TE PUNI KŌKIRI
Microfinance Research Summary

Te Puni Kōkiri
MINISTRY OF MĀORI DEVELOPMENT

KO NGĀ KŌRERO O MUA | BACKGROUND

In December 2017, Te Puni Kōkiri commissioned Wai Research, through Te Pou Matakana, to conduct research on whānau needs for microfinance products and services. This research was intended to support the development of new approaches to alleviating hardship and financial exclusion in Māori communities.

The final report draws conclusions from data which has been collected through a series of one-on-one interviews with whānau, as well as reviewing international microfinance literature. While the interviews were targeted to ascertain whānau financial situations, many of the issues discussed by whānau during the interviews provide a wealth of information on other topics and policy areas currently being examined by the Government.

The report provides Te Puni Kōkiri with better insights into the needs of whānau, and details a number of different microfinance initiatives that could be considered in the future to address these needs.

Te Puni Kōkiri, Te Pou Matakana and Wai Research agreed that the research insights should be published to ensure that all concerned stakeholders can access and utilise the research findings. We hope this publication will build the public understanding of the social and economic issues that many whānau in Aotearoa face, and support the development of policies to address these issues.

NGĀ HUA O TE RANGAHAU | RESEARCH CONCLUSIONS

Key conclusions from the research include:

- Widespread poverty amongst Māori, with many having difficulty meeting basic economic needs
- Lack of adequate or affordable housing
- Whānau suffering financial stress as a result of direct deductions from Work and Income benefits
- Women (especially sole parents) and children are disproportionately affected by poverty
- Many whānau are significantly indebted to Government departments, finance companies, high-cost lenders and clothing trucks
- A majority of whānau do not know of, or utilise, microfinance products and services, even though 75% of them identified that these could be useful.

RANGAHAU MATUA | PRIMARY RESEARCH

Māori are disproportionately represented in negative socio-economic statistics. For many Māori households, issues arising from low or unpredictable incomes are exacerbated by exclusion from mainstream banking services. This has the effect of increasing whānau vulnerability to second and third tier lending services, who offer loans with minimal credit checks and high interest rates. The result for many whānau is a cycle of unmanageable debt.

While improving financial inclusion through the development of accessible financial products has been explored within the international context, and is emerging in Aotearoa in the form of accessible micro-lending and debt alleviation schemes, there is little evidence as to their reach and effectiveness. Furthermore, although microfinance and debt consolidation tools are in various locations around the country, little is known as to the usefulness of these tools for whānau. The research examined the potential utility of these tools by compiling and analysing primary interview data and secondary literature.

Primary research consisted of intensive interviews with whānau and Whānau Ora navigators throughout Te Ika-a-Māui, and consultation with Aotearoa-based microfinance experts. The issues highlighted by whānau were wide-ranging, and included housing, health, corrections/incarceration, vulnerable children, benefits, and the cost of utilities. This data is of significant value to public and private stakeholders working in these areas.

RANGAHAU TUARUA | SECONDARY RESEARCH

Secondary research consisted of a review of national and international literature concerning microfinance theory and application, as well as indigenous examples of microfinance initiatives. This review also explored the existing initiatives within Aotearoa, and the issue of financial exclusion for Māori whānau.

The secondary research complements the primary research findings, but goes further to suggest that microfinance products and services are effective in moving whānau towards financial inclusion and improving social outcomes. However, the research notes that microfinance is not an all-encompassing solution, and cannot alleviate hardship or financial exclusion caused by unemployment or low income.

The research also indicates that increased availability of wrap-around services, such as financial mentoring and budgeting advice, are essential in improving whānau financial inclusion and capability.

WHAKAMUTUNGA | CONCLUSION

Te Puni Kōkiri supports the research methodology and findings.

MICROFINANCE REPORT

Section One: The Data

How to Read This Report

This report is the culmination of a research inquiry into microfinance in the Whānau Ora space, coupled with the immediate design of a microfinance pilot framework that draws directly on the research findings.

Therefore, the report has been split into two sections: the first section outlines both the secondary data review, and the primary data findings, and ends with linking the main research themes to some overarching recommendations for the microfinance pilot framework.

Section two of the report outlines the pilot framework, detailing theory, components and activities of the model, and provides guidelines for implementation of a pilot phase.

Contents

Methodology

This six-month project was designed to answer the following questions:

- What is the theory of microfinance and what practical applications have been used internationally to work towards alleviating financial hardship?
- What are the current provision of microfinance and debt management tools within New Zealand, and how accessible and relevant are they to Māori whānau?
- What are Māori whānau needs in regards to financial support options?
- What kind of framework, guided by which kind of principles, would be able to be implemented within the Whānau Ora provider network to address those financial needs?

The research design for this project incorporated three distinct approaches, which centered around firstly a secondary data review phase, followed by a primary data gathering phase, and finally, a pilot design phase.

To further inform and guide the shape of the methodology and the development of the research, a project advisory group - made up of a number of diverse specialists within the field of Māori economics, financial innovation, Whānau Ora service delivery, epidemiology and statistics, and service design - was engaged to inform and review aspects of the project. The advisory group convened for four separate meetings to discuss the findings from the research as they emerged, and were also instrumental in feeding into the co-design process, and the final peer review of the pilot model.

Alongside the emphasis on professional engagement, the project methodology has been shaped by kaupapa Māori principles of research, in particular, Ngā Taumata ō Rangahau for Wai Research, which stipulates the following guidelines:

- **Tikanga Matatini**: The undertaking of research which reflects and supports the cultural realities of Māori communities. Māori custom and processes will be incorporated within the design of research methods, and will match the diverse cultural experiences and needs of Māori.
- **Whakamana te Tangata**: Respect and support of research participants and the information they provide. Acknowledgement of their contribution and efforts.
- **Whakapakari Rangahau**: Incorporating Māori research capacity and capability by supporting emerging researchers, and effective collaboration.
- **Tohatoha Mātauranga**: Active dissemination of research outcomes to ensure translatability of findings into better services.

Phase 1: Secondary Data Review

The secondary data gathering phase centred on microfinance research, initiatives and evaluations in Australia and New Zealand. Financial exclusion and inclusion have also been considered as necessary context for any microfinance initiative as well as financial literacy/knowledge as necessary components of financial capability. Māori specific studies and statistics have been included where available.

Databases were accessed, and included: Econ lit/Academic Search Premier /Australia/NZ Reference Centre/Business Source Premier/Humanities International Complete Proquest/INNZ/NZI with Google Scholar.

Search terms included "microfinance/microloans/microlending in Australia or New Zealand", "Financial Inclusion/Exclusion" especially looking at "Māori/Indigenous" studies.

Further to this, gray literature, including reports from Government, banks and community organisations were sourced, alongside key evaluations of existing programmes.

Additional quantitative data was sourced from Statistic New Zealand and Ministry of Social Development published reports and websites.

Phase 2: Primary Data Gathering

The primary data gathering was designed to engage whānau and kaimahi from Te Pou Matakana's provider partners throughout the North Island[1], as well as engaging experts, specialists and other stakeholders within the field of microfinance.

Qualitative one-one one, semi structured interviews were held with 102 participants, who were recruited through the Te Pou Matakana provider partner network, and the microfinance network.

- 66 whānau were interviewed throughout the North Island, with a geographical spread from the upper North Island, as far south as Porirua and Lower Hutt, as far East as Gisborne and Hawkes Bay and as far West as Whanganui and New Plymouth, plus the central North Island. The interviews also targeted smaller, out of the way provider sites. The criteria for participation was that whānau had to be 18 years or older and Māori.
- 24 kaimahi were interviewed from providers throughout the North Island. The criteria for participation was that kaimahi had to be working with Māori whānau.
- 12 expert advisors were interviewed from the microfinance and financial field, including Ngā Tangata Microfinance, Good Shepherd New Zealand, Kiwibank, the Aotearoa Credit Unit, the Federation of Family Budgeting Services, the Building Financial Capabilities Commission, as well as two leading economist experts.

[1] List of Partners is Appendix 1

Analysis:

Interviews were recorded and transcribed, then thematically analysed by the research team. The interview findings were further triangulated with the other data sources, and then presented to the advisory group for review, thereby ensuring relevant and robust conclusions. Furthermore, the lead into phase 2, the Pilot design phase, saw further analysis of the research findings, as part of the process of co-designing the Pilot framework.

Phase 3: Pilot Design

The Pilot Design phase began with a co-design workshop, which bought together stakeholders from diverse sectors, including representatives from Te Pou Matakana, Te Puni Kōkiri, Ngā Tangata Microfinance, Good Shepherd New Zealand, Christians Against Poverty, Te Whānau O Waipareira, the project advisory group, as well as a whānau interview participant.

Findings from the co-design workshop functioned as a starting point to provide guidelines and assumptions for the pilot design phase, which was facilitated through a series of structural project sessions, during which the logic models, cohort definitions, change journeys, typology of whānau needs and pilot approach were confirmed.

Microfinance Advisory Group

An advisory group, consisting of key members including data and research experts, social innovation experts and financial experts, ran alongside the project from the outset. The advisory group provided feedback on the secondary and primary research processes and findings, participated in the co-design workshop, and provided the final peer review of the pilot framework, and the report as a whole.

AN OVERVIEW OF MICROFINANCE AND ISSUES OF FINANCIAL EXCLUSION IN NEW ZEALAND – A LITERATURE REVIEW

Introduction

"I believe it is the responsibility of any civilized society to ensure human dignity to all members and to offer each individual the best opportunity to reveal his or her creativity. Let us remember that poverty is not created by the poor but by the institutions and policies that we, the better off, have established. We can solve the problem not by means of the old concepts but by adopting radically new ones." (Yunus, 1999, p.119)

In a developed economy, the need to be financially included and have access to bank accounts, credit and other tools to build assets and security are essential. However, many people world-wide struggle to have access to mainstream products because of their individual circumstances such as credit history, income level, lack of permanent address or financial history. The regulatory nature of banking is also a barrier for entry to mainstream services, as banks are unable or unwilling to take risks especially in the wake of the Global Financial Crisis.

> *The role of the financial sector in society is unique; banks are inextricably linked to monetary policies and welfare entitlements. The World Bank believes that access to financial services is critical for reducing poverty and increasing prosperity.* (E*ccleton, 2016, p.33)*

The focus of this review is on microfinance initiatives, especially as they relate to New Zealand. It is acknowledged that to date little research is available on microfinance programmes in New Zealand (Dale, Feng, & Vaithianathan, 2012; Eccleton, 2016).

While the current development of microfinance initiatives firstly in Australia, and more recently New Zealand, have occurred in a developed, rather than developing economy, there is yet a substantial level of financial exclusion within the population.

Lessons can be learnt from indigenous initiatives and programmes targeting financially excluded groups in Australia, who may face similar barriers to financial inclusion as do many Māori whānau in New Zealand.

Corrie (2011) points out that while microfinance assists participation economically, socially and improves material well-being, it has "different impacts on different groups" (p. 115). This review therefore considers issues of financial exclusion and the characteristics of those who would be considered financially excluded in New Zealand, to assess if similar approaches could be used.

Microfinance History: The Grameen Bank

Perhaps the image which most comes to mind when considering microfinance is that of a group of village women weaving baskets or undertaking a small enterprise that they have been able to start because of a small (micro) loan. It is a transformational picture with women at the centre, using their skills and a loan to change their lives and those of their family (Yunus; Hulme as cited in Batts, 2012).

Microfinance has become one of the tools used worldwide to enable people to get on the ladder out of poverty and towards financial inclusion. Microfinance became prominent in the nineteen seventies, when economist Muhammad Yunus established an innovative model for group lending in Bangladesh that assisted those who had no access to credit with the funds to start small enterprises (Eccleton, 2016):

> *In 1976 I took a loan from the local bank and distributed the money to poverty-stricken individuals in Jobra. Without exception, the villagers paid back their loans. Confronted with this evidence, the bank still refused to grant them loans directly.* (Yunus, 1999, p.116)

From this small start, Yunus continued to offer loans to people (mostly women) who were considered not creditworthy. He continued from village to village, eventually establishing the Grameen (Village) Bank in 1983 when banks still refused to support the model despite its success. The model is a group lending one – although it has been expanded to include individuals (Dale et al., 2012) – with groups applying for loans directly with staff who go into villages:

> *From the outset, Grameen was built on principles that ran counter to the conventional wisdom of banking. We sought out the very poorest borrowers, and we required no collateral. […] Loan payments are made in weekly meetings consisting of six to eight groups, held in the villages where the members live. Grameen staff attend these meetings and often visit individual borrowers' homes to see how the business—whether it be raising goats or growing vegetables or hawking utensils—is faring.* (Yunus, 1999, p. 117)

Microfinance has gained prominence in that it has the potential of being sustainable, rather than charitable with loans being repaid and providing capital for the next lender or group of lenders. This cycle is seen as encouraging to borrowers to repay loans so that the next person in the group can have access to the capital, or in other words: "progressive lending" (Dale et al., 2012).

Studies note, however, that microfinance has a long history predating the Grameen Bank model. Finance to help alleviate poverty was a part of early societies including "the hui in China, the chit funds in India, the arisan in Indonesia or the paluwagan in the Philippines, to name but a few" (Seibel, 2005, p. ii). It is encouraging to note that some of these informal financing models, such as those developed in Europe, evolved to become established financial products and services:

> *Informal finance and self-help have been at the origin of microfinance in Europe. Realizing how informal finance evolved into a major part of the banking system and contributed to poverty alleviation and development may induce policymakers, donors and researchers to take a fresh look at indigenous and informal finance in the developing world* (Seibel, 2005, p.1).

Citing Irish Loan Funds and Morris Plan Banks, Batts (2012) concludes "microfinance can be regarded as the result of a long tradition of financial services existing for a social purpose" (p. 2).

The success of modern microfinance as developed by Yunus has seen it adopted widely and adapted in many different contexts, largely in the developing world: [2]

> *The general principles of the Grameen model have been widely adopted in countries such as India and Sri Lanka and has even extended across continents, now being adopted in countries in Africa such as Kenya, Malawi and Ghana. McDonnell has also analysed the Grameen model of microfinance to see if it would apply to the Australian Indigenous setting. Indian and Chinese microfinance models have focused on credit lending to the poor and emerged as a response to the lack of mainstream banks in the rural sector* (Leach & Sitaram; Shaw; Buckley; McDonnell; Tsai as cited in Cabraal, 2011).

From its inception as a tool to help people have a pathway out of poverty in developing nations, microfinance is continually being adapted into new contexts and is now seen as a potentially sustainable answer to financial exclusion in the developed world, such as the UK, Canada and Australia. While some offer enterprise loans as in the original model, others focus on loans for asset building and assisting people to access services to enable financial inclusion (Corrie, 2011; Eccleton, 2016):

> *The existence of microfinance schemes in Australia and New Zealand highlights the issue that in high income countries, the poorest of the poor are considered 'high risk' by mainstream lenders and are thus largely excluded from accessing credit. For Australia and New Zealand, it is the lack of access to safe, fair, affordable financial products and services that microfinance seeks to resolve, while the priority in the developing world is the unavailability of business credit.* (Dale et al., 2012, p. 309)

Microfinance has also been sought in indigenous communities in developed worlds where the benefits are considered wider than financial, such as increased self-esteem, leadership, skills and increased financial literacy (Mcdonnell, 1999): "Unlike the problems faced in trying to target the poorest of the poor in many Grameen Bank replication projects in developed countries, the target group for projects within indigenous communities is easily defined" (Mcdonnell, 1999, p. 9).

Transplanting microfinance into different contexts is not always successful. The economic, social and political context of a country needs to be considered in establishing a microfinance credit programme and training for those delivering the product is vital (Hulme; Hulme and Turner, as cited in Mcdonnell, 1999). Additionally, the importance of local cultures and contexts is seen as central to a programme's effectiveness (Batts, 2012):

> *Critically, in the shifting context and ever expanding commodification of microfinance there is a significant re-branding of the concept as a non-gender specific approach. That is from an essentially 'women's empowerment' strategy it is now more likely to be simply an 'economic empowerment' strategy for the disadvantaged* (Batts, 2012, p. vii).

[2] This expansion and its implications across the developing world are not considered in-depth in this review.

Definitions of Microfinance

The concept of microfinance has evolved from small loans for business enterprises as implemented by Yunus to being thought of as a set of financial products to assist people who are financially excluded and who would otherwise not have access to mainstream products because of their circumstances. These products include low or no interest loans, insurance and other financial services.

Definitions of microfinance therefore have evolved to suit new contexts:

> *Microfinance is a set of tools, approaches and strategies addressing the needs of people who are financially excluded. Microfinance offers low-income people access to basic financial services such as small loans, savings, insurance, bill-payment and money-transfer facilities, superannuation and financial advice. Microfinance seeks to provide fair, safe and ethical financial services for people who, because of their circumstances, are not able to access mainstream financial services. Its purpose is to alleviate and eliminate poverty. Therefore exploitative, predatory or unfair lenders are not included in the definition.* (Burkett & Sheehan, 2009, p. 2)

Rather than just being about credit, the definition of microfinance incorporates a range of tools and approaches:

Table 1: Microfinance Products

Microcredit	The provision of no or low-interest loans
Microsavings	Incentives for people to save or the provision of savings account or savings facilities
Microinsurance	Providing insurance to help protect in cases of unexpected emergencies and asset damage or loss
Microenterprise	The provision of business training, finances or both, to help people or groups of people to establish their own small businesses
Remittances	Money that people in foreign countries send back to their home country or families in their home country to help provide for their day-to-day living or community development
Financial education and capability	Programmes that provide financial education and training

Source: (Cabraal, 2011, p.43, 44)

Other terms have also come into usage: “Community Development Finance” is a term used to encompass microfinance, but can be broader and include social housing and a focus on the community rather than the individual. (Burkett & Sheehan, as cited in Cabraal, 2011)

The Development of Microfinance in Australia and New Zealand – An Innovative Approach to Poverty

Australia

The start of microfinance in Australia happened almost concurrently with Yunus' work in Bangladesh and the development of the Grameen Bank, with the introduction of interest-free loans by the Good Shepherd Sisters in 1981 to assist women in violent domestic situations (Dale et al., 2012):

> *The no interest loan scheme (NILS) was implemented by the Sisters to provide these women with safe, fair and affordable loans. Today, the NILS network encompasses 400 community-based programmes across Australia, with close to 11,000 active loans to the value of AUS$8.75 million* (Good Shepherd Youth and Family Services as cited in Dale et al., 2012, p. 306).

While the scale is not comparable to the Yunus Grameen Bank model, the impact was shown to be significant for the participants:

> *A small study carried out on the impact of NILS found that the loans offer real solutions to essential needs; help people experiencing distress and hardship to feel better; and help improve people's daily lives. Perhaps more importantly, they also found that the NILS loan experience helped strengthen money management skills; and helped people to feel more positive about the future. This suggests that the role played by microfinance in developed countries could be as vital as its role in the developing countries* (Ayres-Wearne & Palafox, as cited in Dale et al., 2012, p. 306).

In Australia, today, Good Shepherd Microfinance is Australia's largest microfinance provider reaching 230,357 clients since 1981 (Good Shepherd Microfinance, 2017).

