



Microfinance and the Household Economy

Financial inclusion, social and economic participation
and material wellbeing

Tanya Corrie

October 2011



Charity gives, justice changes.

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material wellbeing

Research Report

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Mission Statement

We are Good Shepherd.

Our mission is shaped by our inheritance of the vision, courage and audacity of St. Mary Euphrasia Pelletier and the Good Shepherd tradition she began.

Ours is a vision of promoting a world of justice and peaceful co-existence.

Ours is the courage to embrace wholeheartedly innovative and creative ways of enabling people of all cultural, religious and social backgrounds to enjoy the fullness of life, which is the right of every human being.

Ours is the inheritance to boldly challenge those structures and beliefs that diminish human dignity.

We work to ensure the value of every human being, the communities that enable us all to thrive and the integrity of the environment that guarantees both.

FOREWORD

It has been thirty years since the first No Interest Loan (NILS®) was taken out at Good Shepherd Youth & Family Service's Collingwood office. Those thirty years have been a time of exponential growth and have brought an increasing recognition of microfinance as a means to turn people's lives around. Given this growth, a new Good Shepherd entity, Good Shepherd Microfinance, has been established to carry microfinance development into the future.

Through partnerships with governments, philanthropic trusts, the community sector and the National Australia Bank, Good Shepherd is now able to offer microfinance programs in all states. Recent funding from the Department of Families, Housing, Community Services and Indigenous Affairs has allowed for further extension of this reach, and we are grateful for their support for microfinance and financial inclusion programs, as well as for providing the funding for this research.

At Good Shepherd Youth & Family Service, we are committed to building the economic and social inclusion of people who are marginalised. Recent measures of poverty indicate that we still have some way to go in ensuring that all Australians have an adequate income relative to costs. Understanding the root causes of this inequality is vital to ensure an appropriate programmatic and policy response. Research informs our holistic and integrated approach to services, including financial counselling, community education and microfinance. It also strengthens our capacity to advocate for those in society who often lack a voice.

Borrowers have told us about the positive outcomes experienced through microfinance. *Microfinance and the Household Economy* now places these experiences within tested and robust frameworks that look beyond money, to broader social and economic wellbeing, inclusion and participation.

While there is still work to do in creating an integrated response to inequality, we are heartened by the findings in the report that positive outcomes can be achieved. We look forward to continuing work with our community, corporate and government partners to develop innovative and practical ways to respond to poverty.

Robyn Roberts
Chief Executive Officer – Good Shepherd Youth & Family Service
October 2011

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- Shelter Housing Action Cairns (SHAC)
- Mareeba Information and Support Centre
- Good Shepherd Youth & Family Service Collingwood
- Indigenous Consumer Assistance Network (ICAN).

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EXECUTIVE SUMMARY

INTRODUCTION

The impacts of poverty and deprivation are far reaching. They have consequences for mental and physical health, personal and material wellbeing, and greatly impede the ability of people to participate socially and economically in wider society.

Microfinance programs are often seen as a direct response to poverty, particularly in developing countries. Although they have developed quite differently in Australia, they have a growing and significant role. Through enabling financial inclusion via access to affordable and appropriate financial services, microfinance programs aim to ameliorate poverty and its effects and build long-term financial capability.

Previous research has investigated the outputs and outcomes of microfinance in Australia. However, less research has explored its longer-term impacts. The research outlined in this report set out to discover the impacts of microfinance in facilitating financial inclusion, social and economic participation and material wellbeing in the context of people's lived experiences.

Given the recent growth of microfinance programs nationally, it was important to understand whether geographical location affected this impact. Similarly, certain groups are more likely to experience financial exclusion; hence the research also sought to gain a deeper understanding of the impacts of microfinance on Indigenous Australians, newly arrived communities and sole parents.

Building financial capability requires a range of responses. Programs such as financial counselling, community education and microfinance form an important part of this. The three Good Shepherd microfinance programs studied were:

- NLS®, the no-interest loan scheme developed by Good Shepherd Youth & Family Service in 1981 and now available at over 400 community organisations nationally. NLS is a community-based loans scheme where no interest or charges are incurred. The scheme operates on the idea of circular credit, where repaid funds are recycled and lent out to others in the community. In 2009-2010, the capital base for NLS was over \$17 million, with over ten thousand active loans. NLS is primarily a community driven program, with capital and operational funding sought through a range of sources including government, philanthropic organisations and corporate partnerships.
- StepUP, a low interest loan developed by Good Shepherd Youth & Family Service in partnership with the National Australia Bank (NAB). It is available in 32 locations in Australia. Applications are received at community organisations and then sent to NAB for processing. Clients take out a credit contract, and a credit check is performed. StepUP allows people to establish a credit history with a mainstream financial institution, and was designed as a pathway into mainstream banking. In 2010, there were over one thousand StepUP loans approved. StepUP is primarily funded by NAB, who provides most of the operational funding as well as all of the capital for programs.
- AddsUP is a matched savings program also developed in a partnership between Good Shepherd Youth & Family Service and NAB. After successfully paying off a NLS

or StepUP loan, borrowers can open an AddUp savings account and have their savings matched by up to \$500 once in the twelve month period. Referrals are sent through from community workers, with the account opening and matching process conducted at NAB. This program too is fully funded through NAB.

The Good Shepherd and NAB partnership has allowed for a much greater reach of microfinance nationally. Aside from funding both StepUP and AddUp, NAB has provided over \$23 million in capital funding for 200 NILS programs nationally and covers the cost of any losses and defaults for these programs. NAB also provides in-kind support by way of forums and training as well as administrative and product development support.

There has also been significant investment by state governments and the Federal Government Department of Families, Housing, Community Services and Indigenous Affairs. In 2009 FaHCSIA provided \$18.5 million for microfinance expansion and support, including grants to accredited providers of NILS, an increase in StepUP service locations and the expansion of AddUp as part of the Federal Governments stimulus package. This research project was made possible through this funding commitment. The 2011 Federal budget further supports this with a commitment of \$25 million over four years.

METHODOLOGY

The research used a case study methodology to explore the lived experiences of 30 financially excluded individuals and families. Recruitment of participants was done through agencies in four different geographical areas nationally. The areas selected were Collingwood and surrounds in inner Melbourne, to represent an inner-urban area; outer western Sydney around Blacktown as an outer urban interface; Northern Queensland (Cairns) to ensure regional representation; and lastly the Torres Strait Islands to better understand the impact of remoteness.

The project underwent Good Shepherd Youth & Family Service's ethics approval process prior to the data collection, a reference group was established to oversee the project and a literature review took place to develop the conceptual framework.

Twenty eight people were interviewed directly and two other case studies were collected from microfinance workers. Interviews were conducted twice over a ten month period to gain an understanding of the impact of microfinance and of other supports and barriers encountered over this time.

The nature of the study and recruitment process meant the stories collected were likely to give a positive view of microfinance. However, the intent of the research was to not only highlight if and how microfinance made an impact, but also where there was scope to improve.

DEMOGRAPHICS

Twenty-one participants in the study were women. Most participants lived in private rental (12), with nine participants in public housing and four living in community housing. Twenty-two of the 28 participants interviewed directly were single, twelve of whom were single parents. Five participants identified as Indigenous.

Fourteen participants lived in Western Sydney, eight in Northern Queensland, five in inner Melbourne and one participant was from the Torres Strait Islands.

All participants who took part were in receipt of Centrelink payments. Most received Disability Support Pension. The next largest group were receiving Parenting Payments. There were five participants who also took part in some form of paid employment.

KEY FINDINGS

The research showed that microfinance enabled financial inclusion, social and economic participation and material wellbeing, and that these impacts were different for different groups. Geography played a role, with particular accessibility issues occurring in rural and remote areas.

However, the case studies also made it clear that in order to have maximum impact microfinance cannot operate in a vacuum. While applying for microfinance was a fairly simple transaction for many participants, to fully allow them to set and achieve their aspirations, more than one service or policy response was needed given the complex environments they operated within.

Mental health was identified as an issue in ten of the case studies, and people who had experienced mental ill health carried both financial and emotional legacies. Three other participants were women who had experienced economic abuse by a partner, and were rebuilding their lives after leaving the relationship. Leaving prison was also particularly isolating and left people at a significant disadvantage, which was clear in two of the case studies. A common theme throughout was the many ways people overcame these barriers. Microfinance programs were often an important piece of this puzzle.

I. FINANCIAL INCLUSION

It is widely held in Australia that access to a basic transaction account, a moderate amount of credit and general insurance are essential. Access to appropriate financial services acts as an important platform to redress poverty – with asset accumulation, building savings, management of budgeting peaks and troughs and protection of important resources made possible through financial inclusion. To properly assess microfinance as an enabler in this context, it was important to understand the types of financial exclusion participants faced and the alternatives available in the absence of microfinance as an option.

Previous experiences and the value placed on austerity meant participants were often debt averse. When presented with mainstream credit options such as credit cards and personal loans, participants expressed wariness of both borrowing more than they needed and having ready access to credit without the security of structured repayments. Notions of austerity and only spending money that you have were commonly cited by participants in the study. Debt aversion also came about as a result of negative experiences in the past. As a result, mainstream credit options were often not appropriate given minimum personal loan amounts and credit card limits. Only three participants had a credit card, with most not expressing a desire to have one.

The design of certain financial services made them unaffordable to participants even when there were credit options that were suitable for their needs. The interest applied

and the structure of repayments meant affordability was an issue. The same was true for savings and transaction accounts. While access was less of an issue with transaction accounts than it was with accessing credit, there were examples of accounts being unaffordable as they were not appropriate. For example, while many accounts no longer carry a monthly account keeping fee, the restriction on transactions made some of these accounts *more expensive* to operate. Generally these issues were resolved on raising the concerns with their bank; however this at times took several attempts. In this sense, it is not that an appropriate account was not available but that this information had not been provided properly.

Lack of a good credit history, not necessarily a bad credit history, restricted access to mainstream credit options. While there were examples of defaults or financial stress in the past they had generally been dealt with some time ago. The ability to build a good credit rating was important to participants, the lack of which they identified as leading to financial exclusion.

Insurance was a challenge, with participants weighing up needs and risks against cost. While affordability of insurance was raised as an issue, this was primarily in the context of participants' self-assessment on the value of their belongings and the perceived risks of not having insurance. While many felt they could find room in their budgets for insurance if they needed to, they did not see the point given what they felt was the small risk of something happening, or because they did not feel they had assets worth the minimum amount most insurance policies set. Of those participants who had insurance, all used either pay-by-the-month options and/or discounted insurance agencies

Financial inclusion was also a matter of building trust. Participants in Northern Queensland experienced tropical cyclone Yasi mid-way through the research. None of these participants had contents insurance. When asked whether recent events had changed their views on the need for insurance, most views had not changed. On the contrary, many felt vindicated about their choice not to have insurance, as they felt they would not have been paid out if they had made a claim anyway.

Centrepay was an important enabler and needs to remain flexible and voluntary. Centrepay (a voluntary system where payments for certain expenses such as rent and bills are taken from Centrelink incomes prior to it being paid to recipients) was an important enabler for nearly all participants. Centrepay was used for bill smoothing, where a certain amount is paid into utilities each fortnight to avoid a large bill, and as a way of prioritising spending. The flexibility and affordability of Centrepay meant in the event of a large expense people could re-prioritise their spending. The capacity to do so in this event is vital.

Access to microfinance allowed people to exercise agency in making safe choices. In the absence of microfinance, at least three participants would have looked to the fringe lending market. Purchasing second hand items was another option available, with one participant spending \$100 on a washing machine only to have it break down two days later. The rest of the participants would have simply gone without what were often much needed items. All of these alternatives had the potential to negatively impact on the personal and material wellbeing of participants as a direct result of financial exclusion.

Microfinance allows greater financial inclusion through the application process and through paying off a loan or contributing to savings. The process of applying for microfinance enabled some people to look more closely at the financial services they were currently utilising and the money they could save by changing to other accounts. The StepUP loan process and engaging with NAB had the potential to provide a pathway into mainstream banking. This tended to improve the more a person had paid off their loans or contributed to savings. Knowledge of bank branch staff of the StepUP program is essential in ensuring this can be realised. However, given income restrictions and costs there were many who preferred to keep with microfinance as an option.

AddsUP provided a clear incentive to save, and this behaviour continued after savings were matched. It was clear that the AddsUP program gave people an incentive to save. When linked in with a microfinance loan, participants had already become used to putting money aside. As this is often only a small amount, matching the savings allowed people to see results more quickly and both AddsUP participants had continued to save after their savings were matched. Of those who had not yet started the savings program, almost all anticipated taking it up.

More than one response is required to enable financial inclusion. Microfinance cannot replace adequate income. Nor is it always an appropriate alternative to payday lending given restrictions in loan purposes and the thorough nature of the application process. Financial exclusion is a multi-faceted condition which requires a multi-faceted response and while it was clear microfinance has a vital role to play, it does not have the scale or structure required to address all of the barriers presented.

II. SOCIAL PARTICIPATION

Measures of social participation are expressed as involvement in cultural activities, memberships in clubs or groups and other activities where people interact with others. Being able to participate socially builds links with community, gives people an avenue to experience leisure and builds important social capital to enable longer term support.

The costs of social activity meant traditional measures of social participation were not identified by participants. Prioritisation of spending meant social activity sat somewhere near the bottom of the rankings after other important things are paid for. Therefore it became clear that these traditional measures of social participation such as memberships in clubs or going out for meals were not always applicable for participants in the study.

Social participation needed to be viewed within the complexities of people's lived experiences. For some participants, social participation was not necessarily about meeting people face-to-face but feeling connected in different ways. Being creative was an important outlet for people, and had implications for both their sense of connection and mental health. Looking after pets and animals was also important.

Mental health, previous incarceration and dealing with addiction made social participation difficult. Certain conditions and previous experiences greatly restricted people's social networks and capacity to interact. Experiencing mental illness meant there were occasions where it was too difficult to think about anything other than keeping well. For people managing illness, more home-based ways of connecting were an important option.

Exiting prison was also particularly isolating, and greater time and support is required to see improvements in this area.

Being a parent tended to have the biggest impact on social participation. These impacts were both negative, for example, by restricting access and time, and positive, through children's sporting activities. Geography was another important factor in limiting social participation, especially when public transport was not available.

People overcame barriers by looking to cheaper ways to experience leisure. Affordable leisure included taking advantage of cheap DVD nights or by eating out or getting take-away meals. Although these occasions were fairly limited, it was one way people overcame cost barriers.

Microfinance can directly enable social participation. The purchase or repair of cars or equipment through microfinance enabled people to pursue social aims. The purchase of furniture also helped people feel more confident to take part socially by inviting friends and family into their homes. Flexibility in loan purpose is important to ensure greater social participation of low-income earners.

Microfinance ensured fundamentals can be in place to pursue broader social aims. The purchase of essential household items meant participants were able to save time and money and this in turn improved their budgets and capacity to participate socially.

Community led models of microfinance need to continue in order to have maximum impact on social participation. Microfinance needs to engage with community programs as this provided a link with other social activities and supports.

III. ECONOMIC PARTICIPATION

Economic participation included both paid and unpaid work and education. Participants discussed current economic activities as well as exploring their work aspirations for the future. Barriers to economic participation were discussed and the supports that assisted or were required were also explored. For participants who were in paid work, the means by which they were able to find and sustain this employment were explored.

Many participants were single mothers looking after their children, were carers of elderly relatives or spouses, or took part in community based volunteering activities. Five participants took part in some ongoing paid work and others in more seasonal, casual work where they could.

Participants who were not in paid employment aspired to be. Participants frequently wanted to work however they needed to be mindful of other important factors in their lives such as managing both their physical and mental health, caring for their children or caring for others.

Lack of transport was a major barrier to both paid and unpaid work. Participants and microfinance workers identified that areas where work was available were under-resourced with public transport and in these situations car ownership was important to enable economic participation. This was particularly true in outer suburban and regional areas.

Of the participants in paid work, it was important that this was flexible to their needs and did not jeopardise their income security. Those participants who were in employment were in permanent part time or casual work which, for certain income security payment types, did not compromise their access to concessions. While at times it reduced their levels of payments, they were better off financially and able to manage. Flexibility of paid work was important, as it allowed participants to manage their other obligations, such as care of children or managing illness. Similarly participation in study also needed to be flexible to allow for other competing demands on time.

Economic participation frequently followed a trajectory. The pathway to employment was not always linear but one pattern which was identified started with becoming engaged with community organisations which led to volunteering opportunities. This was a realised as well as a potential pathway to paid employment identified by participants.

Microfinance enabled work options that were flexible. Participants were able to, for example, purchase and repair cars, allowing more flexibility in time and the capacity to travel to and from employment. Cars were also used to support micro-businesses which again could work around other competing needs. The use of microfinance for items such as computers allowed participants take part in study. Given the trajectory of employment, being able to study meant people became work ready, or were in the process of re-skilling to find employment.

Microfinance supported caring roles through having functioning appliances or access to transport. This meant more time could be spent with children or fulfilling other caring roles, such as the care for an elderly parent or spouse.

Other supports, such as specialised employment programs, are important. Community service organisations enabled support through the employment trajectory by offering opportunities for study and volunteering. Specialised employment programs, such as those which cater for people with disabilities, were also proven to be important. For those participants in paid work, all had used specialised employment programs. The community nature of microfinance programs also offered similar opportunities.

IV. MATERIAL WELLBEING

The level at which material wellbeing should be set is the source of some conjecture; however it is generally accepted that people need the capacity to meet their basic material needs such as food, shelter, utilities, health and education costs. Even in the context of austere standards, there are fundamental material goods and services that people require at a minimum. While it was important to capture whether those material needs were being met, it was also important to uncover any material aspirations people had, and the extent to which these may be compromised as a consequence of low-income.

Material wellbeing needed to be viewed within the context of a person's history. The value a participant placed on life outcomes was a result of his or her rich and varied experiences. Many had experienced trauma, homelessness, financial hardship and economic abuse in the past and their material aspirations and goals were a reflection of these experiences.

People experienced a range of financial stressors. Large ongoing expenses tended to be more pronounced, such as utility bills, housing costs and education costs for children.

To meet expenses, participants missed out on essentials such as heating the home or food shopping. People needed to make tough decisions when prioritising their spending particularly if they had an electricity bill or other large expenses to pay for. Food, for example, was purchased only after other important things were paid.

Material aspirations were either asset building or for so-called 'luxuries.' Items such as haircuts, new clothes or treats out were things participants identified that they also missed out on, or aspired to have if they had extra money to spend.

Participants were good budgeters. Typically people were restricted by their income levels relative to the cost of living, and not their ability to budget.

Microfinance directly impacted on material wellbeing. By allowing people to build their asset base microfinance reduced deprivation. AddsUP also enabled people to build an emergency buffer in case of financial shock or an unexpected expense, improving material wellbeing and financial resilience.

Microfinance assisted in reducing other expenses through being able to purchase assets to assist in managing day-to-day budgets. Through being able to purchase assets with microfinance, day-to-day budgets became more manageable. For example, owning more energy efficient items improved peoples power bills which therefore assisted in building material wellbeing. Owning a fridge allowed bulk buying of food when it was on special which aided management of budgets.

Participants on Newstart were at a serious disadvantage when it came to material wellbeing, Being in receipt of a Newstart Allowance severely limited options because of the very low level of income provided. Even microfinance programs, which aim to assist people on low incomes, were often unable to assist Newstart recipients as there was often no room in their budgets to meet repayments.

While microfinance could assist with larger, one-off expenses it does not have the capacity to meet large, ongoing costs. While being able to reduce the stress of having an important asset breakdown, there are many material needs for which microfinance is not appropriate. Financial stressors which impacted material wellbeing such as utility and housing costs are not met by microfinance programs.

Emergency relief, financial counselling and other financial support services were as important in meeting participants' material needs. Living on a low income created many financial challenges and the occasional financial crisis. A suite of financial support programs were needed from preventative and capacity building programs like microfinance through to financial counselling and emergency relief for more serious situations.

V. EFFECTS OVER TIME

The results showed that financial inclusion increased with greater experience of financial services. About half of the participants in the study felt an improvement in their confidence in dealing with their bank, and almost all who did not had already felt capable of doing so. There was an example of one participant whose trust had not been rebuilt and felt anxiety

about interacting with mainstream financial services. Although financial confidence had improved, participants still preferred microfinance, a preference based primarily on cost; however they did feel now that they could contact mainstream banks for advice. As financial inclusion increased, so too did participants level of financial resilience, particularly for those who had taken out the matched savings product AddsUP. Having a savings buffer meant that people had resources available in the event of financial shock and for those who had their savings matched, this provided greater peace of mind.

Pathways to social and economic participation also built over time. Prior to the microfinance application, many participants had experienced financial and other trauma as both a cause and consequence of other events in their lives. As they started to gain control of their finances, they were able to apply for microfinance which could lead to opportunities for study, unpaid work and civic engagement, and for some on to paid employment.

VI. IMPACTS ON PARTICULAR GROUPS

Single Parents

When asked about aspirations or wants, parents almost always articulated these through the needs of their children. Parents sought social participation for their children often at the expense of their own. When looking for paid work, parents needed to be nearby to their children, and placed a high value on their role as a parent.

All single parents in the study were women, some of whom had previously been in financially abusive relationships. As a result of the abuse, they were sometimes left with debt that they were still responsible for servicing. They had also lost confidence in what they could spend money on. Being able to access a low or no interest loan was a way of rebuilding their confidence and enabling them to purchase something that was their own. For some, it also broke down some of the residual fears about spending money on themselves for important things. Being able to access microfinance was an important way to support women leaving violent relationships as they were able to access credit to re-establish their lives.

Newly Arrived Communities

Although the case studies from newly arrived communities were small in number, it was evident that microfinance was an important bridge from a community-based setting to engagement with the mainstream financial market. Microfinance was not only a way to access credit to accumulate assets in the home, it was also a gentler way to introduce people to the Australian banking system. The application process was very helpful in introducing many to their day-to-day banking needs.

Indigenous Australians

Indigenous participants readily identified that in the event that they needed assistance, family and extended family would be the first point of call. With this came a similar reciprocal obligation which was in general positive as there was a ready network of support available.

Indigenous participants also tended to be more likely to participate socially with cultural activities and involvement in their communities. Being active on Indigenous councils and interest groups was an important way to connect with other people but also to their heritage. There was also a strong connection to their communities even in the event that they were no

longer able to live there. These observations have consequences for the practice and development of microfinance programs in Indigenous communities. The use of family networks and cultural organisations is important to have impact on Indigenous communities.

VII. EFFECTS OF GEOGRAPHY

The incidence of financial exclusion was fairly consistent across geographical areas with the exception of remote Indigenous communities. The extent of financial exclusion was greater in these communities as a result of physical isolation, English as a second language, and inadequate infrastructure and community knowledge to support alternative forms of banking (such as internet and phone). The impact of financial exclusion in remote Indigenous communities could be greatly reduced through access to microfinance, particularly when coupled with developing community advocates and leaders within the community.

A sense of community also seemed to be linked with geographical location, although the small sample size does not allow strong conclusions to be drawn. The gentrification of inner Melbourne, particularly the Collingwood area, meant people felt less connected to their communities. Most people interviewed in the Collingwood area tended not to be from there originally, and this may explain some of this lack of connection.

In other areas there were some who felt a strong sense of belonging and who tended to be more socially active. Participants in Western Sydney tended to feel a stronger sense of community, and most had lived in the greater Western Sydney areas most of their lives. Participants from Cairns similarly tended to be involved in stronger social networks. There is a strong role for microfinance in facilitating these connections with community.

CONCLUSION

While low income earners are more likely to suffer from financial stress, the idea that people on low incomes are less able to manage money is challenged by the findings of this research. This research indicates that it is a lack of appropriate financial and social resources that often leads to financial stress. Therefore, in order to appropriately support people on low incomes, it is important to be holistic and focus on building financial capability through a number of different strategies, with microfinance among them.

Microfinance directly and positively impacts on financial inclusion, social and economic participation and material wellbeing, and builds important foundations to assist the household to function. Through accumulation of assets, access to transport, linking people in with their communities and improving financial confidence, microfinance certainly has an important role to play.

However, microfinance alone cannot overcome all of the barriers to financial inclusion, social and economic participation and material wellbeing that were presented in the study. It cannot replace adequate income or meet large ongoing expenses or assist with all financial stressors. While it goes some way, a range of supports are required that recognise the complexities of people's lives. There needs to be a continuing development and expansion of financial inclusion programs through mainstream financial institutions, community organisations and government. Similarly, the linking of these services to other important supports is vital to have maximum impact on people's lives.

RECOMMENDATIONS

Financial Inclusion

Recommendation 1: Microfinance providers and their corporate and government partners continue to collaborate to investigate unmet aspects of financial exclusion and to increase microfinance opportunities for low income Australians.

Recommendation 2: Microfinance providers, government and banks investigate the needs and potential mechanisms for outreach and delivery of microfinance programs to remote areas.

Recommendation 3: As part of the national credit legislation, the Federal Government regulates the fringe lending industry, introducing a 48 per cent per annum cost rate cap on fringe loans to protect low-income Australians for whom microfinance and other financial support programs are not appropriate or available.

Recommendation 4: Given the scale required to appropriately address financial exclusion, banks need to continue to develop financial products and services that meet the needs of low income consumers including credit cards with smaller limits, flexible bill payment options and low fee and no-fee transaction accounts.

Recommendation 5: To provide options for people in receipt of income security payments for whom microfinance is not appropriate, Centrelink reviews the structure of its Advanced Payment to make it more available and more flexible.

Recommendation 6: Good Shepherd supports the Brotherhood of St Laurence's recommendation that insurance companies and other organisations continue to develop appropriate, low cost insurance options to promote financial inclusion and protection of assets.

Recommendation 7: Good Shepherd advocates for removal of all fees charged by utility companies for not paying bills via direct debit or Centrepay.

Recommendation 8: Good Shepherd and NAB continue to promote and advocate for Centrepay to be available for StepUP loans.

Recommendation 9: Relevant departments of government work with banks and remote communities to provide low fee options to access money to facilitate greater financial inclusion.

Social Participation

Recommendation 10: Microfinance programs participate in local community service networks in order to collaboratively identify, advocate for and meet the broader social and economic needs of people living on low incomes.

Recommendation 11: Microfinance providers continue to increase the flexibility in purposes and amounts of microcredit to support greater social participation.

Economic Participation

Recommendation 12: Good Shepherd and microfinance partners continue to investigate the role of microfinance in enterprise development to provide pathways to economic participation.

Recommendation 13: Government policies, community services and microfinance organisations develop programs addressing workforce participation needs which respond to the complex and layered barriers people face to employment, including greater flexibility in loan purpose and amounts to support economic participation.

Recommendation 14: Centrelink should expand the use of working credits to other types of benefits (such as Newstart Allowance) to ensure that people are not disadvantaged by participating in paid employment.

Material Wellbeing

Recommendation 15: To maximise the role of microfinance in improving household amenity, microfinance providers consider working more closely with community organisations and peak housing bodies to advocate for national standards for public and private rental accommodation.

Recommendation 16: Given the inaccessibility of microfinance to many recipients of Newstart Allowance, the Federal Government review Newstart Allowance payments as advocated by the Australian Council of Social Service (ACOSS).

Recommendation 17: Good Shepherd works with relevant government agencies to investigate the need and viability of buying services to enable all low income Australians to source efficient and affordable electrical goods, similar to the service being run in Victoria by Good Shepherd Youth & Family Service.

Recommendation 18: Federal Government investigate the impacts of 'income quarantining' on the capacity of low-income earners to juggle expenses, and the risk of material deprivation if this capacity is removed.

Recommendation 19: Governments continue to support the emergency relief sector in enabling people to address basic material needs where microfinance is not available or appropriate.

CHAPTER 1: INTRODUCTION

For people on low incomes, managing the cyclical nature of the household economy requires a range of decisions, substitutions and strategies to ensure that day-to-day living expenses can be met. In the absence of appropriate financial supports and services, this series of decisions can lead to people missing out on activities, goods and services that as a society we deem essential for a life with dignity. Any decreased capacity to deal with ongoing expenses – let alone large, unexpected expenses – can result in poverty and deprivation for these financially excluded groups.

Microfinance programs are a practical response to this exclusion. In the developing world, where microfinance is well known, it has been used as a means of ameliorating poverty and reducing the exploitation of poor people who cannot access safe forms of credit. Grameen Bank in Bangladesh is perhaps the best-known microfinance organisation in the developing world.

While microfinance in Australia has developed quite differently, its aims are the same. Through provision of safe and affordable credit and appropriate savings programs, microfinance promotes financial inclusion in order to reduce experiences of poverty and deprivation. It forms part of a range of responses which recognise that addressing financial stress requires a focus on both improving individual capability and removing the structural barriers that impede people on low incomes from participating in a market economy. The inability to access mainstream banking is a significant barrier to this participation.

Microfinance has proven to be an effective tool in building household assets and in providing a stronger foundation on which the household can function. However, it clearly cannot address all of the complex causes and consequences of financial stress. Factors such as inadequate income, unexpected bills, unemployment and underemployment, housing affordability, disability and health issues, family breakdown and family violence require a range of policy and program responses (Gallet, 2010). Nonetheless, the power of microfinance to turn lives around is increasingly recognised in Australia.

While research has been conducted to understand the outcomes and outputs of microfinance programs in Australia, there has been less research into its longer-term impacts. There is also a gap in knowledge about how microfinance impacts certain groups in society who, for one reason or another, experience higher levels of exclusion. With funding from the federal Department of Families, Housing, Community Services and Indigenous Affairs (FAHCSIA), a significant contributor to microfinance in Australia, this project seeks to fill this gap in knowledge. The report examines the impacts of Good Shepherd Youth & Family Service's three microfinance programs on financial inclusion, social and economic participation and material wellbeing.

1.1 MICROFINANCE PROGRAMS

There are a suite of programs delivered by community sector organisations to address financial capability and reduce financial stress. At Good Shepherd Youth & Family Service, these programs include:

- Financial counselling: a free and confidential service for people on low incomes experiencing financial hardship or distress

- Financial education: Financial education workshops assist people with any financial skills gaps they may have. Driven by community needs, financial counsellors run workshops for vulnerable consumers and provide training for business, corporations and government organisations on financial vulnerability and hardship
- Microfinance programs: these are dealt with in more detail below.

The concept of microfinance existed as early as the 16th century, however the term itself originated in the 1970s with the establishment of the Grameen Bank in Bangladesh (Cabraal & Russell, 2006). As a 'set of tools, approaches and strategies addressing the needs of people who are financially excluded' (Burkett & Sheehan, 2009, p. v), microfinance offers people on low incomes access to a range of financial services that they would not necessarily be able to access via mainstream institutions, including small loans, savings accounts, insurance and other financial products.

The purpose of microfinance is to alleviate poverty, not further entrench it (Burkett & Sheehan, 2009, p. v). To this end, microfinance needs to be appropriate, safe and affordable. In the absence of these caveats, there is a risk that products and services that further marginalise and disadvantage people can be included under the label of microfinance. For example, payday loans would not qualify as microfinance. Although they provide access to credit for people on limited incomes, their often higher costs can lead to hardship and further entrench a negative cycle of debt.

The three Good Shepherd microfinance programs being investigated are:

- No Interest Loans Scheme (NILS®)
- StepUP
- AddsUP.

1.1.1 NILS®

Good Shepherd Youth & Family Service launched its first microfinance program, NILS®, in 1981. Seeking to assist young women to establish independent living, no interest loans were offered to purchase essential household items. The credit model is based on a commitment to upholding individual dignity and respect and operates on the idea of 'circular credit'. As loans are repaid, the money is lent out to other members of the community. Loans are usually \$800 to \$1,200 and the repayment period is usually around 12 to 18 months. The loan payment arrangements are made in consultation with recipients and are based on each person's capacity to repay.

NILS offers people on low incomes the opportunity to access credit that is safe and affordable. People in receipt of a health care card or a pension card are eligible to access the loans. There are no fees, charges or interest applied to the loan.

In 2009-2010, there were 10,898 active NILS loans, with an average loan amount of \$803. The total value of NILS loans was approximately \$8.5 million, an increase of 143 percent on the previous year. Twenty per cent of borrowers identified as Indigenous, and sixty per cent of borrowers were women.

1.1.2 StepUP

StepUP is a low interest loan operated in partnership with National Australia Bank (NAB) and is offered at 32 locations nationally. StepUP loans can be used for many purposes, including the purchase of cars, car repairs, whitegoods and other necessities.

StepUP was purposively designed to offer a step up from NILS to a more mainstream banking product. Unlike NILS, the application is assessed by the bank, the client enters into a credit contract and the loan is regulated under the Consumer Credit Code. Regular statements are received and the client undergoes a credit reference check and is offered the opportunity to build a credit record (NAB, 2008). There were over 1000 StepUP loans approved in 2010.

1.1.3 AddsUP

AddsUP is a matched savings program also run in conjunction with NAB. Clients are eligible for an AddsUP account if they are successfully paying off a NILS or StepUP loan and hold a health care card or are on a low income. NAB will match savings up to \$500 one time only, for people who have been able to save more than \$300. There are no restrictions on when clients access their savings, or for what purpose the savings are used (www.nab.com.au). As at July 2011, 637 applications for the AddsUP program have been received, of which 489 have been opened. Forty-five accounts had been matched at the time of this report.

1.2 RESEARCH AIM

The aim of this research is to explore the impacts of microfinance programs on individuals and families, and their potential role in affecting selected social indicators. The indicators examined in this research are financial inclusion, social and economic participation and material wellbeing

1.2.1 Research Question

Specifically, the research asked three questions:

1. In what ways does access to microfinance enable individuals and families to increase their financial inclusion, material wellbeing and social and economic participation and in what ways could this be improved?
2. What are the effects of geographical location and particular financial vulnerabilities on this relationship?
3. In what ways does the cyclical nature of the family economy influence this relationship?

These questions are based on several assumptions that require further exploration.

