

# ***Life Changing Loans at No Interest***



## *An Outcomes Evaluation of Good Shepherd Microfinance's No Interest Loan Scheme (NILS)*

### **Snapshot Report**



# About the No Interest Loan Scheme

*'Don't expect to see any of that money again'. This was the conventional wisdom in 1981 from lawyers and accountants when the Good Shepherd Sisters put aside \$20,000 in loan capital to be lent to people living on low incomes in Collingwood, Victoria.*

*That conventional wisdom could not have been more wide of the mark. Thirty-three years later and the No Interest Loan Scheme (NILS) has reached more than 125,000 people with repayment rates consistently above 95%.*

NILS offers no interest loans to people on low incomes for the purchase of essential household goods and services. The program is delivered through a network of community-based organisations in 609 locations across Australia.

Good Shepherd Microfinance's NILS program is offered through a highly valued partnership with the National Australia Bank, the Australian Federal and State Governments and 257 connected community organisations.

## What is a NILS loan?

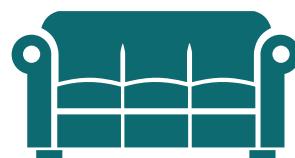
- A loan that is typically worth up to \$1,200.
- The loan carries no interest or additional fees.
- Repayments are usually made every fortnight over a 12 to 18 month period.
- The maximum loan amount can differ across providers. Smaller community organisations typically offer smaller loans, but there is flexibility to offer loans up to \$1,800.
- The maximum loan amount can also differ across client types. For instance, some NILS organisations place a lower cap on the loan amount that individuals on NewStart Allowance can borrow.

## Who is a NILS loan for?

To obtain a NILS loan, applicants must fulfil an eligibility criteria. The NILS loan applicants must generally fulfil the following criteria:

- Income: Applicants must hold a concession card (Health Care Card or Pension Card) or live on a low income.
- Residential: Applicants must live in the same residence for at least 3-6 months.
- Willingness to repay the loan: Applicants must show that they are managing existing debt.
- Capacity to repay the loan: Applicants must show that they will have a fortnightly budget surplus once fortnightly expenses, including NILS repayments, have been accounted for.

### Items commonly purchased with a NILS loan



Fridge



Furniture



Car Related



Washing Machine

# Key Findings

*The research report 'Life Changing Loans at No Interest - An Outcomes Evaluation of Good Shepherd Microfinance's No Interest Loan Scheme (NILS)' was conducted on behalf of Good Shepherd Microfinance by the Centre for Social Impact.<sup>1</sup>*

## *NILS reaches Australia's most vulnerable people.*

- 94% were living under the poverty line.
- 55% were severely financially excluded.
- 74% were female and 43% live in a single parent family with dependents.
- 17% were Aboriginal or Torres Strait Islander people.

## *NILS directly improves the lives of its clients.*

- 82% experienced a net improvement in economic outcomes.
- 74% experienced a net improvement in social and health outcomes. This includes a change in confidence, self-esteem, personal relationships and participation in society.
- 47% improved their financial capabilities including budgeting, saving money, maintaining an emergency savings fund and comparison shopping.

- Respondents who received support services (such as financial counseling) together with their NILS loan were more likely to experience positive outcomes.

## *NILS diverts clients away from predatory lenders such as fringe credit providers and goods rental services.*

- Four out of five clients who had previously used fringe credit stopped after accessing a NILS loan.

## *NILS creates positive economic and social impact.*

- For every dollar invested in NILS, a social and economic return of \$1.59 is created.
- \$2.54 of social and economic value is achieved when only the actual financial costs are considered (this does not put a finance cost on the donated loan capital or time of volunteers).
- The NILS item that generated the most impact is the fridge, which generates a social and economic return of \$2.45 for every dollar invested.

## Recommendations

### **Expand NILS to meet demand**

The evaluation provides evidence of the economic case for program expansion with only 6% of estimated demand met in 2012.

### **Explore ways to increase the value created**

Increasing the value created per loan is essential to expanding the impact of NILS. The research also recommends exploring areas such as the use of goods rental services and increasing awareness of the risks of non-insurance and under-insurance among NILS clients.

### **Review governance structures**

The study has revealed a range of governance structures relating to both NLS operations at a state level and within individual providers. Further understanding and implementation of best practice governance structures could enhance program impacts for clients and make the program more effective.

### **Administration of the NILS network**

Ongoing high-quality monitoring, assurance and measurement across the NILS network is needed to identify where approaches are more or less successful.

<sup>1</sup> Findings are based on the survey responses of 710 NILS recipients. Bennett, S. Georgouras, M. Hems, L. Marjolin, A. and Wong, J. (2013). Life Changing Loans at No Interest: An Outcomes Evaluation of the Good Shepherd Microfinance's No Interest Loan Scheme (NILS), Centre for Social Impact (CSI), University of New South Wales, for Good Shepherd Microfinance.

## ***The Research***

This research was conducted on behalf of Good Shepherd Microfinance by the Centre for Social Impact (CSI). It is proudly supported by the National Australia Bank (NAB) and the Australian Government Department of Social Services. The purpose of this project was to conduct the first comprehensive, nationwide study of the NILS program to evaluate and quantify the effects of a loan on the lives of its recipients.

For a full copy of the report visit:  
[www.goodshepherdmicrofinance.org.au/NILSreport](http://www.goodshepherdmicrofinance.org.au/NILSreport)

## ***About Good Shepherd Microfinance***

Good Shepherd Microfinance is Australia's largest microfinance organisation. We offer a suite 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.



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