Table 2: Good Shepherd Australia 2016-17

Nils (No Interest Loans Scheme)	Fair, safe and affordable loans to people on low incomes for essential goods and services, e.g. white goods, car repairs, furniture, educational and medical expenses	- 25,000 NILS loans valued at $22 million - 57,544 people, including children and partners impacted - 68% clients were women - 66% aged between 25 – 54 years - 24% Aboriginal or Torres Strait Islander

StepUP Loan	Low interest loans up to $3,000 to people on low incomes. StepUP is an initiative of Good Shepherd Microfinance and NAB, with support from the Department of Social Services (DSS). It operates in partnership with 22 community partners in 32 locations across Australia.	- $6.7 million in 2,319 loans - 78% used for cars or car repairs - 59% women - Most clients receiving a benefit
Good Money	Good Money stores provide a retail store experience dedicated to financial services for people on low incomes. A partnership with NAB and State Governments that offer, along with products like NILS and StepUP, referrals to other services such as financial counselling and affordable contents and car insurance	- 8,653 financial conversations. - The stores wrote a total of 1,485 NILS loans, valued at $1.4 million, and 448 StepUP loans, valued at $1.3 million. - 57% female and 43% male.
Good2GoNow	Good2GoNow is a partnership between Good Shepherd Microfinance and The Good Guys, providing low prices on a range of good quality essential household items	- 7,000 products valued at $3.2 million - Saving $787,000 (av of 20%) off the ticket price
Good Insurance	Good Insurance works with industry to offer insurance policies that are affordable, appropriate and have flexible payment options tailored to the needs of people on low incomes.	- 1000 policies - 80% for cars
LaunchME	A new microenterprise development programme being piloted	- Services such as one to one coaching, mentoring - Support for building networks

		- Skills training and development - Business planning - Access to No Interest Loan up to $5000
Adds UP Savings Plan	Matched savings plan for those who have repaid a NILS or StepUP loan up to $500	- 2879 people benefitted since 2009 - Due to be redesigned and relaunched in 2018
FIAP – Financial Inclusion Plan	This program is a world-first collaboration, bringing together key actors from across private, public, and social sectors to implement Action Plans that will realise greater financial inclusion and resilience through collective impact.	A FIAP is an agreed strategy of practical actions that an organisation will undertake to improve financial inclusion in Australia. With guidance from Good Shepherd Microfinance, individual organisations develop their FIAP with actions designed to strengthen financial resilience for large numbers of people. These commitments are reviewed and outcomes are evaluated independently.

(Good Shepherd Microfinance, 2017)

Burkett & Sheehan (2009) mapped the scale of some Australian Microfinance products:

- NILS: 4000 loans per year through 280 community organisations across Australia
- Progress Loans: 300 loans per year in Victoria
- SaverPlus: 1500 participants in 20 locations across Australia
- Fitzroy and Carlton Community Credit Cooperative: 5000 members and 1,000 loans per year in specific areas of Melbourne[3]

SaverPlus is a matched savings and education programme that continues to be offered by The Brotherhood of St Laurence across Australia in partnership with the ANZ and delivered through local community organisations:

> *Saver Plus assists individuals and families on lower incomes to build assets and improve financial capability, and has supported thousands of lower income earners to develop a lasting savings habit.*

[3] This Co-operative merged in 2013 https://www.heraldsun.com.au/leader/inner-east/banking-to-remain-solid-for-disadvantaged-after-credit-coop-merger/news-story/72f97c362c97e37dbbc5765c6c54bc18

Saver Plus offers:

- up to $500 in matched savings for education costs
- fun, free and informal financial education workshops
- assistance and support from a Saver Plus coordinator to establish a savings goal and develop a savings habit.

Participants make regular deposits towards a savings goal over a 10-month period and attend workshops to build their financial management skills. When participants reach their savings goal, ANZ matches the amount – up to $500 – towards education costs including uniforms, text books, laptops, sports equipment, music tuition, TAFE or apprenticeship costs, and much more" (Saver Plus, n.d., para 1-4).

New Zealand

In New Zealand microfinance has been introduced specifically as a tool to assist people who would not otherwise have access to low or no interest credit. New Zealand is unusual in that while there is a high rate of banking there are no caps on interest rates which has led to unscrupulous lending to those in need:

> *[...] in the event of a crisis, many families who are unable to access high-street credit turn to these loan sharks, then struggle to meet the cost of necessities such as food, rent, and power*(Dale, O'Brien, & St John as cited in Dale et al., 2012, p. 309).

Ngā Tangata Microfinance Trust

The three establishing organisations of Ngā Tangata Microfinance Trust are the Child Poverty Action Group, the New Zealand Council of Christian Social Services and the New Zealand Federation of Family Budgeting Services (NZFFBS). The loan capital is provided by Kiwibank and operational funding is primarily from the JR McKenzie Trust.

It was established in 2010 with a vision to alleviate poverty by building a more just and equitable society through promoting the economic and social wellbeing of all those living in Aotearoa New Zealand. Its contribution towards the achievement of this is by advocating for and assisting in the provision of safe fair and affordable finance options that strengthen financial independence and inclusion.

Ngā Tangata Microfinance loans have been available in Auckland for over seven years. With increased staffing in 2015 it has expanded their availability to areas throughout the country (now wider Auckland, Northland, Waikato, Bay of Plenty, Gisborne, Manawatu, Levin, Taranaki, Dunedin).

Ngā Tangata Microfinance Ltd provides two loan products which are offered at no interest or fees and are safe, fair and affordable. The first NILS©, (with a limit of $1,500, max $2,000) is to assist with family asset building and well-being or essential items or services. This is interpreted broadly – including items such as whiteware, furniture, beds, fence mending, hearing assessment and mobile phones, amongst others. The second loan product (DRLS) is for relief from high interest debt, including debt consolidation (with a limit of $2,500, max $3,000).

Qualifying conditions for all loan applicants include a Community Services card or a low income and the willingness and capacity to repay the loan within two years. Ngā Tangata Microfinance values the relationship that clients have with a financial mentor/budgeting advisor, with financial education and capability occurring alongside loans being important. Part of its kaupapa is to facilitate clients successfully paying off their loans and being supported in the long term towards improved financial capability and independence (R. Choy, personal communication, 4.6.18).

Good Shepherd New Zealand

The Good Shepherd organisation expanded its microfinance operations from Australia into the New Zealand environment setting up a New Zealand trust in 2012. In 2014 a Community Finance Initiative was piloted and introduced NILS (No interest Loan Scheme) and larger StepUP low interest loans.

The pilot was a partnership with the Ministry of Social Development which covered the operating costs and the Bank of New Zealand (BNZ) which provided loan capital. The Salvation Army provided the 'shop front' for the loans in the community: "Good Shepherd New Zealand provides the link to Good Shepherd Microfinance in Australia, and provides operational facilities and support such as policy development and loan management systems" (Eccleton, 2016).

Eccleton (2016) considers policy and other conditions such as the problem of child poverty which led to the development of a microfinance model supported by government in New Zealand through "multiple streams" theory and concludes that "Microfinance represented a quick hit for problem debt – a strong, cost effective policy, with few opponents." (p. 95)

The Bank of New Zealand (BNZ) have committed $60 million loan capital to deliver microfinance through the Community Finance Initiative to people on low incomes:

> *BNZ's Community Finance programme began in 2014, operating from The Salvation Army Community Ministries sites in Manukau and Henderson. In the 2016 New Zealand Budget, the New Zealand Government awarded Community Finance $4.2 million of operating funding over four years. The additional funding has allowed more Community Finance loan workers to be trained and the programme to be expanded.*
>
> *As at September 2017, we estimate that the $1.5million of lending to date has saved Community Finance customers more than $835,000 when compared with borrowing the same amount through alternative lenders* (Community Finance - BNZ, n.d.).

Microfinance continues the original mission of the Good Sisters in bringing relief to those in poverty:

1. *The loans themselves contribute to improved financial resilience and inclusion, and ultimately better social and economic outcomes.*
2. *A strong focus on engaging the community in financial conversations at all points in the loan process. These financial conversations, with or without an accompanying loan, have been shown to contribute to the development of financial capability* (Microfinance, 2017).

Other Microfinance Initiatives

Microfinance providers have been operating on a small scale in New Zealand, such as Newtown Ethical Lending, to assist their local community with funds provided through donations or other grants. Assistance to women is also a feature of microfinance through Angel Funds which offer small loans usually around small enterprise start-ups and the Māori Women's Welfare League which has operated microfinance for 17 years (Dale, 2008).

Table 3: New Zealand Models of Microfinance

Agape Budgeting Service	No-interest loans ($3-5000) for people who it would assist in budgeting. Sometimes for small business start-up. (Microfinance, 2017)
Angel Fund Wāhine Pūtea	Run by Women in Enterprise. It makes small (typically up to $500) loans with no interest to women on low incomes: • Loans to support training and further education • Loans for small enterprise start ups • Savings scheme (“What We Offer – Angel Fund – Wāhine Pūtea,” n.d.) In 2014-15: • 39 loans paid out • 65% for small business • 30% education • 50% Māori/Pasifika Christchurch clients
AVIVA	Canterbury based family violence agency Partnership with Good Shepherd NZ, Kiwibank and Ministry of Social Development.

<table>
<tr><td></td><td>Provide NILs and Start UP Loans
Up to $2000 NILS loan for household items or services
StepUP $1000-5000 loan, low 6.99% interest
For assets, education, health or vehicle costs (“StepUp Loans,” n.d.)</td></tr>
<tr><td>Māori Women’s Development Inc.</td><td>Provides loans to Māori women and their whānau to enable and assist them to enter into and commence business and/or to expand and restructure their existing businesses.
Establish, maintain and conduct a society for the promotion, advancement and encouragement of Māori women and whānau into business throughout NZ.
Provides developmental training programs for Māori women and their whānau to empower and enable them towards economic and financial independence
Empower Māori business women and their whānau through sharing information and knowledge
Assist, support and foster the development of business ideas, opportunities and up-skilling amongst Māori women and their whānau
Encourage and support Māori women and their whānau into general wealth through business development.
(“He Kaupapa o Māori Women’s Development Incorporation - Māori Womens Development Inc,” 2018)</td></tr>
<tr><td>Just Dollars Trust Christchurch</td><td>Provides small loans (up to $10,000) to help people generate income and employment
Need to be declined by bank and have a business plan/forecast
Since 1992 over $1.2 million has been lent for everything, from set-up costs to tools and leases. (Just Dollar$, 2018)</td></tr>
<tr><td>Nelson Women’s Loan Fund</td><td>Loans ranging from $200 up to $1500, which is the maximum women can borrow.
Some women are repeat borrowers.
The loans are interest free.
Women are encouraged to pay loans off within 18 months - this doesn't always happen and some take much longer.</td></tr>
</table>

	• Between 18 and 30 women borrowing money at any one time. At the moment it is closer to the 18 end. • Typically, $9000-$10000 is being lent out at any point in time. • The loans are used for study, training or for help setting up a small business - often for equipment like a sewing machine, or laptop. (Personal correspondence, 17.4.18)
Newtown Ethical Lending	A registered charitable trust that has been offering interest-free loans to the Wellington community since 2012. Partner with budgeting services, Salvation Army and other local charities. • Interest-free loans to maximum $6000, interest-free, with no admin fees • Client engages with budgeting service for min 6 weeks • For essential goods and services such as car repairs, medical expenses and household items, sometimes existing debt that is unmanageable (Newtown Ethical Lending Trust, n.d.)
Ngā Tangata Microfinance	• Works with Budgeting Services • - Loan capital from Kiwibank • **N**ILS loans up to $2000, no interest or fees for asset building, essential items or services • DRS (Debt Relief Loan Scheme) loans up to $3000, no interest or fees for relief from high interest debt
The Good Shepherd	GSNZ's role is to provide the loan products, manage the network of community providers, and provide training and support to ensure the schemes operate well. We work closely with GSM to ensure the quality of the products and their delivery through our network of community providers. Currently offering NILS and StepUP products Works through partnerships to promote and deliver microfinance in New Zealand **Partners:** ***Aviva*** – Christchurch

	Salvation Army – throughout the North Island and Invercargill **Vaka Tautua** – have employed three Community Finance workers who will deliver NILS and StepUP in Manukau, Henderson and Porirua/Wellington **Ngā Tangata** (see above)
The Moray Foundation Trust	The Moray Foundation is an independent registered charitable trust, established in 1993 by Presbyterian Support Otago. Its aim is to provide interest-free loans to people in Otago in order to help them avoid getting into unsustainable debt, and where necessary, to help them escape from it. • Over $1 million has been lent since 1993 • As at June 2016, 608 loans have been made, 565 loans have been fully repaid. ("Welcome," n.d.)
Women's Loan Funds NZ	Provide small loans of up to $1000 • No interest, low fees Available in: Thames/Coromandel Nelson Christchurch (see above) Timaru Dunedin **Auckland Women's Loan Fund** – wound up operation in 2017. The activity was too time intensive in the Auckland city with volunteers having to travel long distances for interviews. Referred clients to other services (e.g. Ngā Tangata). Had made successful loans with positive results. (phone interview, 7.6.18) **Thames Women's Loan Fund** Cap at $2500 per month, loans of $1000- 1500 for education, small business and debt restructuring. Have referrals from budgeting services. Have started to offer a study grant from new funds. (phone interview, 7.6.18) • Interest free loans repayable within one year • Loans are generally for: o Helping women into business venture

	○ Furthering their education or work training ○ A group project ○ Urgent help with personal matters ("About - Thames Women's Loan Fund Wahine PuteaA supportive network of women," n.d.)

(Microfinance, 2017)

Services Targeting Māori

Te Rūnanga o Ngāi Tahu – covering financial management to investor education, driven by the establishment of Whai Rawa, an incentivised savings programme:

> *Whai Rawa (http://whairawa.com/) offers matched savings – up to $200 annually – at a rate of 4:1 for members under 16, and 1:1 for members aged 16–65. A distribution of profit funds is also paid out at the end of the financial year. Newborn Ngāi Tahu pēpi registered with the scheme receive a one-off $100 boost. Funds can be withdrawn at the completion of a tertiary qualification to assist with student loans, to contribute to a first home loan, and after the age of 55 to support retirement* (Money Matters- 10 Years of Whai Rawa - Te Rūnanga o Ngāi Tahu, 2016).

Other programmes Include Tairākau – an online financial literacy digital resource offering information and tips on how to manage personal spending specifically designed for Māori (available online http://www.tairakau.co.nz/)

Māori Women's Development Inc. supports the economic development of Māori women and their whānau by offering loans at low rates to enter (or expand) into business, as well as mentoring and financial services.

Two programmes for rangatahi continue to run in 2018 and focus on business skills:

- MaiBiz – a three-day workshop for year 12-13 students focusing on financial literacy within a business
- Te Wero Pakihi (piloted in 2013) graduates of MaiBiz offered real world challenges of business (MaiBiz - Māori Womens Development Inc, n.d.)

He Papa Pūtea is a whānau financial capability toolkit (partnering with Massey University's Fin-Ed Centre, Te Puni Kōkiri and the Commission for Financial Capability). Trained facilitators run workshops within the community and with whānau in the home focusing on values and beliefs about money to:

- Develop individual and collective money management skills
- Explore how to create whānau wealth potential

He Papa Pūtea Pakihi – community workshops targeting entrepreneurs and businesses. (He Papa Pūtea & He Papa Pūtea Pakihi - Māori Womens Development Inc, n.d.)

Te Wānanga o Aoteroa offers a NZ Certificate **in Personal Financial Capability and Financial Services (Level 3) (He Papa Pūtea & He Papa Pūtea Pakihi - Māori Womens Development Inc, n.d.)**

(Te Māngai Penapena Pūtea - Partner Working Group, 2014)

Indigenous Australian Programmes

Wagland and Taylor (2015, p. 48) list programmes that specifically assist Indigenous Australians:

1. **Program Australian Securities and Investments Commission (ASIC**): ASIC manages the Money Smart website, and has a section targeted specifically at Aboriginal and Torres Strait Islander Australians.
2. **Centacare Wilcannia-Forbes:** Provides Manage Your Income program, which offers training in financial literacy specifically for Aboriginal communities.
3. **Education Partnerships (Schools) Pty Ltd:** Delivers Start Smart Enterprise, a financial literacy program for Australian schools and an initiative of the Commonwealth Bank Foundation
4. **Financial Counsellors' Association of NSW (FCAN):** Delivers a fully accredited culture-specific course for Aboriginal financial counsellors, through funding from FaHCSIA, Fair Trading NSW.
5. **Indigenous Consumer Assistance Network (ICAN):** provides consumer education, advocacy and financial counselling services to Aboriginal and Torres Strait Islander consumers across the nation.
6. **Torres Strait Regional Authority:** Community Training Program and a Community Development Employment Program
7. **Money Business:** ANZ and FaHCSIA to build the money management skills and confidence of Indigenous people.
8. **Indigenous Consumer Assistance Network (ICAN):** ICAN provides consumer education, advocacy and financial counselling services to Aboriginal and Torres Strait Islander consumers across the nation.
9. **Cape York Partnerships:** MPower is strongly focused on coaching and education, for the needs and aspirations of Aboriginal and Torres Strait Islander clients.
10. **Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA):** The Department's Financial Management Program aims to build financial resilience and wellbeing among Indigenous communities.
11. **Financial Counselling Australia (FCA):** As part of its Reconciliation Action Plan, FCA has committed to increasing the attendance of Indigenous financial counsellors and financial literacy workers at the FCA annual conference and for the last two years has hosted an Indigenous-focused day.
12. **First Nations Foundation (FNF):** An Indigenous not-for-profit organisation with a vision of financial inclusion for Indigenous Australians
13. **Traditional Credit Union (TCU):** TCU provides financial services and counselling to Indigenous people in the Northern Territory, in the communities of Wadeye and Milingimbi
14. **National Australia Bank (NAB):** Support a national network of Indigenous Money Mentors.
15. **MilbaDjunga:** an online interactive consumer and financial literacy resource piloted with Indigenous students at schools in Queensland, the Northern Territory and Western Australia in 2011.
16. **Matrix on Board:** launched MoneyMobTalkabout – a financial literacy education program for remote-dwelling Aboriginal people

Two of these programmes are deemed to have cultural considerations at the heart of the delivery of their financial literacy programmes (Torrie & Bailey, 2017):

The First Nations Foundation (FNF)

The First Nations Foundation (FNF) seeks economic freedom for First Australians through education, engagement between indigenous communities and financial services and leadership, in order to improve levels of exclusion and low financial literacy within a cultural framework (First Nations Foundation - About, n.d.).

The FNF programme “My Moola” aims to close the gap in financial literacy where 43.1% of Indigenous Australians are severely or fully socially excluded, compared with 17.2% national average. The programme includes topics such as history, is delivered by Indigenous trainers and is built around conversation in a culturally appropriate setting that “values family, relationships and resource sharing.” (First Nations Foundation - About, n.d.)

A 2014 evaluation found there were still core issues needing ongoing work, but that the programme had made “significant changes to the lives and financial competencies of the participants.” (Moodi, N. Roost, F and Doomer, E., as cited in Wagland & Taylor, 2015 p. 43)

The framework for the programme considered barriers that impacted on the success of financial literacy programmes:

- Structural; e.g. lack of banking services, exploitative market
- Economic; e.g. low income, high interest
- Education; e.g. poor literacy
- Cultural; e.g. family demands, lack of culturally appropriate services,
- Individual barriers; such as lack of confidence (Wagland & Taylor, 2015).

Cape York Partnerships

Cape York Partnerships programme MPower focuses on individual change in order to drive community change, and especially focuses on children. Through Opportunity Hubs (O-Hubs), people can access products such as MPower for financial literacy; Student Education Trust (SET) to assist parents to plan and save to support children’s education; and parenting support services (Wagland & Taylor, 2015).

Concepts and Context

Financial Exclusion and Inclusion

Microfinance is essentially a financial service and therefore it is helpful to look at the overall picture of why and how individuals and households may need such an initiative, especially in the developed world where access to financial services appears to be readily available to the majority of people.

Eccleton (2016) considers how microfinance reached the New Zealand policy agenda and the context of the Global Financial Crisis. One of the impacts of this crisis has been the growth of alternative financial and credit services as well as the "increased interest in the role of credit and banking services in society including the desire to measure financial inclusion" (Eccleton, 2016).