- that there is a relationship between access to microfinance and non-financial wellbeing improvements
- that different vulnerable groups, specifically Indigenous Australians, newly arrived communities and single parents, have differing needs and experience different outcomes

- that different geographical locations have different cultures, senses of community and availability of support services, which further influences outcomes
- that the household economy experiences fluctuations over time, which affects the choices people have to make.

1.3 PREVIOUS MICROFINANCE RESEARCH

Several research projects have been undertaken to examine Australian microfinance programs.

Ayres-Warne and Palafox (2005) analysed the effectiveness of NILES in their report “*NILES Small Loans – Big Changes.*” The research used case study interviews with NILES borrowers as well as consultations with the loan workers and co-ordinators.

It was found that access to NILES:

- offered real solutions to essential needs
- assisted in helping people who were experiencing hardship and distress to feel better
- improved people’s day to day lives
- enabled parents to spend more time with children
- reduced people’s embarrassment about their homes
- created community advocates of the loans programs
- strengthened people’s money management skills
- improved people’s outlook on the future (Ayres-Warne & Palafox, 2005)

Burkett and Sheehan (2009) summarise the evaluations of a range of microfinance programs completed in Australia to date in Table 1.

Table 1: Summary of microfinance research

Program	Outputs	Outcomes	Impact
NILS	For June 2007–08, \$3.95 million was lent to just over 4,000 borrowers through 280 community organisations with a default rate of 5%. <i>By 2008-09 \$5.5 million in loans were written, and there were 8,605 active loans (GSYFS internal data).</i>	Applying for a loan strengthened financial knowledge and budgeting skills. Obtaining a NILS loan also helped borrowers to feel respected, valued and trusted, which restored a sense of hope that someone cared. Feedback showed that: • 37% of borrowers experienced improved self-confidence • 6% reported benefits of owning a new item • 19% commented on improved power as a financial consumer (McInernery 2005; Ayres-Wearne & Palafax 2005; Roberts 2000; NAB 2009; Chalmers & Prosser 1990).	
StepUP	Up to 31 December 2007, \$1.46 million was lent to 599 people with an average loan size of \$3,000. The main loan purposes were cars and car repairs. The default rate was 4%.	Having the loan and obtaining basic necessities helped promote self-esteem for borrowers (GSYFS and NAB, 2008).	
Progress Loans¹	From May 2006 to May 2009, 598 loans were drawn down by 531 individuals. The default rate was 1%.	Feedback showed that: • 32% of borrowers believed they had better budgeting and money management skills • 42% had a better understanding of loan contracts • 38% developed a better understanding of interest rates • 95% believed the Progress Loan led to an improved quality of life • 85% experienced reduced stress in the household • 85% experienced greater	

¹ Offered through the Brotherhood of St Laurence and ANZ

		independence • 83% had improved self-confidence and self-esteem • 31% had an increased ability to deal with unexpected expenses (Vawser & Associates 2009).	
Saver Plus²	From 2003 to 2009, more than 4,600 people have participated in the program.	Participants reported: • increased knowledge of fees and charges relating to financial products • increased confidence • reduced stress • sharing financial management skills with their children. (Chant Link 2009; Russell 2008)	Improved savings habits for 37% of participants.
Advance Personal Loans³	From May 2006 to December 2006, 170 loans were drawn down. The default rate was 2%.	For many participants, obtaining a loan was about more than just money; it was also about dignity, inclusion, trust and respect. Participants felt a sense of pride in dealing with a bank. (Scutella & Sheehan 2006)	

Source: (Burkett & Sheehan, 2009)

Muoy (2011) summarises these various evaluations and notes that a greater understanding of impacts is needed.

'Most research into microfinance in Australia has focused on measurement of outputs and outcomes. The Saver Plus program is an exception as it has been the subject of post-savings behaviour and impact research since it was established' (Muoy, 2011, p. 15)

The research in this report intends to fill this gap in knowledge of the impacts of microfinance, particularly given the increased policy focus on microfinance and financial capability building programs.

1.4 POLICY CONTEXT

1.4.1 Microfinance, Financial Markets and Deregulation

The microfinance movement gained momentum throughout the 1980s and early 1990s as a consequence of the economic conditions experienced at the time, which saw 'the retreat of the financial services industry from poorer and more disadvantaged communities' (Leyshon

² As above

³ As above

& Thrift, 1994, p. 268). In Australia, the deregulation of the banking industry in the 1980s left many disadvantaged consumers with little or no access to appropriate financial products. Paradoxically, although credit became cheaper with increased competition (Singh, 1992), and access to credit and being in debt became increasingly normal and almost a necessity to participate in economic life (Burkett & Sheehan, 2009), those most vulnerable were either excluded altogether or indebted with inappropriate and higher interest rate products (Leyshon & Thrift, 1994; Singh, 1992). Difficulties in paying back debt led to defaults, punitive interest margins and further financial vulnerability (Ryan, 1992). Options such as microfinance were seen as a way of addressing this financial exclusion and providing people on low incomes with access to credit that is appropriate for their needs. An array of microfinance programs offered primarily through community organisations and other not-for-profit organisations emerged in Australia. These ranged from small loans for enterprise development or essential household goods through to community savings programs.⁴

1.4.2 Social Inclusion

The social inclusion agenda has featured strongly in the Australian policy dialogue. As a means of looking beyond material wealth, the social inclusion agenda pursues improvements in quality of life and the extent to which 'people are able to participate in social affairs and attain power to influence decisions that affect them' (Australian Social Inclusion Board, 2009).

The Australian Social Inclusion Board was established in 2008 as the main advisory body to government on 'ways to achieve better outcomes for the most disadvantaged in our communities' (Australian Social Inclusion Board, 2011) and advise government on how to fulfil their social inclusion agenda.

It is the view of the Social Inclusion Board that to be socially included, people need the resources, opportunities and capabilities to:

- Learn – participate in education and training
- Work – participate in employment, unpaid or voluntary work including family and carer responsibilities
- Engage – connect with people, use local services and participate in local, cultural, civic and recreational activities
- Have a voice – influence decisions that affect them.

This has led to greater focus on indicators such as social and economic participation and has altered the language of poverty to be more inclusive of people's lived experiences (Vinson, 2010).

1.4.3 Corporate Social Responsibility and the Role of Banks

Since the 1980s there has been a growing acceptance of corporate social responsibility as part of good business practice. The recent economic crisis has placed an even greater emphasis on corporate governance and responsibility, particularly in the banking sector.

⁴ See Burkett, I and Sheehan, G, 2009: 34-55 for more information.

There has also been significant investment by banks to assist in building programs to address the needs of the growing number of financially vulnerable consumers.

However, it is widely believed that a commitment to low cost banking and protecting vulnerable consumers extends beyond corporate social responsibility. At the outset of the economic crisis, the Australian Government moved to guarantee bank deposits to maintain consumer faith in the banking sector (Cannex, 2009). For this reason, many consumer groups argue that given the lender of last resort privileges⁵ that banks enjoy and the importance of banking in society, banks are essentially party to a social contract that brings with it a social responsibility (Singh, 1992, p. 51). It is not something that should be done through good will, but something banks are *obligated* to do.

In response, Australian banks have invested in their social responsibility agendas, including programs such as microfinance. Most notably, NAB and ANZ fund a range of financial inclusion programs. Good Shepherd Youth & Family Service microfinance programs are operated in partnership with NAB.

National Australia Bank (NAB)

NAB 'believes it has a responsibility to help create strong and sustainable communities and has invested more than \$130 million in [microfinance] programs' (National Australia Bank, 2011). This includes:

- \$23 million in NILS capital funding for 200 NILS programs
- covering the costs of losses and defaults for these programs
- funding many of the forums, training and other in-kind support for the microfinance sector
- funding the StepUP loans program
- funding the AddsUP savings program.

In addition to their commitment to microfinance, NAB funds research and advocacy into financial exclusion, and has developed other mainstream, low fee products. NAB was the first Australian bank to remove overdrawn account fees.

1.4.4 The Role of Government

Federal Government

The Australian Government provided funding for a number of microfinance initiatives to build financial capability and inclusion in their response to the global economic crisis. This commitment included:

- \$80.4 million for emergency relief and financial counselling
- \$50 million for innovative projects such as microfinance.

⁵ 'Last resort lending' is the provision of liquidity (generally direct lending) by a central bank to other banks to overcome a shortfall that may be experienced due to market instability or doubts about a bank's financial standing. This is one of the roles of the Reserve Bank of Australia (RBA); however it is also facilitated through government and other public authorities (Fitz-Gibbon & Gizycki, 2011). In this sense, given that government and the RBA guarantee deposits through tax payers' means, for example, there is reciprocity required that extends beyond corporate social responsibility.

Of this funding, Good Shepherd Youth & Family Service received \$18.5 million to support microfinance programs. The current research project was made possible by this significant investment.

The 2010 budget further supported these initiatives with a commitment of \$52 million over four years for the delivery of microfinance programs, \$25 million of which was committed to Good Shepherd.

State Governments

State governments have been strong supporters of microfinance. For example, the Victorian Government provided the seed funding to enable community development workers to increase the reach of microfinance in Victoria, and has continued to provide funding support.

The national expansion of NILS has been strongly supported by all state governments through their investment in community programs.

1.4.5 The Role of the Community Sector

A range of community sector organisations delivers microfinance and other financial capability building programs. They operate in partnership with government, other community organisations, corporate entities and philanthropic funders.

Good Shepherd Youth & Family Service microfinance programs are run nationally through an array of small to large community sector organisations as well as being part of our core service delivery. The Brotherhood of St Laurence, whose microfinance programs include Saver Plus and Progress Loans, operate in partnership with ANZ and the community sector and are another large microfinance provider in Australia. There are many other community organisations which offer loans and savings circles and other financial inclusion initiatives.

1.5 OUTLINE OF THIS REPORT

This report provides a detailed discussion of the research project.

Chapter Two discusses the conceptual framework, the theories and definitions that were used in developing interview questions and the means of analysis. It also contains background information regarding the geographical areas included in the review.

Chapter Three details the methodology, the research stages and the means by which the data was collected.

The findings of the research are contained in Chapters Four through Eight. Chapter Four provides insight into the demographics of participants and other background information.

Chapter Five captures the impacts of microfinance as it relates to financial exclusion, and explores particular relationships with money and financial institutions. This includes analysis of credit and debt; savings and transactions; general insurance; bill payment options and finding the correct information. A series of realities, barriers and enablers are discussed.

In Chapter Six, social participation is explored through themes such as creativity, pet ownership, friendship and family networks and exercise. The impacts of being a single

parent and having children are also explored. Leisure activities are discussed and the necessary supports to fully achieve social participation and inclusion are examined.

Chapter Seven explores questions around economic participation through paid work, unpaid work and study. Participants discuss their aspirations and the realities of achieving these aspirations. The role microfinance plays in enabling goal setting and laying a stronger foundation for the family to function is also examined.

Lastly, Chapter Eight gauges the extent to which microfinance impacts on material wellbeing, looking at both subjective and objective measures of wellbeing and ensuring people have enough material resources to achieve a reasonable quality of life.

The findings are brought together in Chapter Nine, which provides an overview of the themes and the impact of the results on both practice and policy.

CHAPTER 2: CONCEPTUAL FRAMEWORK

2.1 INTRODUCTION

Against the backdrop of a changing corporate landscape, particularly in the period following the global banking crisis, it is a pertinent time to gauge the extent to which socially responsible financial programs have an impact. It is also a time when economic measures of wellbeing are evolving. Internationally there has been a shift away from traditional measures of prosperity such as Gross Domestic Product⁶, to those which look not only at 'how much' but also 'where' any growth in wealth is going. Importantly, these measures are an attempt to understand the impact of growth or contraction on those who are affected and how this impact is distributed. Measures such as social participation, economic participation and wellbeing are the new language of economics in a post-industrial society and an important way to articulate the impact of microfinance and other interventions.

2.2 THE USE OF SOCIAL AND ECONOMIC INDICATORS

'Measuring the well-being and progress of societies is one of the key priorities of the OECD (Organisation for Economic Cooperation and Development). Focusing on people's well-being and societal progress, the OECD is looking not only at the functioning of the economic system but also at the diverse experiences and living conditions of people and households.' (OECD, 2011)

There has been a move from traditional measures of national economic growth to those which better reflect the true outcomes. The OECD has led this charge in many ways, on the back of recommendations made in 2009 by a commission of international experts, who focussed on the material and non-material outcomes of economic growth. This approach reflects the need to look at the distribution of growth, as well as a mechanism to place value on the role of unpaid work which is primarily performed by women in both developed and developing countries. In support of these recommendations, OECD Secretary-General Angel Gurría said:

'Economic resources are not all that matter in people's lives...We need better measures of people's expectations and levels of satisfaction, of how they spend their time, of their relations with other people in their community. We need to focus on stocks as much as on flows, and we need to broaden the range of assets that we consider important to sustain our well-being.' (OECD, 2009)

The Australian Bureau of Statistics (ABS) has moved in a similar direction. Their publication *Australian Social Trends* includes concepts such as social participation, and key economic statistics include measures such as economic participation. This signals a clear move to a more holistic view of performance in an economy (ABS, 2011).

This research sets out to understand the impact of microfinance within a framework of economic indicators that broadly measure social wellbeing.

⁶ GDP is Gross Domestic Product, the total economic output of an economy. Traditionally measures of growth or improvements in living standards have been measured through indicators such as GDP per capita – basically dividing GDP by the population to see if it has increased. However, this does not measure the distribution of this growth

The conceptual framework as outlined in this chapter defines the key indicators being explored, and operationalises them. This formed the basis of the data gathering instruments and was used to inform the analysis.

2.3 CAPABILITY

Although the research does not explore capability as an indicator, it is important to place the research within the context of capability, as this informs our approach to both research and practice. Building capability is a concept developed by economist Amartya Sen. 'It encompasses both the individual's ability to do something and the larger social context that enables or inhibits individual action' (Landvogt K. , 2006, p. 5). Building capability requires options such as microfinance and other programs to provide people with choice, as well as advocacy to influence structural barriers that inhibit exercising agency in making that choice. The term capability is respectful as it does not assume that an inability to exercise agency is the fault of the individual. This ability needs to be viewed within the social constructs and potential barriers that people on a low income face. Building capability involves removing 'unfreedoms that leave people with little choice and little opportunity of exercising their reasoned agency' (Cabraal & Russell, 2006, p. 3).

Orton (2009) explores the idea of agency in relation to personal debt. He observes that post 1945 'academics sought to distance themselves from the harsh individualism of the nineteenth century poor laws' whilst at the same time disassociating themselves from unconditional welfare policies such as those explored in the work of Richard Titmuss (Orton, 2009, p. 487). He notes a revival in interest in the notion of agency as a way of individualising responsibility and 'the degree to which peoples' entitlements to welfare should depend not only on their needs but on their willingness to meet conditions regarding their behaviour and character' (Orton, 2009, p. 487). These questions create discussion regarding the structural versus individual causes of poverty and the point at which conditionality of welfare becomes ignorant to broader causes of unemployment and hardship.

Orton does not limit his analysis of agency to the poor, but considers agency of citizens 'at different points in the broader, socio-economic structures' (Orton, 2009, p. 488). The exploration of agency 'raises issues of motivation, capacity and the personal qualities and material and cultural resources that individuals can draw upon' (Orton, 2009, p. 488). Therefore, he concurs that the capacity to appropriately exercise agency is dependent on both individual attributes and other resources upon which people can draw.

2.4 FINANCIAL EXCLUSION

Financial exclusion is a combination of 'insufficient income to participate successfully in a market based economy' (Landvogt K. , 2006, p. 3) and 'processes that prevent poor and disadvantaged social groups from gaining access to the financial system' (Leyshon & Thrift, 1994).

The concept of financial exclusion as a process indicates that it is as a multi-faceted condition, inferring the need for a multi-faceted response. In Australia in particular, it is important that any definition of financial exclusion developed reflects the nature of banking services and their centrality in Australian society, given that income security and other payments are made directly through bank accounts. The use of direct credits for income

security payments means that banking services are heavily relied upon by those consumers who are more at risk of exclusion given limited income. This seemingly reduces Australia's incidence of financial exclusion as there are very few Australians who are 'unbanked'. However, ownership of banking products in and of itself does little to assist financial inclusion if these products are inappropriate and/or adversely affect financial security.

Given this, Burkett and Sheehan (2009) define financial exclusion as a 'set of processes whereby a person, group or organisation lacks or is denied access to affordable, appropriate and fair financial products and services'. Resulting from this is:

- a reduction in the ability of affected groups and individuals to participate fully in social and economic activity
- an increase of the risk of financial hardship
- an exacerbation of issues of poverty (in this context as measured by income, debt and assets).

They identify five key elements of financial exclusion, named The Five A's:

- Affordability
- Appropriateness
- Access
- Awareness
- Availability (Burkett & Sheehan, 2009, p. 4).

Burkett and Sheehan comment on the lack of comprehensive research into financial exclusion. However, they note that it is 'generally agreed that the people and groups who are most excluded...include: Indigenous Australians; people who are long termed unemployed; sole parents with young children; people with disabilities; and refugees' (Burkett & Sheehan, 2009, p. 4).

Given these groups have low incomes and a lower asset base, it is postulated that there is a clear link between 'poverty, indebtedness and financial exclusion.' This link has been uncovered in research conducted by Chant Link (2004).

The Financial Services Authority in the United Kingdom identifies dimensions of financial exclusion in a similar way. They note that 'the debate has broadened to look more closely at the types of people who make little or no use of financial services and at the *processes* (emphasis added) of financial exclusion' (Kempson, Whyley, Caskey, & Collard, 2000, p. 9). Their research into financial exclusion supports the observations made by Burkett and Sheehan that those most at risk of financial exclusion are newly arrived communities and single parents.

Table 2 illustrates financial exclusion and the factors that underpin it in both Burkett and Sheehan's and Financial Services Authority frameworks. The fundamental principals are consistent with one another.

Table 2: Principles of Financial Exclusion

Burkett and Sheehan - The Five A's	Financial Services Authority (UK)
<i>Availability:</i> The required service does not exist at all or does not exist in the individual's locality.	<i>Geographical Exclusion</i> can be contributed to by: 1. Reduction in retail outlets in poorer communities 2. Closure of bank branches in poorer communities 3. Low levels of car ownership in poorer communities, further exacerbating lack of access 4. Remoteness of communities who may have never had access to retail banking services, and who are further hindered by poor technological availability⁷.
<i>Access:</i> A lack of access to financial services due to structural barriers (e.g. credit record, language, physical disability).	<i>Access Exclusion:</i> The restriction of access through risk assessment.
<i>Awareness:</i> Lack of awareness of fair products or a lack of capacity to engage with services.	<i>Marketing Exclusion:</i> where targeted marketing and sales effectively exclude people. <i>Self exclusion:</i> Where people decide that there is little point in applying for a financial product because they believe they will be refused.
<i>Appropriateness:</i> Products are not appropriate for people's needs.	<i>Condition Exclusion:</i> The conditions attached to financial products make them inappropriate.
<i>Affordability:</i> An inability to afford existing products, or cost structures that charge more for people on lower incomes.	<i>Price exclusion:</i> The price attached to financial products makes them unaffordable and inappropriate.

Adapted from Burkett and Sheehan (2009) and Kempson, Whyley, Caskey and Collard (2000)

2.4.1 The Extent of Financial Exclusion in Australia

Recent research conducted to measure financial exclusion in Australia has examined the extent to which people are excluded based on product ownership, price and accessibility.

⁷ This is not included in the original documentation but was added as it is relevant in the Australian context

A series of focus groups identified that access to a basic transaction account, a moderate amount of credit (\$3000) and the ability to protect assets (general insurance) were essential financial products (Connolly, Georgouras, Hems, & Wolfson, 2011). Table 3 outlines the results as they relate to ownership of these products.

To determine the extent of price exclusion, the average price of these products was expressed as a percentage of income. When viewed from the perspective of price exclusion, 10.7 per cent of people were fully included⁸, 23.4 per cent were marginally excluded⁹, 8.7 per cent were severely excluded¹⁰ and 10.7 per cent fully excluded¹¹ (Connolly, Georgouras, Hems, & Wolfson, 2011, p. 13). This research confirms that whilst account ownership is not a large problem in Australia, appropriateness and pricing both remain a challenge.

Table 3: Financial Exclusion in Australia – Product Ownership

Transaction account	Credit Card	General Insurance	% of population	Category
✓	✓	✓	43.4%	Included (owning all three financial products) 43.4%
✓	✓	X	3.0%	Marginally Excluded (Owning two of the three financial products)
✓	X	✓	37.6%	
X	✓	✓	0.4%	41.0%
✓	X	X	13.8%	Severely Excluded 14.8% (Owning one of the three financial products)
X	✓	X	0.1%	
X	X	✓	0.9%	
X	X	X	0.8%	Fully Excluded 0.8% (owning none of the three financial products)

Source: (Connolly, Georgouras, Hems, & Wolfson, 2011, p. 8)

⁸ Cost of financial products < 5% of income

⁹ Cost of financial products 5-10% of income

¹⁰ Cost of financial products 10-15% of income

¹¹ Cost of financial products >15% of income

One of the limitations of this research was that a 'reasonable amount of credit' was defined as having access to a credit card with at least a \$3000 limit. This is limiting because:

'Firstly, there is little data available on ownership of fringe credit products. Secondly, the conclusions that can be drawn from high or low levels of credit product ownership are not immediately obvious. As the UK Financial Services Authority has noted: '[m]easuring the number of people who are excluded from credit facilities is difficult, as not everyone without credit wants or needs it'. Thirdly, the demand for consumer credit is frequently unavoidable for many vulnerable, low income consumers, but it can also raise concerns about the risk of over-indebtedness. This relationship between overcoming financial exclusion and reducing over-indebtedness can be difficult to resolve.' (Howell & Wilson, 2005, p. 3)

It should also be noted that access to a reasonable amount of credit can be facilitated by a microfinance loan or borrowing from friends and family.

This limitation may even out and it was understandably necessary to make some compromises to develop an indication of financial exclusion. The current research will attempt to add to the understanding of credit options for low income consumers.

2.5 SOCIAL AND ECONOMIC PARTICIPATION

Social and economic participation have been grouped together in the conceptual framework to account for the roles of care and unpaid work which can be viewed as participation of both types depending on the definitions adopted. Caring and unpaid work including volunteering is vital to the functioning of the economy and therefore needs to be treated as such. Similarly, opportunities for economic participation may exist through social participation and vice versa.

Social Participation is defined as 'engaging with others in the domains of life appropriate to one's stage of life' (Australian Bureau of Statistics, 2004). Opportunities for social participation and interaction may be found through participation in paid and unpaid work, friendships and participation in culture and leisure activities.

It is 'involvement in activities that are valued in their own right' (Australian Bureau of Statistics, 2004). Indicators used to measure this are:

- the proportion of people who participated in social activities at least once in the last three months
- the experience of barriers to participation in these activities
- the type of barriers to the participation
- membership of clubs, organisations
- activity in these organisations
- participation in religious or cultural activities.

Economic participation is defined as, 'taking part in activities that are economic in nature. This includes activities such as labour force participation and the exchange of goods and services' (Australian Bureau of Statistics, 2004).

The ‘exchange of goods and services’, however, can bring about a distinct paradox if it is solely restricted to market-based approaches. The treatment of domestic work, in particular, can be seen as:

“‘active labour’ when cooked food is sold and ‘economically inactive labour’ when it is not. Housework is ‘productive’ when performed by a paid domestic servant and ‘non-productive’ when no payment is involved. Those who care for children in an orphanage are occupied; mothers who care for their children at home are non-productive.’ (Waring, 1997, p. 33)

Therefore, this research extends the concept of economic activity to those activities performed in the household which contribute to the economy of that household, regardless of whether they are accessed via the market. While often framed conceptually with indicators used for social participation, for the purposes of this project, they will be viewed as economic. Research into the role of caring work, for example, supports this approach.

Ways economic participation can be measured are:

- Labour force participation rate – the proportion of people who are in work, or are available and actively seeking work
- Time taken to look after own and other people’s children
- Time spent on caring for adults
- Time spent volunteering
- Household work (Australian Bureau of Statistics, 2004)

There is a clear inter-relationship between indicators for social participation and economic participation. Employment may increase the number of connections that a person has and unemployment – particularly long-term unemployment – can lead to a decline of the social networks an individual has and in some cases lead to social exclusion (Stone, Gray, & Hughes, 2003). People who are unemployed may not have access or the resources to participate in social, civic and community activities. Exclusion from these types of activities may also severely limit opportunities to interact with other people.

2.6 MATERIAL WELLBEING

Material wellbeing has been defined as ‘that aspect of human well-being which can be affected by a change in produced goods and services’ (Travers & Richardson, 1993, p. 1) and forms part of broader wellbeing concepts.

Travers and Richardson (1993) note that there appears to be a divergence of opinion on whether ‘the state has *at least* a minimal concern with material well being’ (p. 7) and pose the questions:

- what constitutes a standard of living
- where is the line drawn?

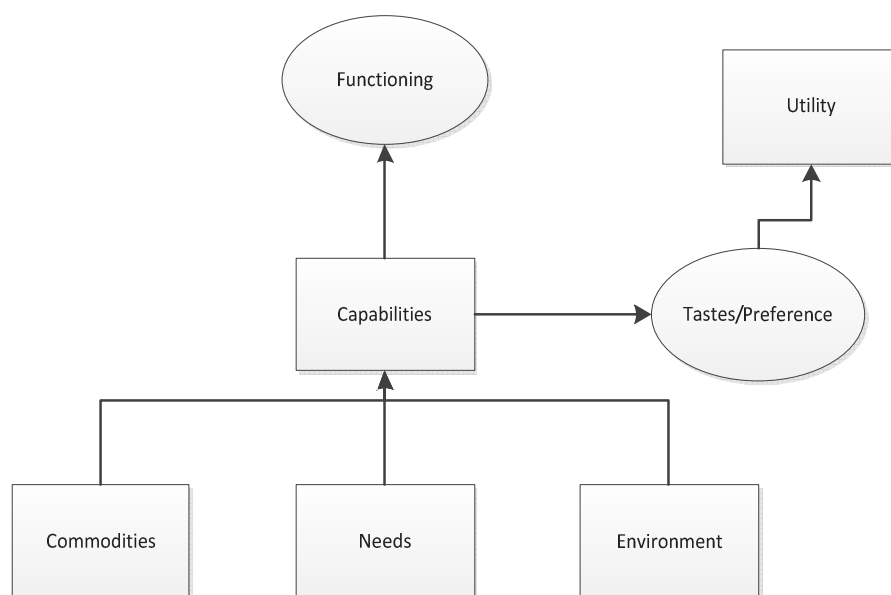
The development of indicators to measure material wellbeing is fraught with difficulty for these very reasons. Travers and Richardson look at material wellbeing through the lens of Amartya Sen’s capability framework, and beyond the ‘standard economic approach’ of ‘utility’.

'Utility'¹²...is judged entirely by that individual and is purely subjective: it cannot be assessed by an outside observer. Furthermore, only the economic sphere of life is relevant – namely activities associated with the production and consumption of goods and services' (Travers & Richardson, 1993, p. 16).

Any definition or measurement of material wellbeing needs to take account of the fact that people's preferences and tastes are compromised and developed as a consequence of their environment, their needs, and past experiences. For example, someone who has grown up in abject poverty is more likely to take joy in simpler things than someone who has grown up relatively privileged. The fact that they can derive 'utility' from an activity should not counteract the fact that they are still poor and have just learned to adjust their expectations as a result.

As an alternative to 'utility,' the work of Sen focuses on functioning and capability. This is illustrated in figure 1.

Figure 1: Functioning and Utility



Source: (Travers & Richardson, 1993, p. 20)

Lack of sufficient material wellbeing leads to deprivation. Peter Saunders and Laura Adelman (2005) define income poverty, deprivation and social exclusion to recognise the 'multi-dimensional nature of poverty' (Saunders & Adelman, 2005, p. 1).

The deprivation indicators developed by Saunders and Adelman are grouped broadly around:

- Accommodation and housing
- Location and transport

¹² Utility is defined as 'satisfactions that people derive from economic activity and material resources'.

- Health and health care
- Social and community participation
- Care and support
- Employment, education and skills

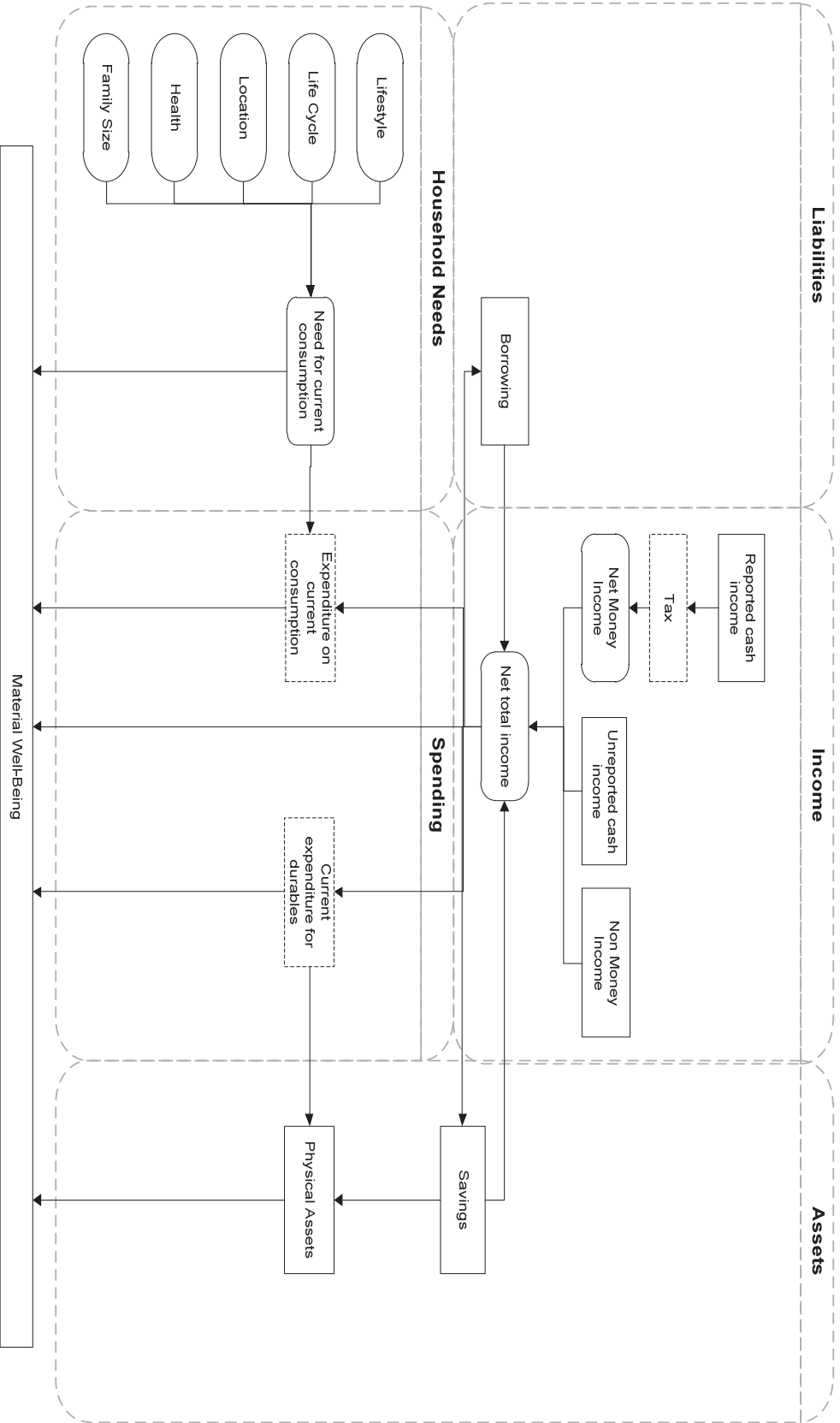
A person has experienced deprivation if they have experienced at least one of the above in the past twelve months (Saunders, Naidoo, & Griffiths, 2007).

Similarly, Jones (1996) recognises the multi-dimensional nature of poverty. He examines Sen's capability framework when discussing material wellbeing and contends that needs differ from individual to individual. The use of the poverty line as a measure is too broad 'and does not allow for priorities to be established to target limited resources' (Jones, 1996, p. 68). He contends that the information required to measure poverty includes reported and unreported income; the value of transfers; savings and borrowings; stock of durables; the efficiency of income use; family size and age and other factors.

These frameworks have been used in developing the conceptual framework for this research, which is illustrated in Figure 2. The conceptual framework has been adjusted to cater for the experience of clients, the circular nature of debt as a strategy to manage expenses (therefore potentially a source of income as well as an expense), the use of savings as deferred spending (also a source of income as well as an expense), and the Australian context.

An understanding of the material inputs and outputs of a family and the demand for these given demographics, lifestyle, geographical location and other household needs, in addition to an understanding of the net effect enables a holistic, and both an objective and subjective approach.

Figure 2: Framework for Material wellbeing



Adapted from Jones (1996)

2.7 GEOGRAPHICAL AREAS

The research aims to explore the effect of geographical location on particular vulnerabilities. To this end, financially excluded consumers were recruited from four location types:

- inner urban
- outer urban
- regional/rural
- remote.

2.7.1 Inner Urban: Collingwood Area, Inner Melbourne

Collingwood is located in inner Melbourne within the Local Government Area of Yarra. Gentrification of the area and its close proximity to the Central Business District (CBD) has led to an increase in the area's popularity, which 'has attracted more young, single, professional, tertiary educated, middle to high income residents' (i.d Consulting, 2009, p. 3).

The City of Yarra is ranked highly in terms of relative socio-economic advantage (Australian Bureau of Statistics, 2008). However, given the mix of private homes, public housing, community housing and high rise developments (i.d Consulting, 2009, p. 4), the area contains pockets of concentrated disadvantage.

The City of Yarra has experienced an increase in newly arrived communities. 'Analysis of the year of arrival for the overseas born population of the City of Yarra in 2006 compared to the Melbourne Statistical Division shows that there was a smaller proportion of people who arrived before 1991 but a larger proportion of recent arrivals (those who arrived between 2001 and 2006)' (i.d Consulting, 2009, p. 10).

