, Good Shepherd Microfinance