The World Bank (2018) considers that "financial inclusion is a key enabler to reducing poverty and enabling prosperity" and states:

- Financial inclusion is becoming a priority for policymakers, regulators and development agencies globally.
- Financial inclusion has been identified as an enabler for 7 of the 17 Sustainable Development Goals.
- The G20 committed to advance financial inclusion worldwide and reaffirmed its commitment to implement the G20 High-Level Principles for Digital Financial Inclusion.
- The World Bank Group considers financial inclusion a key enabler to reduce extreme poverty and boost shared prosperity, and has put forward an ambitious global goal to reach Universal Financial Access (UFA) by 2020.

(Financial Inclusion Overview, n.d.)

The OECD/INFE has agreed on the following definition of financial inclusion:

> *Financial inclusion refers to the process of promoting affordable, timely and adequate access to a wide range of regulated financial products and services and broadening their use by all segments of society through the implementation of tailored existing and innovative approaches including financial awareness and education with a view to promote financial well-being as well as economic and social inclusion*. (P. 11, Atkinson & Messy, 2013)

Table 4: Services/Products Necessary for Financial Inclusion

Services/Products	**Need**
Transaction account	The ability to manage day-to-day transactions and payments.
Credit	Credit is a financial tool that enables access to goods or services that are beyond the monthly budget such as vehicles and furniture. It can also play a significant role in smoothing expenditure and protecting against income shocks and financial stress.
Insurance	Provides a way for individuals to protect their assets and manage risk.

Source: (Connolly, 2014, p.8)

Financial exclusion goes beyond measures of income and looks at access and affordability of financial products which in a developed society are crucial to being able to partake or be financially included in that society, although “financial exclusion is very much linked to poverty with the poorest people in society experiencing the highest levels of financial exclusion.” (Burkett & Drew, 2008)

Financial exclusion is “complex and multidimensional” and depends on the context in which it is being evaluated (Burkett & Drew, 2008; Plant & Warth, 2012). The key aspects are access, affordability, and having products and services that are relevant to a person’s needs.

Burkett and Sheehan (2009) propose five dimensions when considering financial exclusion:

- **Availability**: whether the service needed exists near to an individual
- **Access:** whether factors such as credit record, disabilities or age prevent access to products or services
- **Awareness:** whether the products or services are marketed and known about
- **Appropriateness:** whether the products are appropriate to an individual’s needs or cultural background
- **Affordability:** whether the products are affordable for people on low incomes or in vulnerable circumstances

Traditionally financial exclusion has referred to those who do not have access to bank accounts – the “unbanked”. However, New Zealanders, like Australians, have a high level of access to bank accounts (Corrie, 2011), so traditional definitions of financial exclusion are not so relevant (Arun & Kamath, 2015; Burkett & Sheehan, 2009; Connolly, 2014):

> *Australia, with 99.1% of its adult population banked, ranks among the most financially included economies in the world, even in comparison to other high-income economies (average 89.4% banked). However, domestic research highlights that nearly 17% of Australian adults are under-banked, and lack access to the mainstream financial system.* (Connolly, as cited in Arun & Kamath, 2015, p. 282).

The following comprehensive definition reflects the complex nature of financial exclusion and highlights the need for measures to consider holistic services and wider structural change:

> *Financial exclusion is a process whereby a person, group or organisation lacks or is denied access to affordable, appropriate and fair financial products and services, with the result that their ability to participate fully in social and economic activities is reduced, financial hardship is increased, and poverty (measured by income, debt and assets) is exacerbated. Addressing financial exclusion is not merely about service provision; it also includes capacity building and structural change*. (Burkett & Sheehan, 2009)

Factors and Impact of Financial Exclusion

Research shows those most likely to be at risk of financially exclusion are people from Indigenous backgrounds, those in poverty, the young and the elderly, sole mothers with dependent children, the disabled, those on benefits and the "working poor" (Arun & Kamath, 2015).

Table 6: Factors Contributing to Financial Exclusion

Geographic isolation
Income levels
Age (18-24 and over 65)
Culture and language (recently arrived migrants)
Indigenous status
Lack of access to internet/IT technology
Education Levels
Disability
Unstable circumstances
Voluntary self-exclusion

Source: (Plant & Warth, 2012, p.22)

> *Long-term financial exclusion can be caused by factors such as financial illiteracy, learned dysfunctional credit or savings behaviour and intergenerational exclusion* (ANZ Bank, as cited in Singh, Myers, Mckeown, & Shelly, 2005, p.16).

Table 7: Causes of Financial Exclusion

Supply side	**Demand Side**
Regulatory Constraints – such as 'know your client' can exclude clients	**Personal circumstances**, e.g. low or irregular income
Availability of non-mainstream products and services such as payday lenders can impede access to mainstream services if customers face large repayments for example.	**Low levels of financial literacy** • Lack of awareness of suitable products • Low level of confidence/attitudes/behaviours that affect access • Lack of knowledge of costs • Lack of knowledge of consumer protections or insurance
Prohibitive market factors - requiring credit records, high fees, marketing to certain groups	**Reduced social and technological inclusion**: • Lack of knowledge of technology • Transient/migrant

Geographical/physical barriers – e.g. closure of local branches	**Cultural and psychological barriers**
Technology – dependent on mobile technology and access to computers	**Language/Education barriers**

Source: (Atkinson & Messy, 2013)

The consequences of financial exclusion for individuals include:

- susceptibility to predatory or fringe products
- difficulties in accumulation of assets and savings
- susceptibility to debt cycles, gaps in safety nets and debt caused by emergencies for which there are no saved funds, especially as people on low incomes do not tend to have adequate insurance (Burkett & Drew, 2008)

A 2008 report into financial inclusion in Australia highlighted issues most affecting those in poverty:

- Rising rents and house prices resulting in unprecedented levels of housing stress
- Record levels of debt, fuelled by an almost excessive availability of credit
- The rise of fringe lenders and unscrupulous and irresponsible lending practices
- Climate change and rising energy costs impacting those living on low and fixed incomes
- Poverty and disadvantage in Indigenous communities
  (Burkett & Drew, 2008)

Financial exclusion deepens disadvantage which escalates across individuals and families to communities (SVA 2009). Thus, communities where there are significant numbers of excluded individuals and families experience reduced capacity to make investments, build assets or improve lives, leading to a spiral of economic decline (Plant & Warth, 2012).

It is recognised that financial exclusion can have a lasting and negative effect on people's circumstances, excluding them from social activities, such as special events, increasing their reliance on payday lending, lessening their ability to save or accumulate assets, or buffer against financial shocks. It can exacerbate already fraught situations, and in some cases has been linked to issues such as family violence. (*Aviva NILS Pilot Evaluation Snapshot*, 2015; "Community Development Financial Institutions Pilot Evaluation," 2013):

> *For families of Māori or Pacific heritage there are certain expected contributions that can add further financial pressure, such as funerals, unveilings and birthdays; these can cause financial strain and further increase personal debt. While some participants have strategies for contributing, such as volunteering in the kitchen, the sense of shame and stigma at being unable to meet cultural obligations often results in people opting out of such events.* (Sheikh & Porter, 2011, p.5)

As Dale (2008, p. 2) points out "Adding to the risky environment of the daily lives of low-income and vulnerable families, the established banks and insurance companies are notably absent. For example, a UMR 'public awareness' survey in 2007 found nearly a third (29%) of all respondents was not insured."

Table 8: Frameworks of Financial Exclusion

Response Frameworks	Capacity and Capability Frameworks	Market Deficiency Frameworks	Rights-Based frameworks
Root causes of Financial Exclusion	People do not have the abilities, information, knowledge or skills necessary to access financial systems.	Financial institutions cannot bear the costs, risks or issues of providing services to people living in poverty.	Lack of appropriate legal, moral and policy instruments which could ensure that people's rights in relation to financial services are upheld.
Focus of responses to financial exclusion	It is necessary to understand and build the capacities and capabilities of people and institutions such that people can actively and equitably participate in the mainstream financial system.	If mainstream financial institutions such as banks will not engage with providing services to certain populations, then alternative ways need to be found to develop appropriate financial services for groups and people who have been excluded from these mainstream services.	Legislative and policy responses that ensure access to fair, appropriate and readily available financial services and products
Examples of responses to addressing financial exclusion	Responses such as financial literacy, financial capability and financial education may target those already accessing mainstream services	Alternative financial services delivery either through corporate-community partnerships and/or through specific services such as those offered by Community Development Finance Institutions (CDFIs).	Lobbying and advocacy: for example, for regulation to ensure that mainstream financial services offer basic and fair financial services to all members of society. Regulation limiting the practice of exploitative financial services such as fringe lending.

Source: (Burkett & Sheehan, 2009, p. 6)

Credit Exclusion

Credit exclusion is particularly relevant in "banked" societies such as Australia and New Zealand and can lead people to use fringe credit (Connolly, Georgouras, & Hems, 2012; Landvogt, 2008).

Two excluded groups are identified:

- People who cannot access credit because they cannot afford to service the debt;
- People who could afford the products but cannot gain access to them because of circumstances or issues such as credit ratings, "underserved".

(Plant & Warth, 2012)

In 2013 a review of programmes in Australia[4] by the Department of Families, Housing, Community Services and Indigenous Affairs found:

> *People on low incomes and those with poor credit history currently have very limited options if they require additional funds (Banks et al as cited in Plant & Warth, 2012, p.11). A CDFI [Community Development Financial Organisation] is just one avenue to address the issue of financial exclusion. It is not able to meet demand for very small loans, such as people who want $50 for a couple of weeks, or where income is inadequate for day to day expenses* (Plant & Warth, 2012, p.11).

Furthermore, research also voices concerns over the rise of fringe lenders, who target low income areas: "Fringe lenders target and thrive in minority communities. The consequences of borrowing from fringe lenders can be costly and can generate, or prolong, financial hardship for low-income consumers." (Signal, Lanumata, & Bowers, 2012, p. 108)

New Zealand does not have an upper limit on the cost of consumer credit. Interest rates from third tier lenders can and do legally exceed 500% annually. High interest consumer loans and excessive charges are a significant and growing problem, especially among low income families. Research on issues faced by families accessing Budgeting Services by the Families Commission in 2009 found that many families prioritised debt repayments over food. When there are young children in the family, this is of particular concern (Dale & Sbai, 2017, p. 8).

[4] The 5 pilot organisations were:

- Community Sector Banking ("In-roads")
- Fair Loans Foundation (Fair Loans)
- Foresters Community Finance (Fair Finance)
- Fitzroy & Carlton Community Credit Cooperative (Community Credit Foundation)
- Many Rivers Microfinance (Many Rivers) (Plant & Warth, 2012)

Table 5: Lending Options for People on low or fixed incomes

	Informal systems:	*Welfare Systems:*	*Fringe Systems:*	*Formal Systems:*
Example:	Borrowing from friends and family	Borrowing from NILS or Centrelink	Borrowing from Pay Day Lenders	Borrowing from Banks
Strengths:	Accessible, often no-cost options, particularly good in an emergency.	Fair, flexible options for people who cannot access mainstream.	Accessible, fast option for people unable to lend small amounts from mainstream (ie. under $5000).	Regulated costs and conditions and terms of lending so that irresponsible service / products are less likely.
Limitations:	Can result in conflict if not managed properly.	Often restricted either geographically or for particular purposes (eg. loans for whitegoods).	Often predatory and/or unfair both in terms of costs and conditions.	Often difficult to access (esp credit) if people are living on a low or fixed income. Low cost / flexible products are either not available and/or not effectively advertised.

Source: (Burkett & Drew, 2008, p. 10)

The difficulty of obtaining mainstream credit, for example, due to credit rating or cost, forces people on low incomes to use alternative and predatory sources. Individuals who have access to mainstream services can use credit cards, savings or a bank overdraft in times of financial hardship, but when this is not an option high cost credit can be accessed to protect against financial shocks. In these situations, microfinance can provide a low-cost alternative (The Centre for Social Impact, 2013).

The Move to Financial Inclusion

> *Individuals who are financially excluded are not necessarily poor money managers. In fact, studies have demonstrated that people on low incomes can be very prudent financial managers and are reluctant to incur debt.* (Corrie; Mouy; Scutella & Sheehan as cited in Plant & Warth, 2012, p. 25).

In moving to address financial inclusion, conversations are now looking at financial capability, which is defined as:

> […] The capacity to act in one's best financial interest, given socioeconomic and environmental conditions. It encompasses knowledge (literacy), attitudes, skills and behaviour of consumers

> with respect to understanding, selecting, and using financial services, and the ability to access financial services that fit their needs (World Bank, as cited in The World Bank Group, 2015).

Financial capability has become a policy priority for policy makers seeking to promote beneficial financial inclusion and to ensure financial stability and functioning financial markets. Today, people are required to take increasing responsibility for managing a variety of risks over the life cycle. People who make sound financial decisions and who effectively interact with financial service providers are more likely to achieve their financial goals, hedge against financial and economic risks, improve their household's welfare, and support economic growth. Boosting financial capability has therefore emerged as a policy objective that complements governments' financial inclusion and consumer protection agendas. (The World Bank Group, 2015)

Financial capability suggests a person must have both the ability to act (individual capabilities) and the opportunity to act (external opportunities and conditions) (Torrie & Bailey, 2017).

Table 9: Four Approaches to Changing Financial Hardship

Building Knowledge and Skills (financial literacy, education, guidance) • Budgeting and money management • Careful use of debt • Knowledge of financial products and services • Knowledge of rights and obligations	**Supporting attributes and Behaviours** (financial socialisation, behavioural economics and science) • Attitudes • Motivation • Confidence • behaviour
Providing Access to and Protection of financial products and services (financial inclusion) • access to safe and appropriate financial products and services	**Improving Economic resources and social capital** (wealth creation) • Income, savings, ability to meet cost of living and raise emergency funds • Social capital: networks and support
Leads to: ∇ Financial capability and resilience	Leads to: ∇ Financial capability and resilience

Source: (Torrie & Bailey, 2017, p. 23)

Microfinance and 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* (Corrie, 2011, p. v).

Microfinance is seen as a tool or initiative to assist people who are financially excluded to build financial capability. It is important to understand and define who is considered financially excluded, in order to target those tools and to assist people to a position of inclusion (Centre for Social Impact, 2014a; Corrie, 2011).

Having access to financial services allows individuals to build assets, savings, invest in business or education, manage financial highs and lows, and move to financial inclusion or wellbeing (Corrie, 2011). In a case study of 30 financially excluded people and their families, Corrie (2011) found that microfinance did enable financial inclusion. However, it was clear that in order to fully achieve their goals within complex situations that other services needed to be included in addition to the microfinance product.

Exclusion issues of those surveyed included:

- Being debt adverse due to previous experiences.
- The design of financial services (such as interest rate/repayment structure) made them unaffordable to participants even when there were credit options that were suitable for their needs.
- Not having a good credit history, (not only a bad credit history) restricted access to mainstream credit options.
- Insurance was a weigh up on the value of their belongings (not having significant assets) versus the perceived risks of not having insurance.
- Trust, e.g. not being certain that the system will deliver outcomes.
- 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) helped to smooth expenses. (Corrie, 2011)

Access to microfinance was found to give people choices, with undertaking the application process itself giving people new confidence.

Corrie (2011) notes that microfinance cannot replace adequate income and is not of sufficient scale or structure to replace other less safe alternatives, such as payday lending, which does not have the same rigour in the application process or scrutiny of loan purpose, and therefore is more accessible to those in desperate need.

As obtaining credit is one issue for those financially excluded because of their high risk to the banks and other mainstream financial institutions, microfinance products often address this through providing safe, and affordable low cost loans (Cabraal, 2011; The Centre for Social Impact, 2013).

In New Zealand, the focus in the initial years of establishing microfinance products has been on providing low or no interest loans in response to the difficulty of access to low cost credit for low income households (Dale et al., 2012; Eccleton, 2016):

Obtaining personal loans from mainstream banks is very difficult for households whose main source of income is welfare payments, or low-paid or part-time employment income. This means that such households can end up borrowing at very high interest rates from marginal lenders (commonly called 'loan sharks' or 'fringe lenders'). The extremely high rates of interest charged by these marginal lenders, varying from 30% to 500% per annum (Anae, Coxon, Lima, Atiga, & Tolley, as cited in Dale et al.; 2012), creates a poverty trap, with crippling repayments reducing the ability of households to save or invest future earnings. (Dale et al., 2012)

Microfinance can provide a stepping stone to help people move from positions of exclusion. Good Shepherd propose a continuum:

> Crisis →Economic Mobility→Hardship Transition→Stable, Asset Building→Stable, Wellbeing→Income Generation→Wealth Distribution
>
> (Good Shepherd Microfinance, 2017a)

Burkett and Sheehan (2009b) suggest that the structural nature of exclusion in Australia requires a multi-faceted response "from service delivery to policy":

- Regulate the most exploitative providers out of existence;
- Provide a safety net for people who are experiencing financial crisis;
- Develop an effective and universal financial literacy and education system;
- Provide fair, affordable and accessible alternatives for people who cannot access mainstream services or whose only current options are fringe providers.
 (Burkett & Sheehan, 2009, p. 19)

In 2011, Cabraal considered the impact of microfinance in Australia on the capabilities of clients using frameworks of social and financial exclusion and a capability approach which focuses on the values, sense of agency and freedom and choice to achieve what people value:

> *One of the main implications of this research is that if programs are to truly improve the capabilities of low-income individuals and families, then they need to provide both financial services and avenues for people to interact with one another. It is a combination of both these services that leads to the enhancement of capabilities for people* (Cabraal, 2011).

Table 10: A summary of findings looking at a range of programmes in Australia

Impact	**Programme**	**Characteristics**
Freedom, Choice and Control	Enterprising Women	Business education and training: - formal - informal sharing networks through social interaction Support • community worker • other participants
	Savings and Loans Circles	• Flexible choices in programme structure

		• Informal support networks through social interaction
Empowerment	Savings and Loans Circles	• Opportunity to save • Provision of a no interest loan
	Enterprising Women	• Knowledge sharing • Opportunity to meet inspiring people
Confidence	Enterprising Women	• Business knowledge • Social interaction • Inspiring speakers
	Savings and Loans Circles	• Financial security • Opportunity to handle money and accounts
Pride and Dignity	NILS Loans	• Ownership of a new household item
	Savings and Loans circles	• Access to a loan from friends and not a community organisation or bank
Sense of Achievement	NILS	• Ownership of a new household item
	Enterprising women	• Business education
	Savings and Loans Circles	• Support and trust from other group members
Equality	NILS	• Treated as equals by community workers
	Enterprising women	• Opportunity to meet other women
	Savings and loans circles	• Equal access within the group
Wellbeing	NILS	• Access to a no-interest loan
	Enterprising Women	• Business education
		• Social interaction
	Savings and Loans Circles	• Social interaction
		• Access to a no-interest loan

(Cabraal, 2011, p. 180)

Research points to the importance of other wrap around services, such as financial literacy, budgeting advice, and mentoring and social interaction to move clients into positions of financial inclusion (Cabraal, 2011; “Community Development Financial Institutions Pilot Evaluation,” 2013).

Poverty is not only about the income levels of individuals but also about their ability to make informed choices (Cabraal, 2011):

> *Organisations that provide a diverse range of services such as domestic violence education, budgeting advice, and counselling, are also able to offer financial support in the form of fair and affordable credit to their existing client base. This reflects Good Shepherd Microfinance's belief that the best way to address financial exclusion is to provide a holistic approach to client wellbeing*. (Eccleton, 2016)

The findings suggest that a comprehensive approach is needed and would be effective in offering microfinance to assist people move from financial exclusion to inclusion.