It has a proportionately younger population than the rest of Melbourne, and has a higher number of one-person households (i.d Consulting, 2009).

2.7.2 Outer Urban: Blacktown Area, Outer Western Sydney

The outer Western Sydney area focussed on Blacktown, an outer suburban area 35 kilometres from Sydney CBD (i.d Consulting, 2009). Blacktown ranks as the second highest area in Greater Sydney for socio-economic disadvantage (Australian Bureau of Statistics, 2008). Thirty-four per cent of residents were born overseas as opposed to twenty-two per cent Australia-wide (Australian Bureau of Statistics, 2006). There is also a proportionately higher concentration of public housing, with thirty-two per cent of residents living in public housing, as opposed to fifteen per cent nationally.

2.7.3 Regional and Rural: Cairns Area, Northern Queensland

Cairns Local Government Area is a large, expansive area in northern Queensland, which borders Tablelands Shire Council to the east, Cassowary Coast Shire Council in the South, Cook Shire Council in the north and Yarrabah Aboriginal Shire Council in the East.

Cairns city is the regional hub in the area, although it is also something of a regional hub for neighbouring local government areas. Hence, Mareeba, which is part of the Tablelands Shire Council, was included in the study.

In the Cairns area, 7.8 per cent of people identified as Indigenous, against 2.3 per cent nationally. It is also a popular tourist destination, with 9.3 per cent stating they were overseas visitors to the region, against only one per cent nationally.

2.7.4 Remote: Thursday Island, Torres Strait

The Torres Strait Islands sit between mainland Australia and Papua New Guinea. They are the only part of Australia that shares borders with another country, with the northern Saibai Island located only 3.73 kilometres from Papua New Guinea (Torres Strait Regional Authority).

Thursday Island is the administrative centre of the Torres Strait, and as at the 2006 census had a population of 2,547 people. Of these, 72.3 per cent identified as Indigenous.

Forty per cent of the population on Thursday Island speak English at home, and 34 per cent speak Torres Strait Creole (Australian Bureau of Statistics, 2006).

2.8 DEVELOPING THE FRAMEWORK

The concepts outlined above overlap in many ways. Social participation can manifest through economic participation, and vice-versa. Financial inclusion can lead directly to greater social participation, and greater economic participation (in relation to increasing income) can directly impact financial inclusion. Therefore, these relationships are not always linear. This research will establish the nature of some of the links between these concepts and microfinance

CHAPTER 3: METHODOLOGY

3.1 RESEARCH DESIGN

The aim of the research is to gain a deeper understanding of the impact of microfinance on several social indicators. Creating a measure or placing value on these indicators requires a series of assumptions and value judgements to enable comparisons, particularly when viewing them on a large scale with large groups of the population (Travers & Richardson, 1993). Further, given the many different variables, applying linkages and attempting to attribute these is difficult. It is important that any measure developed is relative to the experience of respondents, and takes account the impact of people adjusting their expectations in response to their income restrictions. As the focus of this research is exploratory and is not attempting to ascribe values to these concepts the research used a case study approach.

The use of case studies is the most appropriate method of investigation, as 'to understand one thing it is necessary to understand many others and, crucially how the various parts are linked...case studies tend to be holistic rather than deal with isolated factors...(and offer) the opportunity to explain *why* certain outcomes might happen' (Denscombe, 1998, p. 38).

Both quantitative and qualitative data were collected, with focus was on the lived experiences of respondents. This research adopted an action research approach 'that aims, in a variety of ways, to link practice and ideas in the service of human flourishing...it is a practice of participation, engaging those who might otherwise be subjects of research or recipients of interventions to a greater or lesser extent as inquiring co-researchers' (Reason & Bradbury, 2008, p. 1).

Key themes were identified and follow-up interviews performed to see whether respondents had been able to achieve the aspirations they had set for themselves, and whether any changes identified earlier had been lasting. Follow-up interviews were also performed with microfinance workers who provided contextual information about the programs and geographical localities. Case study examples were provided by the workers to deepen the understanding of the findings of the research and gain greater insight into the local area impacts.

3.2 RESEARCH STAGES

1. Reference Group
 2. Develop Framework and literature review
 3. Ethics
 4. Participant Recruitment
 5. Data Gathering – Phase 1
 6. Income and Expense Mapping
 7. Data Gathering – Phase 2
 8. Thematic Analysis
 9. Draft Report, Consultation and Peer Review
-

3.2.1 Reference Group

A reference group was established to oversee the development of the research and to provide insight and feedback throughout. Key representatives from the microfinance team specific to the key areas and across different programs (NILS and StepUP) were involved, as well as an experienced researchers from another organisation, an expert on family studies, a policy consultant and an Indigenous financial education consultant.

The reference group provided guidance on the conceptual framework, the development of instruments and reporting. The Terms of Reference for the reference group are provided in Appendix 1.

3.2.2 Developing a Framework and Literature Review

In order to gain an understanding of the ideas being explored, a literature review was performed to identify, analyse and contrast the previous conceptualisations of material wellbeing, financial inclusion, and social and economic participation. The framework developed through this review was validated by the reference group before the initial interviews took place. From this process the project brief and the ethics application were developed

The review of literature was also an ongoing process throughout the course of the research to explore certain themes more deeply and to assist with analysis.

3.2.3 Ethics Approval

An ethics approval process was undertaken to ensure the methodology, questions and information were aligned with Good Shepherd Youth & Family Service ethics policy.

This process ensured any ethical concerns could be raised and ameliorated or adequately reduced. This protects the wellbeing of participants, the researcher and others involved in the research process. The following ethical concerns were dealt with during this process.

Client confidentiality

It was necessary for the identities of respondents to be known to the research team as the follow up interviews needed to be organised and the time series analyses needed to be linked back to individuals. Therefore, during the course of the research all identifying documents were stored securely and only accessible to the research team. Informed consent was obtained which covered these and other elements related to participant wellbeing (refer to Appendix 2 for a copy of the Participant Information and Consent Form). The names of participants have been changed and all identifiable information was removed from the case studies in the report to protect participant identities.

Income and “unreported money income”

There was some concern that asking participants to record unreported income may cause issues with their Centrelink payments and as such participants would be disinclined to share this information. Therefore, participants were only asked to provide data on income earned, not necessarily the source. Informed consent was also obtained in writing.

Validity of responses

The responses are a process of self-reflection, and therefore contain limitations. As posited by Kemmis, reflection is not purely ‘internal,’ but is action-oriented and historically embedded; a social process that serves human interests and both shapes and is shaped by ideology (Kemmis, 1994, p. 139). There is a possibility that positive shifts in indicators could be attributable to this process of reflection during the interviews, which would serve as a basis for action since the focus of the research is the impact of microfinance in the context of life experience and personal reflection. However, as the process of applying for microfinance is reflective in itself (Ayres-Warne & Palafox, 2005) this is not an issue.

Emotional Wellbeing of Participants

The plain language statement and informed consent contained the Good Shepherd Youth & Family Service central number that participants could call to be referred to a counsellor if any emotional distress was experienced.

3.2.4 Participant Recruitment

‘A case study should be chosen deliberately on the basis of specific attributes to be found in the case – attributes that are particularly significant in terms of the practical problem or the theoretical issue that the researcher wants to investigate’ (Denscombe, 1998, p. 39).

The sampling was primarily geographic however there was focus on sole parents, newly arrived communities and Indigenous Australians.

Table 4: Case study selection

Geographical Area	Geographical Characteristic
Inner Melbourne (Collingwood), Vic	Inner-Urban
Western Sydney (Blacktown), NSW	Outer-Urban
Northern QLD (Cairns)	Rural
Torres Strait (Thursday Island), QLD	Remote

Microfinance agencies within the specific geographical areas were identified and contacted. Each was sent a pack which contained a recruitment poster (see Appendix 3) to be placed in their agency, copies of the information for agencies (see Appendix 4), information for participants and consent forms.

Potential participants were then identified by uptake of microfinance programs in these areas. Although particular population characteristics were identified, recruitment was not based exclusively on those characteristics.

To attract participants, the research was advertised at the locations where the financial capability programs were offered. Loan workers were also asked to identify potential participants and either check their willingness to take part or pass on the details of the research for them to make contact with the researcher. All participants who took part in the program were referred directly by microfinance workers.

A monthly honorarium was paid throughout the research.

3.2.5 Data Gathering/Interviews Phase 1

The interviews were adapted from a range of other research projects that had been tested and verified, as well as the results of two pilot interviews. The framework was intended to guide the discussions rather than being too prescriptive. A semi-structured interview format was used, with open questions framed around the central themes and a series of prompts that assisted in covering off the essential items. Most of the interviews were conducted face-to-face with the remainder performed over the phone personally by the researcher. Interviews were audio-taped for transcription and analysis.

The use of broad questions allowed the interviewer to pick up on key words volunteered by participants and to then ask for further elaboration where required. This approach allowed for thematic analysis to be driven by the participants' real experiences as opposed to the interviewer's pre-supposed ideas. At the same time, conversations that appeared to meld with the key themes were also explored further. Questions were asked to explore the needs or costs of the household, as they were not necessarily captured by expenditure figures alone. Foregone spending and deprivation indicators were used to understand how spending was prioritised. The interview schedule is contained in Appendix 5.

The project used a time series approach to the case studies, re-engaging with participants twice throughout the ten months of the project to understand the impact over time. While every attempt was made to follow up with all participants, there were a small number who could not be contacted for a second interview.

3.2.6 Income and Expense Mapping

At the first interview, participants were asked to document actual income amounts and expenses. The documentation options were designed to fit in with what participants currently do. This could involve:

- a) keeping a diary of expenses and income
- b) keeping receipts to be analysed and inputted by the research team
- c) keeping a folder with a series of sleeves for the different information and receipts
- d) mini-recorders to verbally record their income and expenses
- e) a phone call to debrief and go through the exercise retrospectively
- f) a budget sheet to be filled out by participants.

As much information as possible was collected during the case study interview to reduce the amount of time spent by participants on the keeping track exercise. Most opted to use the budget sheet provided (see Appendix 6).

3.2.7 Data Gathering/Interview Phase 2

Follow up interviews were performed to gather data to explore the impact of microfinance over time. This helped understand whether:

- the changes (if any) were sustainable
- if not why they were not
- if so, why were they were
- whether there were flow-on effects that enabled greater participation
- other questions regarding fulfilling stated aspirations.

The cyclical nature of the family economy was further examined to determine whether there were different pressures at different times of year. The follow up questions are provided in Appendix 7.

3.2.8 Thematic Analysis

The interviews were transcribed and the data analysed using thematic analysis. The following principles were used throughout the analysis:

- That the analysis and conclusions should be 'firmly rooted in the data'
- That the explanation of the data should 'emerge from a careful and meticulous reading of the data'
- That preconceptions should be strictly avoided during data analysis and

- That analysis of the data should be an 'iterative process...that constantly moves back and forth comparing the empirical data with the codes' (Denscombe, 1998, pp. 287-288).

Each transcription was read and themes were marked and labelled. These were then filtered and sorted into key themes to establish whether the themes were consistent across participants. Whilst the majority of emergent themes were purposively questioned and explored, others emerged during the course of the discussions.

The themes were further investigated in interviews with microfinance workers.

3.2.9 Draft Report, Consultation and Peer Review

A draft report of the findings was completed. This draft report was sent to key internal and external stakeholders for review. The key recommendations were workshopped with the microfinance team at Good Shepherd Youth & Family Service as well as the project reference group.

3.3 LIMITATIONS

It is not intended that the data gathered be representative of an entire population. The sampling was targeted at specific groups to explore the impacts of microfinance on them in greater detail.

The recruitment of participants was also selective, both on the part of the agencies and as a result of the research questions. Therefore, results may be skewed in favour of microfinance programs as it is unlikely anyone would be recruited or want to participate if they had not had a positive experience. However, as the purpose was to understand some of the ways in which microfinance impacted as well as its potential role and scope to improve, the method chosen was the most appropriate available.

One limitation that had to be overcome with the research was the difficulty of recruiting members of newly arrived communities. To compensate, examples were provided by the microfinance workers rather than through the case study interviews.

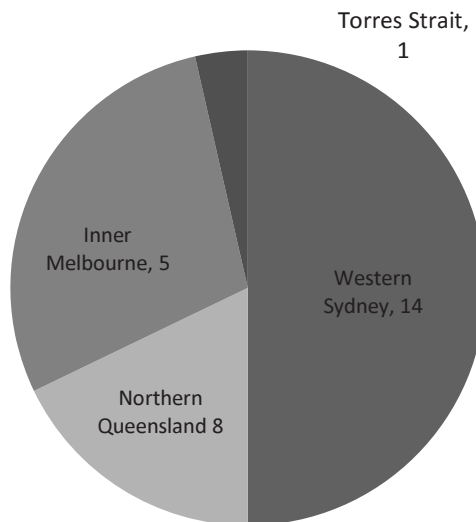
Despite these limitations, a large amount of relevant data was gathered, and the sample represented a diverse range of experiences, allowing for a greater understanding of the role of microfinance.

CHAPTER 4: PARTICIPANT DEMOGRAPHICS

The figures and tables below provide a snapshot of the demographic makeup of participants and their program involvement.

4.1 LOCATION

Figure 3: Participant locations



4.2 GENDER

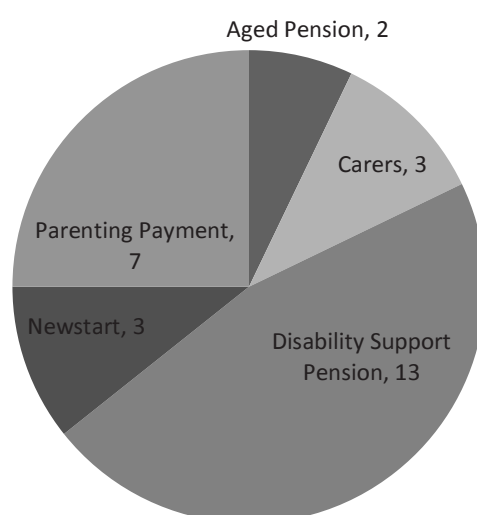
Table 5: Participant gender

Gender	Number	Percentage
Female	21	75.0%
Male	7	25.0%
Total	28	100.0%

4.3 PAYMENT TYPE

The majority of participants received a disability support pension, primarily for mental health reasons.

Figure 4: Payment types



4.4 HOUSING TYPE

Table 6: Housing type

Housing type	Number
At home with parent	1
Community	4
Private alone	12
Private with housemate	1
Public	9
Transitional	1
Total	28

4.5 RELATIONSHIP STATUS

Table 7: Relationship status

Relationship status	Number	Percentage
In relationship	2	7.4%
Married	4	11.1%
Single	22	81.5%
Total	28	100.0%

4.6 FAMILIES

Twenty-two participants had children and six did not.

Of the 22 participants who had children:

- 13 still had children living at home; all of these participants were women
- six had children who had left home
- three had children being cared for by others.

4.7 CULTURAL IDENTITY

Table 8: Cultural identity

Cultural identity	Number	Percentage
Indigenous - Aboriginal	4	14.8%
Anglo-Australian	17	59.3%
Chinese	1	3.7%
English	1	3.7%
French	1	3.7%
Maori	1	3.7%
Serbian	1	3.7%
South African	1	3.7%
Indigenous - Torres Strait Islander	1	3.7%
Total	28	100.0%

4.8 PROGRAM PARTICIPATION

Table 9: Program participation

Program	Number	Percentage
NILS, StepUP and AddsUP	1	3.7%
NILS and AddsUP	1	3.7%
NILS Only	14	51.9%
NILS and StepUP	1	3.7%
StepUP Only	11	29.6%
Grand Total	28	100.0%

In summary, the majority of participants were women, thirteen of which had children at home

The most common payment type was a disability support pension, however there were a high number receiving parenting payments. Cultural identities varied, with a high proportion of participants who identified as Indigenous. This cross-section of different geographical areas, different cultural identities and different family types assisted in building a greater understanding of the impact of microfinance on particular groups and particular areas.

CHAPTER 5: FINANCIAL INCLUSION

Case Study: 'Jelena' – StepUP Borrower, Western Sydney

Jelena is a 78 year old woman who lives in the western suburbs of Sydney with her husband. She has three adult children who live close by and a small network of friends in the local area.

English is not Jelena's first language, as she moved from the former Yugoslavia about thirty years ago. When she and her husband moved to Australia, they worked hard to build a comfortable life for themselves. They were paying off their own unit, raising their children and looked forward to a comfortable life in retirement. However, Jelena's husband became unwell. Because his job involved manual labour, he was unable to keep working. Jelena needed to take care of her husband and unfortunately they could not afford to keep up the payments on their unit. They eventually needed to sell their home, but secured a public housing unit and continue to live there. Both of them are in receipt of the Aged Pension.

"I [had] a beautiful house in new area...[after] what happened to us, and I can't pay house ... [the bank] take my house, take my money ... everything gone..."

Her husband's continuing health concerns create significant financial stress and emotional strain. Jelena's capacity to care for him is compromised by her own physical health concerns. Jelena has also experienced significant trauma in her life, experiences flashbacks and is often emotionally stressed.

Jelena is more than capable of understanding and processing financial information provided she is given appropriate information and choices. She is the primary decision-maker in her family and manages the household's finances almost entirely.

"I show[ed] him this is how much we pay, because he [doesn't] understand ... Because he (her husband) [does] not really have the education like me, I [went to] the economics school ... I do everything."

In the past, Jelena has accessed payday loans when she was short of cash. As they were paid off on time, she was rewarded with a Gold Card and an invitation to borrow again.

Jelena wanted to buy a new mattress as she and her husband both have bad backs and she had just had a hip operation. Her vacuum cleaner had also broken. As the vacuum cleaner was so old, parts were no longer available to fix it. She approached a couple of stores for 'interest free' finance as well as her bank. What was most frustrating to her was that neither could explain why she was not able to be approved for finance. Being a regimented money manager, Jelena always makes sure her bills are paid on time. But in the absence of being approved by either, she did not feel she had many options.

"I go into (Store)...and they [didn't] let me [use interest free finance], finance company [was a] no go, so that's why I go that company, the gold one (referring to a gold card the payday lender gave her) because I have good history, and they give it [money] to me. Why [would] they not give it to me over there, no interest? (Referring to the store). That is nothing wrong with my paid record. If I have bad record, the other company [would] not give it to me ... But I pay off, you see that I have already gold card with that company. Even if I [don't] have food, I pay bills."

5.1 INTRODUCTION

“Money is better than poverty, if only for financial reasons.”

Woody Allen

In Australia, the need to access financial services is critical. The nature of wages and transfers means that people need to maintain a basic transaction account at the very least. Building up savings – a critical buffer against financial shock – needs to be facilitated by appropriate savings products and the increasing normalisation of debt makes access to lending or credit almost essential. Financial inclusion ensures people have access to financial products and services that are appropriate for their needs.

As time has progressed, financial products have become more complex. These often complex financial products and services are slickly marketed towards consumers in a way that clouds their functionality and appropriateness. As noted by the Australian Securities and Investments Commission Chairman Greg Medcraft,

‘It’s really important that we have confident and informed investors and financial consumers and the way we do that is first of all to make sure that investors are actually properly informed ... we need to ... go beyond point of sale disclosure. We need to actually understand how consumers make decisions.’ (ABC, 2011)

Choice is a central tenet of a market based economy. However, to navigate the available choices, consumers need to be presented with appropriate options for their personal circumstances. Further, the organisations providing the products should not shift the duty of care to consumers by hiding behind verbose product disclosure statements and complex cost structures and conditions. Making the right decision is contingent on the right information being made available and appropriate products being accessible.

For people who are financially vulnerable the effects of financial exclusion are significant. Inappropriately priced products can cause significant financial hardship. In one Indigenous community, it was found that ‘most of the people within the community end up with fees of \$40 or more before they can even access their funds due to the \$2.00 fee for balance checks’ (AFFCRA, 2010, p. 6). Not being able to access credit means people miss out on essential items such as washing machines at great cost to their wellbeing. Low income consumers often revert to payday loans or fringe providers, who can charge rates of 700 per cent per annum or more (Marston & Sheveller, 2010, p. 40).

As the opening case study reflects, financial exclusion is not necessarily the result of a lack of understanding of financial products and services, nor is it necessarily that some mainstream products are not affordable for people on low incomes. It is also not usually due to people on low incomes being unable to pay the money back. This is evidenced clearly in the extremely low default rates for microfinance programs, with some programs reporting as low as zero.

The barriers faced by Jelena are not unique. Given the right information, Jelena is more than capable of making a reasoned decision. She had been forced to turn to payday loans because they were the only ones who would offer her the finance she needed. She was able to pay those back without facing significant hardship. Other people are not so lucky, and get caught in a cycle of debt that can have significant detrimental impacts.

Jelena was not given any chance to remedy her situation with her bank or through the store finance provider because she was not given any information about why her applications were rejected.

Accessing a StepUP loan enabled Jelena to purchase much needed items for her home, which in turn improved her physical health. Just as importantly, the StepUP application process recognised Jelena's capabilities and she was given information which was appropriate and respectful of her existing abilities.

Participants were asked several questions relating to financial inclusion based on the indicators as outlined in the conceptual framework in Chapter Two. Past experiences, accessibility both physically and via product pricing and risk, and understanding and perceptions of banking, insurance and financial education were all explored.

The themes presented below were identified by those people who have the lived experience of what it means to be financially excluded. The themes are product ownership, credit and debt, savings and transaction accounts, insurance, bill payment options and getting the right information.

5.1.1 Product Ownership

Savings and Transactions

All participants had a transaction account. Those who had more than one account were typically parents who had separate savings accounts for their children.

Ownership of a basic savings/transaction account does not necessarily indicate financial inclusion as only 2.2 per cent of the Australian population do not hold a transaction account (Connolly, Georgouras, Hems, & Wolfson, 2011).

Table 10: Savings and Transactions Accounts

Number of Savings and Transaction Accounts					
	1	2	3	5	Total
Number of participants	12	11	2	3	28

Credit Cards

Only three participants stated they owned a credit card, although many others had owned them in the past.

Insurance

Only six participants had contents insurance for their home. While all participants with cars said they had third party insurance for their cars, only one had comprehensive car insurance. None of the participants had home-building insurance as none were home-owners.

Table 11: Contents Insurance Ownership

Contents Insurance ownership	Number
Yes	18
No	6
No answer	4
Total	28

5.1.2 Ways of Banking

Respondents accessed information about their accounts in a variety of ways. Phone and internet banking were the most popular. Many also used ATMs.

Table 12: Banking options

No Answer	ATM	Branch	Phone	Internet	Total ¹³
1	7	4	13	12	37

The next section will discuss access to different types of financial services, looking at participants' barriers, alternatives and enablers,

5.2 CREDIT

Access to credit is an increasingly normalised means of managing expenses. Reserve Bank of Australia statistics reveals that in 2011 'the national credit card debt has climbed 42 per cent in the past five years to \$49.3 billion' (Koremans, 2011).

When a fridge or washing machine breaks down, it is quite common for most consumers to use a credit card to pay the cost of a new one over time, or to utilise store credit in a similar way. Larger purchases such as new cars are most often financed through personal loans or car loans. For people on a limited income, the capacity to save is restricted and there is rarely enough to cover the replacement of high cost items such as these without a loan.

Access to credit is thus a key indicator of financial inclusion, measured through credit card ownership as a proxy (Connolly, Georgouras, Hems, & Wolfson, 2011).

¹³ There were multiple answers to the question therefore the total does not equal 28.

5.2.1 Barriers to Credit

Microfinance borrowers faced significant barriers to accessing credit through mainstream providers like banks. The costs associated with credit meant it was usually not a viable option. Where it was affordable, many were not approved on account of their income or credit histories. Further, a credit product that met their needs was simply not available, given a widely held aversion to debt.

Affordability

Lack of affordability or price exclusion occurs as a result of financial services and products being priced at a rate that people on low incomes cannot afford to pay. For such people, this element of financial exclusion is ubiquitous.

In many cases, participants found that available credit was unaffordable. However, even where participants had the capacity to pay rates and fees, the situation often pushed them to the fringe of their comfort levels. Participants were particularly price sensitive when it comes to accessing credit. Any extra cost incurred not only had a proportionately larger impact on their propensity to borrow but also meant something else needed to be compromised to compensate for the added expense in their budgets. 'Luxuries' such as haircuts, new clothes or holidays were most often compromised in the first instance. Most respondents also identified food as one of the things they could save on by stocking up on durables such as tinned foods and missing out on a shop or limiting it when short of money. This clearly has ramifications for the health and wellbeing of families on government pensions who struggle with day to day, fixed living expenses.

As a consequence, 'interest free' loans provided in stores were an option many explored. They were often not approved, but the residual debt left over and the interest rate that applies when the interest free period finishes usually made them unaffordable in any case. One borrower had looked into store credit:

"I had been in a rental program before and I did not like the way they ran it – it costs too much to pay it out" – Dina

Credit cards are another option for people, particularly for smaller purchases. Julie, for example, had been approached by her bank to see whether she wanted a credit card but being aware of the costs, decided against it.

"They sent me out the forms actually. Have a \$5000 credit card if you want. If a thirty year old takes out a \$5000 credit card, and you pay the basic thing off, you're paying it off for the next 25 years...the only time I am going to apply for a credit card is when I am terminally ill!" – Julie

Kristy is similarly nervous about the costs of credit.

"I had a credit card once but that was many years ago when I was working ... I haven't had a credit card since 2003, 2004 something like that ... I couldn't afford the interest rates on a credit card ... I think they're what kills people...people just think oh well I'll have that - bang - there's the credit card without any thought about how they're going to repay it ... It may be a good five minute solution solver at the time if

you make the repayments for the mortgage loan or whatever, but you've still got to pay it back" – Kristy

Credit History

Some respondents did not access credit because they had experienced financial difficulty in the past and had defaulted on borrowings. However, many of the bad credit reports were old, and would probably have no longer been on participants' records.

"I in the past have had a bad credit rating but I'm going back about fifteen, sixteen years" – Kathy

Daniel had a bad debt recorded against his name after a system failure at the branch meant he withdrew more money than he really had.

"Twelve years ago, when I was right at the beginning of a heroin addiction, I was at [Suburb] and I went into the [bank branch], and the computers were down, and they said 'I'm really sorry the most we can give you is \$500' and I'm like I was lucky to have five cents, and I said really, oh that's ok I only needed \$480" – Daniel

Many participants identified, however, that due to their negative experiences in the past, they now avoided credit. As such, lack of a good credit record was often identified as the issue rather than a bad credit record.

A good example of this is the story of Dina, who had been bankrupt many years earlier as a result of some dealings with a friend that left her in debt. She had not had bankruptcy explained to her properly, so she did not really understand the consequences. After that experience, she avoided debt and felt this limited her ability to access credit now.

"It was a stupid amount, like \$10,000, and I didn't really know what bankruptcy was about, I was paid out, two years it was over...I had never, ever gotten a loan at that point, I had never been in debt before. My biggest problem with banks was that I'd never had any lines of credit...After that scare, I never got credit again, and doing the right thing actually worked against me" – Dina

Kathy was rejected for credit for what she believed was a bad debt, and was encouraged to apply in her husband's name. However, she wanted to re-establish a credit history in her own.

"She just said you've got a bad bank credit history ...he [her husband] said "aww do it in my name" and I went "no because I need re-establish some credit do it in my name" and then he was angry as well...so then yeah we went back a week later, put it under his name....that was for the telly" – Kathy

Recommendation 1: Microfinance providers and their corporate and government partners continue to collaborate to investigate unmet aspects of financial exclusion and to increase microfinance opportunities for low income Australians.

Debt Aversion

Nearly all participants were highly debt averse. This was for a variety of reasons. Some had struggled to pay off a debt in the past and therefore had avoided further debt as a result. Because of their limited incomes, many were uncomfortable about incurring another bill to pay. The value placed on austerity also led many to feel that they should not spend what they do not have, and that money should not be borrowed unless it is for something they really needed (as opposed to wanted).

"I probably have a good credit rating, but I am sort of like, if I can't afford something, I can't have it" – Julie

"I just believe you should only spend money that you've got. If you haven't got the money then you really shouldn't be spending ... My sister's got [a credit card], and then she went and got another one because she couldn't control the first one. It's just too easy to get yourself into a hole" – Carla

When Fred and Margaret were working they used credit cards occasionally, but would not consider it an option now.

Margaret: I think it was alright years and years ago, when I worked and Fred worked, we haven't had them for years.

Fred: Don't like them all I need is a bank account now, and a Visa or MasterCard debit card...you spend your own money, and if you don't have it you don't spend it...If you've got the capability to pay it off each month in total, like AMEX, then you are ok. But once you start paying it off portion by portion you are in trouble.

Carol had an embarrassing experience many years ago which led to her being wary of debt.

"Years and years ago I was [working] and I had a credit card then and it got over used ... I remember the embarrassment of going to a shop in Singapore, the lady coming back and going "you have to cut up her card" – Carol

Inappropriate Products

Credit products for smaller purchases do not exist in mainstream financial institutions apart from credit cards and for a variety of reasons, credit cards were not appropriate to the needs of participants.

Kathy, for example, is aware of her impulse to spend when she has a credit card. She is usually very good with her money and her debts are always paid, but she can spend money she doesn't have when she is emotional and therefore does not want something with a high limit.

"I don't have a credit card, I have a debit card, I don't have any store cards because I can be impulsive ... when I first had my daughter ... and I had an argument with my then husband, and I thought I'm going shopping, no money in my purse ... and I just sort of walked into [Name of store] and a woman was in there doing cards and like 'would you like to apply for [store name] card' I said 'I don't work, I've got a new baby

you know I'm not...' 'Oh that's fine, that's fine, your husband working?' and I went 'yeah I will I'll apply for one ... and I'll get back at you' ... and I ended up in court so....so yes that was my one and only time with a store card, so from then I thought if I can't afford to buy it there and then I'll lay-by it, if not then go without" – Kathy

Income

Most participants stated that they would not bother to apply for credit as they believed they would be declined because they were on a pension. If they had applied, it was income or credit history that led to their being declined. One borrower said he would not approach a mainstream institution as he “would be laughed out of the bank.”

Dina and Greg had not applied for credit either.

"If I had walked into [bank] they would have walked me out the door, they just would have said no ... I didn't think they'd look at me because I was on the pension" – Dina

"I didn't even think about it" – Greg

Research supports the fact that people on relatively low income ‘are below-average users of most types of lending products (including credit cards)...possibly because low incomes and assets could make them ineligible for some products/services’ (Department of Families, Housing, Community Services and Indigenous Affairs, 2011). The findings of the research are consistent with this observation.

Geography

For those in North Queensland, access to credit, whether mainstream or microfinance, was often difficult. Providers are usually based in metropolitan areas and potential borrowers often live some way out of the city. Many travel from as far as the Northern Peninsula Areas (NPA) such as Weipa to Cairns to access StepUP, which is a thirteen hour drive. Although there is a program on Thursday Island which provides outreach to the NPA, this is for NILS only. Many borrowers want to access StepUP in order to purchase a vehicle.

Recommendation 2: Microfinance providers, government and banks investigate the needs and potential mechanisms for outreach and delivery of microfinance programs to remote areas.

5.2.2 Alternatives

Without access to mainstream credit or microfinance, people utilised a range of alternatives. Fringe lending was one alternative and going without was another. The options people had in the absence of microfinance all had wider ramifications for their wellbeing, as is discussed below.

Fringe Lending

There are few credit alternatives for people who are marginalised by low incomes. This does not however reduce the need for finance, particularly when an essential item needs to be replaced, or there is not enough money to pay bills or buy food.

Microfinance programs are intended to offer an alternative to fringe lenders. However, microfinance programs will not lend money to people who do not have a capacity to repay the loan as doing so runs the risk of further marginalising them. The restriction of loan purpose and the application process can mean microfinance is not an appropriate solution. Inevitably, there thus remains a market for fringe lenders.

Many participants had dealt with fringe lenders, whether they had taken out loans with them or not.

Daniel, for example, was on a severely restricted income when he left prison. He would often access payday loans to meet his basic living expenses, such as food and bills. Not having a landline and spending more than he could afford on his mobile phone trying to arrange the appropriate paperwork was taking its toll financially. He was also living a life free from heroin for the first time in many years, and felt nervous leaving the house as he did not want to lose track.

"I have done those payday lenders... for the first seven months of the year ... they [Centrelink] were paying me \$152 a fortnight to live on, and like, trying to buy food and live off all that is impossible, and...the agoraphobia at that stage was just terrible ... I didn't have the money for the credit on the phone, to sit on their waiting list and explain to them, getting from my front door to the office, with the forms you want me to bring in isn't as easy as it sounds. I mean I have to get doped up to the eyeballs on valium just to get out the door sometimes" – Daniel

Daniel needed to return to the payday lender week after week as when he had paid off the initial loan he was left short of money. Thankfully, Daniel was able to break his cycle of debt, albeit with difficulty.

"[I was] living in this permanent circle of debt, where I would have to like payday advance, and pawn and loan, and then do it all over again ... So now that the pension has come through, I am starting to work my way out of that circle, because one decision I made was [name of lender] are never getting another cent out of me ever again" – Daniel

Many had explored fringe lending as an alternative and would have probably taken that path had they not found out about or been approved for a microfinance loan. Influencing this decision were factors such as experience in having paid off fringe lenders in the past, as well as the pressing need for the loan. Borrowers were wary of the cost, but also appreciative of being given a chance. They may have felt they were being 'duped' into paying exorbitant fees and interest, but were at the same time seemingly appreciative of the fringe lenders as they were being helped and trusted.

In the absence of microfinance, many may have reverted to the fringe market for the finance they needed. Thankfully, they were able to access a safer form of credit.

Recommendation 3: As part of the national credit legislation, the Federal Government regulates the fringe lending industry, introducing a 48 per cent per annum cost rate cap on fringe loans to protect low-income Australians for whom microfinance and other financial support programs are not appropriate or available.

Hand Washing

At least three participants who accessed their microfinance loan for a washing machine had been hand washing previously – some for as long as eighteen months.