Approaches to increasing Financial Capability

Financial Literacy

*Financial literacy is considered to be a complex phenomenon, made up of a combination of knowledge, attitudes and behaviours. (OEC*D, 2017)

Money management in the 21st Century is more complex than in the past, with a range of products and services and sophisticated marketing that require high levels of financial literacy to evaluate and make decisions that will contribute to an individual's financial wellbeing. "Financial literacy or financial capability is widely agreed as being fundamental for financial wellbeing" (Clitheroe; Worthington; as cited in Wagland & Taylor, 2015, p. 33).

Financial knowledge is an important contributor to financial literacy, which is defined as "the ability to make informed judgements and to take effective decisions regarding the use and management of money" (Colmar Brunton, 2010; The Commission for Financial Literacy and Retirement Income, 2012).

Knowledge of products such as KiwiSaver, understanding insurance costs and benefits, interest on loans, go beyond simple budgeting skills:

> *One needs sufficient knowledge and skill to understand and compare what is offered in the market-place, to project the consequences of financial decisions into an uncertain future, and to access entitlements and assistance* (Landvogt, 2008, p. 19).

Knowing how to effectively target, build and evaluate financial literacy skills goes hand in hand with considering offering financial products to those most vulnerable.

A survey of 30 countries (including New Zealand) looked at levels of financial literacy. New Zealand ranked sixth with a score of 14.4 behind France, Finland, Norway, Canada and Hong Kong/China and above the average OECD countries (OECD, 2016)[5]:

> *Financial knowledge is an important component of financial literacy for individuals, to help them compare financial products and services and make appropriate, well-informed financial decisions. A basic knowledge of financial concepts, and the ability to apply numeracy skills in a financial context, ensures that consumers can act autonomously to manage their financial matters and react to news and events that may have implications for their financial well-being. The literature indicates that higher levels of financial knowledge are associated with positive outcomes, such as stock market participation and planning for retirement, as well as a reduction in negative outcomes such as debt accumulation* (p. 19 OECD, 2016)

New Zealand's results for the financial knowledge questions suggest that there are gaps in people's understanding of even basic financial concepts. When the distribution of scores is analysed, high and low levels of knowledge are apparent which suggests further questions are needed to assess where the knowledge gaps are within the population.

Table 11: Financial Knowledge in New Zealand

	Time value of money	Interest paid on loan	Calculation of interest plus principal	Compounding over 5 years actual response	Combined simple interest and compounding	Risk and return	Definition of inflation	Diversification
New Zealand	51%	92%	76%	61%	56%	73%	74%	53%
Average OECD Countries	66%	89%	65%	48%	37%	83%	81%	65%

Source: (p. 23/24 OECD, 2016)

Gender difference of financial knowledge in New Zealand showed that 74% of men reached a minimum score of 5 compared with 54% of women. (OECD, 2016)

Financial resilience, or the ability to ensure against financial shocks, was also measured. The behaviours measured include: active saving, purchasing carefully, paying bills, careful debt management etc. "The way in which a person behaves will have a significant impact on their financial wellbeing." (p. 7, Atkinson & Messy, 2012)

[5] New Zealand was not included in 2017 results

Table 12: Financial Resilience

	Active savers	Income not meeting living costs	Borrowing "to make ends meet"	Household Budget	Shopping around for financial products	Sought independent information
New Zealand	77%	33%	11%	59%	28%	5%
Average OECD Countries	60%	27%	14%	57%	29%	11%

(p. 35, 73, 74 OECD, 2016)[6]

The OECD/INFE definition of financial literacy recognises that even if an individual has sufficient knowledge and ability to act in a particular way, their attitude will influence their decision of whether or not to act: "A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing" (p. 47 OECD, 2016).

In New Zealand, 6 out of 10 surveyed suggested an attitude towards finances that looked to the longer term (OECD, 2016).

Based on the OECD pilot study (excluding New Zealand), Atkinson and Messy (2012) found a consistently positive association between financial knowledge and behaviour:

> *Respondents with higher financial knowledge exhibit more positive behaviours. Similarly, respondents with positive attitudes towards the longer term exhibit more positive behaviours than those with a strong preference for the short term* (Atkinson & Messy, 2012).

New Zealand Financial Capability

The Commission for Financial Capability (CFFC) in New Zealand is an autonomous crown entity charged with building financial capability for retirement ("What we do | CFFC," n.d.):

> *New Zealand's National Strategy for Financial Capability (2015-2025) sets a shared direction for financial capability. Led by CFFC, we work across community, government, private and NGO stakeholders to strengthen joint efforts towards raising financial capability across New Zealand. It provides a practical framework for how stakeholders can work together to achieve the greatest impact through strategic alignment and effective coordination across government* ("National Strategy | CFFC," n.d.).

[6] Note that it is not common to have a household budget in some countries such as Austria, Hungary and Norway, versus some countries where it was very common, such as France and Malaysia.

Table 13: The 5 Pillars of the NZ National Financial Capability Strategy

Talk	Learn	Plan	Debt Smart	Save/invest
A cultural shift where it's easy to talk about money	Effective financial learning throughout life	Everyone has a current financial plan and is prepared for the unexpected	People make smart use of debt	Everyone saving and investing
Money becomes a comfortable topic of conversation	All learners achieve financial capability outcomes as part of their education	People have financial plans that support their life goals	People manage debt to their advantage	People save and invest in the short, medium and long term
People can talk to their partner, family and friends about money	Financial capability is part of lifelong learning	All New Zealanders have a current financial plan	People get out of high-interest debt faster	More people actively engage with and contribute to Kiwisaver
People talk confidently with providers and understand their choices		People protect their assets with insurance and emergency funds		More people save and invest in a range of financial assets

(*National Strategy for Financial Capability*, 2015; p.3)

Specific Māori Outcomes noted in the National Strategy:

- Learn:
  - Action: Increase access to and use of a wide range of relevant and effective financial education resources among Māori and Pasifika learners
  - Goals 2025: 100% of Māori and Pasifika learners can access appropriate financial education programmes

- Save/invest
  - Action: Promote community saving and investment schemes among Māori
  - Goals 2025: 90% of the largest iwi offer savings schemes

(“Māori Economic Development | Ministry of Business, Innovation and Employment,” n.d.)

Measuring New Zealanders' Financial Literacy

The third national survey of New Zealanders' financial knowledge (The Financial Knowledge and Behaviour Survey 2013) for the Commission for Financial Literacy and Retirement Income and ANZ considered both financial behaviour and knowledge (Colmar Brunton, 2013).

Underlying issues and events were noted as informing the results of the survey. Notably the increased uptake of KiwiSaver since the previous survey in 2009, which is suggested to potentially impact on financial knowledge, the Global Financial Crisis (GFC), economic recession and tight public spending.

A breakdown by ethnicity shows that Māori and Pacific Island people tend to score significantly lower than average on some measures of financial knowledge.

Table 14: Financial Knowledge by Ethnicity

	6 or more questions (out of 8) correct %	Division %	Time Value of Money %	Interest Paid on Loan %	Calculation of interest plus principal %	Compound interest and correct at previous questions %	Risk and return %	Den of Inflation %	Diversification
NZ European	81	92	75	99	82	51	92	96	81
Māori	64*	89	58*	97	56*	35*	89	95	72
Pacific Peoples	54	92	47	98	57	31	77	89	63
Asian Peoples	90	99	71	100	84	60	89	98	77

Source: (Commission for Financial Literacy and Retirement Income, 2013)

* Significantly lower results than average

However, from 2009 financial knowledge has increased among Māori as there are more Māori in the high knowledge group, and fewer in the low knowledge group. (Commission for Financial Literacy and Retirement Income, 2013)

Table 15: Ethnicity and Financial Knowledge

	NZ European	Māori
Low knowledge %	22	43
Medium Knowledge %	30	31
High Knowledge %	48	26

Source: (Commission for Financial Literacy and Retirement Income, 2013)

Māori	2005	2009	2013
Low Knowledge %	67	56	43*
Medium Knowledge %	22	31	31
High Knowledge %	11	13	26**

Source: (Commission for Financial Literacy and Retirement Income, 2013)

*Statistically significant decrease

** Statistically significant increase

Factors influencing the change of behaviours were found to be:

- Numeracy
- Understanding budgeting, saving and planning
- How to minimise costs and interest on debts
- Understanding home loans

(Commission for Financial Literacy and Retirement Income, 2013)

Age (from 18-34 and over 65 years), primary or basic education, renting, not employed and low income were also features of those in the low knowledge group. (Te Māngai Penapena Pūtea, n.d.)

PISA 2012 New Zealand Financial Literacy Report

The PISA 2012 New Zealand Financial Literacy Report provides a baseline for financial literacy of 15 year-olds in New Zealand. The Programme for International Student Achievement (PISA) conducted by the OECD survey included Financial literacy for the first time in 2012 and shows relationships between students' backgrounds and financial literacy across the OECD.

While there were minimal gender differences there was a stronger relationship (19%) between socio-economic status and financial literacy than the average of other OECD countries (14%) with New Zealand students from poorer backgrounds having fewer financial literacy skills to call on.

Māori students were below the average for all New Zealand students and students across the OECD countries. 27% of Māori students only attained the lowest level of proficiency (level 1) compared to 16% of all New Zealand students and 15% across the OECD.

These trends are also reflected in the upper levels of knowledge with fewer Māori students attaining Level 5 (7%) compared with 19% overall New Zealand students and 10% from the OECD (Whitney, May, & Lamy, 2012).

How Young New Zealanders learn about Personal Finance

A longitudinal study of 300 young New Zealanders aged 18-22 years was published in mid-2013 to understand their personal, financial knowledge.

The key findings were:

- There is a relatively low level of financial knowledge compared to studies in other countries.
- Young New Zealanders lack opportunities for formal financial education – 85.9% had not attended formal financial education such as workshops or afterschool programmes and 84.2% had not attended any in school.
- It is evident that young New Zealanders are exposed to informal financial education, such as the promotions undertaken by the Commission for Financial Literacy and Retirement Income, and that this is having an impact although individuals may not recognise the influence.
- Parents remain the key source of information with 66.2% indicating they learnt their financial knowledge from their parents, with life experiences (51%) also being a source of knowledge.
- The participants had negative attitudes towards credit and credit cards with 76.7% disagreement that they are safe and risk free, and 46% being afraid of credit and credit cards.
- 91.9% realised savings were important and 55.8% felt insurance was important. (Stangi & Matthews, 2012)

Māori Financial Literacy

In 2011, the Ministers for Economic Development and Māori Affairs established an independent Māori Economic Development Panel, tasked with developing a Māori Economic Strategy and Action Plan. *He Kai Kei Aku Ringa* (providing the food you need with your own hands), the Māori Economic Development Strategy and Action Plan was released in 2012 ("Māori Economic Development | Ministry of Business, Innovation and Employment," n.d.).

A financial literacy strategy and action plan for Māori was released in 2010 as part of the broader He Kai Kei Aku Ringa (HKKR/Crown-Māori Economic Development Partnership) strategy.

It was updated in 2014, with the aim that all Māori have the skills to improve their financial wellbeing and that of whānau, hapū and iwi, with the aim of a financially literate population in 2020 (Te Māngai Penapena Pūtea - Partner Working Group, 2014).

The importance of education to develop financial literacy is emphasised in the report, along with the need for quality services that are targeted to Māori:

- The importance of building relationships;
- Long-term orientation;
- Kanohi ki te kanohi – face-to-face interactions;
- Whānau focus;
- Te Reo – language;
- Tikanga – customs;
- Attitudes and beliefs around self-determination

(Te Māngai Penapena Pūtea - Partner Working Group, 2014, p. 10)

It is noted that:

> *Some of the creative solutions found to the challenge of reaching target groups offer significant hope. These include, for example, initiatives combining financial education with the provision of microfinance services and designing tailor-made products for financial education participants*

with features that address identified barriers to financial inclusion for particular groups (OECD, as cited in Te Māngai Penapena Pūtea - Partner Working Group, 2014, p. 10).

In a scoping survey, Te Māngai Penapena Pūtea - Partner Working Group (2014) found that the organisations (including Trusts, Private Companies, NGOs, Inc. Societies, Banks, Whānau Ora collective and others) tended to offer basic financial literacy services such as budgeting, managing income, expenditure and debt, with a smaller number offering topics such as saving, investing and wealth protection.

A variety of delivery mechanisms were used, with workshops and one to one mentoring the most popular, followed by hui and classroom delivery, with a small number offering online or distance learning.

In 2017 financial literacy was removed as a standalone outcome area in the Māori Economic Strategy and Action Plan. Financial capability has been incorporated across strands (P. Cordtz, personal communication, April 30, 2017).

Spending Habits of Māori Women Study

The disparity between gender in The Financial Knowledge and Behaviour Survey 2013 is noted in a report on Māori Women's spending habits with women more represented in the low knowledge group than the high knowledge group. Māori women are doubly disadvantaged by gender and ethnicity in statistics of financial capability and should be the target of potential initiatives that are culturally appropriate and rigorously evaluated. (Wood, Pushba, 2016)

The research surveyed 51 women, mainly from South Auckland, and found that "Māori want to equip themselves and build internal capability at local hapū, iwi and marae level so they can then take over the financial well-being of their own community."

60% of women reported not saving, while 27% reported saving 10% or more. When it came to paying for emergency expenses, over 40% reported that they would use funds already on hand, whereas 32% reported that they would borrow from a non-bank lender. The majority (77%) would seek urgent loans from family or friends, 36% would take a bank loan and 32% would use a finance company.

There was found to be a reliance on whānau and friends for financial information and a lack of understanding about using non-bank lending and the cost of borrowing. The researcher recommended more focus on education around budgeting with targeted programmes and clear outcomes and further research to understand cultural and gender differences in financial literacy. (Wood, Pushba, 2016)

In an interview, Dr Wood comments: "Family is the first port of call for borrowing – they help each other, there's no interest and no time limit. This whānau model could be a very good model of microfinance within Māori communities." ("Cultural response could improve Māori financial literacy - Massey University," 2016)

Ngāi Tahu Survey

The Ngāi Tahu survey found similar trends to the 2009 ANZ-Retirement Commission Financial Knowledge Survey. The Ngāi Tahu survey showed 29% (compared with 31%) in the low knowledge group, 31% (compared with 26%) in the medium knowledge group, and 31% (compared with 26%) in the high knowledge group. (Colmar Brunton, 2010)

Ngāi Tahu who are more likely to have low knowledge are:

- 18 to 23 year olds and 65+ year olds;
- Primary or basic secondary educated;
- Tenants rather than homeowners;
- Not in paid employment;
- Low household income ($50,000 or less);
- Those who are not Whai Rawa[7] members.

(Colmar Brunton, 2010)

> *"Those with lower financial knowledge tend to hold more negative attitudes towards managing money and their financial situation. For example, they are less likely to feel confident about managing their financial affairs, less able to cope with a major loss of income and more likely to feel out of control with their borrowing and debt generally."* (Colmar Brunton, 2010)

Australian and Indigenous Research of Financial Literacy

Despite education programmes, research shows the Australian Indigenous population has one of the poorest levels of financial literacy with little to no improvement across the years surveyed (Wagland & Taylor, 2015).

The Australian Securities and Investment Commission (ASIC) have listed a number of skills or competencies important to financial literacy:

- Mathematical literacy and standard literacy - the ability to read for knowledge and write coherently and think critically about the written word.
- Financial understanding – an understanding of what money is and how it is exchanged, where it comes from and goes.
- Financial competence – understanding of basic financial services, financial records (and importance of reading and keeping them), attitudes to spending and saving, and an awareness of the risks associated with some financial products and the relationship between risk and return.

[7] Whai Rawa is a savings scheme established by Ngāi Tahu to support its members to achieve increased personal financial wealth in the medium to long term. The scheme supports a culture of saving and asset-building, and aims to assist Ngāi Tahu whānau to access higher levels of tertiary education, increased levels of home ownership, and increased emphasis on retirement savings. Currently an estimated 16,700 tribal members have joined the successful scheme, operating for five years with membership continuing to grow. (Māori Economic Development Panel, 2012)

- Financial responsibility – the ability to make appropriate personal life choices about financial issues, understanding consumer rights and responsibilities.
- The ability and confidence to access assistance when things go wrong.

(ASIC cited in Wagland & Taylor, 2015, p. 36)

Research points to the lack of cultural considerations in the definition when applied to Indigenous Australians whose identity centres around "the roles of kinship, family relationships and responsibilities, and ethics." (Demosthenous, Catherine; Robertson, Boni; Cabraal, Anuja; Singh, 2006; The Centre for Social Impact, 2016)

Wagland and Taylor (2015) cite various sources (Martin, McDonnell, Peterson) in concluding that "resources including money are to be shared; individual needs cannot be prioritised ahead of the family, extended family or the community. This is part of the Indigenous culture, of kinship, exchange and sharing."

In Australia, three major barriers have been identified as contributing to poor financial literacy results for Indigenous Australians: culture, remoteness and low socio-economic backgrounds (Wagland & Taylor, 2015).

Financial Exclusion in New Zealand

"Life is hard for starters, and it's only harder when you're desperate, and you've got kids. The high interest loans are appealing at the time. And I know I didn't take the time to read through the contract. I didn't know how much I was repaying back and didn't know what they were charging me. And it's a killer. Like actually it kills you - financially, mentally. And you're in a position where you're thinking 'Sh…t. I can't afford food this week.' So what am I supposed to do'. I think there should be more information about how much they're charging in layman's terms. It should be plainly put – 'you'll be paying this much' so you know what you're getting into. But having said that, desperation takes over and so you do it anyway." (Dale & Sbai, 2017, p.22)

In a report (Centre for Social Impact, 2014a) data from the World Bank global data set (Findex) that measures financial exclusion in 148 countries is analysed for 23 countries, including New Zealand. How people access banking, savings and credit and the type of credit is shown.

Table 16: Access to Banking in NZ and Australia

Product	% Access NZ	% Access Australia	Rank (out of 23) NZ	Rank (out of 23) Australia
Bank account	98.7	98.8	3	2
Formal savings	60.4	61.9	3	2
Loans (total)	50.3	44.5	3	6
- formal	26.6	17.0	1	7
-informal	3.3	1.1	7	16
Credit card	59.2	64.2	5	7

Source: (Centre for Social Impact, 2014a)

New Zealand has high rates of access to banking and saving, as well as to formal loans and credit cards. 'The one negative feature of the New Zealand data is the high rate of informal lending. There is no regulation in place in New Zealand regarding interest rate caps or payday lending restrictions…' (Centre for Social Impact, 2014a, p. 41).

Poverty

The headlines point to ongoing and severe financial stress for individuals and families in New Zealand. Rising house prices, high rents, child poverty and a widening income gap are just some of the issues highlighted. "The number of families on Housing New Zealand's waiting list has almost doubled in three years to over 6,000, while there have been one million requests for hardship grants in the last year." ("Shocking admission: WINZ had been using tents to house homeless | 1 NEWS NOW | TVNZ," 2018)

Poverty[8] in this analysis is based on the concept of income poverty, when household resources are too low to meet basic needs – it is about 'not having enough' when assessed against a bench mark of "minimum acceptable standards" (Ministry of Social Development, 2017b).

Poverty thresholds depend on household type: For example, in 2016, a 2 person, 2 children household requires a disposable household income before housing costs of over $49,400 pa, and after housing costs of over $36,920 pa to be above the "poverty-line"'. Another example in 2016, a single parent, with 2 children household requires a disposable household income before housing costs of over $39,780 pa, and after housing costs of over $29,900 pa to be above the "poverty-line" (Ministry of Social Development, 2017b).

However, under this definition and based on data from the 2015-2016 Household Economic Survey, the following table provides indicative values and thresholds that could be useful indicators of income poverty:

Table 17: Indicators of Income Poverty

Income Poverty Indicator	**Average over all types of households in 2016**
Median household disposable (after tax) income before housing costs (BHC)	$76,200
60% of median household disposable (after tax) income BHC	$45,720
Median Household disposable (after tax) income after housing costs (AHC) (i.e. less 25% of BHC)	$58,200
60% of median household disposable (after tax) income AHC (less 25% of BHC)	$34,920

Source: (Ministry of Social Development, 2017b)

[8] One definition of income poverty is being below a low-income threshold (or 'poverty line') such as 60% (or 50%) of the real equivalised median household income either before housing costs (BHC) or after housing costs (AHC). The term equivalised states that a ratio has been applied to adjust household income using the notation that a larger household needs more income than a smaller household for the two households to have similar standard of living, and that there are economies of scale as household size increases.

The table below shows that individuals of Māori ethnicity are more likely to live in households with lower equivalised median household incomes (both BHC and AHC) than Europeans. Hence there are likely to be ethnic inequalities in term of those below the "poverty line".

Table 18: Ethnicity and Household Income

Ethnicity (prioritised)	Equivalised Median Household income (BHC) in 2016	Equivalised Median Household income (AHC) in 2016
European	$76,200	$57,150
Māori	$58,200	$43,650

(Source: Ministry of Social Development, 2017b)

- Further statistics show that around 60% of Māori (and 60% of Pacific) reside in households where the equivalised median household incomes (BHC and AHC) are in the bottom two income quintiles compared to around one-third (34%) of Europeans.

- Around 85% of households in the bottom two income quintiles are tenants in rented-HNZC and local authority housing. (Ministry of Social Development, 2017b) So potentially tenants in rented-HNZC and local authority housing could have their median household incomes increased by reducing the amount of rent they pay.

- Over 95% of Te Pou Matakana Whānau Direct applicants in 2015/16 reported household income that was under the 'poverty line' (i.e. less than 60% of median household disposable income BHC) (Te Pou Matakana, 2017).

- In the December 2017 Quarter, around 103, 000 Māori, 110,000 European/Pākehā, 22,500 Pacific and 50,800 Other or unspecified ethnic groups were receiving benefits. (Ministry of Social Development, 2017a) Most, if not all of these clients are likely to have an annual income below the 'poverty-line'. In addition, most people where their only source of income is NZ super or the veterans pension have an annual income below the 'poverty-line'

- In the December 2017 Quarter, approximately 290,000 hardship assistance grants were approved, worth a total of $76 Million. (Ministry of Social Development, 2017a) 137,000 of these grants were for food and totalled $14.4 Million, 26,200 grants were accommodation related, totalling $16 Million (Ministry of Social Development, 2017a).

Distribution of household incomes

For the year ended 30 June 2017, across New Zealand the bottom 30% of households (514,000) have a gross household income of $51,200 or less (Statistics New Zealand, 2017). A quick calculation of tax gives a disposable income of $42,800 or less, which could be below the 60% of median household disposable (after tax) income Before Housing Costs depending on the household type.

Annual Housing Costs

For year ended 30 June 2017, across New Zealand the average annual cost of housing (include expenditure on rents and mortgages, property rates, and building-related insurance) was around $14,500 (Statistics New Zealand, 2017). There was regional variation with the average annual cost of housing in Auckland and Wellington being around $22,000 and $17,600 respectively (Statistics New Zealand, 2017).

We note that the average annual cost of housing has increased around 60% and 50% respectively in Auckland and Wellington over the last decade (Statistics New Zealand, 2017).

Household material standard of living

For the year ended 30 June 2017, across New Zealand only four out of ten (43%) of the bottom quintile of households (340,000) whose gross household income was $37,499 or less, reported that they had enough or more than enough income to meet every day needs (Statistics New Zealand, 2017).

Wealth

20% of households contain between 60-70% of the total wealth within New Zealand (Ministry of Social Development, 2017a).

The Social Report 2016

The Social Report 2016 – Te Pūrongo Oranga Tangata measures outcomes for New Zealanders based on selected indicators. It includes economic standard of living indicators that measure:

- Market income
- Income equality
- Population with low incomes
- Material hardship
- Housing affordability
- Household crowding

(The Ministry of Social Development, 2016)

Table 19: Characteristics of Low Income Households

Households with low incomes	**2014**
Households with low incomes	13%
Households with low incomes highest for aged 18–24 years of age	19%
Households with low incomes aged 0-17 years of age	17%

Proportion of sole parent households in low-income households	51%
Two-parent household with dependent children	9%
Single person households (under 65 years)	22%

(Ministry of Social Development, 2016)

Median household incomes have risen from a low point in 1994 to 2014; when broken down by ethnicity incomes for Europeans ranked highest followed by “Other”, then Māori and Pacific peoples (Ministry of Social Development, 2016).

Material Wellbeing Index (MWI)

The Material Wellbeing Index (MWI), encompasses an index of 29 non-income items that are used to measure poverty, including holding contents insurance, having a good bed, presents for special occasions, housing conditions, being behind on rates, car registration or other payments, doing without trips to local areas etc. (Perry, 2016). The scores reflect the impact of both household incomes and all the other factors on the material wellbeing of New Zealand households:

- In 2014, 8% were shown to be in material hardship and 4.5% in severe material hardship.
- Those age groups most experiencing material hardship are those under 25 years, 25%, and from 25–64 years 18%.
- Pacific peoples experienced the most material hardship (35%), followed by Māori (20%), Europeans (5%) and the other ethnic group (4%) (averaged over 2013 and 2014).
- 31% of sole-parent households with dependent children experience material hardship (averaged over 2013 and 2014).

(Ministry of Social Development, 2016)

Housing affordability is also measured by looking at the proportion of people spending more than 30% of disposable income on housing. It is apparent that children, especially those in sole parent households, are affected by both low incomes and high household spending as a proportion of disposable income. Likewise, other ethnicities, Māori and Pacific people are also experiencing material hardship.

Table 20: Household Spending

Households spending more than 30% of Disposable Income	
Children under 18 years	34%
Lowest household income quintile	41%
Top Income quintile	10%
Sole-parent households	63%
Two parent households	30%
Averaged over 2011-14:	
Other ethnic group	40%

Pacific	34%
Māori	30%
Europeans	23%

Source: (The Ministry of Social Development, 2016)

Debt

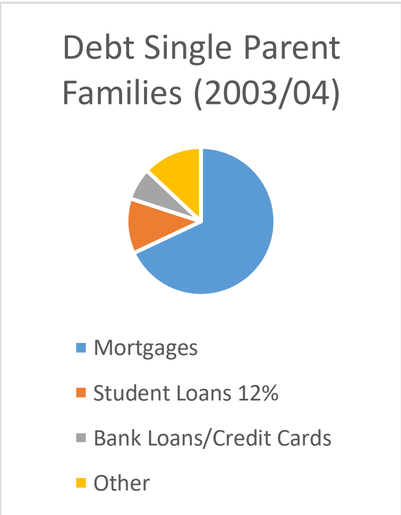
There is no doubt that debt is an increasing and ever present part of modern financial life. It is widely available and can be accessed more easily with little or no requirement for security. While debt has become important for people to cope with financial ups and downs, it also can become a trap, with those who are least able to afford it taking on debt with high costs and for day-to-day expenses (Legge & Heynes, 2009); (Sheikh & Porter, 2011).

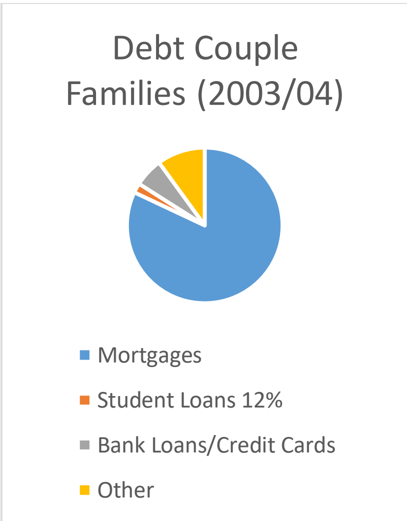
The majority of New Zealand families are in debt, and mostly his is non-mortgage debt such as student loans, bank loans and credit cards. Furthermore, Māori and Pacific families have high debt-asset ratios, compared to European families (Legge & Heynes, 2009, p. 5).

The March 2017 Reserve Bank data showed Kiwi household debt at 167% of disposable income, higher than prior to the global financial crisis:

- This excludes borrowing from third tier lenders like mobile vendors and payday loans;
- New Zealand does not have an upper limit on the cost of consumer credit. Interest rates from third tier lenders can and do legally exceed 500% annually (Dale & Sbai, 2017).

Debt Held by Families





Source: (Legge & Heynes, 2009)

In New Zealand, Māori and Pacific families are especially impacted:

- Māori households are behind in terms of net economic wealth. “It is imperative that the rates of saving by whānau are improved” (Māori Economic Development Panel, 2012, p. 16).

- Net savings of Māori households was negative in 2013 – expenditure of Māori households was more than their total income, the shortfall is estimated to total $4.0 billion (although this was a decrease of 1.5 billion from 2010) (Māori Economic Development Panel, 2012).
- An estimated 30% of all Māori aged 18 to 64 were on a benefit in March 2012. Less than 8% of Pākehā aged 18 to 64 were on a benefit in March 2012 (Ministry of Social Development, 2016).

> *When faced with a financial shortfall or crisis, the only option for many families is to turn to fringe lenders with their associated exorbitant interest rates and charges. However, the relationship between participants and fringe lenders is a complex one. Some people choose to go into debt with fringe lenders to avoid the humiliation of being rejected by Work and Income NZ (WINZ). Others see them as their only option when met with an unexpected expense, such as a vehicle breaking down or a new school uniform* (Sheikh & Porter, 2011; p. 5).

Recent international and New Zealand literature emphasises that more comprehensive and considered approaches are needed to alleviate financial hardship. Reasons for this include that a singular focus on improving clients' budgeting skills was found to have limited success (Families Commission, 2009), and that the needs of people in financial hardship are increasingly diverse and complex (Auckland City Mission as cited in Torrie & Bailey, 2017, p. 36).

Implementing Microfinance Products

Replication

From its origins in Bangladesh, microfinance and the Grameen Bank model have been replicated around the world as the founder Yunus (1999) observes:

> *The Grameen model has now been applied in 40 countries. The first replication, begun in Malaysia in 1986, currently serves 40,000 poor families; their repayment rate has consistently stayed near 100 percent. In Bolivia, micro-credit has allowed women to make the transition from "food for work" programs to managing their own businesses. Within two years the majority of women in the program acquire enough credit history and financial skills to qualify for loans from mainstream banks. Similar success stories are coming in from programs in poor countries everywhere.* (p. 118)

However, as microfinance evolves, especially in new developed contexts, its relevance to the original Grameen Bank model becomes debatable and issues of replication versus innovation are being debated:

> *This issue has arisen as the microfinance concept has been co-opted to address issues of disadvantage in the First World that are starkly different from the original poverty alleviation objectives for which it was originally conceived*. (Batts, 2012)

Research and the development of microfinance globally points to the necessity of adapting to local contexts. Corrie (2011) concludes:

> *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.* (p. 119)

As microfinance emerged in Australia, its potential for assisting Indigenous populations there was considered:

> *Case studies of replications of micro-credit programs with indigenous communities in America and Canada show that it is possible to adapt these programs to developed countries. However, policy-makers may encounter a series of problems when trying to adapt a similar model to Australia. In particular the presence of low population density, welfare payments, investment opportunities and specific indigenous cultural practices are problems that need to be addressed if such a model is to be viable* (Mcdonnell, 1999).

Potential issues of replicating a Grameen-style peer lending model for enterprise development in Australia's Indigenous contexts included:

- Financial constraints due to high training requirements for borrowers and small loan portfolio size;

- Disincentive caused by having a “backstop” from welfare payments to borrow or repay loans, or losing benefits as a result of increased income;
- For microenterprise the difficulty of finding opportunities that generate income for the size of capital available;
- Cultural practices which could hinder a peer lending structure. (Mcdonnell, 1999)

Batts (2012) cites “Many Rivers” as an initiative that has grown from the experience of other international Indigenous initiatives. Many Rivers was established in 2007 as a result of a series of pilot programs that were led by global microfinance leader Opportunity International Australia (“Many Rivers | Impacting your community through enterprising developments,” n.d.).

Like the Grameen Bank model, Many Rivers’ Field Officers who provide the micro business support live and work in the region that they assist. Micro and small business loans of up to $5000 (increasing to $10,000 for multiple business owners) are provided, “taking into account the individual’s character, capacity and cashflow”. Like the original model, collateral, as loan security, is not required.

The service has a tailored approach:

- We go where we are invited – by the community and funding organisations;
- We are very practical – focusing on how to get the business activity going, addressing personal and business readiness;
- Our approach is personalised – driven by the individual’s needs and goals;
- We spend time – to “unlock” client’s concerns and establish confidence and trust;
- We can provide access to finance – trust-based lending, no collateral;
- We provide fast loan disbursement – when the person is ready to start;
- We provide a “real loan with a real bank” – through our strategic alliance with Westpac;
- We “ride the bumps” – as the person’s business starts and develops;
- We live and work in the region – providing business development support in the community;
- We collaborate and work in partnership – with good existing service providers.
(“Many Rivers | Impacting your community through enterprising developments,” n.d., para 5)

In contrast to replication and “best practise” concerns of microfinance initiatives Batts (2012) points to the importance of innovation:

> *In contrast to the arguments for replication, a discourse has evolved within microfinance that argues that, rather than replicating successful methodologies, stakeholders within the microfinance industry should revert to innovating new products and programs as it was this process of innovation that drove its initial successes.* (p. 44)

Batts (2012) looks at how microfinance in Australia has developed innovatively in response to its particular context:

- Products that offer an alternative to payday/fringe lenders;
- Products that smooth consumption needs of low income clients, e.g. NILS loans;
- Partnerships between financial institutions and community organisations;
- Government assistance and new methodologies to achieve sustainability/recognition of social impacts balancing sustainability.

A constant process of re-evaluation of methodologies and operations of microfinance on both a local and global level in the First and Third World, particularly as they relate to replication and innovation, will ensure the continuing success of the concept in achieving its objectives, whatever they may be (Batts, 2012, p. 45):

> *In the pilot phase of developing a new microfinance product or service, a locality focus is helpful as it can ensure that adequate support is available to consumers and it can build on the community sector organisation's knowledge and connection with particular localities and consumer groups. In the early stages, the costs are high and the success of the pilot is very dependent on a strong relationship between the organisations involved. A partnership model between two or three organisations (preferably from different sectors) is appropriate, and probably even necessary in piloting programs* (Burkett & Sheehan, 2009).

Sustainability, Scale and Reach

Sustainability – in the sense of whether an initiative covers its costs or not - is one of the core issues of microfinance globally. However, Burkett and Sheehan (2009) challenge this narrow financial view, especially in an Australian context, because the issues of scale, affordability and kind of products may not produce a break even or surplus. They therefore emphasise the need to consider both financial and social goals:

Sustainability:

- Financial: whether an initiative can cover its costs and/or generate income
- Impact: positive impact for participants in addressing financial exclusion
- Social: whether the initiative is needed/remains relevant
- Institutional: the robustness of the organisation in delivering the service/product, such as staffing, structures, infrastructure

(Burkett & Sheehan, 2009, p. 8)

Their analysis considers the special place of microfinance "at the intersection of two world views" (p.9), which are poverty alleviation and financial systems. The sustainability of any programme needs therefore to consider:

- Is this program making a difference?
- If so, how much of a difference?
- At what cost? and
- Who pays?

(Burkett & Sheehan, 2009, p. 9)

It is important to understand who any microfinance programme initiative will target (reach) and its level of sustainability. Microfinance operates from charitable initiatives, to those that are partially subsidised, to those where the costs are recouped. This in turn impacts who will be supported by the microfinance initiative:

- The **scale** of an initiative (that is, how many people access the services);
- The **reach** of an initiative (that is, how excluded or poor are the people whom the initiative targets (Burkett & Sheehan, 2009)

Sustainability is one of the key benefits of microfinance as a tool to alleviate poverty, but also one of its core issues - if charges and fees are passed on to make it sustainable, then those most in need would not be able to afford the products. Therefore, some level of donation/grant towards administration costs is needed. (Eccleton, 2016)

The question is raised by Burkett and Sheehan (2009b) whether the difficulty of reaching those in extreme poverty (and potentially with complex issues) means that the focus becomes on those who are easier to service:

> *For example, some initiatives are, by their very nature or because of the demographic they target, never going to be financially sustainable (if this means they must break- even or generate a surplus).* ***Generally, the more disadvantaged the target group, the more support is needed to ensure financial inclusion of individuals, and therefore the more difficult it will be to cover costs or generate a surplus.*** *Further, the less capacity there is built into a program to charge for the service (either through fees, interest or other charges), the lower the capacity of the program to generate income and cover its costs.* (Burkett & Sheehan, 2009, p. 12) *[emphasis added]*

Table 21: Microfinance Programmes and Sustainability

Lower capacity for financial sustainability	**Higher capacity**
No Interest Lending Programmes (NILS)	Small loans with appropriate rates and conditions
Matched savings programmes	Savings and loans circles
Savings programmes linked with financial literacy/capacity building	Micro-enterprise lending with external business support

Factors affecting sustainability:

1. Cost of delivering services;
2. Fulfilling social purpose, e.g. time spent with clients including those who do not qualify for a loan;
3. Scale of operations – not likely to be able to spread costs;
4. Demand – as moving customers into the mainstream the demand decreases, however awareness of the product to new clients is essential.
   (Plant & Warth, 2012)

Examining the impact of an initiative requires understanding the changes that are being sought, the circumstances of the target group, the long term effects and the most significant change for clients according to them (Burkett & Sheehan, 2009).

Assessment of a microfinance initiative would include:

- Outputs such as number of loans, loan size, purpose of loan;
- Outcomes such as financial knowledge, changes in behaviour in using financial products, other benefits such as increased self-esteem;

- Impacts – differences due to the programme, such as reducing financial exclusion, long term savings plans, and other changes attributable to the initiative (Burkett & Sheehan, 2009).

The use of technology and innovative ways to reach communities, especially young people who are high in exclusion rates, could also be explored: Web-based products have the potential to achieve scale and to reach much larger numbers of people who may be unable to access a face-to-face service, but they are very different in impact (Plant & Warth, 2012).

Evaluations of Microfinance Programmes

Eccleton (2013) suggests that evaluations from Australia need to be treated cautiously in a New Zealand environment:

> *While we refer to Australia as our 'closest neighbour' and have some alignment of economic strategies and values, there are fundamental economic differences that could still jeopardise the programme's success in New Zealand. One of the most notable differences is the significantly lower wages earned by workers in New Zealand (*p. 89).

However, the learnings from evaluations, both here and in Australia, provide evidence of the issues and impacts that existing microfinance programmes are encountering, which is helpful to assess in light of the other relevant literature that this document is presenting.

Australia NILS® Evaluation

Good Shepherd in Australia has been providing NILS (No Interest Loan Scheme) for 36 years. NILS is supported with operational funding from the Australian Government and more than $23 million in loan capital from National Australia Bank (NAB). (Good Shepherd Microfinance, 2017b) One of their priorities is to "support clients to define their own economic wellbeing and then apply individual and community strengths to realise that wellbeing". In addition, they strive to "influence financial system reform enabling equity, access and economic inclusion". (Good Shepherd Microfinance, 2017b, p. 8)

The organisation works with 1500 community providers across Australia:

- 654 NILS providers
- 32 StepUP Loan providers
- 7 Good Money outlets

The New Zealand branch of the organisation works with:

- 13 NILS providers
- 12 StepUP providers

In 2016/17, 25,000 NILS loans were made at a value of $22 million. NILS are affordable loans to people on low incomes for essential goods and services, such as white goods, car repairs, furniture and medical, dental and educational expenses. In 2017 the maximum loan amount was increased to $1500. A breakdown of the figures indicates that the loans:

- Impacted an estimated 57,544 people
- 68% of clients were women
- 66% of clients were 25-54 years' old
- 24% of clients were Aboriginal and Torres Strait Islanders

(Good Shepherd Microfinance, 2017b)

NILS works on the basis that the loans once repaid are available for the next borrower – "circular community credit". "Most NILS providers are small, independent, community-based not-for-profits. A small number of the NILS providers are large, state-wide or organisation-wide not-for-profits that deliver NILS loans across many geographical locations" (Centre for Social Impact, 2014b).