Lynda is a single mum with three children at home (although her oldest son had moved out later in the research). She had been without a washing machine for six months, and had developed a way of hand washing by putting all of the clothes in the bath. She had become used to it, but recognised it was inconvenient and tiring, mainly as she would need to spend half a day most days to get the washing done. Having young children at home made this difficult. Living with the North Queensland humidity also made drying the clothes difficult. It made planning ahead almost impossible.

In the absence of microfinance, Lynda said,

"I just would have saved (laughs) it would have taken me a while though ... I've been without a washing machine before, another time many years ago and it was a long time, for like six months until I could save up the money to get one and yeah there are things you can do to make it a bit easier, chuck it all in the bath with the warm water and washing powder and stomp it and leaving it soaking for a while and stomp all over it again then rinse it out with the shower, the hardest part is how it takes long for things to dry cause it's not like you can spin it out" – Lynda

Julie had been borrowing from a friend, but knew that this was not a viable option long term and at some point she would need to give it back.

"We have been friends for twenty years, but, you know, I felt like, obligated" – Julie

When asked what difference NILS had made to her, she said

"Well my hand would have been wrinkled by now!" – Julie

Another mum, Rose, had not had a washing machine for eighteen months. As she does not drive she could not use a laundromat. She spent half a day every second day hand washing.

Second Hand Goods

Another alternative identified was buying second hand goods. While perhaps a reasonable short term solution, purchases would often break down quickly. Rose had bought a second hand washer for \$130 which broke down almost immediately.

"It worked well for three days and then it blew up...at least I know [the new machine she purchased with NILS] has a warranty" – Rose

Finding affordable second hand goods was also difficult at times. Sally had been on a waiting list at the local charity 'op shop' for a second hand washing machine.

"There's a local op shop here that does carry things like that and they did have my name down for if anything came in but nothing had come in that month, they don't know that I've got a washing machine now and I never ever got a phone call to say that one had come in in working order" – Sally

Compromises and Wellbeing Choices

Had borrowers not been able to purchase the goods they did, there were significant wellbeing implications for many. Prior to receiving her loan, for example, Dora was washing clothes by hand when needed and also going down to the laundromat, which was costing her a lot more. Had she been unable to access NILS, she would have kept doing that. As a primary carer for her elderly mother who was increasingly reliant on her emotionally, this was extremely difficult as her mother became stressed when Dora was not around.

Ron's limited mobility makes it difficult to get around. To get to the shops or attend to his day to day needs, fixing his car was very important. Without it, he would have been left very isolated.

Fred's stroke means he needs to be at a comfortable temperature. Health conditions aside, intense heat was making both him and his wife very uncomfortable in their home without an air conditioner. Had they not accessed StepUP they would they would have had fewer choices.

Jelena simply would have done nothing.

"I not have mattress, no[t] good for my back, but I keep it! You [have] no have choice; you [do] not have \$3000 for some finance company, how much interest!" – Jelena

Needing to borrow also had a capacity to compromise friendships.

"I was borrowing from a girlfriend, but I wanted to give it back really quickly. We are all on the same thing, you know...She [her friend] would have said, it is getting a bit, you know [a bit much]" – Julie

Significantly, being excluded had implications for mental health. The processes of trial and error were stressful for many. They felt as though without access to microfinance, their mental health may have deteriorated. Dina had set herself a goal that was positive and had a huge impact on her self confidence, mental health and financial resilience. When she thought she may not be able to achieve the goals she had set for herself through not being able to access credit, she became aware of the impact on her mentally.

"They didn't think I would think... [about the loan shark] I was desperate to get my car and my business, but had I done that, I would have lost both my business and my sanity. This way, the right way, I feel like there is a ground beneath me" – Dina

All of the alternatives presented have implications for peoples' wellbeing. Constant breaking down of second hand goods, needing to wash by hand, and suffering financial stress by paying off a fringe loan quite obviously impact on peoples' quality of life and mental health, whether they have a diagnosed illness or not.

5.2.3 Enablers

There were two main credit enablers identified by borrowers. Microfinance is an obvious enabler to accessing safe and affordable credit. Although not explored in much detail here, interest free store finance was also a good option if the repayments were structured so that interest could be avoided. Another credit like product that featured prominently were Visa or

MasterCard Debit Cards, which have the flexibility of use like credit cards, but accesses clients' own money. Most participants had a product like these.

Microfinance

Microfinance assisted greatly when it came to the affordability of credit.

"I think it was because of the low interest, it made it affordable, I don't have loans and I don't have credit cards ... I've just had a fear of getting into debt, yeah but this one was ... very manageable" – Carol

Sally is able to pay the loan back without feeling extra pressure on an already limited income.

"The payments are quite low and to be honest I don't notice them" – Sally

This is a shared story for all of the borrowers. Not applying interest, or applying it at very low rates, made microfinance an affordable and safe option and gave people confidence in knowing they could pay something off.

"It was an absolute godsend, the interest rate...No administration fees, nothing like that" – Greg

It enabled people to make safe choices, where out of desperation they may have otherwise resorted to fringe lenders.

"\$100 a week, and he wanted me to pay \$11,000 for what amounted to be a crappy, \$2000 car ... So I went online and there was nothing until I found NILS, and then NILS really didn't seem to fit, and then I saw StepUP and I thought, well that fits ... I was also limited in my options too, about going for those \$10,000 or \$20,000 loans, those horrible things, which I might have done, out of desperation" – Dina

Similarly, Jelena has said goodbye to fringe loans forever, now she is aware that microfinance is available to her.

Debit Cards

Many respondents used VISA or MasterCard debit cards as an alternative to credit cards. Although not a credit product as such, it gave people the flexibility of a credit card, only with their own money. This meant they did not go into debt.

The flexibility of the debit card helps Carol. Carol is involved in community programs, volunteers and has a part time job. She quite often needs to travel for this, and the card gives her that flexibility.

"Well I've got those, my ATM cards are the ones you can use as credit cards...and I think that's a great idea, cause I go away a bit on forums and you know conferences and stuff like that and when you're in a hotel you need to, sometimes have that credit" – Carol

Recommendation 4: Given the scale required to appropriately address financial exclusion, banks need to continue to develop financial products and services that meet the needs of low income consumers including credit cards with smaller limits, flexible bill payment options and low fee and no-fee transaction accounts.

Centrelink Advances

All participants used Centrelink advances to manage their larger expenses. At times the advances complemented the microfinance loan for larger items. However they were more often used for larger, ongoing costs such as car registration or education costs.

More frequent availability of these advances could assist people in ironing out the fluctuations in budgets.

Recommendation 5: To provide options for people in receipt of income security payments for whom microfinance is not appropriate, Centrelink reviews the structure of its Advanced Payment to make it more available and more flexible.

5.3 SAVINGS AND TRANSACTIONS ACCOUNTS

This section explores participant's access to transaction and savings products, the ways accounts are used and their appropriateness.

Everyone spoken to had a basic transaction account as income security payments are paid directly into bank accounts. Therefore, access in itself is not the problem it is for credit products. The main causes of exclusion in this area were when the costs are prohibitively high. Most banks provide specific transaction products for low income earners. Many are fee free or have low fees; however they often have certain conditions attached in order to have the account keeping fee waived. There are also fees associated with overdrawn accounts. Charges for using another bank's ATM are a particularly acute problem in Indigenous communities where there is no access to anything else.

5.3.1 Barriers

There were several barriers to savings products identified by participants, including fees, product appropriateness, a mistrust of banks and remoteness of the community.

Fees and appropriateness

It was difficult to delineate the issues of fees and the appropriateness of the product, as more often than not, fees were incurred because the account was inappropriate. In many instances, once the problem was identified, a product was found that was more appropriate. Unfortunately, many participants were not offered these options in the first instance.

Kristy noticed that she was being charged a lot of fees, and approached her bank twice before she was changed to a more appropriate account.

"It took the second [person] to tell and that was only after a couple of years and only because I complained. I kept getting \$5 here and \$8 there taken out...and Centrelink have always said that banks cannot touch your pension ... I just went in and I said 'look can you help me with this and can tell me why I'm getting these fees ... it's

taking it out of my pension and I can't afford that ... and sometimes you're taking money and it's not there, and I'm getting charged for it” – Kristy

However, after it was changed over, she noticed she was still being charged. Being able to advocate for herself, she approached her bank again to find out why.

“Mine's a pension account, right, no fees. All of a sudden I got charged the other week \$5 fees. What was that for? I went and asked. She said, 'look, that's transactions ... every transaction you do online is classed as a transaction.' ... so I get X amount per month free, but if I go over those four or five transactions I get charged fees... they've got you any possible way they can. So if I'm paying four bills online over the period of the month, plus taking my pension out, voila! They've got you - \$5 thank you, very much”– Kristy

Frustratingly, if she does not pay her bills online, she is charged an additional fee by the biller, but when she pays her bills online with her bank, she is charged by the bank. This is an example of the intersection between fees and appropriateness, but also consumer information. Kristy clearly had not had the terms of her account explained properly, and was still using an inappropriate product.

Overdrawing an account was another cause for high fees being charged. Dina overdraws her account, sometimes knowingly, and is charged. Therefore, when her pension goes in, she is short again, and needs to overdraw her account again. This is a cycle several participants identified.

Sally does the same thing. She is aware of the cost, but again, once in that cycle finds it difficult to get out of it.

“They charge six dollars a day that its overdrawn, so if it's been overdrawn for three or four days before I get paid again that can add up too, so it's all this money”– Sally

Mistrust

There were some participants who did not trust banks. They were therefore less inclined to put savings aside in an account, and did not feel that there would be an appropriate account for their needs.

“If anything happened that Centrelink didn't send in my - if anything went wrong ... [bank] will charge me some horrendous \$50 overdrawn fees, per bill, more than likely. I don't trust the [bank] ... I wouldn't necessarily leave it in the bank because I don't like that bank”– Kristy

5.3.2 Enablers

Microfinance

Microfinance enabled people in many ways. The AddsUP savings program gave them an incentive to save. When dovetailed with the loans program, it increased people's capacity to save, as the money they had previously been putting into the loan could then be put into savings.

"I can't wait until I've paid off the loan, and then I'll get a bank account with the National Bank...that's a great incentive! Nobody can get that much interest from a bank! ... I think it is affordable ... \$25 is nothing [to put away per fortnight]" – Julie

"After you have been paying off your loan for six months, they give you a letter that you take to the National Bank, and they open up an account. So that is what will pay for next Christmas ... if you can put away \$10 a week. That is not much to put away."
Fred and Margaret

Another powerful component of the AddisUP program was that it linked people into mainstream banks and removed some of the discomfort people felt when approaching their bank.

As a result of the microfinance process, many of the participants had changed their bank accounts to fee free options, hence maximising their limited incomes. This was facilitated and encouraged through the interaction with the loans worker, and through being informed that these options were available.

Case Study: Mark – NILS borrower, AddisUP recipient, Northern QLD

Mark lives in Northern Queensland. His health means that he lives on a Disability Support Pension, however when he is well, Mark would like to work in an aged care facility as a carer.

Mark originally took out a NILS loan to purchase a washing machine. He has also assisted a friend in successfully applying for and paying off a NILS loan.

Once Mark had paid off his loan, he took part in the AddisUP program. He quickly achieved his savings goal as he is a diligent saver. With the matched funds, he bought a computer package at a very good price. He has undertaken a computer course at a local community centre. Although a bit shy of the internet, Mark feels a great sense of achievement about learning what he has, and feels that microfinance has "broadened his horizons."

5.4 INSURANCE

'Some people on low income make a rational decision not to obtain comprehensive car insurance or home contents insurance having regard to the value of assets, their beliefs about what they would do if they lost assets and their willingness to accept risk' (Sheehan & Renouf, 2006, p. 8)

Ownership of insurance products is a vital component of financial inclusion. Insurance can include the protection of assets in the home, cars, life and various other things. Lack of appropriate protection leaves people vulnerable and at risk of further financial hardship in the event of any type of loss. Unfortunately, for those on low incomes who can least afford to absorb that shock, insurance is often out of reach. As income falls, so too does ownership of general insurance products (Connolly, Georgouras, Hems, & Wolfson, 2011).

The importance of appropriate protection became particularly evident during recent natural disasters experienced in Australia. Particular to this research, Cyclone Yasi in Northern Queensland brought home how important asset protection is. Cyclone Yasi occurred about mid-way through the research. Julie lives where the eye of the cyclone hit. Her budget sheet, which was part of the research, inventively included a column entitled 'unexpected' expenses. Cyclone Yasi fit this bill quite nicely.

Thankfully, Julie's property was not affected, especially as she did not have insurance. If Julie had been affected, not having insurance would have been another disaster on top of everything else she could have gone through.

5.4.1 Barriers

Insurance continues to be a challenge for low income families. Although many families also did not have contents insurance, those with cars always had car insurance. This was generally the compulsory third party insurance obtained through registration fees (or other means as collection differs from state to state). For those who did have other kinds of insurance, this was only made possible through discounted insurance companies (such as those specialising in pensioners insurance) and pay-by-the-month options.

Interestingly, although cost was presented as a barrier, it was not necessarily the primary one. Cost tended to be viewed in the context of need.

Cost

Cost was one reason people chose not to take out insurance. Those who did have it identified it as something they would compromise when money was tight.

"[It's] a cost thing ... my car's worth two and a half grand, woo hoo, but if I was to lose it and I didn't have insurance I don't have two and a half grand to go out and buy another car ... every couple of months it's sort of 'oh you know we could do without that' I'm saying '[Husband] its forty five dollars' like ... 'let me handle the money, you just...' (laughs) 'aww its dead money' you know and knowing our luck, you know the day after it was, something would happen" – Kathy

Fred and Margaret have both contents and car insurance, but admit that:

"We have let it slip before [because of money]" – Fred and Margaret

Given participants' limited incomes, life insurance and other types of risk protection were non-existent amongst the group.

Need

Cost aside, lack of insurance can be attributed to it being prioritised below more pressing expenses and because many felt that they had nothing of any value to insure, particularly given the higher minimum amounts that insurance policies require. Paradoxically, participants did feel a strong emotional connection to the belongings that they had been able to purchase with their loans. Overall, it appears that although people were protective of their assets, through a process of prioritisation and rationalisation of risk, insurance was not seen as a high priority.

Lynda has taken out insurance after the experience of a friend of hers.

"It was her in her house and the laptop battery caught fire, no insurance, lost everything...I even asked when she moved down to Melbourne 'Did you get insurance?'" – Lynda

In this instance, uptake of insurance was linked with a negative experience.

Where people live has the potential to affect whether they take out insurance. For both Greg and Anthony, living in high rise flats in inner Melbourne with good security interestingly meant they did not feel they would be broken into. For others, feeling that they did not have anything of value also impacted on the decision not to purchase insurance.

"Nothing worth insuring. Oh maybe my computer, but even then it's only \$275 so I don't..." – Kristy

This may be reflective of the fact that most 'standard contents insurance products offer far higher levels of cover than most low-income Australians require' (Collins, 2011, p. viii) and that 'individual's assessment of the cost-benefit of insurance is influenced by their estimation of their financial loss in case of an incident. When self-assessment generates an undervaluation of assets or replacement costs, it can negatively affect their interest in buying insurance' (Collins, 2011, p. 33).

5.4.2 Enablers

Pay by the Month

Paying by the month was one of the only ways those who did have insurance could afford to pay for it.

"We have the car insurance. We pay \$60 a fortnight car insurance, contents insurance we pay \$35...Sometimes people pay the lump sum, but I [do] not have the lump sum to pay" – Jelena

Similarly, all others who had insurance expressed their charges in terms of monthly cost. It is therefore unfortunate that in many cases when a pay by the month option is used, the overall cost of insurance is higher. 'Some insurers will charge you a premium for paying by the month...the additional cost, in all likelihood will be a percentage of your premium' (Which Insurance?, 2011).

Given most people on low incomes manage their costs fortnightly, to enable greater take up of insurance there needs to be appropriate and affordable policies, with payments facilitated fortnightly. Where required, payments should also be able to be made through Centrepay. When presented with a small, monthly cost, there may be an increase in uptake of insurance.

Recommendation 6: Good Shepherd supports the Brotherhood of St Laurence's recommendation that insurance companies and other organisations continue to develop appropriate, low cost insurance options to promote financial inclusion and protection of assets.

5.5 BILL PAYMENT OPTIONS

Identified by Burkett and Sheehan (2009) as an important financial product, bill payment options were something identified by participants as either an enabler or a hindrance. It was not an area covered specifically in the research questions, but was identified by participants themselves. Having appropriate bill paying options such as Centrepay, direct debits and bill smoothing¹⁴ was a significant enabler for people to manage their money, ensure important items were paid for, and avoid bill shocks. Importantly, these options need to be flexible. If an unexpected expense did arise, participants had a canny way of juggling expenses by reorganising what needed to be paid. Without flexibility, they run a serious risk of suffering financially, as well as from a wellbeing perspective.

Generally the various bill payment options were seen as enablers by participants. Centrepay was the most positive and it was made clear that it was a preferred option for payment of StepUP loans, for which Centrepay is not currently available.

5.5.1 Barriers

Access

Access to appropriate bill payment options was an issue in remote communities. On Rose's island in the Torres Strait, people were limited in how they could pay their bills. The store, for instance, would charge up to \$30 for a money order.

There are also issues with Centrepay not being more widely available, particularly for paying off StepUP loans. As a community advocate, Rose links many in her community to microfinance, but noted that not having Centrepay as a payment option makes her more hesitant.

"StepUP is not down for Centrepay. I feel better referring people if I know they have a safety net" – Rose

Other participants also enquired about the use of Centrepay when paying off their loan, and potentially when putting money aside for their savings. It became clear that this was a much preferred option to direct debits, as the money was taken before they got paid, meaning they were less likely to miss a payment, overdraw their accounts or have payments rejected due to insufficient funds in their account. On the other hand, there was a preference for direct debits for one participant, as she felt more in control of her payments. The issue of flexibility is paramount as people manage their money in different ways, and more than one option needs to be available.

The other issue to do with access and Centrepay is bill smoothing, with some companies not allowing people to use Centrepay for the fortnightly bill smoothing option.

"[With Centrepay] all the bills are prioritised; they all get paid before we get paid. The only one that is direct debit is electricity, because if you use Centrepay, they won't do bill smoothing. They'll do payments...to do bill smoothing they direct debit" – Fred and Margaret

¹⁴ Bill Smoothing is spreading the cost of utilities through the billing cycle by paying money into the account each week/fortnight or month. Many utility companies offer it as an option.

Cost

Kristy is shy about accessing Centrepay, as she feels she is less able to control what is paid. Her preference is to put money aside to pay bills on a fortnightly or monthly basis, normally online.

However, her preference to pay bills online or at the post office means she is charged additional fees, both by her bank for going over her transaction limit, and by the billing company she is trying to pay.

"You get kind of punished for thinking this way; you get penalised by [biller] still charging you \$2 or whatever it is per bill...I thought by paying online - because I said to [biller] 'but I'm paying on the Internet'. He said 'well, no, it's not the same thing as direct debit.' I said, 'what, even though I'm paying online, you're still charging me \$2.50? ... you're charging me \$2.50 to send me out a bill.' He said 'oh, well, I wouldn't look at that way.' I said 'I do'; I said 'that's \$2.50 to send to me a bill.'" - Kristy

Recommendation 7: Good Shepherd advocates for removal of all fees charged by utility companies for not paying bills via direct debit or Centrepay.

Jelena also incurs an additional \$4 a month as she is not able to access Centrepay for her StepUP loan payment and has organised a periodical payment from her bank. She finds this easier and cheaper than having to go to the branch to pay, as there is not one nearby.

"The [bank] is, you pay for petrol, you pay for parking, it's too much. It cost me \$4 per fortnight ... [to arrange for the payment to come from the bank instead of by direct debit]" - Jelena

5.5.2 Enablers

Centrepay

Using Centrepay was a vitally important way for people to manage their money, particularly when it came to expenditure like rent and bills. These were identified by participants as being the things they always make sure are paid first, and Centrepay was a way to assist people doing that. It also removed a lot of the stress of receiving a large gas or electricity bill when they were able to pay some off the bill month.

For other expenses, participants needed the flexibility of managing things in a less rigid way to iron out the fluctuations.

The following quotes all reflect the use of Centrepay as an enabler in managing expenses.

"Well I don't have to worry about ... my rent it comes out of my Centrelink payment, so that's out of the way and then my electricity comes out also" – Sharon

"I have my rent paid through Centrepay and some money each to go to [company] and then the only other Centrepay is the NILS" – Sally

"My rent is automatically taken out, so I don't see that, the electricity is pretty small, and the only other thing is food, and entertainment for the kids" – Greg

"It is just \$30 [the NILS payment], it's set, it is one thing out of the way, I don't worry about it now, when I write out my budget, that money is not even there" – Daniel

Recommendation 8: Good Shepherd and NAB continue to promote and advocate for Centrepay to be available for StepUP loans.

Direct Debits

Direct debits were less used, but were also an important way of managing expenses. They were normally tied in with bill smoothing. Fred and Margaret used a direct debit to do the bill smoothing for one of their bills, and Dora uses direct debits to pay her bills as "at least that way you know all of the important things are being paid."

Where Centrepay was not an option, direct debits also had the capacity to reduce the cost of paying bills.

"I know there is one way I can save maybe like \$10 a month and that's doing direct debit on my bills, which I haven't got round to doing because I'm a bit shy on wanting to" – Kristy

Although they were used by many, Kristy did not want to use direct debits. Overdrawing bank accounts led to a lot of stress and often great expense. As such, in nearly all cases Centrepay was the preferred option of bill payment. .

Bill Smoothing

Nearly all participants used bill smoothing as an option, ordinarily tying it in with their Centrepay. There were also instances of people making informal arrangements with companies to pay off bills over time. This was used often, but was more retrospective than formalised bill smoothing arrangements. This is reflected in the quotes below.

"Especially with the electricity bill being a bit too high we ask for an extension and they break it down for us and we just pay off so much every fortnight ... then that leaves us with extra money to buy whatever we have to buy" – Kristy

"They're not giving me a choice, they're sending them all at the one time, but I'm choosing to pay them spread out. It's the only way I can and so far there have been no complaints over the year" – Joanne

5.6 INFORMATION

The final area explored was how and when participants accessed information about their financial services and how they perceived the adequacy of this advice. Access to the right information when looking for new accounts or finding out more about existing ones was discussed as well as any issues or concerns participants had in gaining access to this information.

5.6.1 Barriers

There were some obstacles participants identified when looking for financial information and advice. While on the whole participants felt comfortable seeking financial information, there were some for who trust was an issue.

Mistrust

Some respondents did not feel they could approach their bank for finance or banking advice. For Kristy, her experiences had not always been positive, particularly when it came to seeking a savings product that was appropriate for her.

Others felt that they would not be assisted properly. Greg experienced frustration when advised to open online accounts as he is “old school” and is wary of products like that. He felt that:

*“Unless you are armed with the information they’re not prepared to tell you anything”
– Greg*

Others felt they could not trust advice from someone who they felt did not necessarily have their best interests top of mind.

“I don’t think I would trust a bank financial advisor, or anyone whose income depended on the advice they gave me” – Dina

Whether it was through experience or perceptions, mistrust was an issue for some. However, this seemed to reduce slightly over time, as people paid more off their loan or into their savings account.

5.6.2 Enablers

Advocates

The case study of Rose provided later in this chapter is a prime example of the impact of community advocates. Microfinance workers are also powerful advocates. The varying ways participants found out about microfinance programs reflect the strong commitment workers have to ensuring marginalised people can access information.

In Northern Queensland, one community member found out about NILS through her local National Aborigines and Islanders Day Observance Committee (NAIDOC) celebration – a creative way to extend knowledge of microfinance into Indigenous communities.

One participant found out through their mental health worker; others through word of mouth. Some victims of family violence found out about programs through the local support groups they attended. The use of advocates in extending the reach of microfinance and broader financial inclusion programs reduced issues of mistrust and engaged people in financial services.

Banks

Despite observations earlier that some participants had a mistrust of banks; banks were an important enabler for people to access information. There was a large cohort of people who were confident and had felt supported when seeking financial information.

Kristy had an account that did not allow for a higher number of transactions. After talking with her bank and reviewing her needs, she was moved into a more appropriate product.

"I was complaining one day about the fees coming out of my pension. She said 'well why are you on that [account] anyway?... Why didn't they sign you up immediately into the pensioner's account?' I said I didn't know anything about it, nobody told me about it. So she organised it and I end up on the pensioners account." - Kristy

Another example was when Daniel needed assistance to transfer some money, but did not have internet required to do so. He went to his local bank branch and worked through the process with the enquiries staff. He found the experience very respectful.

In all, participants had a reasonable level of confidence about getting information from banks, which was greatly enhanced by previous positive interactions.

Microfinance

The microfinance process was a great enabler for people to find out more about banking. Microfinance workers identified that they go through borrowers' statements at the time of interview, point out their fees and work with people on how to reduce them. The process of paying off the loan also has the potential to assist people in understanding debt and credit and it appeared over time that this became more the case.

Recommendation 9: Relevant departments of government work with banks and remote communities to provide low fee options to access money to facilitate greater financial inclusion.

5.7 REMOTENESS AND EXCLUSION

Financial exclusion was more pronounced in remote, Indigenous communities. Remoteness, English as a second language and lack of infrastructure and knowledge to support alternative forms of banking make interacting with mainstream banking more difficult than would be the case in other areas. Advocates in these communities are an important way of overcoming these barriers as reflected in the case study below.

Case study: 'Rose' – NILS Borrower, Community advocate, Torres Strait

Rose is a borrower from Northern Queensland who took out NILS to buy a new washing machine. She previously lived in a remote community in the Torres Strait.

Living on the outer islands, access to a bank is rarely face-to-face. The nearest branch is an \$800 flight away. The only way of accessing money was via the store or the ATM on the island. The store charged a lot to access money:

"\$5 transfer fee up to \$100 – a one way bank"

Taking small amounts of money out at a time is a common way for many to manage money. 'They might do this for example to reduce humbugging (where other family members ask for money). There are strong cultural obligations if you are asked for money to provide it.' (AFFCRA, 2010, p. 8).

Overdrawn accounts were an issue in her community. This led to people facing significant financial hardship because the fees they were incurring were significantly reducing their Centrelink payments.

"A lot of people had an account with (bank) that gave them an overdraft facility without an agreement. Most people got \$400 a fortnight before rent...whatever is left the bank takes \$80 a month. They just need to start from zero, not below zero."

The community members were frustrated and many felt powerless to do anything about it. As English is not always their first language, they were unable to obtain the relevant information to remedy what was happening.

The remoteness of the community meant that they had few alternatives to accessing their money other than through the store or the ATM. It also meant that accessing insurance was almost impossible. The cost was higher, many of their properties were not considered insurable, and insurance products did not take account of freight costs in getting goods over to the island.

"I would love to get insurance if there is a good product...down here it makes sense. On the island, it is still a logistics game. Still have to factor in freight, which is always left out of contents insurance."

Rose, a staunch advocate for her community, joined with other community members to try to remedy their situation. She was instrumental in facilitating some financial literacy training within the community and "trying to advocate for people who couldn't advocate for themselves."

One option identified was enabling community members to access phone and internet banking to check balances instead of being charged each time they checked at the ATM to see if their money had gone in. This also helped people manage their bills. However, there were many barriers to this. Being so far from the branch made completing and lodging the necessary forms difficult. The fact that English was not the first language for many people also added another barrier. Furthermore, the island has limited access to phones (few people on the island have a landline) and internet and there is only one public computer, meaning many transactions took place in very public areas.

"There was scope for community people to rip off other community people."

The bank's privacy regulations made it difficult for Rose to gain traction when she was acting on other people's behalf. Language barriers meant that she was one of the only people who could.

Rose is articulate and clearly spoken, but even she had issues trying to talk to the bank.

"I'm confident [dealing with the bank] I just ring the 13 number ... [but] the bank hangs up on me. They can't understand my accent, or I don't understand theirs... (Bank) would not communicate with me, [they are] not trained to deal with ESL with the Indigenous community...it had community members in tears...you can't ring the local branch...it doesn't help that they have call centres."

Despite these barriers, Rose was able to make some significant gains. Together with her community, she managed to secure some computers and internet access. They worked with the branch to reduce paperwork to access internet and phone banking, removing the need for community members to go into the branch, and were able to at least explain the reasons fees were being charged on their accounts.

Although there is still work to do, particularly in relation to the ATM charges, this remote community was able to make a significant amount of progress through strong advocacy and action. Families were saving money and more community members were accessing information via the internet instead of paying a fee at the local store for the ATM. Having an advocate in their community was pivotal to this progress.

5.8 FINANCIAL INCLUSION – A MATTER OF TRUST

Participants in the research presented with a range of barriers to accessing financial services. Past experiences shaped current perceptions and realities. While many had the skills and confidence to make informed financial decisions, they often lacked the capacity to engage with financial institutions due to poor credit histories, inappropriate product pricing or risk exclusion. Interestingly, participants identified lack of a good credit record (as opposed to a bad record) as an inhibitor, given their general aversion to debt.

A key indicator of financial inclusion is access to a moderate amount of credit. The reality for people on low incomes is they often do not **want** a credit card, or if they do they cannot access one that is appropriate. However, if a moderate amount of credit is considered important then there is room for banks and financial institutions to work within the context of low income consumers. Microfinance programs are one solution, as are more flexible forms of credit with smaller limits. Visa and MasterCard Debit cards were commonly used as they allowed people to use their own money but had the flexibility of a credit option when using their card. Building on this, banks and other organisations need to develop products with the needs of these consumers in mind. Similarly, the structure of Centrelink advances would be more flexible to give people access to small advances more frequently rather than one or two lump sums per year. This could help people better control their levels of debt and manage their finances.

It was clear that participants valued saving, but often did not have much left over to save. However, matched savings programs such as the newly developed AddsUP have a real ability to turn the small amount of money people can manage to put aside into a financial buffer. This sense of achievement has long term implications as people are more likely to

want to continue with this savings pattern. The two participants who took part in AddsUP looked forward to continuing their saving. One participant had achieved her goal and continued to save. In all, she has been able to save \$1,000 not including the amount she had matched. The reach of the AddsUP program is vital to build the long term capabilities of people on low incomes.

Options to manage money need to be flexible and contextualised. Nearly all participants use Centrepay to ensure essential expenses are met, however they also need the capacity to reprioritise if the need arises. The findings clearly show that Centrepay needs to continue to be flexible as an enabler for people, and extended where requested for use for StepUP loan payments.

It was evident that the microfinance process built people's confidence when dealing with banks, and banks have made progress in developing more appropriate products. When participants were asked at the initial interview whether they would apply for finance through a mainstream institution, many said no. The process of paying off the microfinance loan improved people's confidence to the extent that in follow up interviews, many reversed this answer. This progress needs to continue if banking services are to be accessible by all and to foster financial inclusion.

The study found that financial exclusion was not caused by locational disadvantage in three of the four areas studied. However, living in a remote Indigenous community where English is not the first language does lead to financial exclusion. Rose's story reflects the extent of this exclusion, but also the effect of having strong community advocates. To effect change in these communities, community advocates need to be developed and retained. Often they leave because of issues such as losing their public housing when they travel for education as they are away from home for too long to retain it. Clearly, losing talented community advocates in disadvantaged communities is not what is needed.

The single mothers in the study were particularly vulnerable to credit exclusion, in many cases through 'sexually-transmitted debt' as one worker put it. They were often left with joint debts from ex-partners that were not being paid despite their own contributions. Most mothers had a separate account for children's savings but were particularly challenged when it came to future-orientated investment such as contents insurance. The needs of children came first and thus insurance did not rate particularly highly.

For people who have been excluded, inclusion is a matter of rebuilding their confidence in banks and other organisations, ensuring continued product development to meet the needs of low-income consumers and restoring some faith in a system that has let them down in the past. Microfinance as an enabler in this sense is two-fold. It offers people something that is safe, affordable and flexible, but also acts as a platform to interact with mainstream institutions.

CHAPTER 6: SOCIAL PARTICIPATION

Case Study: 'Sally' - NILS Borrower, Northern Queensland

Sally is a single mother of seven. She lives in a private rental property in North Queensland with four of her children, aged fourteen, ten, two and one. Her oldest three children have left home but still live in the local area. Sally's family get by on a very tight budget. At the time of the interview Sally felt her income provided just enough to get by but there are times when there is not enough, usually when unplanned expenses arise. In the past Sally has accessed emergency relief for assistance in times of financial difficulty. One of the services Sally has required is food vouchers.

"What I spend on food comes down to what is left after everything else is paid, which is why you end up coming to a place like this".

Sally applied for NILS after seeing a poster in her doctor's surgery. With the money she purchased a new washing machine, as her old machine had broken a month before. Prior to getting the new washing machine Sally had been hand washing her family's laundry. This was a time consuming task and sometimes took all day. In addition, without a spin cycle to remove excess water, it would sometimes take days for clothes to dry. Sally says the month without a washing machine was very stressful. Piles of washing began building up around the house and making sure the children had clean school uniforms took a lot of planning.

Before Sally applied for NILS she had not gone elsewhere for a loan as the interest would have been too high. She had previously applied for credit cards but her applications were rejected on the basis that she does not work. Six months before she got the new washing machine, Sally had put her name down for a second hand washing machine at a local charity 'op shop' but she was never contacted to say that one had become available. If Sally had been unable to access NILS she would have continued hand washing the family's laundry until a second hand machine became available.

Sally's financial situation has a huge impact on her socially and as a result she has become quite socially isolated. When asked if there was anything she would like to do more of, Sally replied:

"Anything social for myself...I don't have any friends, I don't go anywhere because, well I don't have any friends because I don't go anywhere, I can't really afford to do anything expensive socially."

Sally has a number of interests she would like to explore but is unable to.

"I don't do crafts anyway but I thought just to get out and do it, the only craft group I found that you didn't have to go and buy a heap of expensive stuff to do it, was down at the arts society and it was all elderly ladies so, I guess it's better than being at home talking to nobody but it's still not friends. I see things in the paper all the time, like there's a local theatre group, I'd love to join that but I couldn't afford baby sitters so I can't do it. I'd like to go to Zumba class but they cost fifteen dollars each to go to and again I don't have any baby sitters so I can't do it, to go to a Zumba class plus whatever it costs to get the babysitter, because I don't drive I'd probably have to have the baby sitter for two hours so I could walk there do the one hour class and walk back".