Table 22: NILS Providers

Independent	**Franchise**	**Centralised**
Small community based	Separate providers but affiliated	Large community organisation (national)
Manages its own Loan Assessment process and administration	Manages LAC and data management but under guidelines	Central office manages LAC and administration

Source:(Centre for Social Impact, 2014b)

A 2014 Evaluation of the NILS Loans in Australia surveyed 710 clients, and shows that they are provided to those considered financially excluded:

Table 23: NILS Clients

Financially excluded	55% (3 times more likely than average Australian)
Living below poverty line	94%
Unemployed	85%
Female	74%
Solo parent	43%
Rent privately	38%
Rent through public housing	47%
Aboriginal or Torres Strait Islander	17% (6.5 times more than the Australian average)

Source: (Centre for Social Impact, 2014b)

Table 24: NILS Loans outcomes for Clients

Social and economic outcomes	82% improved 2% worsening
Social and health outcomes e.g. changes in standard of living, stress and anxiety, self-esteem	74% improved
Economic outcomes • Increases in cost savings • Financial independence	 33% 46%
Financial capabilities e.g. followed a budget, paid bills on time, emergency savings funds	47% improved
Predatory lenders	42% stopped or decreased use

Source:(Centre for Social Impact, 2014b)

The outcomes showed that the loans were effective in producing social and economic outcomes, however, they did not completely replace the need to use predatory lenders.

Respondents who received support services (such as financial counselling) together with their NILS loan, were more likely to experience positive financial capabilities, economic, and social and health outcomes than respondents who did not (Centre for Social Impact, 2014b).

StepUP Evaluation

StepUP is the other product developed by Good Shepherd. It has been operating in Australia since 2004, offering low interest (3.99%) loans of up to $3,000 to people on low incomes.

- In 2016–2017, there were 2,319 StepUP loans approved, valued at $6.7 million.
- The majority of loans (78%) were used for vehicle repairs or to buy second-hand cars. (Good Shepherd Microfinance, 2017b)
- 59% of clients were women.

In 2013 the Centre for Social Impact measured the impact of the StepUP Loan programme in Australia. The demographics highlight the target groups were consistent with those financially excluded.

Table 25

Demographics of Survey respondents	
Female	67.4%
Age 30-49	51%
Unemployed	47.8%
Aboriginal or Torres Strait Islander	7.8% (2.5 times more than the Australian average)
Single parent with dependents	33.4%
Fortnightly Income between $500 and $999	53.6%
Receiving Government support	97%
Unemployed	47.8%

More than half of the respondents (63.8%) used the loan for motor vehicle related expenses. Household items made up the second largest category, with 18.2% using the StepUP Loan to fund house repairs, electrical goods and furniture.

The analysis showed that of the 500 respondents 111 (22.2%) experienced a positive change in their financial inclusion status after receiving the loan. However, 10% still indicated that they borrowed from a fringe lender *more than twice* in the period before the survey.

Table 26: Improvements in Financial Capability

Financial Capabilities	improved	no change	negative change
• literacy	36%	53%	11%
• confidence	47%	41%	11%
• management	47%	29%	24%
Change in Outcomes	74%	13%	13%

(The Centre for Social Impact, 2013)

Over 80% of the respondents who experienced a positive change in their financial inclusion status after receiving the StepUP Loan also reported an improvement in their social outcomes. However, 66% of those who experienced a negative or no change in their financial inclusion status also reported a positive change in social outcomes suggesting that improved social outcomes may not solely correspond to improvements in financial inclusion (The Centre for Social Impact, 2013).

The researchers concluded that the StepUP Loan program can provide a pathway to financial inclusion, foster financial capabilities, improve social outcomes, and reduce reliance on fringe lenders for its clients. However, further research is required to understand whether other external factors contributed to the negative change in outcomes (The Centre for Social Impact, 2013).

The following recommendations were made:

1. Offer small, short term loans with no specified purpose to existing StepUP clients (in order to compete more directly with fringe lenders);
2. Provide basic, affordable insurance for products that are acquired through the StepUP program;
3. Further investigate the working poor population group (as many do not qualify for the loan);
4. Connect StepUP clients to additional support services;
5. Mitigate geographical exclusion by increasing the number of StepUP sites;
6. Continue to promote the StepUP Loan program as only 1.4% of all financially excluded individuals who meet the eligibility criteria use StepUP Loans;
7. Implement rigorous data and case management systems to better track the progress of clients.

(The Centre for Social Impact, 2013)

Saver Plus Evaluation

A 2018 evaluation has been completed of the long running (since 2003) SaverPus Programme, provided by the Brotherhood of St Laurence with the ANZ bank in Australia. In the scheme participants are enrolled for 10 months and save towards an education product, with their savings matched dollar for dollar up to $500.

Table 27: SaverPlus Evaluation

Ongoing Saving	Value of Savings
87% saving the same or more 3-7 years after completing the programme	72% reported their savings and assets had increased since the programme

Financial Capabilities
78% were “better able to make ends meet” and 73% were better able to provide for their families

80% gained more control over their finances as a result
86% shopped around more for products or services
82% more aware of where to get help
80% reported a better understanding of financial products available

Source:(Russell, Kutin, Stewart, Commandeur, & Pettit, 2018)

Financial wellbeing was also surveyed with an average financial wellbeing score of 36 before SaverPlus increasing to 64 (compared with a national average of 59 out of 100).[9]

The researchers note that it is difficult to come to a definitive conclusion of the success of matched savings programmes as they have different goals and purposes, amount of funds matched, target groups etc.:

> *Successful outcomes of matched savings programs depend on the appropriate purpose and program design in the context of the participants' lives and relevant environmental and economic factors. It is important for all program stakeholders to set realistic expectations of program outcomes in light of these factors.* (Russell et al., 2018, p.13)

The Community Development Financial Institution (CDFI) pilot

The Community Development Financial Institution (CDFI) pilot was established by the Australian Government as part of a wider package of measures initiated in 2009 to build financial resilience and wellbeing among those most at risk of financial and social exclusion.

In order to explore the potential of a CDFI sector in Australia, five emerging community finance organisations were provided with $6 million in seed funding to develop the necessary infrastructure to offer financial products and services to financially excluded individuals and families. The five pilot organisations were initially funded for a 12-month period from March 2011 to March 2012. The pilot was extended in late February and it was completed on 30 June 2012.

The five pilot organisations were:

- Community Sector Banking (operating as 'In-roads')
  - Microfinance loans
  - Financial literacy training
- Fair Loans Foundation (Fair Loans)
  - Microfinance loans
  - Money mentoring
- Foresters Community Finance (operating as 'Fair Finance')

[9] The researchers used Kempson et al (2017) financial wellbeing scale (cited p. 8)

    - Microfinance
    - Debt counselling
    - Referral
- Fitzroy & Carlton Community Credit Cooperative (established the 'Community Credit Foundation')
    - Microfinance
    - financial literacy
    - budget services
- Many Rivers Microfinance (Many Rivers)
    - Microenterprise loans
    - Business planning
    - Financial literacy

  Source: (Plant & Warth, 2012)

The CDFI relationship-based models adopted by Many Rivers, Fair Finance and In-roads partners worked one-on-one with very disadvantaged clients and helped them to establish businesses or resolve financial problems. 'It is not about loans' was emphasised by providers, however, access to a financial product, supported by a relationship-based approach can encourage financial participation and behaviour change (Proske; as cited in Plant & Warth, 2012, p. 11).

There is early evidence that the approach is gaining traction, most notably in Aboriginal communities when introduced by trusted workers, across three different pilot models. It is significant that a CDFI loan is not 'charity' and offers people the opportunity to be self-reliant, grow in self-esteem and have the potential to transition to the mainstream (Plant & Warth, 2012, p. 11).

The evaluation found:

- It is important to build scale in order to achieve economies and also build awareness.
- Financial sustainability, or cost of delivering services. "Evidence from the CDFI sector in the US and UK, as well as other Australian microfinance initiatives, demonstrates that services for financially excluded populations are expensive to deliver. The current pilot confirmed that covering the costs of the intensive face-to-face work necessary to build financial capability can be far more expensive than the costs of simply delivering a loan.'" (p. 13)
- The need to find new clients and therefore promote services and products: "CDFIs are not long term financial providers, but try to offer pathways to financial inclusion. The 'best' customer for a CDFI is one who can stabilise their financial situation to the point where they are able to access mainstream financial products and services." (p. 13)

Many Rivers Microenterprise Development Program

Many Rivers works with people who possess the ideas and skills to establish sustainable businesses, but lack the necessary financial and/or non-financial support to do so. Many clients live in disadvantaged communities, are Indigenous and are from regional and remote areas of Australia ("Evaluating Many Rivers' Microenterprise Development Program," 2017 p. 12).

An October 2017 Evaluation of the Australian programme Many Rivers shows that it has grown from its initial pilot:

- It has reached over 4,700 clients across Australia, including nearly 500 new clients in 2016-17.
- The creation or expansion of 1,391 businesses to September 2017, including 336 new businesses in the last financial year.
- Clients are financially excluded, e.g.79% of clients had restricted or no access to financial institutions, and 79% had assets below $50k.
- 42% of all clients are Indigenous, 44% of Indigenous clients are from remote or very remote areas
- Clients are also diverse ethnically coming from 105 ethnic backgrounds

Clients commonly reported that the most useful supports from Field Officers were business acumen and financial knowledge, support and encouragement and a constant presence ("Evaluating Many Rivers' Microenterprise Development Program," 2017).

Many Rivers supported businesses:

- Are just as likely to survive the first three years as the national average for comparably structured businesses. This is most pronounced after the first year, where 77% of Many Rivers survive, compared to 74% nationally.
- Currently employ over 1,500 people.
- After three years, more clients are independent of welfare (up from 46% to 81%), have personal assets greater than $50K (up from 25% to 28%), and have greater access to financial institutions (up from 46% to 82%).
- Clients also report a sense of fulfilment from operating a successful business, and that opportunities in general improve for them and their families.

Comparative Study of Indigenous Models

The McDonnell (1999) study considered the FBF Micro-credit fund in Australia, and Lakota and First People's Fund micro-credit programmes that were operating in rural indigenous communities in America and Canada.

- Loans in the FBF scheme were made to borrowers who had few assets, a low level of savings and were often unemployed in order to start small or micro businesses.
- The Lakota Fund was established in 1985 by the First Nations Development Institute. The aim of the Fund was 'to support businesses on the Pine Ridge Indian Reservation by providing technical assistance and fostering personal development' (Novogratz as cited in McDonnell, 1999, p. 9).
- The First People's Fund uses the peer lending structure developed by the Grameen Bank to provide loans to indigenous borrowers (Campbell, as cited in McDonnell, p. 9).

It was found that while the FBF was considered viable with a 3% loss, there was a high default rate in the Lakota Fund[10]. In order to replicate the model in Australian Indigenous communities McDonnell (1999) suggests that low population density, other alternatives such as welfare, and specific cultural practices may impact on success.

An Evaluation of a New Zealand approach: The AVIVA Pilot

Good Shepherd piloted NILS in New Zealand with Aviva to study NILS delivery in a New Zealand context and to examine issues such as existing services offered by Work and Income. A small pilot ran for a year (2014–15), with 32 clients completing loan application interviews and 15 loans issued for an average of $1385. (AVIVA Family Violence Services et al., 2015)

These factors were considered most important in the delivery of the Aviva NILS service:

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

(AVIVA Family Violence Services et al., 2015, p.6)

One third of those taking part were found to be financially excluded:[11]

- 13% Fully Included
- 47% Partially excluded
- 40% Severely excluded

There was a low referral rate for the Aviva Pilot which suggested that local models need to contend with the easy access to credit and tolerance of debt; cultural issues around financial issues; understanding of microfinance, and an inconsistency from referral agencies themselves. (AVIVA Family Violence Services et al., 2015)

Recommendations for new NILS providers based on the pilot included:

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[10] In 1994 the Fund's delinquency rate was approximately 10 per cent, with delinquencies in earlier years ranging from 15-25 per cent, to an all-time high of 35 per cent (Environmental Protection Authority 1996). (Mcdonnell, 1999)

[11] A client who has all three of key services is deemed to be 'fully included'. A client without access to one of these services is deemed to be 'partially excluded', and a client with access to only one of the three key services is deemed to be 'severely excluded'.

- Resources (human, knowledge, financial and influence) and locations matched to the needs of targeted communities.
- Focus on adding value and complementing other policy and operational responses led by government, commercial and philanthropic sectors that address issues of income poverty, over-indebtedness and financial and social exclusion.
- Replicate key aspects of the NILS service model to maintain its integrity and effectiveness, but with adaptation to meet local needs.
- Support people's journey along the financial inclusion continuum by making a package of microfinance services and products available in new geographical areas, to new target populations, and via both generalist (targeting all people living on a low income) and specialist (targeting particular groups within society or to achieve particular ends, such as addressing family violence) delivery mechanisms.

(AVIVA Family Violence Services et al., 2015, p. 7)

Ngā Tangata Microfinance Initiative

The Ngā Tangata Microfinance Trust (NTM) was established in 2010 with its foundational organisations being the Child Poverty Action Group, the NZ Council of Christian Social Services and NZ Federation of Family Budgeting Services. ("Ngā Tangata Microfinance," n.d.)

Ngā Tangata seeks to assist clients to reduce or avoid high interest debt through its products and to increase financial capability and inclusion:

- The No Interest Loans Scheme (NILS®) loans – up to $1500 ($2,000 maximum) for personal or family wellbeing and asset building.
- The Debt Relief Loan Scheme (DRS) implemented in 2012 – up to $3000 for high interest debt relief or consolidation.
- Loan capital is provided by Kiwibank. Frontline distribution of the loans is via budget advisors stationed within Budgeting Services. Operational costs are funded by J.R McKenzie Trust and a small number of private donors
("Ngā Tangata Microfinance," n.d.)

> *NTM's loan criteria include being a client of a Budget Service, working with a BA/ Financial Mentor, and having the willingness and capacity to repay the loan. NTM does not require collateral or guarantors for the loan, and does not use a collection agency in the case of non-payment, so trust in the client's willingness to repay is vital for NTM's sustainability* (Dale & Sbai, 2017, p. 8).

Ngā Tangata's partnership with currently 35-40 budgeting services means its loans are now accessible in regions around New Zealand: Auckland, Northland, Waikato, Dunedin, Taranaki, Gisborne, Manawatu, the Bay of Plenty.

Ngā Tangata Evaluation

The recently released 2016 External Evaluation of Ngā Tangata (Dale & Sbai, 2017) provides timely data on the impact of the Ngā Tangata Microfinance initiative in New Zealand, which launched in 2011, considering both the effectiveness and efficiency of the processes and its impact on clients.

Table 27: Ngā Tangata Disbursements

Disbursed to 187 clients	by Nov 2016
NILS	$88,000
DRS	$326,000
Approval rate	74%
Est. savings	$800,000 in credit charges and costs

Of the 81 clients (receiving NTM loans and clients of Budgeting Services) responding to the survey the majority were women who experienced tenuous home environments while supporting dependent children.

Table 28: Key Demographics[12] for AVIVA compared with Ngā Tangata Evaluation

	AVIVA NILS Pilot	Ngā Tangata NILS Evaluation
Ethnicity		
European	80%	28%
Māori	6%	42%
Other Asia	7%	1%
Pacific Islander	7%	28%
Household		
Single	20%	17%
Single with children	46%	51%
Couple	7%	9%
Couple with children	20%	unknown
Multi adult	7%	unknown
With dependent children	66% (single and couple with children)	73%
Age		
	24-34 years 47%	*18-38 years* 30%

[12] The Aviva NILS pilot ran from February 2014 to February 2015, during which time 32 clients completed loan application interviews, and 15 loans were issued to female clients. Concurrently, a formative evaluation was undertaken, documenting the context for this microfinance service, and presenting the knowledge gained during the pilot. 6 in-depth interviews were conducted with clients, 19 with key informants, and secondary data from Aviva NILS was also collected to proceed with the analysis. The key findings and recommendations of this evaluation are presented below. (http://goodshepherd.org.nz/media/1788/snapshot-aviva-nils-pilot-evaluation-11dec15.pdf)

	35-45 years 20%	*39-48 years* 23%
	46-54 years 47%	*49 -58 years* 26%
		65+ years 11%
Housing		
Rental	80%	88%
Boarding	7%	4%
Own home	13%	7%
Female	100%	80%
Household Income under $1000	100%	89%
Household Income under $1000		11%
Receiving welfare benefit	2/3	75%
Paid work	1/3	28%

Sources: (AVIVA Family Violence Services et al., 2015), (Dale & Sbai, 2017)

It is interesting to note that the Aviva Pilot indicated very strongly the demographics that NILS loans would be assisting. The key difference is in ethnicity, where Ngā Tangata demonstrates a much higher reach into Māori communities.

Table 29: Ngā Tangata Outcomes

	Ngā Tangata Microfinance (NTM) Loan recipients	Control Group (budgeting services clients not receiving NTM loans)
Reserves/savings for emergencies	37%	29%
Household budget	79%	57%
Made financial changes	74%	64%
Ownership of assets positive difference	46%	29%
Visiting the bank	20%	21%
Would not borrow from Payday lender or high interest loan	90%	79%

Source: (Dale & Sbai, 2017)

Table 30: An analysis of data[13] between the 81 clients and 14 women in the control group:

Outcomes	Probability on average with no access to NTM loans
Budget plan	Significantly reduced
Making changes on receipt of financial advice or education	Significantly reduced
Improvement to one's state of mind at a scale of 5	Significantly reduced
Family stress	Significantly less
The loan making a major difference to the use of money	Significantly reduced
Having savings	Strongly and significantly reduced
happier dealing with the bank	Significantly reduced
Borrowing at high interest	Increased significantly

Source: (Dale & Sbai, 2017)

For the control group seeing a budget advisor over a long term did not necessarily lead to a NTM loan. Out of the 14 in the control group:

- 43% had first seen a budget advisor less than a year ago
- 21% had seen a budget advisor for 1-2 years
- 36% for 4-10 years

Of the NTM clients, 88% had seen a budget advisor for over a year before applying.

26 Budget Advisors were also surveyed. 27%, (7 out of 26 surveyed) were not familiar with the NILS loans and had not offered them to clients or applied for them. More were cognisant of the DRLS with 81% having good knowledge.

> *I recently had a client who had 2 Home Direct Loans and I worked out that it would take the best part of seven years to pay them off because of the interest rate of 25.5% plus their admin fees that get added on every time a repayment is made. The DRLS means she is clear in 2 years with the same fortnightly repayment she would have been paying to Home Direct for the rest of her life!" "The DRLS is very, very good at relieving high interest loans. I read the Cash Converters contract the other day and in the fine print it says 144% interest rate. I nearly flipped (Budgeting Advisor quote, p.23 as cited in* Dale & Sbai, 2017).

- 88% rated the contribution of NTM to the financial situation for their clients as a 4 or 5 on a scale where 1 is of little benefit and 5 is of great benefit.
- 73% said access to the NILS and DRLS loans enables them to be more helpful to their clients.
- 35% suggested increasing the size of the loans. (Dale & Sbai, 2017)

Criticisms included the time taken for to process the NTM loan when often the need is urgent. The loan conditions also require clients to be working with budget advisor for two plus months for NILS and six plus months for DRLS which also means that those in financial crisis are not eligible.

[13] Using econometric (Probit) model, controlling for other relevant factors

Table 31: Barriers to applications identified by more than one budget advisor

Client debt	46%
Truthfulness	19%
NTM criteria	15%
Upper income limit (need to qualify for community card)	12%

Source: (Dale & Sbai, 2017)

Review Conclusion

The development of microfinance from its historical origins has been one of innovation and adaption to assist people to move from poverty to self-sufficiency. Yunus (1999) the founder of the Grameen Bank urges people to look for innovative, even radical solutions, to alleviate poverty. The definition of microfinance itself has grown to encompass the many ways that financial services can be targeted to assist people who are financially excluded.

An analysis of microfinance in Australia shows that it has adapted to meet the needs of those financially excluded with innovative products, services and structures. Good Shepherd Australia offers a wide range of products and services that assist people across a range of needs – from no interest loans (NILS) to low prices on white ware and essential goods, insurance and are now piloting microenterprise. To meet the challenge of payday lenders they have literally set up shop with retail stores offering alternative low interest products and advice.

Recognising the multifaceted nature of financial exclusion, they have also implemented collaborative plans (Financial Inclusion Plans- FIAP) that encourage a wider response to the underlying issues by engaging with organisations to improve financial inclusion.

There are also numerous programmes targeting Indigenous peoples that specifically address cultural needs and issues such as geographic isolation.

In New Zealand, microfinance is still in what could be called a development stage, with the reach being relatively small. Small community groups or trusts have existed over the longer term offering alternative loans to people (especially women), but these are localised and often rely on volunteers and donations/gifts to operate. As the closure of Auckland Women's Loan Fund demonstrates, these are not always sustainable, especially where the targeted group are dispersed and intensive time is required by volunteers.

Microfinance on a larger scale has been introduced in New Zealand primarily to assist people obtain credit at low cost as an alternative to fringe lenders and therefore was specifically adapted to local needs. Eccleton (2016), examined how microfinance became a policy response in New Zealand and found that "multiple streams" led to the establishment of the community finance initiative "based on Good Shepherd Microfinance's partnership model with the private, government and non-profit sectors sharing both risk and costs" (p. 94). The issue of child poverty linked with problem debt provided a catalyst for a low cost solution in microfinance that suited the politics of the day.

Recent ongoing and larger New Zealand initiatives, Good Shepherd and Ngā Tangata, involve partnerships with community organisations to deliver microfinance products and with significant loan capital provide by mainstream banks. Other, more localised microfinance organisations, such as Newtown Ethical Lending, are based within a community and serve the needs of their local clients.

It can be seen from the financial exclusion literature and statistics around poverty that specific problems exist in New Zealand – and groups such as Māori women, sole parents and the young are particularly disadvantaged. Initiatives such as The Māori Women's Development Inc. target Māori women, but the scale of this project is unknown. There is little evidence of wide-scale programmes that specifically target Māori, apart from at a local level, although existing programmes such as Ngā Tangata also reach into Māori communities. However, the literature clearly shows that Māori are financially excluded in a range of measures and would therefore benefit from a number of specially targeted programmes.

The original impetus for microfinance in this country needs to be re-examined in the broader framework of enabling financial capability and wellbeing for these excluded groups. A greater variety of products and services with specific goals to ameliorate financial exclusion is needed on a bigger scale. However, the research also points to the benefit of these programmes being developed within and for the communities they assist.

Microfinance sits within the context of financial exclusion/inclusion. Considering this wider context allows it to be seen as a key enabler for people to have access to the services and products they might otherwise be excluded from. In the current environment, it is recognised that the growing complexity of financial services means that people can be excluded - even if a service exists, they may not be aware of it, or able to access it for example. In New Zealand the literature shows that people have access to bank accounts but that issues such as high credit costs can still leave people excluded.

Financial exclusion also has wider impacts, on individuals and communities. Cultural expectations can also exacerbate financial issues.

Statistics show that despite high rates of access to banking in New Zealand, financial exclusion persists. 60% of Māori are found to be in households where the equivalised, median household incomes are in the bottom two income quintiles compared with 34% of Europeans. The proportion of sole parent households in low income households is 51%. The Material Wellbeing Index shows high rates of material hardship experienced by Māori (20%), sole parent households (31%) and by the young (25% under 25).

Household debt statistics also shows that Māori and Pacific families experience high debt compared to European households. "When faced with a financial shortfall or crisis, the only option for many families is to turn to fringe lenders…" (Sheikh & Porter, 2011), which proliferate in areas where families are in need.

Those most excluded are those from indigenous backgrounds, the young and elderly, sole parents with children, disabled, the working poor, those with unstable situations. Causes can be considered on both the supply and demand side – such as the availability of payday/fringe lenders and personal circumstances such as low incomes. More research is needed to look at financially excluded groups in New Zealand, and to consider what barriers there are to participation and the implications of this.

The issues of exclusion mean that people are not able to weather financial shocks, accumulate assets and can be more exposed to rising rents, high debt and other changing costs. The framework developed by Burkett and Sheehan (2009) highlights the potential responses to these issues as well as the frame for the causes. Torrie and Bailey (2017) approaches to changing financial hardship further consider the role of attributes and behaviours, building knowledge and skills, improving the economic position, as well as providing access to financial products and services.

Those who are vulnerable (renting, low income, women with dependents) need to be supported to ensure that they can make effective decisions about financial matters to become financially included: “A strengths-based approach – where families are at the centre and are the experts and the authors of change – increases client engagement and contributes to better service outcomes.” (Sanders & Munford, as cited in Torrie & Bailey, 2017, p. 31).

The Families Commission noted that interventions need to understand the geographical and social environment in which families live, and recognise the pressures under which they operate, which can lead to exploitation, a high level of debt, health and relationship problems, and low self-worth. (Torrie & Bailey, 2017, p.31)

While the evaluations show that microfinance is effective in assisting people move towards financial inclusion and improving social outcomes, Microfinance alone is not always an all-encompassing solution to financial exclusion. Instead, studies show it does have a role to play in assisting people to inclusion, especially when coupled with other services. Impacts have been measured on outcomes such as freedom choice and control, empowerment, confidence, wellbeing – with the opportunities provided by different aspects of microfinance products/services contributing to positive results. (Cabraal, 2011)

The research clearly shows how financial capability is enhanced through a holistic, combined approach. For instance, Muir, Salignac and Reeve (as cited in Plant & Warth, 2012, p. 11) call for programmes that “puts the individual at the centre and understands and addresses people’s personal, economic and social contexts”. In addition, they identified a mix of factors that all play an important role in addressing financial capability, including:

- The financial literacy and capacity of consumers;
- The supply of accessible, affordable and appropriate financial products;
- Regulators and regulation;
- People’s economic circumstances;
- People’s social capital
  (Torrie & Bailey, 2017, p. 31).

Financial Literacy is examined as an important component of financial capability. The complexity of products requires knowledge in order to be able to make informed decisions. New Zealand has a Financial Capability strategy that includes being “debt-smart”. It has a specific goal for 100% of Māori and Pasifika learners to access financial education programmes, and for 90% of the largest Iwi to offer savings schemes.

Studies of financial knowledge in New Zealand show that there are gender differences, with women having lower scores, and Māori and Pacific Islanders scoring significantly lower on some measures. This is emphasised in the PISA 2012 Financial Literacy report where Māori students were below average for all New Zealand students and across OECD countries. It is worthwhile noting that financial literacy is no longer a separate component of the He Kai Kei Aku Ringa (HKKR) plan.

Sustainability is an issue that led to the initial success of microfinance – by repaying loans it could perpetually help others. However, in a developed context where the costs of delivery are high and the scale may not be possible to recoup investment, the sustainability of a programme and what this means – social versus financial – needs to be examined from the outset. The cost of delivering services, the social purpose, scale and demand are some factors that need to be considered in developing a programme.

Ongoing evaluation and adequate funding is needed to ensure that sustainable initiatives are implemented and monitored so that outcomes can be assessed and over the long term. In New Zealand the numbers of people being reached by microfinance are still small, although the results are promising. By November 2016 Ngā Tangata's Microfinance initiative showed that 187 clients had received loans. 42% were for Māori, and 51% for sole parent households with children, therefore reaching those most excluded in statistics. Outcomes such as improved state of mind and reduced family stress were shown to be significant.

In New Zealand it is clear that there is potential for growing microfinance initiatives that are innovative and respond to local needs. Initial evaluations show programmes have promise but lack scale and have limited products available. There is also evidence that those most in need are being targeted by the programmes that are available, but given the large scale of financial exclusion there is a need for a more wide reaching programme that can be responsive to local needs. Models such as Many Rivers in Australia suggest that many aspects of the original Grameen Bank model can be replicated successfully, but with respect to local culture and experiences.

There is no national financial strategy specifically for Māori and what information is available about Māori initiatives is piecemeal. The few mentions of specific goals for Māori in the CFFC National Strategy for Financial Capability are not sufficient to address the issues that have been identified in the statistics of financial exclusion. Given the importance of financial inclusion as stated by the World Bank (2018), a multi-faceted approach is needed in New Zealand from policy through to programmes that assist disadvantaged groups to access the services and products that are available in a developed economy.

Whānau Ora and Microfinance

While the review of literature reveals the current thinking around microfinance and the initiatives offered both here in New Zealand and internationally, the one thing that it does not easily show is whether microfinance has been able to be implemented within a Whānau Ora provider context. As a fairly recent national initiative, there is not yet much scrutiny around the alignment of the Whānau Ora framework and practice, and the ideology of microfinance.

While the primary research interviews that were conducted with providers and microfinance experts as part of this research included a focus on whether microfinance was currently used within the Whānau Ora provider space, there was also a need to review current other types of financial support that was being offered by providers, or used by whānau, to provide a snapshot of the existing situation.

A review of the North Island Provider partners around the current financial support they offer to whānau looked at both, financial support - in the sense of facilitating access to resources - as well as support in regards to facilitating access to increased financial knowledge.

Budgeting and financial literacy

- A phone survey of the 78 provider partners (named in Appendix 1) revealed that 26 providers offered an in-house budgeting service.
- A further fourteen partners confirmed that they have a process for referring whānau to external budgeting services.
- Furthermore, some providers contracted outside organisation to provide financial literacy course on site, or had informal agreements with outside providers to deliver budgeting and financial services.
- Some of the individual kaimahi also referred whānau to external financial literacy services.

In-house Financial Support

- Out of the 78 provider partners 49 offer the TPM grant Whānau Direct

External Financial Support (accessed by whānau outside the Whānau Ora provider)

- Work and Income New Zealand: Of the whānau interviewed for this project, 69% of household accessed a benefit – another 12% of whānau were accessing the superannuation benefits. This means the majority of whānau interviewed for this project accessed financial support through welfare benefits as their principal form of income.
- 57% of whānau interviewed for this project had received loans from finance companies at some stage (see page x for detail)

Whānau Direct

Whānau Direct is a TPM product that assists whānau to access financial resources in times of need, with the intention of making a positive difference for whānau. The purpose of Whānau Direct is to build whānau capability. Whānau Direct aims to enhance the skills and ability of whānau to grow resilience and respond positively in situations, and enable whānau to access resources directly. Whānau Direct offers up to $1,000 for whānau as a non-repayable grant that is paid directly to a supplier of the resource that the grant has been intended for. In the 2016/17 financial year 2,614 whānau across the North Island accessed the grant for needs ranging from accessing the basic necessitates of life such as bedding, furniture, appliances, food and clothing, to improving housing conditions, reducing household debts (mainly utility bills and rent arrears), and solving transport and vehicle issues (WOFs, Licensing and repairs). Whānau also accessed grants to improve their wellbeing by addressing personal and physical health issues and to improve their whānau situation by increasing knowledge through access and participation in education and training.

Out of the 66 whānau interviewed for this research project 22 had accessed Whānau Direct in a time of financial need.

The purpose of Whānau Direct is to offer a tool within the Whānau Ora provider space that assists whānau – alongside kaiārahi – to have access to a form of financial support from which they are generally excluded outside of that provision. Whānau Direct was also intended to offer a positive alternative to whānau to the kind of loan arrangements offered by exploitative fringe lending organisations.

Whānau Direct Establishment Learnings

The establishment period of Whānau Direct began in 2014, concurrent with the establishment period of Te Pou Matakana commissioning agency. A test trial was carried out by two Whānau Ora partners based in Tāmaki Makaurau, over a six-week period in June and July 2014. Following this test, Whānau Direct was piloted by 22 Whānau Ora preferred partners, contracted by Te Pou Matakana to administer and allocate Whānau Direct funding to their respective communities for a four-month period from 1 September 2014 to 31 December 2014, after which a general roll out to provider partners commenced.

The learnings from the establishment period are relevant to the focus of microfinance within the Whānau Ora space, as they help to reveal some of the possible issues that need to be considered when establishing a new financial support product. Two evaluations of this establishment period[14] highlighted some key points of implementing the pilot:

1. **Process Challenges:**

- Pilot timeframe and timing:

This issue was around the short duration of the pilot, as well as the time of the year in which it occurred, meaning it was already a very busy time for providers which made a new pilot implementation challenging.

- Different interpretations and understandings:

[14] Grotveld, C. (2015) Whānau Direct Formative Evaluation; Grotveld, C. (2106) Whānau Direct Evaluation

This issue was around the variations of understanding among the pilot providers, both of what the pilot was trying to achieve, as well as the processes (e.g. entitlement criteria) that were required for the running of the pilot.

- Navigating the application process:

This issue highlighted complexities and misunderstandings around the process which was required for whānau to apply for the grant.

- Technical system Issues

This issue was around the challenges experienced by using a new IT system designed as part of implementing Whānau Direct, which experienced various technical issues in the establishment process.

2. Impact on 'business as usual':

- Time and resource requirements:

This issue focused around the (unexpected) extra time and resourcing that was needed by providers to deal with the administrative requirements of the pilot.

- Monitoring and Reporting

This issue also highlighted time requirements and complexities in regards to the new monitoring and reporting that was required by providers.

3. Workforce issues:

- New Skill sets:

This issue was around expecting kaimahi to adopt a new set of skills they may not previously had – especially around financial administration.

Whānau Direct: Enablers and Future Improvements for Efficient Delivery

The evaluative data also highlighted a set of **system and process** enablers that supported efficient delivery, and which may be relevant when looking at best practice financial pilot recommendations within the Whānau Ora provider space. In short, the evaluations found that efficient partners:

- Planned and aligned Whānau Direct with internal processes and systems;
- Developed internal policies and procedures (e.g. accountability and risk management);
- Developed a plan and process to interface and engage with resource suppliers;
- Appointed one or two people to provide management and oversight of Whānau Direct delivery;
- Sent all staff involved in Whānau Direct to Te Pou Matakana training; and

- Ensured all staff had a shared understanding and interpretation of Whānau Direct purpose and intent by providing ongoing in-house training.

Partners also emphasised how Te Pou Matakana could support efficient delivery:

- Provide Whānau Ora partners with financial support to administer Whānau Direct; and
- Build a community of practice to enable partners to share ideas and best practice.

While these learnings from the Whānau Direct pilot pertain to a different financial support solution to that offered by microfinance currently, the highlighted issues are valuable to consider in the creating of a best practice framework for any subsequent pilots with Whānau Ora partners.

Primary Data Analysis

The following section provides an overview of the primary themes and issues that arose out of the 90 whānau and kaiārahi interviews that were held around the North Island as part of this research.

Contents

Poverty

The overwhelming theme that emerged from our exploration of the financial health of whānau, was the indisputable depth and breadth of poverty that exists across all rohe of Aotearoa. Areas such as Gisborne and the Far North, already labouring under the effects of decades of financial and social neglect together with chronic under investment, have seen dramatic decreases in all the indices reflecting whānau financial wellbeing and opportunity. Obversely, economically prosperous regions such as Tauranga, the rural Waikato and Hawkes Bay have experienced a large influx of both people and capital (particularly from Auckland) and this has put a considerable amount of additional pressure on services for low income whānau, especially in areas such as the availability and cost of housing. What is clear is that growing income inequality and material disadvantage are having an increasingly large and effect on whānau wellbeing.

The interviews revealed widespread evidence that those dependent upon welfare or low paying work currently face major financial hurdles and barriers to attaining a standard of living that the majority of New Zealanders either take for granted, or would deem acceptable for themselves. This research has documented the emergence of a growing contingent within our country (containing an increasingly greater number of our whānau) who are barely keeping their heads above water, due in the most part to the insidious effects of a deepening level of poverty, intersecting with an increasing inequality of opportunity. A significant growth in income deprivation relative to the rising cost of living, forms the backdrop against which whānau have unequivocally testified about the difficulty of finding and retaining a decent place to live, being able to afford enough wholesome and nutritious kai to eat, being able to afford for their tamariki to fully participate in the education system, and being able to stay warm and healthy, both inside their whare and in general.

It became apparent early on in the consultation process that the major financial issue facing the majority of whānau who were part of this project was an acute and ongoing deficit in terms of household income. Sole parent households and those renting privately (particularly in Auckland) suffered from the largest deficits, with whānau containing a large number of tamariki also not receiving enough targeted support to meet their essential costs. These whānau struggled to make ends meet, but were mostly coping until unplanned expenses or larger than expected bills cropped up. The widespread lack of financial resilience within whānau budgets was another central theme that emerged, with many respondents reporting severe, disproportionate and sometimes long lasting negative effects as a result of:

- A sudden drop in income
- Illness
- Being unable to make loan repayments
- Getting behind with utilities or housing costs
- Vehicle breakdowns
- Tangihanga
- Accidents
- Relationship breakups
- Crime

Financial Stress & Consequences

A total of 48% of whānau reported being highly stressed by the state of their finances. Those whānau dependent on welfare payments for their main source of income understandably formed the bulk of these households. For a small portion of these whānau, the struggle to survive was often compounded by feeling forced to spend the majority of their time at home, in poor quality housing where they felt both unhappy and unable to envisage a better future. Some reported feeling imprisoned in their homes, with no money to be able to go anywhere or do anything to take their minds off of their situation. Entertainment was almost completely restricted to watching television. For couples, this invariably lead to relationship issues that often revolved around resentments to do with money. This in turn set the scene for the development of anxiety, depression and other mental health issues. Alcohol and drugs had the power to further complicate matters. It was therefore clear that social and psychological isolation significantly exacerbated the effects of financial stress.

However, the majority of whānau managed to mostly avoid these problems by staying connected to outside interests, focusing on the health and wellbeing of their tamariki, and by developing support structures amongst friends, whānau and their communities. Making a little extra pūtea on the side was also widely reported by whānau as being a necessary and expedient solution to reducing financial stress. This extra income was sourced from a range of legitimate and declared sources, as well as through 'under the table' cash jobs. This supplementary income was almost always applied towards the shortfall in living costs that affected most beneficiaries and the low wage employed. Having the ability, inclination and initiative to undertake some type of activity to generate extra income, formed a decisive and compelling dividing line between those in the first category above and those in the second.

Whānau often characterised financial stress as being divided between two broad categories. The first type largely related to visceral needs such as food, shelter and clothing and the ability to satiate these in the short term. The second type had a more tertiary or notional basis, and tended to revolve around the capacity to afford material goods, achieve a desired level of comfort, and also a sense of the possibility of future prosperity. Whilst the first type was broadly centred around survival, the second was more focused on quality of life, and this was surprisingly the most pressing in a large number of cases. Although the majority of whānau spoke about the struggle to survive financially, it was largely the more qualitative elements of this survival that concerned and stressed most people. This suggests that the notion of financial survival itself, has a much more literal basis for the vulnerable, whereas for most whānau it is more centred on the quality of that survival.