Sally is studying her Bachelor of Arts degree online to assist her in finding work when her children are old enough as well as for personal fulfilment.

Sally feels that accessing NILS has made a real difference to her day to day life and because the repayments are so low she does not notice them. The process has given Sally more confidence in buying more of the things she needs.

At the time of the follow-up interview, Sally was still in the process of paying off her loan. She would like to buy a new fridge, so plans to take out another loan once this one is paid off.

Sally still feels a sense of isolation primarily as a result of where she lives. Being in a relatively small area, she finds the only groups that she is able to attend require her to drive – which is difficult without a car – or do not allow her to bring her children. The nearest regional hub is Cairns, which is difficult for her to get to. Accessing the loan has been a hugely positive experience for Sally, but limited resources in her local area mean she is still socially excluded.

6.1 INTRODUCTION

Social participation is defined as participation in activities that are enjoyed by people for their own sake. In traditional surveys, such as those conducted by the ABS, this concept focuses on membership of clubs, cultural or religious activity, going out for a meal (lack of which is an indicator of deprivation¹⁵) and other activities that allow people to socialise.

Throughout the interviews, it became clear that these types of activities are not typical for microfinance borrowers. Cost is a clear barrier for people to go out for meals or join clubs. Further, these activities were not ranked highly by participants as a way to participate socially.

Being able to socialise is an important way to build social capital. Many participants felt a strong sense of community and belonging however, on the opposite end of the spectrum were people who were intensely isolated. Exiting prison and drug use were large causal factors for this. Being a single parent could also be very isolating both because often any money left over went to the children, but also due to not being able to share the care of the children with anyone else.

Social activities had a positive impact on people's self esteem and promoted their wellbeing. Things such as arts and crafts had a huge therapeutic effect, and ownership of pets enabled people to feel connected. People experienced leisure time generally with low cost activities, such as watching television or taking advantage of cheap DVD nights at their local video store. Picnics, visiting friends and family and drinking a good cup of coffee – which came up several times – were small but effective ways people treated themselves.

Many had strong aspirations for more, particularly when they had children. All parents wished they were able to take their kids on a holiday. One Indigenous participant aspired to take her kids to the Kimberley's as a way of connecting with their heritage. Another woman in North Queensland was happy just to take the kids to McDonalds or a hotel nearby as "it's

¹⁵ See Saunders et. al.

not at home.” Going out for a meal or having treats such as take-away food were aspirations, or something they did if they ever had money left over.

6.2 FEELING CONNECTED

Social activities that enabled people to feel connected and build social capital were prioritised highly by participants.

6.2.1 Aspirations and Lived Realities

Aspirations are developed in a variety of ways. Often, as a consequence of limited income, aspirations are compromised both because many felt that they should not want certain things and because it simply did not occur to people that they could do other things. Austerity was highly regarded. Participants saw a strong delineation between needs and wants. Getting out or spending money on social activity was usually regarded as more a want than a need, and was therefore not a common occurrence.

There were, however, many things that people did and wanted to do. Feeling connected in some way is an important part of life. For people on a limited income, this did not necessarily mean being a member of a club or group, but rather having lower cost options such as pets and visiting friends and family.

Pets

Owning pets was a strong way people felt connected. Daniel, for example lived alone, and his pet fish Gary was very important to him. The previous night cleaning the fish tank, the fish had slipped through Daniel’s fingers and he was terrified that he had killed the fish.

“If he lives, I think I killed him last night...I don’t want Gary to die; Gary is all I have got” – Daniel

Daniel had considered getting a puppy for company. However, given his previous drug use and incarceration, he was afraid that he would make a mistake, potentially end up back in jail, and lose his pet.

“It makes complete sense, [to get the dog] and then I thought, ‘What if something really bad happens and you screw up and become a heroin addict again, in the next three months, and you have to go back to jail, what happens to the dog it’s going to miss you and you are going to die’ ... it’s actually the first thing that comes to mind, where is this going to end ... the fish took a year to buy, it was the fish or the pot plant, I thought I’ll get both, I bought a cactus because you can’t kill a cactus...I like my fish...as a kid I always loved them” – Daniel

Jelena’s cat brings her a lot of joy. She is often housebound as a primary carer for her husband and due to her own medical conditions. Having her cat gives her a feeling of connectedness.

“I have my beautiful, my cat ... I have ragdoll ... she love[s] me, she sleep[s] with me....” – Jelena

For Dina, who volunteers for wildlife rescue, being with her animals is a central part of managing her illness. When she is caring for wildlife she takes them everywhere. This work helps her to not only feel connected, but is her way of giving back to the world. The animals are an integral part of her life.

There are many more examples of the importance of pet ownership. Many participants talked about having pets and looking after them. They were particularly beneficial for people who for one reason or another were socially isolated.

Kristy is another such example. When her illness leaves her housebound, her cats are very important. They are a source of company, but also something that needs looking after. Rose accessed emergency relief for food so she could afford to take her cat to the vet as the cat's health was so important to her and her children.

Emma, a NILS borrower from Western Sydney, is a foster carer for dogs. As she puts it:

"[I am happy] as long as I have a safe roof over my head and my dogs, which are important to me" – Emma

Friends and Families

For those more able to develop social networks, another way to stay connected is interaction with family and friends. More often than not, this involves visiting friends and family at their homes or having friends and family visit them.

Kristy has her daughter and grandchildren visit when she can. Her house is quite small which concerns her as she wants to make sure they enjoy themselves, but these visits are very important to Kristy.

"They're ... across the other side of town so I only get to see her on weekends... My son-in-law brings her and the boys or the girl...most of the time the boys go with him because my place is just not big enough and it's not fair to them. I worry about the boys having to sit there watching cartoons ... they're confined. But he says to make sure that they're in contact with me and we have a good time when we're all together"
– Kristy

Pam, an Indigenous woman from Northern Queensland, also gets together with her family regularly. Living at home, it is a good way to get some space.

"We just sit down every ... Friday afternoon or Thursday afternoon and ... have a good yarn, sometimes I have a few drinks...I go out ... get away from the house for a while" – Pam

Jelena also has some friends and family nearby, whom she visits often. She is very close to her daughter and her granddaughter, who provide her with a great deal of emotional support.

"I have very good friend, I go to my daughter, I spend time with her, I love it because she loves me. I spend time speak[ing] to my family, my husband's family" – Jelena

Getting together with friends and family was a significant way for people to feel connected, and importantly, it was inexpensive.

6.2.2 Barriers

Geography

Geography was a barrier for many people in feeling connected, as they did not feel as though they belonged.

In inner Melbourne, gentrification has left Daniel feeling displaced.

"I see them in deep conversation [in cafes] and I think, I was there once ... Now I am on the outside circle ... Collingwood is one of those areas where it's sort of trendyish to the point where some people are overly cool...you try and talk to them, strike up a conversation because you have both seen something funny...and some of them react real weird, like who are you to talk to me? My social skills suck, they are gone, I don't know" – Daniel

While geographic location can also be an enabler where there is a sense of community, for many others it added to their sense of isolation. This was also true for Sally, as the opening case study reflects.

Mental Health

Living with mental health issues was a large contributor to feeling isolated. It often left people housebound or without the confidence to pursue social aims. In many circumstances, it also impacted on people's relationships with their families, and as a result, left people with restricted family networks. Julie described herself as:

"not much of a social butterfly...I don't do lots of activities [due to illness] ... but I am getting better at it ... otherwise I would just be in my little...that's not good for me."

Kristy at times is housebound when she has a serious bout of depression, which obviously restricts her ability to socialise. Daniel's agoraphobia also makes connecting difficult. Emma had at times felt that:

"I couldn't go to a shopping centre without someone with me."

Being less mobile meant that people needed alternative means to participate socially.

Addiction and Incarceration

Both Daniel and Greg have been incarcerated; Greg for three months and Daniel for several years. While Greg has been out for some time and is now rebuilding his life, he suffered isolation when he was first released. He lost his business, his family and his home.

Daniel, on the other hand, had been released for just under a year at the time of the first interview. He was adjusting to a life without heroin and was terrified of leaving the flat for fear he would "stuff up and end up back in prison."

This in itself is disabling, but added to this was the fact that his social networks were severely limited. He had lost his connections to anyone outside the drug world, and 'living clean' meant he had to cut ties with those people who were using drugs.

"It was hard at first, and I screwed up a lot, but eventually one day I just went [clicked] and sent texts to people, rang them, and said listen do me a favour, lose my number, lose my address ... I don't think I can hang around with you ... my friends have reduced down to the 67 year old man downstairs ... It sucks being lonely now, but ... these people weren't my friends in the first place ... and hanging around them is only going to end in tragedy, for one or both of us, and I don't want it to be me" – Daniel

Daniel had lost contact with his mother for eight years, but has now re-established his relationship and keeps in regular contact.

6.2.3 Enablers

Despite the barriers experienced above, there were many things that enabled people to socially interact.

Microfinance

Microfinance stood out as an enabler for many reasons. Being able to buy things for the home enabled people to feel comfortable having friends and family visit. For Daniel, having new things gave him a huge incentive to not "stuff up and end up back in jail". He did not want to lose what he had been able to acquire. It also meant that when his mother came to visit, he would feel comfortable to have her stay with him as the flat did not "look like a squat."

"If someone comes and stays, and my mum talked about coming and visiting me, I know she would probably say she would stay in a hotel, but she could come and stay with me, she could sleep in my brand new bed, and I can sleep on the floor on the mattress" – Daniel

Julie's mental illness made her anxious about leaving the house. Needing to go shopping on an almost daily basis (as all she had was a bar fridge) led to her experiencing physical symptoms of anxiety, which greatly hindered her in managing her illness. Having used her NILS to purchase a larger fridge, Julie now feels more in control of her illness, and as a result is taking part in a community gardening project and generally feeling able to go out more. She has started working part time and by the second interview was at the tail end of her therapy. Julie had never felt better. In a significant way, NILS was enormously helpful.

Joe used a NILS loan to fix his car. This allows him to visit his daughters who live some way away. Given his limited mobility, having his car is one of the only ways Joe can get out.

The use of a car was a significant social enabler, particularly in Western Sydney and North Queensland. Although some NILS programs allow for car repairs, StepUP was particularly significant in this area. Borrowing for a car purchase or car repairs directly enabled people to participate more socially.

Microfinance also enabled social interaction in more indirect ways. For people who had been able to buy furniture, they now felt comfortable to invite people over, and so could their kids. The improvements in their self esteem also made them feel more able to get out socially.

Community

Just as location can act as a barrier for many, it was also an enabler for some. Albeit that Daniel felt isolated where he lived, living in community housing gave him an opportunity to meet other people. He has been able to make friends with a neighbour who is also quite isolated.

Kristy is another example of the effectiveness of community. She has been able to connect with a buddy program through where she lives. She sees her buddy regularly, even if only for a coffee. She is also good friends with a couple of older neighbours who she drives to the shops every week and for whom she sometimes picks things up. They are as important to Kristy as she is to them and for her, “it is nice to feel needed.”

In order to link in with family and friends, location is vital as being far away can mean that additional costs are incurred to visit. Fred and Margaret live in community housing specifically for older people, and regularly have get-togethers with their neighbours in the community hall. They are instrumental in facilitating these activities.

Community connections also tie in with microfinance access. The majority of people spoken to found out about microfinance through word of mouth or through community service organisations. The reach of microfinance extended to posters in doctor's surgeries and advertising in newspapers.

A sense of community and community-based activities can act as powerful conduits to break down social isolation. Lack of community based activity, as reflected in the opening case study, can have severe isolating consequences. Access to a car for Sally (in the opening case study) would be one way to break down this barrier however there are other supports necessary to realise this fully, such as access to childcare.

Recommendation 10: Microfinance programs participate in local community service networks in order to collaboratively identify, advocate for and meet the broader social and economic needs of people living on low incomes.

6.3 BEING CREATIVE

Being creative is another way people feel connected and are able to express themselves. Many participants identified involvement in some type of creative activity. Greg is a keen musician and plays in a band. Dina is a talented artist and uses her art to help manage her illness. For others, such as Jelena, Jean, Kathy and Sharon, listening to music was something they enjoyed.

6.3.1 Aspirations and Lived Realities

People find themselves marginalised for many reasons. Many borrowers have experienced a range of issues, with mental health either a cause or consequence of events in their lives.

Being able to express themselves creatively is an important outlet for many. It can also prove to be a source of income.

Art and painting

Dina combines her art with her wildlife rescue work. She finds her art an integral part of managing her illness.

"I stay home and paint, and I go to my art classes, and the animals come with me ... It is about knowing what you are doing and why you are doing it" – Dina

Many others play and listen to music, or work in community gardens. One borrower likes to crochet however her failing eyesight made that difficult.

The opening case study is again another example of wanting to be creative. Sally was interested in joining a local craft group or a community theatre company. This was as much for the opportunity for social interaction as it was about having a creative outlet.

Music

Greg, who performs in a band, is a perfect example of music being an important outlet.

Kristy grew up in a musical family, and music has always been a big part in her life.

"I love my music ... It's my outlet, I grew up with music. In a [band with] my parents" – Kristy

Jelena also identified music as something she loved, and something she used to unwind. She has subscribed to a monthly music club and likes to make CDs for her friends on her computer.

"I listen to the music, I love music. Music is my life. I have program for my life...every month they come in... I can't understand life if [I can] not listen to music" – Jelena

Kathy also finds music therapeutic and often listens to her iPod to unwind.

"To unwind I normally go and sit outside if it's nice, put my iPod on...music is a wonderful therapy for all ages, I mean I worked in disabilities and music plays a very big part, you can calm somebody down ... music gives them a way to chill out ... it helps me get house work done (laughs)" – Kathy

6.3.2 Barriers

One of the main barriers to creative activity was cost.

The opening case study is a prime example of how the cost of a hobby can get in the way. Even where Sally was able to find a group that did not require purchasing materials, cost was still an issue as she needed to pay someone to care for her children.

For Greg, being able to perform was difficult as it was not possible to get all of his gear onto public transport. He therefore faced the added expense of catching taxis.

6.3.3 Enablers

Microfinance acted as an enabler in many circumstances. Being able to purchase the right technology, such as a computer, gave people the capacity to enjoy their music. Jelena, for example, uses her computer to make CDs for herself and her friends.

"I love music I make CD for my friends...just yesterday I go through the media player, I go through everything, my computer [teaches] me" – Jelena

Kathy and Jean use their computers to put music on their iPods or MP3s.

"I've got a little iPod shuffler ... I've got an MP3 player from Big W which is quite good ... you just plug it into the computer's USB ... for 18 bucks and the sound quality is, for me for what I've got to do, is just as fine - just as good as an iPod" – Jean

For Greg, being able to buy a car meant he could start performing again.

The need to purchase art and craft materials to take part in such activities can further be enabled by access to microfinance. In this sense, it is imperative that programs remain responsive and flexible in order for microfinance clients to be socially included.

Microfinance providers that had strong community programs often used the microfinance process itself as an enabler by linking people in to community service.

Recommendation 11: Microfinance providers continue to increase the flexibility in purposes and amounts of microcredit to support greater social participation.

6.4 HEALTH AND WELLBEING

6.4.1 Aspiration and Lived Realities

Gyms and Exercise

Many participants either went to the gym or exercise classes, or identified exercise as something they would like to do.

When asked what she would do with \$500, Pam said:

"I'd probably buy myself something, like say, maybe membership for a gym. Or buy myself my own exercise equipment but I like the gym because it's more, you interact with other people" – Pam

For Lucy, exercise was something that she liked to do to unwind and de-stress from her day.

"I go to the gym ... that's my mental stress relief and I feel it when I don't go ... I just at least go and do a class otherwise I'll pike out. I'll go there for like half an hour... I used to like doing the box fit one. The new gym I go to they don't have that so just anything, step, Zumba" – Lucy

6.4.2 Barriers

Cost

Gym memberships are costly and even wanting to do a casual class at the gym can be about \$15. When combined with the cost of getting a babysitter, it is simply out of reach for a lot of people, especially when there are children involved.

"I've always wanted to join the gym but it's too expensive ... I've already priced them and it's like four hundred or something for six months ... I used to go three times a week but because of financial difficulties I just had to stop going ... my health clinic is going to be doing exercise, like it's a lifestyle program but that's only going to be twice a week or something ... I guess because the health clinic one is free I suppose it will have to do" – Pam

6.4.3 Enablers

Microfinance

Microfinance was not often used to facilitate health goals. Indirectly, being able to purchase household goods allowed borrowers more time to pursue them and purchasing cars gave some more of an opportunity as they had more flexibility. Workers cited examples of granting loans for items such as bicycles.

There is more room for microfinance to act as an enabler by remaining flexible to the needs of communities, and being open about lending people money for items that can positively influence their lifestyles.

6.5 FAMILIES AND CHILDREN

"We hardly ever get to go and do something fun that costs any money ... hardly ever get to buy any sort of takeaway or anything which the kids enjoy The kids don't get to buy their lunch at school very often, it's cheaper to take it from home and if [there was extra money] it would be more like they would ... still take lunch from home and get a couple of dollars to buy an ice pop rather [than] just going out and buying lunch." – Sally

6.5.1 Aspirations and Lived Realities

Parents with children by far identified with the needs of their children before their own. When it came to discussing aspirations and the types of things they would like to do if they had the chance, it was always about taking the kids away, taking them out for a meal or buying them some kind of treat or new clothes. With the exception of one couple, all others with children were single mothers. There were two single males who were non-custodial parents.

One strong aspiration for participants was to take their children on a holiday. Many children were already involved with sport. This was important in terms of physical wellbeing as well as interacting socially. Children's sports were also a conduit for parents to be able to interact socially.

Holidays

Parents had strong aspirations to take their children on a holiday. These were not often particularly elaborate holidays.

"I'd probably take my kids away for a weekend ... there's some nice places you can go down Cairns that have playgrounds and swimming pools and your breakfast is all included, you get pretty good local deals. Holidays is something that you can't afford to give your kids and five hundred dollars wouldn't get you a holiday to the Gold Coast or anything but you could get two nights in a nice resort place where the kids can have a swim and it's not at home ... there's probably pay TV in the hotel's room and it's all air-conditioned and, if it was right in Cairns we'd just go and get McDonalds for tea and stuff like that and I'd just blow it all on giving the kids a nice weekend, maybe go and see a movie...cause for me to go to the movies I've got to pay for buses down to Cairns as well" – Sally

"I would love to take [son] on a break away, just us, somewhere really nice. That is the only thing I have really missed out on, the opportunity to get away ... I know he needs that break away too ... with the wagon now, we can go camping again, we can throw some mattresses in the back if we want to ... He has never been to a theme park. There are experiences I would like to give my child." – Dina

Lucy also expressed her desire to take her son away. As a child, her family holidays were something she remembered fondly, and wanted to be able to do for her son.

Greg, who is a non-custodial parent, wanted to take his daughter away to Queensland and visit the theme parks.

One of the loan workers spoke of the guilt many single mothers expressed about not being able to provide holidays for their children. As a consequence, many overspent at Christmas to compensate for what their kids did not get during the year.

Children's Sport

Nearly all parents talked about their children playing sport. This was not without its difficulties, which will be discussed when talking about barriers, but was prioritised highly and was always included in their budgets. Every mother participating in the study had involved their children in some kind of sporting activity.

Lynda's children play sport, and she feels that it is important for both of them, however in different ways.

"The two boys are in sporting clubs, one footy and one soccer. One needs to learn to share, one has suspected autism. It is to help him socialising. The footy was \$150 for registration. I had to door knock extended family to raise the money."

Dina's son is a gifted hockey player. This has opened up many opportunities for him, and is something that Dina is extremely proud of. Lucy's son is involved in little athletics, others played soccer. In all, children's sport came up consistently.

6.5.2 Barriers

Cost

The cost of sports and holidays is significant and often to provide them, families need to go without in other areas.

For Dina, whose son plays hockey at an elite level, the cost of his equipment is very high. She manages as he is very talented, and his hockey has the capacity to provide him with other opportunities, but it is a struggle for her.

"I've got \$700 coming in, he needs a \$300 stick, \$40 shoes, a specialist mouth guard and a glove, and I had to do that in two weeks. So I listed the things I could do without, the things that could get put off for a fortnight, and we did it. And then he sees me do it so effortlessly, he doesn't see me grr, and banging my head against a brick wall. He must think I rub sticks together and there is some money." - Dina

The examples below all reflect the expense involved in having children play sport. Although it is a barrier, all parents turned things upside down to make it happen. This usually meant they needed to miss out on something else.

"Basketball is \$10 a week. Little Athletics is only a one off payment of \$70...\$40 for the uniform" – Lucy

"My fourteen year old plays tennis, so every term I've got to make sure I've got the money to pay that cause ... you've got to pay the first week for the whole term ... it's about \$125 and then other than that he plays social tennis on Friday afternoons ... he gets five dollars to play tennis, it's what they've gotta pay and I try to give him five dollars to spend cause there's a social side to it as well ... you know they're not constantly out on the court there's time where they're just sitting watching ... His friends probably have a lot more money than he has but I try and give him enough money so he can buy something to snack on and a drink" – Sally

"My seventeen year old son ... he was always a very difficult one to buy ... football boots ... he's got a very awkward shaped foot so you can't buy any of the ones you see advertised cheap, they don't fit him, his feet are far too wide, end up going to get them specially fitted and the last pair I had to buy him they had to order in so they cost me a hundred and forty five dollars" – Lynda

Stigma

Stigma was something identified by three of the participants when it came to getting involved with children's sports or activities with their kids.

Dina's son has faced stigma at his sports club. It is fairly elite, and Dina feels as though he has had to work twice as hard as other children to obtain his place in the team.

"He has had to work twice as hard to get his place because he is not in with the crowd that get all the spots...we have copped a lot of discrimination" – Dina

Julie had volunteered to become more involved with her son's school by working at the canteen or helping with other activities. They had, however, never asked her to do so, despite her offer. She feels this is because she is not 'in' with the crowd.

For Lynda, having a daughter with special needs makes it hard for her to take part in more mainstream activities.

"It's very hard to get into a sport when you've got kids with a learning disability because you know they're not at that level ... you sort of say 'yeah but can't she go in the younger group' but because of her age she's not allowed to" – Lynda

6.5.3 Enablers

Microfinance

Microfinance is a direct enabler for families and children. Purchasing or fixing a car with a StepUP loan directly impacts social participation and also helps people to get away at less cost. Dina bought a car with a StepUP loan and once the loan is paid off, she plans to take her son away.

"Rego I will have to get an advance to pay for, and in March next year, I will have a full pension. If I can budget for [the rego] out of my pension and work, then I can save my advance, and we can bugger off!" – Dina

Although Dina would like her son to have more, being able to take him away is perhaps even more important. She recognised her illness had its effects on her son, and being able to go away together on a holiday was significant.

Greg has already earmarked his AddsUP savings to take his daughter to Queensland. For Greg, accessing microfinance is part of a combination of things that has greatly improved his bottom line. Being able to earn some extra money has also improved his capacity to do more with his kids.

"School holidays we go to the 3D cinemas and Macca's. Before you know it I have spent ... \$60-\$80...when you got a low, fixed income, you start to notice it. Like I say, my lifestyle has changed my whole financial situation" – Greg

The following case study of Lucy is a perfect example of the impact of microfinance on families, both in respect to holidays and economic participation.

Case Study: 'Lucy'- NILS and StepUP borrower, AddsUP participant, Western Sydney

Lucy is a young, single mother who lives with her six year old son in Western Sydney. Although she finds being a single mother challenging, she is extremely proficient when it comes to managing her time. Whilst caring for her son she has completed a community services certificate, volunteered in the local community and at the time of the first interview was working three days a week. This was increased to full time several months later.

In 2009 Lucy took out a loan to buy a laptop which she needed for her studies. Before Lucy got the laptop, she had to complete her assignments on campus and found it difficult to get the work done in the noisy common areas.

Purchasing the laptop allowed Lucy to work on her assignments at home, giving her more flexibility with her time. Lucy was able to pay off her first loan quickly and in 2010 she took out a second loan, StepUP to purchase a car. Prior to buying the car, she was relying on public transport to get her son to and from school and then get to work, which would take approximately two hours a day. Planning her day around the bus timetable left Lucy feeling exhausted and restricted her activities, particularly as she didn't feel safe using public transport after dark. Having access to the car has given her more freedom and independence.

She is now able to visit friends and family and her son has joined a sports team. Lucy said "[before] having the car, I didn't realise how much more you can do and how much less stressful your life can be."

Lucy had set herself a goal of taking her son away for a holiday once she had paid off her loan.

"That's why I'm trying to pay my loan off ... I want to go on a holiday because my son always goes when can we go here, when can we go there. That was one of my fond memories as a kid; go places on little holidays..."

Several months on, Lucy had paid off her second loan. She had opened an AddsUP account and had saved enough to get her savings matched in just a few months.

Since opening the AddsUP account, Lucy has booked herself and her son tickets to go overseas, and plans to use the matched savings for spending money. She has also started working full time in the same position while someone else is away; an opportunity that she hopes is ongoing.

Without NILS for her computer, Lucy would have been much less able to study to get her qualification. Without her qualification, she would not have been able to find the work she has. Accessing StepUP for her car gave her much more flexibility in getting to work, and taking her son to and from childcare. It also gave her much more opportunity to get out and socialise, and take her son to his sporting games. This has also allowed Lucy to achieve the goal she had set herself. As a result, Lucy and her son are going on their overseas holiday.

6.6 LEISURE, HOBBIES AND TREATS

Interviewer: So what do you do to unwind?

Lynda: Hmmm, I have a cappuccino [laughs] read a book.

6.6.1 Aspirations and Lived Realities

People had small ways of unwinding or seeking leisure. Cheap DVD nights were great ways for people to enjoy themselves, gardening was another way two people in particular liked to unwind, and eating out and getting takeaway food was a common way people sought enjoyment. There were a couple of people who loved nothing more than shouting themselves a good cup of coffee, reading a good book, or simply sitting back and watching TV.

TV and DVDs

Watching TV and DVDs was a cheap way to unwind.

"We sit at home in the air-conditioning and watch what we want... Sometimes in the afternoon, we might watch something" - Fred

"I watch DVDs as well on the weekend ... they're only three dollars or something, two dollars" - Pam

This was often facilitated by cheap DVD nights at video stores.

"There's a place that rents DVDs for a dollar on Tuesdays and Thursdays on the corner ... I've got my bed, my lounge, my TV and a Blue ray ... payday is Saturday, if I had everything in the house that I needed, I'd spend my last two dollars on two DVDs and stay out of trouble" - Daniel

For Sally, being a single mum did not leave her with a lot of leisure time, but when she did have the chance she liked to sit and watch television.

"I watch TV... if I can last that long, if I'm not too exhausted." - Sally

Eating Out and Take-away

Eating out and buying take-away was very often something people identified they would do if they had money left over.

"Depending how much we've got, normally at the end of the month ... if there is money left over we might go out to the movies or go for dinner, or even buy nice take-away...[asked how often they are able to do that]... probably once every two or three months." - Kathy

Margaret: We did go to [Leagues Club] the other month for lunch, for \$11, it was lovely I had fish and salad

Fred: To eat in the bistro is was \$20 a meal, but for the carvery it was \$11

Margaret: I couldn't believe it. I think that was three months ago. Because Fred is a life member...and they have been doing it up over the years, so we thought we would have a look. When we heard it was \$11 for lunch, I thought I could sit here!

Particularly for people with young children, eating out or take-away was something that was used as a treat if they got the chance, or as a way of rewarding good grades or a good performance.

"Every now and again, on a Monday night, down on the resort, they have a bistro, all you can eat...kids eat free ... if [son] got a good report card, I'd say what do you want, and he'd say 'go out for dinner', so...First he gets what he really, really needs...Needs come before wants" – Julie

"[I asked my son] if he could have anything to eat for dinner, what would he have, and he said pizza, that was a treat, we'll go out for dinner, we'll do something for us, but it will normally involve food" – Dina

6.6.2 Barriers

TV, DVDs and eating out or buying take-away were amongst the least expensive leisure activities, which is primarily the reason they were so widely identified as activities people took part in.

They were, however, something that people only identified they would do if they had extra money. The reality was they rarely did.

"If I did actually feel like I had ... paid everything and we had groceries ... probably treat the kids to something like takeaway or maybe go out but that is a very, very rare occasion these days." – Sally

6.6.3 Enablers

Microfinance

Using microfinance for the purchase of a TV or DVD player was one way these types of leisure activities were facilitated. There was a sense of discomfort from some participants that they had purchased items such as these, as they felt they were more of a want than a need. Fred and Margaret, for example, said that it was not a need, but it had a positive impact on their lives. Now they have a DVD player, they enjoy being able to watch the things they want when they want to. Flexibility in loan purpose and amount is important if these avenues for leisure are going to be realised.

For Julie, eating out was a treat for her and her son, however, it was clear that it only happened on special occasions, and only if they had a little extra spare. It was also clear that it would be for her son; there was no mention of treats for herself.

6.7 INDIVIDUAL PATHWAYS TO SOCIAL PARTICIPATION

While debate will continue about what is considered an adequate standard of living, in a developed economy like Australia's, it is generally accepted that living with dignity requires

an avenue to experience leisure. For people who live on a limited income, this can be a challenge as often the costs associated with social activities can be prohibitive.

However, there were many ways people overcame this barrier. They participated socially in a variety of ways. For some, it was not necessarily about meeting people face-to-face but just feeling connected – to animals, other people or connecting with themselves. Being creative was also a way people could connect with themselves and for some, a way of making extra money. For people managing mental illness, more home-based ways of connecting were an important option.

Most aspirations were expressed in terms of things as simple as going out for a meal, or buying take-away meals.

For Indigenous participants, there was a strong focus on family and friends which was often facilitated by microfinance and having new furniture in the house so they could invite people over.

In North Queensland and Western Sydney, often the only places to get together were leagues clubs, as they offered cheap food on certain nights. For Mary however, this was troublesome as she worried about gambling too much. Sharon also shared a story about going to see friends at a local club and spending fifty dollars on the pokies, which was an amount she could not afford to lose.

There were people in Western Sydney whose sense of community facilitated greater social participation. For Fred and Margaret, living in community housing connected them with people in their age bracket who had similar interests. In a follow up interview with Carla, she expressed concern at her ex-partner being in contact again, but was hesitant to move because her neighbours were aware of her situation and therefore more likely to understand and assist if the need arose. Kristy was able to connect with a mentoring program because of the social services that existed in the Western Sydney area.

In inner Melbourne, the process of gentrification had left Daniel feeling displaced. He did not feel he could strike up conversations with people as they were 'overly cool.' This added to his sense of isolation.

Single parents sought social participation more often for their children through things such as sporting activities. Although they experienced stigma, they persevered for the sake of their children. The costs associated with sporting activities in particular were often difficult to meet and meant a compromise in any social activities parents themselves might have had. Not being able to share the care of their children with other family also made social activity difficult.

Community groups have an enormous role to play in facilitating social participation. Subsidised activities that are accessible were important for Sally, but she also needed somewhere she could take her children. This is important when developing programs for single parents.

Microfinance loans need to remain flexible to enable greater participation. Creating a home by buying furniture meant people were proud to invite people over. Purchasing and repairing cars gave people greater mobility and flexibility and allowed people to pursue interests such

as music and wildlife rescue. This allowed people to feel connected as well as improving their hip pockets.

Microfinance programs need to retain and increase this flexibility and responsiveness to local needs as it is clear that it provided many opportunities for people that previously did not exist.

CHAPTER 7: ECONOMIC PARTICIPATION

Case Study: 'Dina' – StepUP borrower, Melbourne

Dina is a single mother in her late 30s. She has a young son who is in his second year of high school.

Dina suffered significant trauma in her life as a very young child. By the age of fifteen she had left home and was homeless for an extended period of time. In her twenties, Dina went bankrupt and at the same time was diagnosed with a mental illness. When Dina's illness escalates, she can require hospitalisation. However, she is currently enjoying a prolonged period of wellness.

Dina identifies as a mother first and foremost.

"I believe in motherhood, and that is not paid employment, and if more people believed in motherhood we wouldn't have the problems here and there...to really parent a child, you need to be present... I don't want to be what society expects of me; I know I've got to be who I am meant to be. I made a choice to have a son, it is not his fault. He sees positive role models. Motherhood is a full time job, it is a vocation."

Dina also successfully manages a small business, volunteers with a wildlife rescue organisation and sells her own artwork. She is a wonderful example of the intersection of support services enabling positive work outcomes.

She is greatly assisted by her personal strength and self-awareness, however, achieving these has taken time and at times is very difficult to maintain.

Through accessing local mental health support and creative pursuits, Dina is managing her illness well. Because Dina has some social support, there is someone there to care for her son when she cannot or when she is working. This also gives him some of the stability he needs.

Accessing microfinance allowed Dina to purchase a car which was necessary for her business. Being able to run it herself means that she can manage her health first, be a parent and still work. She is supported by the Disability Support Pension as she is able to work without losing out financially. This gives her the peace of mind and safety net she needs, and saves her going through the rigmarole of regularly reapplying for support and being required to re-prove her condition.

Had Dina not been able to access StepUp, she said she really didn't know what she would have done. She may have accessed a car loan from a lender she knew was charging exorbitant interest. Had she taken this option, Dina says:

"I could have lost my business as well as my sanity."

7.1 INTRODUCTION

The concept of economic participation encompasses all work related activities which contribute to the successful functioning of the economy. While many studies of economic participation focus on participation in paid employment and education, this study will extend the analysis to unpaid work. This includes activities such as caring for children, caring for others, volunteering as well as paid employment, small business and seasonal work. Of particular interest is looking at the way work contributed to the lives of participants, and what supports worked in order for participants to sustain this contribution.

7.2 PAID WORK

Paid work is work where salary or compensation is received. This can be through being employed as well as managing a business. It is a positive way to improve financial resilience and to increase engagement and interaction with other people, in order to build social capital and increase social networks. For many people, a job also creates a sense of identity.

7.2.1 Aspirations and Lived Realities

Many respondents were participating in some form of paid employment. Of those who were not, many expressed aspirations to be. The capacity to engage in paid work was largely dependent on health (mental and physical), locality and access to training and transport.

Seasonal Work

Seasonal work was particularly prevalent in Northern Queensland. It was a way people could supplement their incomes but still be able to do other important things, which was especially helpful for women with children. In many cases, it was one of the few types of jobs available to people who did not have formal qualifications.

"I'm not required to work but I go to the [agency] voluntarily ... it's easier to stay with them because when seasonal work come up I jump on their bus and go out to the farm ... [it doesn't affect payments] cause you get so much working credits. You get them from Centrelink, I think everybody gets a thousand working credit and if you use up your thousand working credits then it affects your payments ..." – Sharon

Self-Employment and Micro-enterprise

Another way of being able to supplement payments was through running small scale businesses. This was greatly facilitated by access to microfinance (albeit that the loan itself was not for a business purpose).

Greg is an example of being able to supplement income through self-employment. Being on a Disability Support Pension (DSP), he is able to generate some income before it affects his payments. This not only makes life a lot easier for Greg financially, but being able to perform and play music which is one of his passions is also important to him mentally.

"We ordered a new PA...I'd never been able to do it before, we [he and his partner] both had substance abuse problems, but we've given it away now, for a year...I am pretty proud of myself. I actually have money now I can spend on real things" – Greg

Dina, who is also on a DSP, runs her own micro-business. It works well for her as it is flexible and can fit around her son's needs as well as her own. She enjoys the work, the extra money assists when there are large expenses such as school costs, her son's hockey or a large utility bill, and importantly, it is not the type of work that can trigger an episode of mental illness. Similar to Greg's story, Dina being able to undertake her business assists her greatly in managing her illness and has given her a real sense of achievement. Her transport business has continued to thrive throughout the research. She is also a talented artist and often sells her pieces.

Rose is undertaking the New Enterprise Incentive Scheme (NEIS)¹⁶, and intends to start her own consultancy. She was in the final stages of setting up her business at the conclusion of the research, but already had her own website, business plan and business cards. She has lined up new clients and is looking forward to finishing the program and getting started. For Rose, being able to gather greater personal expertise and knowledge and bring that back to her community in the Torres Strait is really important. She feels that is one of the most effective ways of improving economic disadvantage in Indigenous communities.

Recommendation 12: Good Shepherd and microfinance partners continue to investigate the role of microfinance in enterprise development to provide pathways to economic participation.

Employment

There were three participants in paid employment at the time of the initial interviews. At the time of the follow up interviews they were all still in those roles, and a fourth had also started working. A lot of the work was part-time and aligned with the Centrelink Capacity Assessments¹⁷. Where people were able to work most did.

Carol participates in paid employment and uses her experiences as a way to help others. Carol is also very economically active in an unpaid sense, participating on various boards and reference groups.

"I run a reference group [with Agency] but I've [also] just got a job there as a peer support officer...and that means I've got a big network of like emails, reports and all that sort of thing all through Queensland for the mental health side of things and also with [name of organisation] which is an advisory group, that's the Cairns advisory group" – Carol

Through her paid and unpaid work, Carol assists people with mental illnesses as a consumer companion. This started as a voluntary position but has now become a paid position.

"I got trained three years ago as a consumer companion and its, what that means is I'm a consumer, the same as the people that are in there, I have a mental disability ...

¹⁶ NEIS is one of the Australian Government's longest running employment activities, and assists people to develop new, viable small businesses around Australia. It provides accredited small business training, business advice and mentoring, as well as ongoing income support for up to 52 weeks for eligible people (DEEWR, 2011)

¹⁷ The Job Capacity Assessment program provides comprehensive work capacity assessment, combining referral to employment and related support services with assessment of work capacity for income support purposes (such as Disability Support Pension, partial capacity to work and exemptions from activity-testing due to medical conditions lasting more than 13 weeks) (DEEWR, 2011)

we go in on the unit, two of us for three hours and, we have a better understanding of how patients are feeling and just a little bit more sensitivity yeah, so there's that peer support there and also to organise distractions for them" – Carol

Mary also works part time, again in a supporting and care role. She now works in a kitchen which she enjoys. It gives her some solitude, as she describes herself as not being particularly social.

Lucy was working part time at the organisation that had provided her loan. This position started on a voluntary basis, moving to paid employment. Further along in the research, her role had been increased to full time – a position she hoped would be ongoing.

Julie was not working at the time of the initial discussion. She had suffered some significant trauma, and was on a DSP for mental health. Excitingly for Julie, towards the end of paying off her loan she had started working part time at a local caravan park, cleaning the onsite cabins. Throughout her illness, Julie had been engaged with local employment services and mental health workers, and had wanted to work. However, she needed the work to fit around the needs of her son as well as her own needs.

In the end it was Julie's own initiative that secured her job. She is now on the path to staying well, and has made significant progress in managing her illness. Getting a job was an important part of her overall plan. Eventually Julie would like to move to a larger town to provide greater opportunities for her son, who is in his last year of primary school and is class captain. She feels a bigger school will give him greater opportunities and would be a great start for both of them.

7.2.2 Barriers

There are many barriers to participation in paid employment. Managing mental health was a significant one, as well as being the primary carer of children. Although many participants were not in paid employment, they were participating economically. Below are some of the examples cited by participants about what got in the way when looking for paid work.

Geography

For people in remote, regional or rural areas, access to transport was a big hindrance, as was the availability of work.

In North Queensland, Cyclone Yasi¹⁸ had seriously affected the availability of seasonal work. Cairns also has high levels of unemployment at 7.9 per cent, where the national average is 5.1 per cent and the Queensland level is 4.9 per cent (Dalton, 2010). Even for those within a commutable distance to Cairns, there are few opportunities. To take up the opportunities, car ownership is almost essential.

For people who live in Western Sydney, transport is also a barrier. Microfinance workers in Western Sydney identified that most of the unskilled and semi-skilled work available was in areas not serviced by public transport. Similarly, microfinance workers stated that job vacancies were often not advertised for local people to apply for.

¹⁸ Tropical cyclone Yasi was a cyclone that affected areas of far north Queensland in 2011.

Health

Health, and in particular, mental health, was a significant barrier to participating in paid employment. For those who were in receipt of DSPs, all but three were for mental health related conditions.

Two spoke of the stress of looking for work and dealing with the process triggering an episode – a worrying sign that the burden of proof about their vulnerability can create more health issues.

Julie, for example, was under pressure to look for work, which was making her illness worse. She had evidence from her psychiatrist that she should not be working, but was still under a lot of stress to keep proving it.

“I was under all that pressure [to look for work] until I went, ‘look, I’m not coping.’ They spoke to my psychiatrist who wrote a letter and said look she is too unfit for work. In the end, Centrelink said we will have to do an assessment on you, and in the end they just went, ‘You’re not fit. You need to be on a disability’. I don’t have to look for work, but I do some volunteer work” – Julie

Carol actually experienced an episode at the Centrelink office.

“I had an episode, a melt down at Centrelink and I got re-assessed... it was a trigger, they stressed me to the max... they sent me to get assessed, I got assessed and apparently I was doing more work than you know I needed to do, but that was good, that was positive, then they sent me to [employment agency] so I didn’t have to deal with Centrelink any more or perhaps they didn’t have to deal with me” – Carol

Simon had aspirations to join the police force or army, but his mental health made that impossible.

“I tried to apply for the police force, but couldn’t [I have] bipolar, and the anxiety and the panic attacks, it is a no go. The same as the army” – Simon

Physical health was another significant barrier. Carla has renal lupus, and frequently relapses.

“There are times when I get quite sick. And I was supposed to be put over to the disability side so I can get something I can do, but that hasn’t been done yet. I am still on my medical exemption” – Carla

Both Kathy and her husband are unwell; Kathy on account of her arthritis, which makes mobility difficult, and her husband has ongoing health concerns stemming from cancer. This resulted in him losing his job.

“Because of my husband’s, with his cancer ... [he] has quite a lot of toiletry problems, lost his job ... I mean there’s no sign of the cancer or anything but ... his thing is having to go to the toilet and what he calls a three second warning ... and at his last job that’s what they said like ‘every time you turn around, you’re either on your way to or on your way back from the toilet’ like ‘how many toilet breaks do you need a day?’

and I said 'why didn't you tell them, they might have been a bit more understanding' 'no, I don't need to tell people all about my condition'" – Kathy

Kathy had found the process of moving to a DSP relatively straight-forward after she had opened up to the Centrelink staff member who referred her on to a counsellor. Although at the time Kathy found this daunting, in retrospect it was what she needed.

"The second interview I had I cried almost all the way through it ... I guess it was just me opening up, the first opportunity I suppose I'd had to speak to somebody about how I was feeling, you know, with my condition ... I think I started to get teary in the first one and then she sent me to see this, she was the department psychologist and they made me feel even worse and I thought 'oh my god now I'm having my psyche examined as well' ... so yeah it was a daunting process but it was probably the way I was at the time, I mean I was a bit depressed" – Kathy

Emma had just started to feel pressure to work when she was diagnosed with her illness, and in retrospect she feels that was making her illness worse. She would still like to find work, but at the moment is learning that she needs more time to achieve this:

"[I need] to learn to be more patient with myself" – Emma

Emma would like to get back into customer service eventually, once her illness is under better control.

Availability and Suitability

Often suitable work was not available. For parents with young children and people with physical and mental illness, work needed to be flexible and not impact on their income support. It was important that people did not lose their income support as this created insecurity about those times when they may not be able to work due to ill health.

Greg had hoped to work in the housing sector, having experienced homelessness himself. He was interested in becoming involved with the organisation that assisted him in finding housing.

"You've got grounding in it ... I understand, I have been where you are now" – Greg

However, the organisation had a rule that previous service users were not able to work there. There may have been reasons for that of which Greg was unaware, but it seemed strange to him that this was the case. As previous examples suggest, such as those of Carol and Lucy, being a previous service user can have the potential to offer employment pathways in community service organisations.

Julie was offered a role packing shelves as a night-fill position. The location was perfect at the local supermarket, but meant that she would need to leave her young son at home alone all night – clearly not a practical solution.

Recommendation 13: Government policies, community services and microfinance organisations develop programs addressing workforce participation needs which respond to the complex and layered barriers people face to employment, including greater flexibility in loan purpose and amounts to support economic participation.

7.2.3 Enablers

There were several ways people broke through the barriers to paid work. Finding appropriate work was facilitated through the maintenance of adequate income security benefits, proper community support and microfinance.

Benefits

Previous examples highlighted the importance of benefits not being adversely affected by paid employment. Carol and Lucy's stories provide further examples.

"I do eight hours at the teachers' aid, Monday, Tuesday I do four hours at [Agency] and I do ... paid work at a mental health unit and that's three hours every fortnight and that gets reported to Centrelink. I still get a part for my disability allowance, my disability pension" – Carol

Lucy still receives her family tax benefit while being able to work. For many of the mothers or participants who suffered from ill health (either physical or mental) it is particularly important that they be able to maintain some type of benefit as they need back up if they need time off work for any reason.

Recommendation 14: Centrelink should expand the use of working credits to other types of benefits (such as Newstart Allowance) to ensure that people are not disadvantaged by participating in paid employment.

Community Support

Appropriate community support services, and particularly specialised employment services, are a vital enabler.

Carol, Julie and Mary all utilised specialised employment services and Carol and Mary both found employment that way.

"It's an employment support group that deals with employers, matching them with consumers that may have a mental illness or they've had mental ill health ... they've got a good success rate, really lovely people to work with" – Carol

The employment services also put Julie in touch with volunteering opportunities, which helped build her confidence for when she was ready to look for paid work. She had been able to start work by the end of the research.

For Emma, being in touch with a local specialist job network provider in Sydney is assisting her greatly. She feels she is surrounded by people who reinforce her need to keep well first, and has regular meetings to assist her into work.

Microfinance

Microfinance directly enabled people to participate in paid employment.

Dina used her microfinance loan to buy a car, which in turn meant she could run her pet transport business.

"I went in applying for it with a goal of having a car, and of doing the business properly, and providing it in a way that I know how to be professional service, even if it is on a small scale" – Dina

She has not rushed into the business, but being able to start a business means she can work around her own needs and staying well.

"I still have to manage my illness, I have had to manage my unwell days, and not just that, I have had the art exhibitions ... and earning more money isn't one of the highest priorities in my life" – Dina

Without microfinance, Dina believes:

"I could have continued my business anyway, I just wouldn't have been able to present the image that brings in some money" – Dina

For Greg, buying a car meant he was able to play music again.

"Having the car has really put us in the game, now we can actually get to work. We've built up a bit of a market for ourselves" – Greg

Greg and his partner now have regular performance bookings at openings, charity events and pubs. Without the car, he would not have been able to do this.

Mary feels a car has given her more flexibility. What used to take three buses and forty minutes now takes fifteen minutes in the car. When the opportunity came up to increase her hours, Mary felt more able to do so.

Accessing microfinance also assisted people into paid employment by providing the opportunity to study or re-skill. Taking part in the program also linked people to a community organisation. This often then led to volunteering opportunities, could lead to paid employment.

7.3 UNPAID WORK

"I don't run around wanting a pat on the back, it is a nice thing, the empowerment of helping the community" – Greg

7.3.1 Aspirations and Lived Realities

Unpaid work is of great value to the economy and amounts to 46 per cent of Australia's GDP (Organisation for Economic Co-operation and Development, 2011). Looking after children, volunteering in the community and caring for other people are all economically valuable activities. Given so many microfinance borrowers are women with young children, their work includes cooking, cleaning and caring for their kids. Others take an active role in their communities, often based on their own experiences and wanting to do their part to help.

Volunteering

Many of the participants volunteered in their communities.

Julie volunteers with Meals on Wheels, helping prepare meals. Greg is an active member of many reference groups particularly related to solutions for homelessness, and is often a consumer representative. Similarly, Carol is a representative on several boards. Initially, she used her experiences as a consumer to volunteer to help other people experiencing the same. This has since become an opportunity for paid employment. Lucy began volunteering while completing her certificate in community services. This led to part time employment when we first spoke, and on follow up, to full time work.

These examples follow an interesting trajectory. Access to the loan inspired some people to take part in voluntary work. This voluntary work has then had a real capacity to lead to paid employment.

Dina volunteers in wildlife rescue at her own expense. It takes up a large amount of her time, but is something that she loves and that helps her feel like she is giving back.

"I had seven infant babies dropped off here all at once, which meant for five months I would have to come home every three and a half hours, or take them with me" – Dina

For those with a limited capacity to work, volunteering was a way they felt they could contribute. Kathy was interested in volunteering with the community house she accessed the loans programs through.

"I'm only allowed to work less than eight hours a week. I had actually last time I was here picked up a list for voluntary work, actually I wouldn't mind doing some voluntary work here, so yeah that's sort of in the pipeline" – Kathy

Caring for Children

Caring for children was the most prominent form of unpaid economic participation by far. It often came up when people were talking about the capacity to work in paid employment, as looking after their children was felt to be a full time occupation. The difficulty for many parents was that when they were required to look for work (generally when their youngest child was six) they faced a significant drop in income, but no fewer responsibilities in terms of caring for their children.

Julie is in the disability job network voluntarily, and would like to find some kind of paid work. However, her first priority is to her son.

"I don't want full time work; I like to be here when [son] comes home from school." – Julie

She has since been able to find paid work for a few hours each morning which fulfils both of these needs.

Carla was looking for something that allowed her to work, but still gave her the flexibility to care for her children, particularly given her son has an intellectual disability.

"His attention span is just so small. But because his disability is mental, not physical, he doesn't qualify to go into another group, so he is in mainstream. In some ways it's good for him, but in other ways [it isn't]" – Carla

Carla is highly economically active even though she is not in paid employment. Juggling the demands of caring for her children as well as volunteering was very difficult. This difficulty was compounded by not having a car. She wanted to be near her child's school in case something happened.

"The stupid thing is you need to be able to travel for ninety minutes on transport ... but when you're a single parent and you have to go there to drop your kids off and pick your kids up, where does the time go for actually working, that is three hours out of the day before you actually start work... I don't think it's right, I mean I help out in the classrooms at school, just so it is something I can do, but I don't have to. As far as Centrelink are concerned, 'you don't have to be doing that, why are you doing that?' Because I want to do something, it's what I can do" – Carla

For Lynda, having a daughter with an intellectual disability was a fulltime occupation. Lynda also has a young baby and a son at home.

"She takes up a lot of the time, because of her behaviour ... it probably takes me an hour in the morning for her to get dressed, like I'll probably say to her ten times over 'ok [get dressed] and then do this, do that you know and then probably if she doesn't have a tantrum it's ok but if she's had a tantrum then it's all over, it can be quite time consuming" – Lynda

She used to juggle work with raising her children, but it just got too hard.

"When the three younger ones, were younger I worked for seven years in a security company ... but then once the two younger ones were born it was too hard. [Daughter], you know being her carer is getting harder by the year" – Lynda

Recommendation 14: Good Shepherd works with relevant government agencies to investigate the need and viability of buying services to enable all low income Australians to source efficient and affordable electrical goods, similar to the service being run in Victoria by Good Shepherd Youth & Family Service.

Caring for Others

Case Study: 'Dora' - NILS borrower, Northern Queensland

Dora is a middle-aged Indigenous woman who is the primary carer for her elderly mother. Originally from a remote community in the Northern Peninsula Area of Northern Queensland, Dora and her mother moved to a regional centre to be closer to facilities such as hospitals due to her mother's poor health.

As Dora's mother is becoming increasingly frail, Dora has very little time for anything other than attending to her mother's needs. Any respite she may be able to get is limited because her siblings are quite widely dispersed, with her nearest sister living about an hour away. Her mother also becomes anxious when Dora is not around.

"When other sisters take her, she's looking for me. I've got her 24/7 - no break."

When Dora's washing machine broke down, it placed her under significant stress. Although Dora identifies as being good with money,

"For something like a washing machine - I just don't have it".

Dora found out about NILS through the National Aboriginal Islander Day Observance Committee (NAIDOC) celebrations in Cairns. Prior to receiving her loan, she was washing by hand and using the local laundromat, which was costing a lot. Had she been unable to access NILS, she would have kept doing that.

Furthermore, with her mother becoming anxious when Dora was not around, she was not able to get to the laundromat as often as she needed to. For Dora, having the new washing machine has made a:

"Huge difference, no longer sitting around waiting for the wash."

Having the washing machine means the time she does have can be better spent.

7.3.2 Barriers

Health

Physical health was often as much a barrier for people to participate in unpaid work as it was for paid work.

Carla's renal lupus makes it hard at times for her to care for her children. Thankfully Carla's mother lives nearby and can help if Carla has a relapse, which occurred during the research. After Carla left hospital she was still weakened by her illness and needed continuing family support.

Mental health can also impede people's abilities to participate in unpaid work when there are periods of being unwell.

7.3.3 Enablers

A range of different opportunities can foster a sense of community and volunteering. Strong, grass-roots community groups were great facilitators. Microfinance also assisted by providing parents with time-saving appliances to give them more time for caring roles.

Community Groups

Being part of a supportive community had a positive influence on non-paid work. It can create an environment conducive to helping others and can provide a platform for people to volunteer. For Lucy, once she accessed the loan at her local community organisation she wanted to start to help out there. While she was studying, she volunteered. That has led to full time employment.

Greg is a very active member of his local community, sitting on several advisory groups. He finds it empowering to give back to the community. Given his experiences, his capacity to come through what he has, and the support he felt he received from his local community, Greg feels he has the insight that is required.

Carol is another example of the importance of a sense of community. Her experiences of participating in mental health programs and getting well gave her the capacity to volunteer with her local mental health providers to assist other people experiencing the same.

Microfinance

If Greg had not been able to purchase a car, he would not have been able to access the opportunities that he has. He would not have had the flexibility to attend the meetings and groups in which he participates.

Similarly for Dina, her volunteer work is an important way for her to feel as though she can be what she calls the “pollen stick in a big flower.” Without the car to perform this work, she would have been restricted in what she could do.

Being able to purchase a washing machine meant both Rose and Kathy no longer needed to hand wash their families’ clothes. This is a significant enabler to facilitate household work.

7.4 STUDY AND EDUCATION

For people who are not engaged in employment, there are several pathways that can assist. One is volunteering experience. Another of significant importance is accessing study and education opportunities. Both avenues help people gain the necessary skills to be job ready, particularly if they have had limited opportunities in the past to access educational opportunities or have experienced an extended amount of time outside the workforce to care for others or to recover from illness.

7.4.1 Aspirations and Lived Realities

Peoples’ aspirations and realities were rich and varied. Many were taking part in employment programs which put them in touch with training opportunities. Many were also studying to improve their skills and increase their chances of getting work.

University

Two borrowers were undertaking undergraduate study.

Greg had enrolled in university and was attending on campus. Inspired by his experiences, he has gone to university to gain the necessary qualifications to help others.

Sally has also commenced a university degree online. Given she is looking after two young children; she needs the flexibility of online learning. Sally looks at her degree as both a pathway to employment, and something that is fulfilling for her. She finds it difficult, however, in terms of cost and her computer skills.

"I've just started doing a university degree online ... just getting a bachelor of arts in history and anthropology, so, you defer all the costs ... the only thing I'm finding a struggle is paying for textbooks, even second hand ... well the main problem is I'm not real familiar with how to use a computer apart from checking emails and basic stuff like that so ... look at the TAFE here and see ... basic computer courses ... that's the sort of thing I need, I need the sort of thing that kids learn at school" – Sally

Further Study

Lynda is studying for a certificate in medical terminology so that when her children are old enough she can return to work. She had previously been working at a security company, but was hoping to move into medical typing as it pays better and is something she feels she would be able to do. Lynda fits this in around what is already a pretty hectic week.

"It's chaos, my two year old goes to ... pre-school Monday, Thursday, Friday ... and three of the kids, two are in high school so pretty much it's chaos every morning and then you know, give them breakfast, take them to school, then we've got to do the second run to childcare Monday, Thursday, Friday, then Tuesday, Wednesday... I've got to do, and then I'm studying in the mean time ... so I'm trying to study in between five kids, being a carer [for her daughter with special needs]" – Lynda

As part of the NEIS program, Rose has also been through a series of courses including small business management, marketing, website design and business planning. Now heading towards the end of the program, she has her website set up and her plan developed and looks forward to starting her business.

7.4.2 Barriers

Cost

There are significant costs associated with further study including books, course fees, printing fees and many others. While there are ways these can be subsidised, it can sometimes still be too expensive for many on a low income.

Although none of the interviewees had found the costs prohibitive to the extent that they were not able to participate in study, the examples above show how clearly the costs can be a challenge.

Time

The biggest hindrance to study was time, particularly for parents. Lynda studies in those rare moments when she has some quiet between caring for five children – one of whom has special needs. She has persevered and was nearing completion of her course at the end of the research.

Similarly, Sally has experienced the same challenges but has also continued with her study. Given it is online study there is a lot of flexibility around how and when she studies.

7.4.3 Enablers***Subsidised and Supported Study***

Having study opportunities paid for or subsidised was essential in order for people on low incomes to participate.

For Rose, taking part in the NEIS program has opened doors for her. The program leveraged off her existing skills and gave her the qualification to proceed. The payment for her research was used to open up her business account, and has set the groundwork for her business to thrive.

Lynda was been able to undertake her course as she did not have to pay for it.

“Because I’m on the Centrelink payments, I just pay the administration fee of a hundred dollars” – Lynda

For Greg and Sally, the idea of university would have been completely out of reach if they had not been able to defer their fees via the HELP scheme.

Financially supported study is also very important for people who have health problems. Carla wanted an opportunity to participate in her children’s schooling as she felt it was something she could handle and would make allowances when her lupus relapsed.

“I would love to do something. But ultimately with my lupus, I have my good days, I have my bad days. When I relapse I’ve been at the point where I have to be hospitalised. My mum has my boys because I can’t function. Even just to get up and go to the toilet, I need help. It’s really hard to get work. Which is why I decided to do the protection training and help out in schools. Because it is something I can do; sometimes the kids are hard work, but afterwards I can chill” – Carla

Study options need to be affordable and flexible, particularly for carers or for anyone who needs to manage an illness.

Microfinance

Microfinance acted as an enabler for people with study. Purchasing a computer, for example, was vital in many respects to take on a course.

Lucy was able to purchase a computer with her loan, which greatly assisted her study. She found it difficult using the computers on campus as they were generally in common areas which made it difficult to concentrate.

For Greg, using the loan to buy a car means he is more able to get to and from university, as he worries about catching public transport at night, and there is a tendency to change the timetables.

"It's changed a lot of things now really. Because I am at uni, and they change the timetables ... Meetings that I go to, it just makes it so much more convenient ... The meetings I am involved with, you know, I go to group at least once a week somewhere in Melbourne, and I do talks at Melbourne Uni, in the country and that sort" – Greg

For Rose, being able to buy furniture for her house means she can invite people over for a business meeting and have a place for them to sit.

7.5 PARTICIPATION AND THE HOUSEHOLD ECONOMY

The Australian Government's Social Inclusion Agenda states that Australians should be able to participate in work, whether that means paid work, volunteering or caring roles. There is no one solution where there are multiple barriers. For investment in microfinance programs to pay off, income security and work related policies need to support people to find solutions that fit their individual situations.

There are some shining examples of policies that work. People on disability support pensions who were able to access specialised employment programs were an instance. In these programs, the priorities are set to first manage illness and keep well, then to participate in non-paid work, and eventually provide a pathway to paid employment. Being able to work a certain number of hours before losing payments (which may lead to having to go through the process again) provided a safety net for those times when people could not work because of their illness. This approach demonstrated real collaboration between mental health workers, employment programs and other community organisations. Unfortunately, a breakdown or relapse, which on two occasions was the result of the process required to access income security payments, was required before people were able to get the assistance they needed.

Many single parents who need to care for their children expressed aspirations for work but found it difficult to find jobs that could work around the needs of their children. For them, it is important to ensure they can be home when the children get home from school, and that they are close enough to the school in the case of any emergency. This is particularly true when there is nobody they can share the care of their children with.

Transport was a particular barrier in more rural and outer suburban areas and Western Sydney. The areas where many of the unskilled and semi-skilled jobs were located were not serviced by public transport. Car ownership was important, but unfortunately Newstart payments are so low that people on Newstart have more difficulty accessing a microfinance loan to purchase cars.

In North Queensland, natural disasters have led to a decline in seasonal fruit-picking work.

While there are certain roles that are considered 'care' and 'economic participation' in social security terms, such as caring for an elderly mother, being a single parent is not seen as work beyond a certain point. To appropriately enable single parents into paid work there needs to be the right support, appropriate work options and flexibility in payments. Marginal tax rates need to reduce if many single parents are going to join the workforce. There also needs to be greater flexibility in terms of working credits and payment structures so single parents who are able to pick up work here and there do not lose large chunks of benefit payments. Given the work environment is becoming increasingly precarious, with an increase in casual and short term employment, single parents need this safety net to provide for their families.

Microfinance has a capacity to assist in significant ways. Small micro-enterprise development gives people access to paid work that can fit around their other economic activities. Examples provided by microfinance workers included a tanning booth and lawn mowers as income generating assets. Being able to purchase a car helps people access paid employment. Microfinance loans and matched savings for computers and educational equipment enabled people to study or increase their skills in preparation for work.

Purchasing the necessary equipment for study, and car ownership, were the two largest contributing factors to participation in paid work. Being able to purchase whitegoods was a very large contributor to facilitate unpaid work, particularly caring roles. The programs provide links to community services, which often led people to volunteering opportunities. What was clear was the positive impact of microfinance over time on being able to undertake work of all types. It is best described as a snow-balling effect which cumulatively led to greater economic participation.

CHAPTER 8: MATERIAL WELLBEING

Daniel – NILS Borrower, Inner Melbourne

Daniel is in his thirties, and for many years was addicted to heroin. At the time of the interview, he had been out of prison for twelve months, and had another year left on his parole after serving two and a half years. He was proud to say that he had not used heroin in this time.

Near to his release from prison, Daniel was told that a place had not yet been found for him to stay, and that he may need to stay in prison for another week.

"Anyone who says, to someone who has just done three and a half years, you might just have to stay in an extra few weeks as we haven't been able to find you an address is ... insane ... I said ...are you kidding me? There is a place...that is [not nice]...once I am at the front door, I don't have to live there, I can go and find a normal place to live"

He initially stayed in a boarding house and is now in community housing. He took out NILS to buy a new bed, a lounge and some other household items for his new place.

"When I first moved in there, they provided these single beds with mattresses with a two year warranty, I can't believe they got a two year warranty on these mattresses ... they were crap man. They were like these seagrass sort of ropes that held the slats together ... once the rope came off, the slats would move, so making the bed was just ridiculous"

Daniel is quite happy to shop around, and makes sure he gets the best deal he can. This way he can make his money go further.

"I usually budget \$100 a fortnight for groceries, but ... I'm content to wander from here to here to here to here to get deals, to get something cheaper. I'm real picky too. Any small business...is probably going to give you a good deal if they're like fruit and veggie joints ... I know how easy it is to get people to drop the price and throw something in, I would have happily travelled around Melbourne, just to even look to see if it was worth it"

Having his flat set up has helped Daniel feel more confident. He found the interaction with the loan worker respectful, and that

"it is such a great idea, and they are really quite thorough, and it is so easy and you are not uncomfortable and you don't feel like you have come in begging for anything, you sort of just feel like you have done a smart thing and taken out a no interest loan"

He now feels able to invite people over.

"I am so not embarrassed, I am so happy, like one of the few people that I do talk to came around, he was like 'man this place looks so cool, it's so awesome, I am so jealous. I was like...man if you were here five days ago, you'd have thought this was a squat"

"Confidence wise, I feel a lot better about myself ... like, I look at it all the time, I sit and look at it in the corner of the room and think, 'this is mine, this is mine'. I feel very protective. I never want to get back into...no it is not that I never want to, I never will, get

myself into trouble again, where I end up, um, back in jail, or in the middle of addiction, or anything like that, because losing all that stuff, I don't think I can... I think that would break my heart, losing my place, it almost looks exactly the way I had it in pictured in my head. Looks cool, I got the vase, the fish and the table, the lounge, and I really, really like it."

8.1 INTRODUCTION

"I just don't understand how they can justify making the absolute necessities of life so expensive. I really don't ... I go without a lot of things...[but] occasionally I'll go and stamp my little foot and have a tantrum and I'll want it, I'm going to have it, it's been ages, I want [a treat]" – Kristy

Creating a measure of material wellbeing is difficult. Questions are posed as to what it really means to miss out, and at what level the benchmark should be set. Particularly for those on income security payments, what do we define as being a sufficient level of material wellbeing? Is an austere standard sufficient, or do we need to ensure that payments are set at a limit that enables more than an austere standard of living?

This research explores some tested methods of measuring wellbeing from the perspective of borrowers. What was clear was that austerity was already highly valued. People avoided seeking material assistance unless they really needed to, as they felt there were others more deserving. Participants also strictly prioritised their spending, and worked hard to ensure that they paid for essential items first. Such 'essentials' often excluded food. Grocery shopping was only done after bills were paid and was something that was readily compromised. Participants stocked up on durable food items or meat when they were on special and they had the money to do so, so that when they did not have money they could miss a shop. This has serious implications for physical health as the capacity to buy fresh fruits and vegetables was compromised. Missing a meal is a commonly accepted indicator of deprivation.

Parents with children readily gave up their own needs to ensure their children's were met. Items commonly missed out on were new clothes, toiletries and haircuts. Very few people could raise \$2000 in an emergency, and only slightly more could raise \$500. Those who could raise the money rarely did so through savings, but would need to borrow from their family or friends. The one person who said they could raise \$2,000 via access to savings was the participant who had taken part in the AddsUP program.

Table 13: Could you raise \$2000 in an emergency? (Interview one)

Answer	Number
No	16
Yes	2
Yes - Borrow	4
Yes - Family	2
Yes - Not pay bills	1
Yes - Savings	1
Yes - Sell things	1
N/A	1
Total	28

In the follow-up interviews, participants were asked whether this had changed. Unfortunately, for the most part, it had not. Many participants were still paying off their loans. There was however, one participant who said that it had changed, and in fact, she had needed to raise nearly that much to have her car fixed. Again, this had been facilitated by the AddsUP program.

The way people managed to make ends meet varied, but in all cases it involved a series of choices that involved missing out essential items and had implications for their wellbeing. What was clear in these cases was:

“Limited financial resources meant that many people had to make difficult choices between items that were considered essential for a decent life, because their money would not cover basic necessities. For some this meant missing out on food...for others it involved missing out on decent housing...or being unable to pay bills on time” (Saunders, Sutherland, Davidson, Hampshire, King, & Taylor, 2006, p. 7).

8.2 PAST EXPERIENCES

Past experiences shaped the current material reality of participants. Experiences such as homelessness, bankruptcy and hardship led them to their current situations, and shaped the strategies and means they used to manage their budgets.

8.2.1 Hardship

Dina went bankrupt several years ago after dealing with a friend.

"It was a stupid amount, like \$10,000, and I didn't really know what bankruptcy was about, I was paid out, two years it was over..." – Dina

Kathy had also gone bankrupt, and many other participants had bad credit records as a result of difficulties in the past. This is discussed in more detail in Chapter 5 – Barriers to Credit.

Jelena's husband being sick also led to hardship for them, and she needed to negotiate with creditors for a time to keep on track. At the same time, many of her essential household goods began to break down.

"I [am in] hardship, because my husband is not very well, and ... now [finance company]... they [are] really good people, but I pay so much interest, and I [called them and asked] 'Can you help me, I can't pay,' and now she ask[ed] me for all the documents [to freeze] the interest, I just find, you know, it's not much money left you know. And all like broken, the fridge, the TV and washing machine and everything stop in the one moment" – Jelena

As a consequence of these experiences, people were more aware of how quickly things can change, and as aspirations were about ensuring basic needs could be met.

8.2.2 Homelessness

The case study below speaks to the consequences of homelessness, and the effects this has on quality of life.

Case Study 'Greg' – StepUP borrower, Inner Melbourne

Greg is a middle-aged man who lives in the inner suburbs of Melbourne. He is heavily involved in his community and participates in many reference groups, is attending university and is a gifted musician. He has two children who live with their mother but whom he sees regularly.

Several years ago, Greg was incarcerated for three months for driving over the legal blood alcohol limit. He had already been diagnosed with bipolar disorder, but as he puts it:

"I thought my depression was bad until I went to jail."

Greg and his wife separated and he ended up in the homeless service system when he was released from prison.

"(The imprisonment) impacted on my marriage because the finances weren't coming in. So I blew my marriage as well as the business ... when the money doesn't come in the family unit starts to fall apart then. And we had a pretty good life."

Greg spent time moving between his family members and then transitional housing before he eventually received a public housing unit. When he moved into his new unit, he was literally starting from scratch. He had lost so many of his material possessions, not only through the constant moving, but also through theft. In particular, losing all of his music gear was difficult for Greg as music was something he had always loved.

"I lost everything I left at my nephews; he sold everything that I left at his property, all of my musical equipment. All I had was my guitar."

Living in transitional housing for eight months was an experience that Greg described as:

"Worse than jail...the place was an absolute pigsty, it was a disgrace."

He felt that in the transitional housing there was a criminal element that he had to contend with on top of working through his own issues.

"I shared with two blokes, one was a junkie and the other one had substance abuse problems. They were nice enough blokes, but I did not want to have to deal with that on top of everything else. I was feeling sorry enough for myself."

Living there also meant he could not see his children at home unless he took them to McDonalds.

Greg has been in his unit for a year, and life is looking up. He applied for his StepUP loan to purchase a car. This means he is able to play his music again and earn a bit of extra money. He would like to take part in the AddsUP program to take his daughter on a holiday, and recently bought her a new bike for her birthday.

"I was one of the lucky ones. Someone's got to get through occasionally; I have seen the revolving door of (service)"

8.2.3 Mental Health

Mental ill health had a significant impact on material wellbeing. For some, it resulted in spending sprees to purchase items that were of little use. Julie, for example, once came through an episode and realised she had bought clothes that she would never wear.

For others, it led to financial hardship as there were simply periods where they were not able to function, let alone deal with the day to day rigmarole of money management. For some, this had led to periods of prolonged unemployment, homelessness and significant financial hardship. This left many at a disadvantage in times of limited capacity.

8.2.4 Family Violence

Experiences of family violence had a detrimental effect on material wellbeing. This related to 'sexually-transmitted debt' – inheriting a debt from a previous partner – as well as feelings of anxiety about spending money on themselves. All participants who had experienced family violence were women.

Carla was left with a debt that she had believed was being paid. When she left the relationship, she found it had not, so to avoid a default being placed against her name she paid it off herself. Given she was not receiving any child support from her ex-partner, and was living in private rental, this impacted on Carla's material wellbeing. She simply had no money for anything other than essential costs. She cut back and saved to pay the debt off as quickly as possible. Carla's ex-partner still does not pay child support which impacts greatly on Carla's budget.

For Emma, her ex-partner's controlling behaviour meant she was not able to purchase anything for herself, even basic items such as underwear. It takes a lot for her to spend any money on herself now as she still fears that she is doing something wrong. She also puts a considerable amount of pressure on herself and becomes immobilised for fear of consequences. This is detrimental to having the essential items that she needs.

All of the women who had experienced family violence had children, and even after the relationships ended, the financial abuse often continued. 'Following relationship breakdown, financial abuse commonly continued through minimisation of child support responsibilities, constrained options for affordable housing and men's misuse of bureaucratic procedures designed to mediate the relationships between families and money' (Branigan, 2010, p. ii). This was certainly true for these women, either through non-payment or irregular payments of child support, concealing incomes or, in one case, money withheld from the ex-partner was being used to service a Centrelink debt instead of going toward the back-payment of child support owed.

Case Study: 'Amber' – NILS Borrower, Inner Melbourne

Amber is a single mother with two young children. She had been in a physically, emotionally and financially violent relationship, which she left two years previously. She and her children had been living in transitional housing since the relationship ended.

A lot of the support Amber needed when she left the relationship was financial. Her ex-partner had been very controlling of the finances, and had left Amber with a significant amount of debt in her name. Amber had also taken part in rental schemes to purchase a microwave and television for her home, for which she was paying \$60 a week for twelve months. This amounted to \$3,120 – three times the amount they were worth. She had also accessed fringe loans and food vouchers in the past.

To address these issues, Amber's case worker put her in touch with a financial counsellor who helped Amber get all of her finances together to pay off the debt.

Amber took out a NILS loan to pay for driving lessons and her license. She had received a second hand car from a family member. Prior to taking out the loan, Amber had been taking public transport with her two young children, and needed to catch taxis to get her groceries home twice a week. This was exhausting and expensive.

Although their family budget is tight, Amber finds ways to have fun with her children. They bake, plant vegetables in their garden and play outside. With memories from her own childhood, Amber encourages her children to be active.

She feels the microfinance process had given her more control over her financial situation. While Amber is still waiting for a permanent home and still feels financial pressure, particularly around Christmas and birthdays, Amber now is aware of the supports available to her.

8.3 CURRENT REALITIES

Participants were asked:

- what they felt their main pressures were
- what sorts of things they do to make ends meet and iron out fluctuations
- to rank what gets paid first
- to identify where they could save when they needed to.

Utilities, rent and loan payments were almost always paid in the first instance, which was greatly facilitated by the use of Centrepay. However, the cost of utilities was something identified as a stressor, and for parents, education costs was another. Participants also discussed difficulties with their income capacities, particularly single mothers who were not receiving the appropriate amount of child support from their ex-partners. For people who were not in public housing, housing stress was significant. Those in public housing had less financial stress in terms of accommodation costs, but faced several issues to do with the

adequacy of their housing, basic repairs and maintenance. This was particularly the case in Western Sydney.

In terms of assets, participants identified many inadequate and inefficient assets which compromised their quality of life and also impacted on their budgets as they were more expensive to run or needed to be repaired often. This was particularly the case with cars and household whitegoods.

8.3.1 Utilities

Participants overwhelmingly identified utilities as an expense that most impacts their budgets out. The pressures differed depending on location and also whether or not they had children or a physical illness. However, a rise in the cost of utilities often led to hardship, with people employing a variety of strategies to manage those. Even with bill smoothing and Centrepay, there were times when bills were inexplicably high.

Lynda is a prime example of this kind of stress. Lynda lived in private rental accommodation in Western Sydney, and although she was paying cheaper rent, her utility bills were extremely high, particularly in winter, when she needed to heat the house. As the property does not have an air conditioner, her family manage without one during the summer.

“In winter, our [utility] bill just averaged [unclear] fifteen hundred dollars” – Lynda

Needing to pay these bills off left Lynda and her partner short every week.

“This is pension week, between my partner and I we’ll get eight hundred but two hundred’s rent and we’re paying off a water bill so that’s fifty a week” – Lynda

It was found the housing inadequacy, and the fact the house needed rewiring was the cause of the higher bills. Thankfully, Lynda was able to access community housing eight months into the research. When she received her first electricity bill, she was amazed at the difference. Her bill had gone from an average of \$1500 to an average of \$400.

Participants were well aware of the increases in prices. Fred and Mary occasionally run into difficulty with their electricity bill, but relayed a story of a friend of theirs.

“I spoke to someone and he went no, no, no, my friend put in an air conditioner and his bill got up to \$3,300. I don’t know about Victoria, but they reckon here (NSW) electricity has gone up forty per cent” – Fred

Sally also has very high bills. Although she pays a certain amount each pay, her bills are far too big for her to manage. Given the period of time she was without a washing machine, she can’t understand why her bills are so high and has attempted to have someone look over the property to explain it.

“I only put twenty dollars towards the electricity bill each week but my electricity bills are absolutely huge, I’m still in like big discussions with the electricity company as to why, I can’t work out why my bills are so big, I mean for ages there I didn’t have a washing machine so I don’t understand it ... I keep speaking to different people who go through everything I’ve got in my house and I still can’t get anyone to come and test the meter or anything and make sure it’s working ... cause my electricity bill can

range from five hundred dollars a quarter to a thousand dollars a quarter, that's a huge amount of money so if your only paying twenty dollars a week over three months that's only something like about two hundred and sixty dollars ... so what you're left with is still a lot of money to pay" – Sally

A similar story is shared by Sharon.

"I usually have to pay a bit more [after Centrepay Payments] if it's over, like last month and then I had to get a [unclear] to check what's been used, cause it was like six hundred dollars." – Sharon

Kristy got rid of her heater last winter as her winter bills were just too high.

"I just get by... I'm not going to say I don't have enough because that's not right either ... maybe if it was a family it would be a different story... But I have weeks or fortnights when I've run out, like this fortnight. Basically because I'm paying off the winter light bill; it is hurting my pension fortnightly ... With [friend] and myself – we are determined to get that bill down by doing away with the dearer form of heating." – Kristy

Kristy was working with her buddy – a community support volunteer – and a local community organisation to try to reduce her bills by changing to a more efficient heating source. Her health means it is really important that she stay comfortable, but unfortunately she was still without heating at the end of the research.

Recommendation 15: To maximise the role of microfinance in improving household amenity, microfinance providers consider working more closely with community organisations and peak housing bodies to advocate for national standards for public and private rental accommodation.

8.3.2 Housing

Housing stress was significant for participants who were not in public housing. For those in public housing, their housing was often insufficient to meet their needs, especially in relation to an adequate number of bedrooms for children or for people who were physically ill.

Cost

Cost is made up of a series of factors. Poor quality private and public rental properties led to higher costs of living as utility bills were high. As cited before, Lynda was receiving extremely high bills until she was able to move to a newer community housing property. She had audited her previous home to see where she could save money, and it came down to the property needing to be entirely rewired. This is something Lynda was clearly not in a position to do, but nor was she in a position to move as the cost was too high.

"(the) electricity place said "oh the house must need rewiring" and I said "well the owner won't think so (laughs) put it this way the hot water system went, and it's a very small tank that's why the electricity was so high, it's a fifty litre tank so he requested that." - Lynda

Although Kristy is in public housing in NSW, she has no heating and the poor quality of her housing makes the property colder than normal. She had previously relied on an electric heater that was costing her far too much money to run. As a consequence, she now simply goes without heating. This clearly is not an acceptable solution.

Adequacy

Lynda had been on the public housing waiting list for a long time because she needed a larger property.

“got a four bedroom ... and that's the minimum I need because my daughter that's got the disability needs her own room because of her behaviour issues and then well my son needs his own room and then I'm gonna have to have the three girls in one room, so its gonna be squashy as it is...I tried priority housing but even like with [daughter's] grounds yeah you had to do a medical assessment and I didn't want that...I think it is more like for people who ... are in a wheel chair and, like life threatening you know ... in a way I'm lucky I pay cheap rent but when I, like the electricity company's saying average for seven people would be five hundred so like we live in a house that's run down so when I look at how much extra our electricity bill is I might be better to pay four hundred a week (laughs)” - Lynda

Thankfully, Lynda was able to access community housing eight months after the initial interview.

Sharon is currently living with four of her children including her eldest daughter who has three of her own. Although Sharon is in public housing, there are not enough bedrooms for all of them. The house is very overcrowded.

Another aspect of housing relates to physical health. Joe, who has diabetes and high blood pressure, needs to be comfortable in his home. During the summer, he was very hot and without any cooling. Although he had been in touch with housing about this issue, it had yet to be resolved, and still was not resolved at the end of the research. Joe was thinking of using NILS again to purchase an air conditioner once he had paid his initial loan off.

Kristy can no longer sleep in the bedroom of her property because of a rotten tree stump which she feared would collapse and come through her window. Despite asking several times for it to be removed, it had not been and as a result, Kristy was sleeping in the lounge room for fear it would collapse and come through her window. She believes that if she were to move out (which she cannot afford to do) the house would likely be demolished, which is the reason the department of housing are yet to action her request.

Jelena's husband has a respiratory illness which makes him particularly sensitive to dust and means he also needs to avoid getting any other infections. A hole in their kitchen wall lets in a draft, and the age of the unit has led to more dust being circulated.

“Housing commission it's really bad, very bad ... It's 14 years in that house and never painting, it's really bad, and the kitchen, it have hole like that. And I buy ... but I can't buy that anymore. I've been waiting and complain. I have letter now from the doctor ... Where is my money what I pay?” – Jelena

8.3.3 Income Adequacy

Participants were asked how they rated their current financial situation from a range of not having enough to get by through to having more than they needed. The majority (sixty-one per cent) felt that there was just enough. This could fluctuate between not enough to enough with extra depending on the time of year. One person stated he had more than he needed. This was Mark who had taken part in the AddUp program, but who also lived quite simply and was happy with that.

Table 14: Select which statement best describes your current situation

Response	#	%
Not enough to get by	2	7.14
Just enough to get by	17	60.71
Enough to get by plus a few extras	7	25.00
More than I need	1	3.57
No response	1	3.57
Total	28	100.00

Newstart

Three participants were on a Newstart Allowance. One was living with her parents, another was in transitional housing and the third with children at home was living in private rental accommodation. Because she was able to supplement her income with a parenting payment, she was just able to manage. Living independently on such a small wage is extremely difficult.

Part of the reason there are so few research participants on Newstart Allowance is because the payments are too low to allow them to take out a microfinance loan. People can only be given loans when they can demonstrate a capacity to repay. Newstart Allowance recipients simply do not have the capacity. The microfinance workers noted that unless someone was living in shared accommodation or with a parent, it was very difficult to have their loans approved if they were on a Newstart Allowance.

Microfinance has the capacity to support people into employment, education or training, particularly when used for items such as car purchases, computers and other materials.

Recommendation 16: Given the inaccessibility of microfinance to many recipients of Newstart Allowance, the Federal Government review Newstart Allowance payments as advocated by the Australian Council of Social Service (ACOSS).

Sole Parents

Many single mothers identified a lack of child support payments from their ex-partners as a significant problem. Carla experienced a period of family violence and left the relationship when her children were very young. Her ex-partner has not seen the children since and has not expressed any desire to. He rarely pays any child support. Carla also does not feel she has received adequate support from the responsible child support agency.

"[Ex-partner works in a] family business which makes it really hard to prove how much he is earning. It's a couple of months where yes I receive a couple of payments...and then I don't, so...it's hard." Carla

Greta was also involved with a violent partner who has behaved in an almost identical manner. Although she has no real desire for her children to see him, she does not want her children to miss out.

Sally's partner was not providing child support as he himself was on Newstart Allowance. He sees his children quite regularly, but when they go to stay with him, Sally needs to make sure they have extra food to take with them, as she wants to provide for her kids but also worries about him. There is simply no relief for Sally financially.

8.3.4 Assets

Accumulating assets is an important component of material wellbeing. At worst, it means that something can be sold if there is a financial emergency. However, more broadly, asset accumulation increases material wealth. The right assets can also greatly increase someone's capacity.

"An 'asset' in this paradigm is a special kind of resource that an individual, organization (sic), or entire community can use to reduce or prevent poverty and injustice. An asset is usually a 'stock' that can be drawn upon, built upon, or developed, as well as a resource that can be shared or transferred across generations." (Shapiro & Wolff, 2001, p. vii)

Participants were not asset rich, and those assets they did have, such as household goods and cars, were not always in good condition.

Cars

Twelve participants owned cars, and 14 did not. For those who did own cars, the purchase was often facilitated through microfinance programs.

Table 15: Car Ownership

	#	%
No Response	2	7.14
Yes	12	42.86
No	14	50.00
Total	28	100.00

Quality was an important factor when it came to people's cars. Not having enough money to purchase quality cars often meant they were wasted money.

"Car's not much good broken down on the front lawn ... the problem with us is we just keep buying the cars that are like two thousand, you know, we get problems with it and then something else goes wrong and something else goes wrong." – Lynda

Joe's car often needs repairing. As Joe is quite handy, he can often do this himself with cheap parts from the wreckers. However, when it does break down it causes significant strain for him as he rarely has the money for the parts and without his car it is very difficult to get around.

Greg also discussed how important being able to purchase a decent car was.

"It's an asset that's not worth having if it is broken down at the garage" – Greg

Household Goods

It is commonly accepted that certain household goods such as a washing machine and fridge are essential. Arguably, owning a television is also essential. As identified earlier, watching television and DVDs was a low cost leisure activity for many. With the assistance of microfinance, all participants had improved their asset base in this area. Without it, they would have been stuck with low quality, high cost household products.

Jelena found out about StepUP through a local community organisation. She borrowed \$3,000 and purchased a new bed, mattress, vacuum cleaner and wardrobe. Jelena could not be happier with what she has been able to buy.

"I buy one wardrobe, one is beautiful mattress, and buy one bed with that mattress, and I buy one vacuum cleaner. I have one vacuum cleaner ... it's very expensive, but

because he has breathing problem [her husband]...it's \$800 and it's very good for him ... Now I have all new one, the wardrobe, bed, mattress, it's so beautiful"

The purchases have not only made a real material difference to her life, but access to microfinance has also made Jelena more aware of the options that are available to her. She is much less vulnerable to predatory lending practices, and feels she now has everything she needs.

8.3.5 Education Costs

A report released by the Brotherhood of St Laurence showed that costs for secondary school students 'ranged from \$50 to \$1,600 or an average of \$320 per child' each year (Bond & Horn, 2007, p. 4). This caused financial stress for many families in the study. The costs of books, fees, excursions, camps and uniforms can have a significant impact on the bottom line. When asked what times of year things became more stressful, most identified Christmas, and for families, the start of a new school year. A child moving from primary to secondary education was also considered particularly stressful. One of the common reasons people accessed fringe loans was to cover the costs of schooling.

Dina's son attends one of the local state secondary schools in Melbourne, participating in an elite sporting program. Dina discussed the process they went through to make sure they could pay for everything.

"The education stuff, that is pretty much the biggest debt I have every year. It costs \$3500 to get him into the college here, \$1000 uniform, a book pack, the fee thingy which was \$350...so it come out to \$3500, and EMA only covers \$700 of that" – Dina

Sharon is an Indigenous woman in Northern Queensland. Her children attend boarding school, which is fairly common in more remote areas. The majority of the education costs are subsidised, but for those parts which are not, Sharon saves a little bit each week to put towards them. It is also necessary for Sharon to give her children an allowance each week. These costs add up however she says that this has taught her children the value of money.

"At the middle of the year in July I started paying into the college account so when he goes back in January it's already paid off ... account that goes into the college account and I was just like putting twenty five a fortnight in there, that's paying toward the hiring of uniform and that. Six hundred and forty [dollars] a year...every year" - Sharon

8.3.6 Food

When participants prioritised their expenditure, groceries often came in at about fourth or fifth, after rent, bills and loan payments. Food and groceries were something people stocked up on when they had some extra money, buying items on special at the supermarket and shopping around for better deals. In one town in North Queensland, there are only two supermarkets. All three people spoken to in the area shopped between the two to get better deals. Those who lived in more urban areas went to green grocers, butchers and competing supermarkets to get the better prices. In the Torres Strait, there are really no alternatives.

Most said they would bulk-buy dearer items such as meat and store it. They also stocked up on durable items like tinned foods, rice and pasta so there was food available at times when

they could not afford to do a shop. Lucy talks about stocking up when things are on special, however makes sure there is an allowance each week for fruit and vegetables.

"When I go shopping I buy things on special and I'll buy lots of them ... I've always got tinned food and pasta and rice ... The only thing sometimes I can get by with is just getting the fresh fruit and vegies." - Lucy

Again, the food costs for families with children were significant. Lynda's grocery bills are quite high.

"If I budget I can do three fifty a week, that's with two in nappies." - Lynda

Dina is also well aware of the value of essentials.

"You can see the cost of a budget...but now I actually see the value...Value as it goes to cost...But the truth is that every \$40 that I spend at the shop down here, I am not buying [rubbish], I am not buying grog, I am buying bread, milk, which on its own at the moment is about \$10 a pop every day." - Dina

While Julie is careful with what she buys, she also makes sure that she and her son have good quality food in the house.

"We don't eat [generic brand] stuff, my shopping bill might be a little more than some people, but I like quality."

8.4 ASPIRATIONS

People expressed material aspirations that can be grouped under two main themes. These were:

- asset building
- what many referred to as 'luxuries.' Luxury items were things like cosmetics, haircuts, new clothes and shoes, televisions and DVD players.

8.4.1 Asset Building

When asked what they might do with a little extra money, many talked about buying more efficient and better quality household goods. Because they had bought new goods with their previous microfinance loans, they felt both a sense of pride in their assets that they wanted to replicate, and a sense of confidence that they would be able to achieve those material aspirations.

Sally, who used her initial loan for a washing machine, would like to buy a new fridge as she is currently running two smaller, cheaper fridges to keep enough food in the home for her family. This is costing her more due to food spoilage and increased electricity bills. She would also like to buy a new television eventually but does not see this as a priority.

Fred and Margaret would like to buy some new furniture for the house. Dina has had the same couch for twenty years and would like to upgrade it.

Lucy would also like to buy some new furniture. When she left her partner, she was given some assistance in setting up, and while she is very grateful for that, she would like some things to call her own.

"Eventually I'd like to have my own stuff ... I'd like to have my own bed ... a bed that I bought for myself." – Lucy

Anthony was looking to buy a home theatre system, and some new furniture for his son's room.

"The next time I am going to buy a home theatre system ... it is \$549, and I am buying a bed for [son] ... two side tables ... make it into a proper room for him." – Anthony

Daniel, who enjoys watching DVDs, would like to buy a blue-ray disc player.

8.4.2 'Luxuries'

There were aspirations for things that many defined as luxuries. Things such as haircuts, new clothes and treats like certain biscuits were things people said they would enjoy. This is covered in more detail in section 8.5.3 Missing Out.

8.5 STRATEGIES AND MAKING ENDS MEET

8.5.1 Families with Children

Children were often involved in the decision making process about how money should be spent. This meant that children were aware of what was going on, which parents believed taught them the value of money. Parents spoke often about the fact that their children's needs always come first, and that they would do whatever they could to make sure the children had what they needed.

Involving Children

Parents made sure their children did not miss out on important things. They often expressed that they would like to give them more, however on the whole, knew they were doing what they could to provide for their families despite the difficulties. Julie reflects on talking to her son about money.

"[Son] and I talk about things sometimes... He knows on the fortnight that I have to pay rent, there is nothing much big happening that week. Most of the time, with school excursions and things, you do get enough time to plan for them. I asked him a while ago, 'Are you happy? You don't have the latest things', and he said 'I got all I need.'" Julie

Carla also talked to her children about money. They each get pocket money to spend, and if they want something large they need to save for it. She believes that this type of involvement when she was young is what has helped her manage her money now.

"My six year old gets \$2.50 a week, and my eight year old \$5.00 a week and if they want something, they save their pocket money. Money values need to be taught and it needs to start when they are young. That is the one thing I am grateful to my

parents for, that is what they did for me. Although they did it with my sister and it hasn't worked out for my sister!" – Carla

Sharon also talks to her children about money to help them understand they cannot always get what they want. She believes giving her son pocket money and making him budget has taught him a lot.

"My son will know how to budget his money because he gets pocket money into his own account and he can go to Townsville from the boarding school and he'll buy things on sale, so like he came back with ... four shirts for twenty dollars, so he has a good look around before he buys things now, before he went to boarding school we'd walk into town and if he seen something he'd want it ... older and wiser yeah, he's probably seen all the grey, how stressed I am over money (laughs)." – Sharon

Prioritising

Julie is grateful that she does not feel her son misses out on anything, and she does her best to make sure that is the case. Greg also makes it clear his children never miss out.

"My kids have never missed out [during drug problem]. The kids were fed, clean, clothed, they never missed out on the things kids expect ... it's just gotten easier now. I never look at my money and go ... 'I've only got \$40 for the fortnight,' that's what it was getting to." – Greg

Whilst all interviewed parents prioritised to ensure their children's needs were met, Sally's ex-partner is unfortunately not as disciplined due to mental health concerns. This makes the challenge more difficult for her as she also feels a sense of obligation to children he has from a previous relationship. She always cooks extra for them and makes sure they are looked after too as part of her extended family.

8.5.2 The Juggling Act

The best way to describe how people manage their income is a juggling act. The cyclical nature of the household economy, and the way people manage the peaks and troughs in their budget is exceptional. People were aware of when their bills were due, how much allowance they needed to make for these and what payments could be put off, negotiated or what could be done without to make sure they could cover their costs.

At certain times of year, mainly Christmas, the beginning of school and during winter, costs were higher, but more often than not this variation had been pre-built into budgets. Dina talks about how she juggles things around to make sure that her son's school expenses can be paid for.

"I just listed all my bills, I had ten, and I've gone down, I am down to three already. I have cleared the decks before Christmas so the next few pensions are actually free. Well free because November is always utilities month, they always come in in November, just before Christmas, expecting about \$250 out of that pension, the money I want to give [housemate] ... I want to know that my whole January pension is going to (son's) needs. Until he is in school, and has everything he needs on the first day of school, I don't do anything." - Dina

Kristy talks with great precision about how she manages to pay all off her bills.

"I pay what I can afford to pay; they all get paid it's just my phone bills are the two easy ones because my mobile phone is on a \$19 cap - actually it's discounted to \$17. I very rarely use it, the most my mobile phone, at any one time, is \$25 on average. My landline bill is basically the same, it's around about the \$20, \$24 mark. So like for those two bills I pay them like 20 bucks each - \$24, \$25 each which I used to just pay ... Then I leave it and the other two bills are [the heavy] ones, fine, they get it the following fortnight. I've tried paying them all together, it doesn't work, leaves me without and stressed out. So the easy ones first, the dearer ones last but they get paid and I've got a good record with them so they're fine...I just find that's the easiest way to go. If I've got a light bill happening, then I'll pay like the Internet bit and then the following fortnight I'll pay the cable bill." - Kristy

Sharon waits until the sales at the middle of the year and arranges her Centrelink advance payments to come at the same time so she can buy the clothes her family needs for the year.

"If I see it on special or anything I'll buy a few of them ... I don't ... buy any new clothes like until the middle ... when they have the end of financial year sale ... and that's when everyone gets their bonuses from the government so that's when I buy them new socks, underwear, if somebody needs new shoes." - Sharon

Paying things off by the fortnight or month, making use of Centrelink advanced payments, accessing sales, shopping around, and overhauling expenditure to meet a large expense was something most participants did with great precision.

On the whole, providing for families added a layer of complexity when managing budgets. Expenses such as school costs, clothes, sports and social activities required an extra level of skill to be managed.

Recommendation 18: Federal Government investigate the impacts of 'income quarantining' on the capacity of low-income earners to juggle expenses, and the risk of material deprivation if this capacity is removed.

8.5.3 Missing Out

As result of the compromises people made and the need to budget strictly, people missed out on many things that affected their material wellbeing. Any type of social activity (see Chapter 6), new clothes, certain food items, necessary utility consumption and adequate housing were all things identified by participants as things they needed to give up to make ends meet.

Clothes

New clothes were overwhelmingly what people missed out on. Nearly all participants stated that they would like to buy new clothes as opposed to second hand ones.

Sally's story reflects the impact that not having enough money for clothes has on her entire family.

"I have very little in the way of clothes, my first priority is to make sure the kids have got clothes and they've got school uniforms and things, and they do go out to things, I mean sometimes I don't have enough money for example for my son who's in high school to go to a school disco because it might be ten dollars to go to the disco and ... they want to be able to buy a drink or whatever so I have to have twenty dollars to give to him, I don't have it so and you also need to have something half decent to wear ... you've got to be lucky to find some really fashionable going out clothes ... none of us have ever got more than two pairs of shoes, ever, that's actually something that I couldn't actually afford, something that will throw me is if somebody's, especially my teenage son, if his shoes fall apart he can't go to school with no shoes on, and I've never ever got the money to have a couple of pairs of joggers, especially if their foot's hard to fit, their shoes might cost eighty or a hundred dollars and even then you're getting off light ... I've had situations before where my ten year old has had to miss like a couple of days of school until I get paid again so I can go and buy him a pair of shoes because he's lost a shoe at swimming ... to go and get another pair of shoes, for him its only about thirty, forty dollars but I didn't have any money until I got paid so I just said 'you can't go to school with no shoes on your feet.'" – Sally

Sally's story reflects the snowballing cost effect of certain activities, as well as the restrictions this places on their lives.

Dina would also like to buy herself some new clothes, but her son's needs always take precedence.

"I would love to have enough aside to buy some clothes but prefer to go for the [charity shop] [because] ... the first thing is my boy; he comes first, as his future goals are more important than my current ones." – Dina

Utilities and Power Consumption

Lynda had her electricity cut off in the past as she was unable to pay the bill on time.

"There was a time when ... I had two bills in one ... they actually cut my electricity off and I had no power for like forty eight hours and they weren't even willing for me to go to a backup plan kind of thing." - Lynda

Kristy was no longer heating her home as the costs of power were too high.

Food

This is discussed in section 8.5.2 The Juggling Act.

8.6 ENABLERS

"Another thing that stops me, that keeps me out of trouble is having my own place, now there's this thing to pay off, and I want to pay it off quick because there are other things I want to get. Now I am not a heroin user, I am a consumer. I have become very superficial. I want my TV, I want my iPhone, I have no idea how to use a computer, so I would like to get one ... I want to pay this off as quick as I can. If I can get myself in order with all of my debts, I am going to try and pay it off early" – Daniel

8.6.1 Microfinance

Accessing microfinance meant people could build up new assets that were appropriate and efficient. Asset building is an important component of material wellbeing.

It also made a real difference to people's budget bottom lines. Although they did have the extra expense of paying off a loan, they had been able to save money by having better appliances, or being more aware of what they spent so they could pay the loan back. For some of the participants, the loan process itself acted as an enabler to improve their budgeting and hence material wellbeing. That said, most seemed to be very good budgeters in the first instance.

Asset Accumulation

Microfinance loans focus on asset building (among many other things). The fact that each person had some kind of asset to show for their loan reflects this. Every loan except one was taken to purchase material assets. Eight bought new washing machines, seven bought a new car, four bought fridges and six bought new furniture. For Mark, who had achieved his savings goal with AddsUP, he was able to get a new washing machine through NILS and a new computer through AddsUP.

Daniel's comment above speaks to the impact of this achievement. Being able to buy things for his flat made it a home. It is a place he feels proud of, a place where he is happy to invite people. He feels as though once he has everything he needs, he can settle after so many years of deprivation through drug addiction. His tongue-in-cheek comment about being a consumer does contain a grain of truth. Microfinance has built his confidence to have those things he wants and needs, and to have a home he can be proud of. That is not a kind of consumerism that many would view as dangerous.

For Greg, the purchase of a car means he is able to increase his income.

"I am usually a pretty good budgeter anyway, but it has improved the budget, a little bit of money here and there with work" – Greg

Reducing Expenses

Being able to buy household goods decreased people's day to day expenses. Going without a fridge, for example, meant that many would have to shop every day, increasing their food expenditure.

The extra cost burden of not having a fridge was particularly significant for Carla.

"Living for six weeks without a fridge is hell, the cost of living is so much more expensive ... You know, with children it is a lot harder. Having to buy milk, portion it out, taking it to my mum's so I could have it frozen ... it was a nightmare ... having to shop daily, because the food just won't keep. Having to go to my mum's every day to get stuff, because of having things in her fridge. The boys on hot days and weekends, having to let them get a cold drink from the corner shop, because there wasn't anything cold to give them. The only thing cold was tap water and on a hot day that doesn't feel very cold ... like with meat and stuff I normally buy things reduced, bigger things and portion it out, having to buy the right portions to use up,

which makes things a lot more expensive, not being able to stock up on anything because of not being able to buy in bulk ... [the new fridge is] a godsend, it really is. Yesterday I went shopping with mum, there were heaps of things reduced, being able to get them, because I have the freezer it is going to keep. Initially you are paying out more than you want to, but in the next couple of weeks, your bill drops dramatically."

– Carla

Improving Budgets

Microfinance had the capacity to improve budgeting, both through the educative process of applying for the loan and also because participants wanted to pay the loan off. This was because they felt a sense of pride in doing so, or were looking at taking out another loan, or because they did not want to jeopardise the trust they had built. Dina budgets more strictly now since the loan application.

"It has compelled me to budget tighter because I don't want to default on this loan ... I realise how important this is, it is an honour system thing ... I will give back twice as much as I will have taken ... my budgeting has gotten stricter, I am more aware of what is going on than I was before, and how easily it fritters away. I was aware of it before, but I was never conscious about what to do ... you should see what I can do with \$20 now." – Dina

Paying off a loan means a sense of achievement.

"I reckon it's an achievement. When you feel better that it's paid off and then the thing that you purchased is yours." – Sharon

8.6.2 Emergency Relief

Emergency relief generally aims to:

"assist people in financial crisis to deal with their immediate crisis situation in a way that maintains the dignity of the individual and encourages self reliance. Assistance from Emergency Relief providers to clients is generally in the form of:

- purchase vouchers of a fixed value (for example, food, transport or chemist vouchers)
- part-payment of an outstanding account (for example rent/accommodation; utility account/s)
- material assistance such as household goods, food parcels or clothing
- budgeting assistance and
- information, advocacy and referrals" (Department of Families, Housing, Community Services and Indigenous Affairs, April).

Primarily seen as a crisis intervention, but also with a focus on building resilience, emergency relief is generally accessed only in an emergency. However, in such cases it is also an enabler to promote material wellbeing. Many participants had accessed emergency relief in the past. Three of the five agencies who participated in the research also provided emergency relief services and in many cases their referrals to microfinance had resulted from that.

Because they knew it was available, participants accessed emergency relief more pre-emptively to avoid the dire situation of having no food in the house.

Daniel has accessed emergency relief in the past for food. He is no longer able to access it as he is no longer a service user of the organisation he went to. It is something he now does not feel he needs, as he believes there are others who need it more.

“A few weeks ago, I needed it actually. I had potatoes and stuff, and I knew that they put these long life milk things, I wanted to make mash potatoes to go with my dinner to make a meal, and one of the girls was there that knew I wasn’t a client anymore ... She goes, well actually, we don’t have anything at all ... I try not to anymore, because I’ve got money and I can budget ... there are a lot of people who need these services who spend all their money, I know it sounds [bad] but I can say because I’ve seen it, without these parcels, their kids would probably starve” - Daniel

Greg accesses emergency relief when he needs some help. He also tries not to as he finds it disempowering.

“I really try to keep it to a minimum; it is all about the empowerment thing.” - Greg

Even when the agencies providing emergency relief services did so in a respectful manner, applying for emergency relief could feel very demoralising. Nearly all who had accessed it felt a sense of shame about it. Kristy hates to ask, despite being told that she has every right to if she has no food.

“I’m still very shy at asking. When it comes to things like that having to ring up and ask for a loaf of bread it is very demoralising. Sometimes you ring up and you say, look, would you have a spare jar of coffee? It doesn’t do so much [damage] but if they’re there that’s what they’re there for and they keep reminding me”

Carla had accessed a food parcel the Christmas earlier, and Lynda had sought assistance from her local agency to help pay her electricity bill.

Recommendation 19: Governments continue to support the emergency relief sector in enabling people to address basic material needs.

8.7 EMPOWERMENT AND BUILDING MATERIAL WELLBEING

To promote material wellbeing, people need sufficient income to meet living expenses. At their most basic, living expenses include housing, utilities, food, education costs, health costs and basic household items. For people on fixed incomes, it was clear that even these most fundamental needs could not always be met.

There were examples of people having their electricity disconnected or needing to access emergency relief because it was soon to be disconnected. One received such a large bill that they could not possibly pay. Another was forced to reduce consumption to the point where there was no heating in the home at all. Although this was related to the adequacy of housing as much as the cost of running certain appliances, this is clearly not an acceptable option. Support needs to be provided in the form of subsidised, energy efficient household items to reduce people’s power expenditure and importantly, improve their quality of life. Subsidies and rebates for utility bills need review given the increase in energy prices. This

would also reduce the demand of emergency relief services. Greater advocacy also needs to take place for people in rented housing to improve the energy and efficiency of their homes.

How people prioritised their spending was illuminating. Food was usually purchased once all other expenses were paid. People shopped around even in areas of limited competition for better deals and worked hard to stretch every dollar. Without this flexibility, there is limited capacity for people to perform the juggling act required to make ends meet, leading to a serious risk of deprivation and significant hardship.

The research indicates that without the capacity to juggle priorities and shop around, households could miss out on food. Quarantining a proportion of income security payments runs the risk of taking away this capacity and so increasing deprivation. It also limits parents' abilities to give children pocket money – a practice that can teach responsible money management.

People on Newstart Allowances are at a serious disadvantage. Even microfinance programs designed specifically for people on low incomes are unable to assist many people on Newstart who simply do not have the capacity to repay a low or no-interest loan. The current rates do not provide an opportunity for participants to increase their material wellbeing through microfinance and should be reviewed.

Where accessible, microfinance clearly promotes material wellbeing. It allows people to achieve their aspirations by purchasing new items that are efficient and do not require constant repairs. This makes a significant difference to budgets, for example, allowing people to bulk-buy items on special and providing them with opportunities to earn some extra money.

Emergency relief also acted as an enabler. Having emergency relief accessible meant people did not have their electricity disconnected and were able to eat when the situation was dire. Emergency relief also had an important preventative capacity and helped people avoid serious financial stress. An integrated and holistic approach to delivering financial support services is required and both emergency relief and microfinance programs need the continuing support of government to ensure people who are marginalised can meet their basic needs. Ideally, access to support services should extend beyond basic needs and look at human needs in their entirety.

CHAPTER 9: CONCLUSION

Microfinance enables financial inclusion, social and economic participation and material wellbeing and has different impacts on particular groups.

The impacts were achieved through a combination of services forming building blocks to financial inclusion. Microfinance laid a sound foundation so that other types of participation could be fostered. However, other supports are necessary in order for microfinance to have full impact.

To combat the financial exclusion of marginalised groups, financial services need to be affordable and suitable for their needs and aspirations. For people who struggle to access credit – whether through debt aversion, poor credit histories or lack of a credit history – no and low interest loans are a safe alternative to other credit options such as fringe lenders and pawn brokers.

A greater understanding is required of how low income consumers use and perceive credit in order for mainstream institutions to properly develop services to meet their needs. For example, a key indicator of financial exclusion is access to a moderate amount of credit which is often facilitated by credit card ownership. However, most people spoken to in the research did not want a credit card. What they generally wanted was access to credit for only the amount they needed, at a reasonable cost with regular repayments.

Insurance continued to be a challenge for participants in the research. Without general insurance there is a threat to material wellbeing in the event of material loss as few participants had the resources to replace their essential items. Very few could access \$2,000 in an emergency, and where this was possible it was often facilitated by borrowing from family or friends. All who could access \$2,000 via their own resources had participated in AddsUP. The importance of AddsUP in building up an emergency buffer is evident and the program showed a capacity to build long-term savings patterns. People can often only put a small amount aside and matching savings means results are seen more quickly. As such, this provides an incentive to save. Having already paid off a microfinance loan meant borrowers had become used to putting that money aside and therefore it was not seen as a stretch to continue that process. Of those who had taken up the AddsUP program, all had continued to save after their savings were matched.

For those who did have insurance, it was facilitated by pay-by-the-month options and discounted insurance agencies. Paying by the month and bill smoothing were the preferred ways of managing peaks and troughs in budgets, with Centrepay being the favoured method. Bill payment options, however, need to remain flexible and cheap. In the event of a large, one-off expense (or larger, more regular expenses), people need the capacity to re-prioritise. Without this flexibility, there is a high risk of deprivation.

Improving financial inclusion allows other activities to flourish which in turn builds other types of inclusion and participation. Microfinance enabled people to purchase computers or cars, which increased their capacity to study. Purchasing furniture for the home promoted social participation, as people were more confident to invite people over. The community-led nature of NILS had the potential to foster community advocates and greater civic participation. In one instance this involvement in the community led to paid employment.

Access to a car was of significance when people were looking for work, particularly in areas of limited public transport. This is where flexible NILS programs and StepUP were particularly significant. The progressive pathway from study to unpaid work through to paid work was evident in many of the case studies, although not always manifesting in this linear way.

The ways in which microfinance impacts on material wellbeing need to be viewed within the context of life courses. People had a range of experiences through homelessness, mental health and other barriers to material wellbeing. In many instances, basic needs such as food and heating were not being met and the way people juggled and prioritised spending made it clear that austerity was highly regarded, although not always through choice. Generally, food was purchased after all other bills were paid, new clothes and haircuts were rare and although microfinance had a significant role to play in building material wellbeing, people still missed out on many things. However, microfinance assisted in accumulating assets in the home and improving income either through the purchase of cost-saving appliances or facilitating the capacity to work.

In the absence of microfinance, people often had no choice but to turn to the fringe market, purchase short-term second-hand goods or simply miss out on much needed items.

Just as significant an impact was being given 'a go'. The trust and investment in their future that the microfinance product represented impacted positively on self-esteem and goal setting.

9.1 EFFECTS ON KEY GROUPS

9.1.1 Single Parents

The Needs of Children

It was clear that single parents put the needs of their children before their own in numerous ways. They ensured education costs were met as a priority and attempted to pay for social participation for their children through activities such as sport. However, the costs meant this involvement often came at the expense of their own social participation. Material aspirations were also based around the needs of children. Single parents, who were all women in this instance, would often forego their own needs such as haircuts and new clothes to ensure those of their children were met. Access to microfinance gave them more time to spend with their children, and reduced their stress levels so they could be more focussed on their children's needs. It reduced the juggling required to manage the time constraints of multiple obligations such as care responsibilities, household work and paid and unpaid work. To give a simple example, the purchase of a washing machine with a no interest loan reduced the burden of hand-washing.

Economic Abuse

Economic abuse impacted on all of the indicators discussed. For the women who had experienced economic abuse, all of whom had children, there was a legacy of debt and in one instance a sense of guilt about spending money on themselves. They were not able to access credit as they were relying on a pension or allowance and were not receiving the child support payments from their ex-partners that they were entitled to – a continuation of

the financial abuse. This left them in financially vulnerable positions with few credit options. Needing to continue payment of joint debts meant that they struggled to obtain the necessary assets to rebuild after leaving the relationship. Microfinance for this group of women built confidence, and also gave them access to credit to assist in rebuilding their lives.

9.1.2 Indigenous Communities

Language

Language proved to be a barrier when dealing with banks and institutions in Indigenous communities. Where English was a second language, it was often difficult to deal with issues with the bank or facilitate better ways of banking. Financial exclusion within Indigenous communities tended to be more pronounced in remote areas.

Family and Friends

Indigenous participants readily identified that in the event they needed assistance, family and extended family would be the first point of call. With this came a similar reciprocal obligation. In general, this was a positive thing although it had the potential to compromise their own social and economic participation, for example for the one participant who was the only person in her extended family with a car. However, the positive aspects of this relationship far outweighed the negative ones as there was a ready network of support available.

Sense of community

Indigenous participants often facilitated social participation through cultural activities and involvement in their communities. Being active on Indigenous councils and interest groups was an important way to connect with other people and also to their heritage. There was also a strong connection to their communities even in the event that they were no longer able to live there. One participant's mother who was an elder on a community in the Cape York Peninsula had moved to Cairns given her failing health and need for specialised services, but still maintained a strong connection to her community despite it being a nine hour drive away.

9.1.3 Newly Arrived Communities

Soft introduction to the market

While more anecdotal, the experiences of newly arrived communities indicated that microfinance was a soft introduction to the Australian banking system. Many refugees and migrants arrived with no assets or possessions, and little knowledge of how Australian banks operate. Facilitating access to credit through a community organisation was a good lead in to gaining an understanding of debt and credit. The application process for a microfinance product introduced them to the Australian banking system in a way that is contextualised and more immediate to their needs and in a format that seemed to be easier to understand.

Laying foundations for development

Human needs at their most basic have to be met before it is possible to participate in other aspects of life. Access to microfinance allowed newly arrived communities to establish their

roots, which then allows people to look at broader aspirations for the future. This is true for most participants.

9.2 IMPACTS OVER TIME

Improving confidence with mainstream banking

The longer people were involved with microfinance, the greater their confidence in dealing with mainstream financial services. While many borrowers had taken out more than one microfinance loan, many also felt more confident in asking their bank for money, particularly when they had used StepUP. The dual nature of StepUP really did seem to provide a step up to mainstream banking. The longer the person had the loan the more likely this was to be the case.

Building financial resilience and material aspirations

Over time, participants gained more confidence in setting goals and achieving their aspirations. Aspirations articulated at the beginning of the research were often met and this gave people a sense of being able to set further goals. Being able to satisfy basic material needs gave people room to aspire for more, demonstrating the role of microfinance in providing building blocks for more targeted, future-oriented needs.

AddsUP also built people's financial resilience as there was money there in the event of a financial shock, or a greater confidence that there would be money available when needed.

Progressive and diverse pathways to employment

Moving from study to unpaid work and then into paid work was a clear pathway for many. It was also clear that promoting economic participation often requires more than one response and microfinance acted as a powerful tool within that context. It engaged people with their communities which led to opportunities for volunteering and at times to paid work. It also linked people in with education and training. Purchasing cars also allowed people to find flexible work or start their own businesses.

Given complexities such as managing mental illness, looking after children or caring for others, the capacity of microfinance to deliver individually tailored solutions greatly enabled more flexible forms of paid and unpaid work.

9.3 GEOGRAPHY

Sense of community

The gentrification of some urban areas (in this instance, inner Melbourne) meant some participants felt little connection to their communities, and even perceived themselves as outcasts.

Conversely, there were some who felt a strong sense of belonging and tended to be more socially active in community-based activities. Community building and community development have a powerful role to play in enabling disadvantaged people to take part in social and leisure activities, as do community organisations and it became clear that this was of the strengths of current models of microfinance. Generally speaking, there was a stronger

sense of community in the outer-urban areas (Western Sydney). This may be due to most people in these areas having lived there some time. Inner-city areas can be more transient, with many residents arriving from interstate or elsewhere. This may limit the opportunity to forge close ties locally.

In rural and regional areas, while people were relatively spread out, most felt connected to the community somehow. There were examples, however, of social isolation due to the centralisation of community services in larger towns.

Transport and Infrastructure

Regular employment largely depended on the capacity for people to get around. This tended to be a more pronounced barrier in outer urban areas and more remote locations. In remote areas, public transport was limited and connecting with community support services or activities was made more difficult without access to a car. This was particularly the case when services are located in regional hubs. In urban areas there were few transport links to the more industrial regions which are the source of a lot of employment. The use of microfinance, particularly StepUP, to purchase cars was important in this regard.

Remoteness

Financial exclusion in remote, Indigenous communities in this study was acute. Members of these communities faced both the challenges of geographical isolation and distance from banks, and the challenges of lacking of the necessary knowledge and infrastructure to support alternative forms of banking, such as phone and internet. Language was also an issue. English is often a second language in these communities, and without strong community advocates, the capacity to engage with mainstream banks was severely restricted.

Community advocates can potentially assist communities to overcome these barriers. These advocates need to be fostered and supported, and microfinance programs clearly have a role to play. Microfinance workers themselves are strong community advocates, but should also foster the potential for the same for others in the community.

Living in remote communities has cost implications which relate to material wellbeing. The costs of freight add a high margin to the cost of living, including basic food items, furniture and whitegoods. In the Torres Strait, there is a retailer based on Thursday Island who delivers to the outer islands, which cuts down some of those barriers, but access to furniture and other goods is more limited. Opportunities for employment are also limited without moving away from the community, which impacts on the skills loss in the community as well as their connections.

9.4 POLICY AND PRACTICE IMPLICATIONS

Microfinance

Microfinance programs need to retain their flexibility and responsiveness to local needs as it is clear they provide many opportunities for people that otherwise would not exist. For example, to have maximum impact on financial exclusion in Indigenous communities, microfinance programs need to be the outcome of a community-driven response to local need. This approach is one of the model's strengths.

The reach of the AddsUP program is vital to building the long term savings capabilities of people on low incomes, providing an emergency buffer, and fostering a long-term savings mentality. The reach of StepUP is also important as these loans support people in buying cars which provide an important enabler in accessing work and being more socially connected, particularly where there is limited public transport. This could similarly be facilitated by expanding the reach of NILS and by exploring different banking delivery methods such as over the phone or internet.

Community Support Services

To achieve optimum outcomes, microfinance cannot operate in a vacuum. While there are times when it is a more simple transaction, there are also times when it is one of several supports required.

In undertaking employment or looking for paid work, the need for flexibility was a paramount consideration for participants in the research, due to factors such as mental and physical health issues, caring obligations and geographic accessibility. Specialised employment programs tended to work well in these instances, particularly those that looked for non-paid means for people to participate, as these clearly supported pathways to paid employment.

Emergency relief also had a significant preventative capacity and helped people avoid serious financial stress. An integrated and holistic approach is needed and both emergency relief and microfinance programs need the continuing support of government to ensure people who are marginalised can meet their basic needs.

In order to promote the social participation of single parents and to reduce social isolation, community social programs need to take account of the caring needs of parents, and offer some form of child care, or activities that allow people to bring their children.

Income Security

Microfinance cannot replace an adequate income. People still need sufficient income to meet their living expenses. While many borrowers experienced income restrictions, people on Newstart payments face serious disadvantage. Even microfinance programs which are designed specifically for people on low incomes are unable to assist many Newstart recipients as they do not have the capacity to repay their loan. Newstart payments need to be increased if people who are unemployed are to have adequate opportunity use microfinance and indeed participate in many aspects of economic and social life regarded as normal.

To appropriately support single parents into paid work there needs to be the right support, appropriate work options, flexibility in income security payments and a reduction in marginal tax.

It is also important to review the way Centrelink advance payments work currently. Allowing small amounts to be available more frequently may reduce some of the financial stress people face when there is a large expense. This would also potentially reduce the incidence of expensive pay-day lending and complement the opportunities offered through microfinance by increasing choices.

Centrepay was a powerful enabler for participants to manage the peaks and troughs in their spending, and this needs to remain flexible, cheap and voluntary to ensure people can exercise control over their financial situations.

Housing

For those who were not in public housing, the cost of private rental greatly impacted their ability to budget. When rents were low, utility bills were generally higher and therefore the financial impact much the same. Greater work needs to be done in both developing more public housing and subsidising private rents properly.

Greater advocacy is also required for people in public housing who need basic repairs to their homes. There were examples of requests for repairs to homes not being responded to. This had implications for not only the energy efficiency of these homes but the safety and wellbeing of their occupants.

Utilities and Cost of Living

Overwhelmingly participants identified that receiving a utility bill was one of their biggest financial stressors. Even when Centrepay allowed for bill smoothing, there was still sometimes a residual amount due that people simply could not afford to pay. Utility prices have increased nationally and will continue to do so.

Enabling people to purchase energy efficient items through NILS or StepUP and a buying service similar to the one that operates in Victoria by Good Shepherd Youth & Family Service is one important way to reduce this financial stress. Importantly, given the rapid increase in utility costs, it is a pertinent time to review pricing and the subsidies that are available to support people on low incomes in meeting those costs.

Banking and Regulation

Microfinance programs will only lend money to people who show a capacity to repay. They also require an application and a process that is not instantaneous. Therefore, there remains a market for fringe lending and it became clear through the research that people would access the fringe market in the absence of another choice.

While improving income adequacy, allowing more flexible Centrelink advance payments, strengthening the emergency relief sector and expanding the reach of microfinance are the best ways to curb the role of fringe lenders in the market from a demand perspective, on the supply side it is important to protect consumers against predatory lending practices and exorbitant lending costs. Regulation of the fringe lending industry, and a cost cap of 48 per cent inclusive of fees is an important safeguard.

While microfinance programs are aimed at reducing financial exclusion, they do not have the scale or the reach of the major banks. Banks need to continue to work with community organisations and government to improve accessibility of banking services to all. As importantly, work should continue on product development so that all Australians have the same opportunities to participate.

Further Research

While this research has demonstrated the impacts of microfinance, there were themes identified that require further investigation.

The use of microfinance for microenterprise is important to enable greater economic participation. Similarly, the way in which microfinance and other supports intersect is important to understand, to ensure an integrated response to people's varying and diverse experiences and barriers.

Greater research also needs to be done on the impacts of 'income quarantining' on the capacity to budget and juggle expenses. This research showed that people already miss out and make wellbeing compromises to make ends meet. Losing this capacity to juggle the budget or shop around could lead to greater financial stress.

Finally, to have maximum impact there needs to be greater research into the impacts and responses to exclusion in remote, Indigenous communities. These communities face multiple barriers to participation that need to be understood if any traction is to be gained in remedying them.

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Appendix 1 – Terms of Reference: Reference Group

Good Shepherd Youth and Family Service
Social Policy and Research Unit
21 Budd Street,
Collingwood, VIC, 3066
Ph: 03 9418 3000
E: t.corrie@goodshelpvic.org.au

Dear -----,

Good Shepherd Youth and Family Service has received funding from the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) to conduct research into microfinance programs. A component of this research is a project known as The Economy of the Family. The purpose of the project is to gain an understanding of the impact and potential role access to Microfinance (including borrowing and savings programs) has on a family's material wellbeing, financial inclusion, and social and economic participation. A definition of these terms for the purposes of the project is attached to this letter.

This will be done through the use of case studies, and an exercise to map the income sources, costs and spending patterns of 30 families over a period of ten months. A written report will be provided at the end of the research.

I would like to formally invite you to be part of the reference group for this research project. The terms of reference are as follows:

- Meet at least 3 times over the course of the project, either in person or via teleconference
- Provide expert information and advice on the research
- Provide support to those undertaking the project and act as a sounding board
- Receive and provide feedback on reports and monitor progress of the project
- Participate in peer review of the project
- Link the project to the broader policy and program directions in Australia
- Promote the project and its outcomes.

The project is being conducted by Tanya Corrie in the Social Policy Research Unit, with the support of Microfinance teams. The geographical areas in focus are:

- Collingwood, Victoria-Inner Urban
- Western Sydney-Blacktown, NSW-Outer urban
- Cairns, Queensland- Rural interface and remote reach. This is likely to include the remote Indigenous community on Thursday Island.

We hope you are able to lend your support to this research and look forward to collaborating with you on this very important project. We would appreciate if you could confirm your interest in writing/email by **20th October 2010**. If you have any questions, feel free to contact Tanya on 03 9418 3012 or email t.corrie@goodshelpvic.org.au

Yours sincerely,

Marilyn Webster
Manager Social Policy and Research
Good Shepherd Youth and Family Service

Appendix 2 – Participant Information and Consent Forms

Dear <insert name>,

I would like to invite you to participate in a research project being done by Good Shepherd Youth & Family Service.

As someone who has received a No Interest Loan, a StepUP loan or taken part in the AddsUP savings program, we are keen to understand any affect access to this may have had on you and your family. The research is also interested in the ways you and your family get by on a limited income, the things you do to manage and what, if any, support is available to you that helps you do that. Lastly, we want to understand what this means in relation to work and social activities.

I will be conducting the research, with the support of the manager of the Social Policy Research unit at Good Shepherd Youth & Family Service, Marilyn Webster.

The project involves an initial interview with me that should take about two hours; and three follow up interviews throughout the next twelve months. The follow up interviews are about an hour in length. There is also an exercise to keep track of your income and expenses for two weeks at a time, three times during the year. We can talk through how you can best do that during the initial interview to make sure it fits in with what you do at the moment.

Participation in the research is entirely voluntary. If there are any questions that I ask that you do not want to answer, there is no pressure to. There are no right or wrong answers at all. It is your experience and understanding we are interested in.

At any point during the twelve months you can withdraw from the research. The answers you provide during the interviews and through the keeping track exercise are strictly confidential and the identity of the responses will not be known to anyone outside of the research team. It will also not affect the service you get.

The interviews will be recorded on audio tape and then written up. You will receive a copy of this to check and make sure everything has been recorded correctly. Your quotes and information will be used in the final report, however your identity will remain strictly confidential.

You will be paid \$40 per month for the twelve months to compensate for costs of taking part. Any supporting material you need to take part in the Keeping Track exercise will be paid for by Good Shepherd Youth & Family Service.

The findings of the research will be used to improve loan and savings programs across Australia and to demonstrate the value of these programs to the Government.

If, during the research, you experience any emotional stress, we can arrange a free counsellor by calling us on 03 9418 3000.

If you are happy that you understand and agree with this request, could you please take a few minutes to fill out the consent form attached to this letter. Please keep a copy of this letter for your records.

If you have any queries or concerns about this questionnaire please contact me at Good Shepherd's Social Policy Research Unit on (03) 9418 3000, or t.corrie@goodshepvic.org.au.

Thank-you very much for your help.

Tanya Corrie
Social Policy Research Unit
Good Shepherd Youth & Family Service
Ph 03 9418 3000
t.corrie@goodshepvic.org.au

Appendix 3 – Recruitment Poster



Have you recently taken out a NILS or StepUP loan?

Do you want to help make a difference?

Good Shepherd Youth & Family Service is doing research on affordable credit and savings programs.

The research will be used to improve programs and understand how they meet the community's needs.

We need your help to make that happen.

We are looking for people who have taken out NILS® or StepUP loan or an AddsUP savings program in the last month to take part.

If you are interested, please contact your Loan Worker.

Further information: Contact Tanya Corrie at Good Shepherd Youth & Family Service on 03 9418 3000 or email t.corrie@goodshepvic.org.au.

Your confidentiality is assured at all times.

You will receive a small amount of compensation for the time taken to participate.



Appendix 4 – Information for Agencies

Good Shepherd Youth and Family Service
Social Policy Research Unit
21 Budd Street
Collingwood, Victoria, 3066
Ph: 03 9418 3012
Email: t.corrie@goodshepvic.org.au

Dear,

Good Shepherd Youth and Family Service are currently conducting research into the impact access to Microfinance-including NILS®, StepUP and AddsUP has on families.

Please find enclosed:

- 2 x Information Sheet for Agencies-This provides agencies with an overview of the research project and what assistance is required
- 10 x Information for Participants and consent forms-This provides information for participants who wish to take part, and the consent form to provide information that needs to be completed prior to the interviews taking place
- 1 x poster to be placed in your office (if you wish) to inform potential participants of the research and enable them to nominate themselves

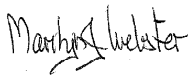
We are seeking your assistance with the identification of potential participants. It would be great if you could identify 6-8 people that you feel would be best placed to take part. This can be those who have been approved within the last two weeks, or who are approved up until the end of September.

Once they have been identified, we would need you program for Good Shepherd Youth and Family Service to contact them to arrange time to meet. The research is being conducted by Tanya Corrie of the Social Policy Research Unit.

Information regarding what assistance is required is contained in the information sheet.

It would be greatly appreciated if nominations could be sent through to Tanya by the **1st October 2010**. If you have any questions at all regarding the research, please feel free to call Tanya on 03 9418 3012 or email: t.corrie@goodshepvic.org.au.

Regards,



Marilyn Webster
Manager-Social Policy Research

Appendix 5 – Interview Schedule

Consent

Background questions

1. What program did you use?

☐ NILS ☐ StepUP ☐ AddsUP

2. What is your main source of income?

☐ Age Pension ☐ Veterans Affairs ☐ Salary/Wage
☐ Carers Payment ☐ Newstart ☐ Parenting Payment-single
☐ Self-employed ☐ Disability Support ☐ Parenting Payment-couple
☐ Other _____

3. How much do you get every fortnight?

4. Who else lives with you?

☐ Single, no children ☐ Single parent with dependant(s)
☐ Couple, no children ☐ Couple with dependant(s)
☐ Group ☐ Extended family
☐ Other _____

5. Can you tell me more about that?

And what sort of housing is it?

Impact of loan

6. What was the purpose of the loan?

7. Before you got (NILS, StepUP), had you gone anywhere else for a loan?

☐ No Any reasons why?

☐ Yes a) Where did you apply?

☐	Family/Friend
☐	Centrelink advanced payment
☐	From a bank
☐	Credit Union/co-op
☐	Credit Card
☐	From a store
☐	Finance Company
☐	Finance Broker
☐	Pawnbroker
☐	Payday Lender
☐	Other

- b) How was the experience?
- c) Why do you think you went there?
- d) If you were approved and didn't proceed, how come?

8. How were you managing without the <good, what the loan was used to purchase> before you got the loan?

9. What If you hadn't been able to access the loan to <buy the good, service etc> what would you have done?

10. How do you think (not having item etc) affected you/your family?

11. What difference do you think (having the item) has had on you/your family/partner etc?

Financial Inclusion/Financial Capability

12. Do you think the loan or savings program has been helpful for you in:

Area	Less Conf	No change	More Conf
a) Keeping track of in and outs with money			
b) Where to go for help with money questions?			
c) To have and achieve goals with money, like saving for something for something special etc. <i>Explore financial goals</i>			
d) Plan for any large expenses (like car rego, school fees, medical equipment, whatever is relevant)? <i>Explore what large expenses come up</i>			
e) Understand and resist the pressures to spend or borrow? <i>Explore pressures are and these pressures come from</i>			

13. If you ever have to deal with banks or credit unions and things, whether it is opening accounts or applying for credit, or asking questions, how confident do you feel doing that? Do you feel able to choose options that are right for you? Why or why not?

Where is your nearest bank branch?

- b) How do you access the information about your account (ATM, Internet, bank statements, phone banking, at the branch)?
- c) Do you have any accounts outside your everyday accounts? What about credit cards or loans?
- b) How did you find out about them and what made you choose those one in particular?
- c) What sort of information or advice did you get to make that decision?
- d) How did you find the process? Did you feel you were given enough information or help to make a decision?

14. Question about insurance?

15. Who makes most of the financial decisions in the home or where do you get help from when you have make decisions?

- How are the decision made?
- b) Do you feel confident making them?
- c) Can you think of anything that would make it easier?

16. If you or your family were under some pressure, whether it was with money or anything else-can you think of where you would go to get help if you needed it? Have you ever needed to?

- a) Can you think of any people you would ask?
- b) Can you think of any places you would go?

Material Wellbeing

17. How do you manage on your payments or income? What sort of things do you do to make ends meet?

- What sorts of choices do you have to make (financially)? For example if you have a few things due that you need to pay (bills or something), how do you decide which goes first?
- What things effect those choices? Eg: Enjoyment, pressure from others
- What does it mean for you and your family (going without, missing out)? *For example: running out of money and not being able to buy petrol*
- If there has been a time when you have run out, what did you do? What would you do if you did run out?
- If there is money left at the end of the fortnight, what would you normally do with it?

18. Has the loan or savings program been helpful, in and do you feel more confident in:

Area	Less	No change	More
Helping build up the things in the home OR manage better to do that?			
b) helping buy more of the things you need			
c) Buying more of the things you want?			
d) Being able to do more socially?			
e) Feeling more able in other areas of your life?			

Social and Economic Participation

19. Lets talk about the work you do either paid or unpaid; or what the process is like trying to look for work. I'm trying to get an idea of all the bits and pieces and how you manage it all.

a) *Where there is a care giving role, both children and adults-* Can you talk to me about what it is like and how that influences the sort of decisions you make? What about with money?

b) *Where there is a requirement to look for work-*Are you currently looking for work? How have you found looking for work with the other things that you need to do? What impact is it having on other areas of your life? *(Try to talk about the costs and the impact of money on the ability to do these things)*

c) If in work-describe how you manage that along with other things? *(Again, try to talk about the costs and the impact of money on the ability to do these things)*

20. What other things do you do with your day?

21. What would you say are your main sources of stress or pressure and how does money impact on that, what effect does this have on you/family?

22. What would you say causes stress for the other people in your family (where relevant)?

23. So what do you do to unwind from that, what do you do for fun?

a) Are you a member of any clubs, take part in any cultural groups, community activities, part of a social group, support group?

b) Do you often go to see friends/have friends come to see you?

c) Any other activities?

23. What about your kids/partner/family (where relevant, same question).

24. Can you think of anything that you would like to do more of/your family would like to do more of?

25. How do find balancing all of these priorities?

26. I am going to read out a few statements about money, and would like to know which one you agree with most in your current situation:

- There is not enough to get by
- There is just enough to get by
- Enough to get by plus a few extras
- Much more than I need

27. Has there been any shift in this lately, or has it been like this for some time? *If yes*- what do you think were the reasons for this to happen?

27. If someone gave you \$2,000 that you did not have to pay back, what would you do with it?

28. Keeping track exercise

Notes: try to explore what the best option is, such as:

- *Keeping a written form with income and expenses*
- *Calling in during the week and talking though it*
- *Having a folder and keeping receipts*
- *Speaking into a recorder, verbally keeping track*
- *Other ways the respondents keep track*

29. So with the loan/savings program, would you say that it has made any real difference to you day to day, and longer term?

If Yes: How?

If No: Why and how could we improve it?

30. Is there anything else you want to tell me?

Appendix 6 – Keeping Track Exercise

	\$		\$
Income-Fortnightly		Transport	
Wages		Car Loan	
Centrelink		Petrol	
Family Tax A		Registration	
Family Tax B		Repairs	
Rent Assistance		Fines	
Board		Car Insurance	
Child Support		Public Transport	
Other (Please list)		Other (Please Specify)	
		...	
		...	
Expenses (Fortnightly)		Food	
Accommodation		Supermarket	
Rent		Takeaway	
Board		Other (Please Specify)	
Mortgage			
Rates			
Insurance		Medical	
Other (Please Specify)		Doctor	
...		Chemist	
...		Medicine	
Loans		Vitamins	
Appliance Rental		Equipment	
Personal Loan		Dentist	
Credit Cards		Other (Please Specify)	
Lay By			
Centrelink		Other	
Payday Lender		Other (Please Specify)	
Other (Please Specify)		Other (Please Specify)	
...			
...		Bills	
Education		Electricity	
School Fees		Gas	
Uniforms		Water	
Bags		Home Phone	
Excursions		Mobile	
Sport		Pay TV	
Stationary		Internet	
Books		Other (Please Specify)	
Other (Please Specify)		...	
...			

Appendix 7 – Follow Up Questions

Financial Inclusion

If still paying off loan-

1. How are you going paying off the loan?

All others:

2. Have you given any thought to what you might want to do in the future?

3. If you needed to borrow money now for a new item, would you approach? Would you feel confident approaching your bank?

4. Has anything happened since we last spoke that you needed to speak with your bank about? How did you go?

5. If people identified they did not have insurance last time, try to explore more about the why?

- What do you think is the main reason you have not got contents insurance?
- Can you think of anything that may help with that?

Social Participation

6. Check for change in barriers identified earlier

7. Explore the aspirations they identified at the last meeting and check how they are going

8. What do you think would help with (aspirations/Social Participation) or what has helped with (aspirations/social participation)?

9. When was the last time you were able to get out and enjoy yourself/do something socially?

10. How often are you able to do that?

11. With children-what about the kids? Have you had a chance to get out as a family?

12. What do you think might help/has helped? What are the barriers to these?

Economic Participation

13. Where working/volunteering-Are you still working/running own business/earning extra money?

14. How is it going? Do you think accessing the loan/savings helped?

15. Where looking for work-Have you been able to find work? If so, what kind? How did you find out about it and was there anything that was particularly helpful in making that happen?

16. Where carer-how are things going with the kids? What has been happening?

Material Wellbeing

Explore deprivation indicators and check those ones that pertain to material wellbeing that was missed out on.

17. Last time I asked if you thought you would be able to raise \$500/\$2000 if there was an emergency, and you said you couldn't. Has anything changed since then? If now able-what has helped you do that?

18. Last time we spoke, you mentioned you would like a new Have you made any new purchases since we spoke last? If yes-What helped, how did you pay for that?

19. Have you moved since we last spoke, or are you still in the same spot?

20. What is your current housing like? Is there anything that you wish you had that you don't? If yes-why is that?



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