Conversely, there were also whānau who expressed a high degree of contentment with their relatively tight circumstances, in contrast to others who were comparatively quite well placed, but felt extremely stressed financially. Expectation and entitlement were therefore also important concepts underpinning an understanding of financial stress levels and types for whānau, and spoke directly to assumptions around risk and reward as well as the innately human desire to be happy, safe and prosperous.

Healthcare

Poor access and quality of health care was an issue that was frequently cited by whānau. GP visits were often avoided because of cost, with whānau regularly reporting that paying for doctors' appointments would usually mean compromising on food, as this was the only truly discretionary part of their weekly budget. After hours care was also a contentious issue for a large number of whānau, especially in regards to sick tamariki. Whānau were angry at the length of time and dismissive attitudes they faced when seeking after hours care from hospital emergency departments. They were also equally scathing about the high and prohibitive cost of seeking the same care from private clinics. Parents in particular often remarked that they would not spend money on their own healthcare in order to be able to afford to take their children to the doctor, or they would make the considerable sacrifice to pay for private after hours care in order to avoid the stress of waiting for hours and being made to feel like a "freeloader" by hospital staff.

There was a very high incidence of asthma and other respiratory illnesses reported by whānau taking part in this research. This was directly attributed to the high proportion of whānau living in cold, damp homes. The majority of these were older Housing New Zealand properties. In the case of private rentals, whānau were often reluctant to put pressure on landlords to fix things such as gaps in windows, doors and ceilings, through fear of being disadvantaged as a result. The shift towards heat pumps (now being the most common form of home heating) has also had unintended negative consequences for whānau. Convection heating was regarded as introducing a high amount of moisture into homes and also being prohibitively expensive to run.

Chronic illness was a leading factor reported in the downward financial mobility of whānau. 13.5% of adults and 7.5% of tamariki suffered from serious medical conditions that severely impacted not only their health and wellbeing, but also their family finances. 10.5% of adults reported having to leave their jobs due to illness or other medical conditions. When this occurred without warning (or the cushion of earnings insurance) or the occurrence was long term in nature, the effects on whānau financial wellbeing were considerable.

The interviews also highlighted the frustration experienced by previously working whānau, who as a result of illness found themselves needing to negotiate their way around the welfare system in a moment of crisis, and for the first time. Both tamariki and adults spoke of the uphill battle they faced to access much needed specialist medical care, often facing lengthy delays and other impediments symptomatic of chronic inefficiency and under funding.

Factors Influencing Financial Hardship

All whānau living in welfare dependent households - and most of those who were working - reported little capacity to absorb any significant unplanned expenditure, and similarly little capacity to save. The long term low wage environment in Aotearoa also meant that those employed in low paying non-professional areas, also often felt that they did not earn enough to take the next step on the financial continuum (towards owning their own home), but were paid slightly too much to access most of the extra supports available through WINZ. This was especially so when the whānau had children and a non-working partner. Whānau who said that they did have enough income to meet their essential costs, also declared little capacity to save or meet unplanned expenditure. For those already struggling to make ends meet, unforeseen or unhoped for events, such as those listed below, often precipitated full blown financial crisis:

- Tangihanga (especially involving travel)
- Large utility bills (especially winter heating)
- Vehicle maintenance costs or breakdowns
- Healthcare costs
- Incarceration of main income earner
- Christmas and birthday presents for children
- Costs associated with shared custody
- Children’s activity or equipment costs
- Increase in direct deductions from benefit
- Loan servicing costs

The burden of these events fell disproportionately on women, principally single women with children. It was clear from our conversations with these wāhine, that there is a real gap in terms of emotional and financial peer support available in the community for those in their position.

Financial Issues / Debt Management

There was a large variance in terms of the levels of financial capability that was encountered amongst whānau. 98.5% or interviewees maintained their own bank accounts with slightly over half using internet banking. The greater majority however possessed a very limited understanding of financial tools and processes, especially with regard to longer term planning. For those households where welfare payments were the main form of income, there was often a deeply rooted and sometimes inter-generational deficiency in household income relative to living costs, which did not enable or encourage whānau to financially plan very far into the future. Working whānau were on the whole much more familiar with the transmission of money and were hence much better able to comprehend the longer term effects and consequences of their financial choices. In areas with the highest levels of income deprivation we found correspondingly low levels of financial awareness.

All whānau expressed a distinct belief that the cost of living was constantly rising, and that their income levels were just not increasing fast enough to keep pace with this. Whānau understood that this was causing an ongoing reduction in the relative buying power of their pūtea. Interview analysis connected this with a decreasing ability to conceive of or plan for longer term financial issues. A large number of whānau stated that they were living "week to week" or "payday to payday". Kaiārahi and budgeters also detailed a dramatic increase in the number of whānau living week to week in constant and often worsening situations of income deficiency. Budgeters also described the emergence of an even more financially impoverished group of whānau who are now living day to day without even basic food security. A small number of whānau that were interviewed (often those who are paying more than 75% of their income towards housing costs) spoke of being highly reliant on "doing the rounds" of the foodbanks in order to obtain enough kai, visiting three or more separate foodbanks every week.

Debt was a familiar and often uncomfortable topic for a lot of interviewees. Many remarked that money and finances were not topics which were openly discussed in their households (especially when they were growing up) and when they were, they often lead to disagreements. Many whānau disclosed that they had a habit of 'going to ground' when they were unable to keep up with loan repayments. Whānau described feeling overwhelmed and being too whakamā to approach lenders to discuss relief options. One of the biggest revelations related by whānau engaged with budgeting services, was that most creditors would extend some leeway in cases of hardship, as long as some regular payment continued to be made and they were "kept in the loop" with regard to changing circumstances.

Problem debt affected around 40% of whānau interviewed, with 75% of these cases having the potential to be dealt with relatively easily (especially utilising a facility like the Debt Relief Loan Scheme (DRLS) developed by Ngā Tangata Microfinance) as the amount in question averaged between $2-4k. These debts were usually accrued through whānau being hit with unexpected or unexpectedly high bills or emergency costs, which they had no or little capacity to meet within their normal budgets. This would lead them to getting out of synch with one or more cyclical bills and subsequently just never being able to catch up again.

Financial Literacy & Exclusion

Many whānau expressed ambivalence around knowing the meaning of 'financial literacy'. Highly abstracted terminology and definitions were frequently cited as alienating by whānau, who wanted to discuss finances in simple, straight forward and concrete terms. The most common and recurring manifestation of poor financial literacy was the failure to understand the nature of interest, especially compounding interest. A large proportion of whānau relayed a failure to look past the weekly repayment amount of a loan. Thus many had signed up for credit without ascertaining basic information, such as the term of the loan or the rate of interest that would be charged. Often when they did read or hear the interest rate, they mistakenly believed that it would be the total interest charged over the course of the loan, and not the rate charged per annum.

Whānau were routinely shocked to learn that an interest rate of 30%pa, over a three-year term could nearly double the face value of a loan. Fees for late or missed payments, reminder letters and other penalty charges often added significant extra amounts on top of this. These often came as a partial or complete surprise to whānau, and added considerable additional pressure at a time when whānau were already experiencing considerable strain meeting their regular payments.

In the instances where whānau did display a high level of financial literacy, they consistently attributed this to the enduring values and skills taught to them by their parents or grandparents. These whānau were much more considered in terms of their spending habits, were persistent savers (even when it was hard to be), had the ability to make long term financial plans and employ the self-discipline necessary to stick to them, and most strikingly, were able to clearly visualise meeting their financial goals and enjoying the deferred benefits relative to the sacrifices they had made to achieve them. This group typically expressed the importance of:

- Living within your means
- Saving up to buy the things you want
- Being frugal
- Putting a little aside for a rainy day
- Having an emergency fund
- Maintaining vehicles & equipment to make them last
- Going without "flash" or "luxury goods"

There was a definite consensus amongst kaiārahi concerning the need for fundamental and ongoing financial literacy training to be incorporated into the school curriculum in a much more conspicuous and meaningful way. This was viewed as being incrementally more important, relative to the level of socio-economic inequality of the community in question. The necessity of this type of approach was considered essential to breaking the inter-generational cycle of inequality of opportunity that is a major barrier to rangatahi Māori developing sound financial skills and habits. Kaiārahi frequently pointed out that if rangatahi were unable or unlikely to learn good financial habits inside the home, then the education system was in most cases the only likely alternative intervention point where they could become equipped with the skills needed to make wise financial decisions as they begin their journey as young adults.

Private & Government Debt

Recent media and policy discourse surrounding unsafe lending practises has had a distinct focus on 'payday' or fringe lenders, including pawn brokers and mobile sellers. This has been instrumental in shining a light on some of the most damaging and unethical lending structures currently operating in Aotearoa. The rise of this type of highly prejudicial unsecured lending, with its extremely high marginal rates of interest and short repayment terms, is having a profoundly deleterious and confounding effect on the most vulnerable of whānau. Although only 6% of those interviewed had resorted to this type of borrowing, the levels of stress and harm they experienced were substantial.

As an example, one whānau detailed how they needed to borrow $200 to fix their car in order to be able to transport a chronically sick child to medical appointments. Unable to access any other form of credit they turned to a so called 'lender of last resort'. They were forced to borrow $350 (for a six-week term) as that was the minimum amount that could be advanced. Unable to make the third weekly payment in full, they were hit with a $50 'arrears management fee' together with a $40 late fee. They were stung again with the same fees in week five, as they struggled to pay the penalties from week three, on top of the agreed weekly amount. All up they paid a total of $680 to discharge the debt. To keep up with the payments they were forced to severely compromise on kai, and defer payments for electricity and rent, which then became overdue. The experience left them highly stressed and embittered. It took a further two months afterwards, for them to get on top of their regular payments.

The fact that this type of lender invariably sets up shop in areas of high income deprivation makes it clear that they are aggressively targeting the vulnerable and easily susceptible. A range of community advocates have been trying for some time to lobby government to implement a cap on the total cost of borrowing (similar to that enacted in many other jurisdictions) in order to curb the expansion of fringe lenders. This was rejected by the former National Party Government who instead preferred to institute the *Responsible Lending Code* as part of 'The Credit Contracts and Financial Services Law Reform Bill 2014'.

Whānau cited flashy advertising campaigns, which highlighted the ease and speed of access, together with low barriers to approval, as being tempting when they were in desperate situations with seemingly no other way out. Interview feedback also highlighted near universal mobile internet access as a compelling factor underpinning the growing ease of reach for fringe lenders. Being able to make a snap decision to borrow and apply instantly online circumvents the traditional protections offered by staged application processes and 'cooling off' periods.

Whilst third tier lenders are definitely the sharp end of the stick in terms of damage perpetrated, we found that second tier lenders overall had a far greater coverage across whānau interviewed, and caused a much more sustained and lasting degree of hardship. This was due to the fact that most whānau did indeed persevere with payment of their high interest loans, but the hardship resulted from the opportunity cost of what they needed to forgo in order to meet those payments. In most cases this was quality and/or quantity of kai, but also extended to other more discretionary necessities such as doctors' visits, clothing and shared activities.

57% of whānau had contracted loans from finance companies currently or in the past, with more than 80% of these being for vehicle purchases. Although just under 90% had, or were on track to pay off these loans, 4.5% of whānau reported previously having had a vehicle repossessed for non-payment, with a further 6% defaulting on loans due to their vehicles either being written off or breaking down irreparably. Amongst those who ceased paying their vehicle loans upon losing the use of the vehicle, there was a clearly expressed sense that they should not have to continue paying for something that was of no further use to them. In each of these cases whānau went on to secure a subsequent loan for a replacement vehicle.

Debts to the State and the mechanism and processes used to extract payment was an area of great concern for the majority of whānau. 78% of those reliant on welfare payments as their main source of income, reported direct deductions being made from their benefits before they received them. Whānau spoke of deductions that ranged between $5pw to $85pw. Whānau were frequently unaware of the exact details of how these debts were incurred (especially when they were made up of multiple separate components) and when their deductions would finish. Whānau pointed out that minimum rates of repayment were being strictly enforced and that little consideration was given to the effect this had on the ability of whānau to cope with reduced payments. The main reasons whānau gave for these deductions were repayment of:

- Advances for tenancy bond
- Advances for rent (or rent arrears)
- Other recoverable benefit advances
- Debt accrued through emergency accommodation
- Debts from suspected or proven benefit fraud
- Benefit overpayments
- Administrative errors
- Income related rent debt

Other sums were also deducted directly from benefits for court fines, and also instances where creditors had secured court judgements against whānau for outstanding debts. A small number of whānau had a combination of several different deduction types being made concurrently, which left them in a dire financial state. Several whānau spoke about the shift they perceived in WINZ policy over the years, especially around recovering debt. They pointed out that many extra forms of assistance that were once administered on a grant basis were now extended as fully recoverable loans. Examples included spectacles, clothing (for both adults & children), appliances & other furniture, dentistry & other medical costs. Whilst whānau were grateful to have access to funds to secure these items when they needed them, they often felt that it was a direct result of benefit rates being set substantially below the real cost of living that forced them into the position of not being able to meet these essential costs in the first place. It was also (sometimes forcefully) espoused that the repayment deductions usually worsened already existing deficits in income, and therefore perpetuated the cycle of financial instability and the associated struggle to survive.

Wealth Generation & Asset Protection

Many whānau spoke of their aspiration to eventually own their own homes. Those who had grown up in homes owned by their forebears often wondered how in only one or two generations it had become so difficult (and to some - seemingly unrealistic or impossible) for them to also enjoy this privilege. Analysis of whānau testimony pointed to a considerable worsening of financial (and social) circumstances for the majority of whānau Māori subsequent to the economic reforms of the 1980's. This was most clearly evidenced by the number of whānau who reported that their parents or grandparents had owned their own homes, but in the following generation (or after their passing) these homes were sold and their children had then become renters. This disenfranchisement from home ownership has established and maintained a clear pathway in terms of downward social mobility for whānau.

In general, the basic tenets of wealth creation and protection were not well understood by whānau. The inability to meaningfully save (or to save enough to reach a perceived critical mass) was frequently seen as a major handicap in this regard. Large whānau also felt that the odds of ever being financially secure were remote, as there was seemingly endless competition for every available dollar. There was a small handful of whānau who were nearly completely debt averse, who always paid their bills on time and never signed up for any type of loan (except their mortgage in some cases) but this was far from the norm. These whānau expressed a strong conception of wealth (their homes) as being a function of delayed gratification.

We encountered multiple instances of whānau with good credit histories (or a significant elapse in time since they generated any bad history) who bypassed the consideration of mainstream credit options altogether, as they simply did not believe that they would be approved. Often this assumption was based on the lack of collateral. These whānau typically expressed sentiments such, "they're not going loan money to someone like me" or "bank loans are only for rich fullas". Instead they went directly to finance companies who charged them many times the interest they would have paid had they been approved for a first tier loan.

An often overlooked aspect of microfinance is the central importance of safeguarding and protecting the value of assets (or against potential liabilities) through insurance. Outside of the 12% of whānau who owned their own homes, only a further 15% of interviewees maintained some form of insurance. In total 16.5% of whānau held life assurance, and 21% had vehicle insurance. Uninsured whānau had lost their vehicles through accidents or their possessions through burglary, fire or other misfortune. Insurance was widely thought of as being too expensive and out of reach for many, with a large number also expressing that they did not have anything worth insuring. The disinclination towards life assurance was at odds with the large number of whānau who had dependents, although single mothers especially did voice concern about what would happen to their tamariki if they were affected by some type of affliction.

Withdrawals from KiwiSaver accounts through the hardship provision were disclosed by 4.5% of whānau. In two instances the money was used to clear debt and in the remaining case it was used towards a deposit for a first home.

Insolvency

Whānau disposition towards and feedback regarding insolvency measures was extremely unfavourable, even amongst those who had few other feasible options. In general, whānau were not well versed in the conditions, benefits, consequences and other specificities involved in the various types of insolvency procedure, but nonetheless were firm in their opposition to them. Older whānau members especially, expressed a strong sense of responsibility towards their debts and felt that to ameliorate them through insolvency procedures was to “cheat” or “dodge” their way out of their undertakings. The most frequent sentiment expressed by whānau around the concept of insolvency, was of its impugning their mana within their communities as well as diminishing their sense of self-respect. Many whānau also conveyed a long sense of time, sincerely believing that although they were unable to pay their bills as they fell due, that they would eventually be able to pay them somehow.

In terms of personal experience of having gone through an insolvency procedure, 3% had been declared bankrupt (and later discharged), 4.5% had been through a No Asset Procedure (NAP) and 1.5% had been subject to a Summary Instalment Order (SIO). One third of these whānau spoke positively about their experience, with the remainder stating that they felt the consequences had outweighed the benefits. Of the positive group, the whānau that undertook the SIO was grateful that it had allowed them to retain ownership of their home, whilst working towards repaying their debts over time. The other whānau (who had previously been bankrupted) believed that it had been a worthwhile trade off in order to get rid of their creditors and effectively make a clean start financially. For them this coincided with the start of a new relationship and the blending together of two highly indebted separate whānau.

For those who indicated an unfavourable or regretful view, this was largely as a result of the disadvantage they experienced as a result of having been insolvent. Despite having been released from the conditions of their procedures, these whānau found that the clean slate they believed they would receive, did not eventuate. This was due to the fact that details of their procedures were still discoverable via the internet, and this had prevented them from obtaining credit as a result, and in one case from being able to secure a rental property. Another whānau felt that having this on their record had also been a factor in failing to be considered for employment.

It was also noted that a robust, reliable and consistent level of advice regarding insolvency had not generally been received by whānau. This conclusion was reinforced by reference to the amounts involved, which saw one whānau enter a NAP with debts of only $12k. During the interview, this whānau expressed a strong belief that they would have been able to pay these debts off without the NAP, and indeed that this would have been their strong preference.

Conversely, another whānau who had debts totalling $45k had not been fully advised of their options in regard to insolvency, despite working with a budgeting service for several years. This whānau consisted of an older couple who had taken on the care of four of their mokopuna. They had no realisable assets, and their main source of income was the wages earned by the grandmother from working three part-time jobs. They had lived under extremely strained circumstances for three years, whilst they paid more than $20k towards their debts. Despite being ideal candidates for a NAP, this whānau planned to persevere with this arrangement for another three years until their debts were paid in full.

Housing

The single most prevalent and vexing issue expressed by whānau was the multitude of factors surrounding and influencing housing security. This reinforced the conclusion voiced by a large number of participants, that without a stable living situation, whānau did not feel like they had a stable foundation on which to plan for the future. 12% of whānau had been forced into emergency accommodation in the preceding two years, with a further 6% reporting that they only narrowly avoided this. Several whānau spent varying amounts of time staying with friends and family whilst they were between houses, and detailed the extensive difficulties this gave rise to, especially where multiple tamariki were needing to be accommodated.

- 12% of whānau owned their own homes or lived in houses owned by their parents or other whānau members (paying less than market rent)
- 3% of whānau were currently in emergency housing (a further 7.5% had been in the previous 12 months)
- 85% of whānau were living in rental accommodation
- 36% of whānau were living in Housing New Zealand properties
- 48.5% of whānau were living in private rental properties

Housing Availability

More than a quarter of whānau interviewed had needed to find new accommodation within the previous twelve months, or had been without their own permanent abode during this time. A variety of contributing factors were identified as driving this high level of transience; with the sale of rental properties by private landlords (in order to cash out recent capital gains) being the most common, followed by relationship breakups or other types of family separation, which facilitated the need to establish new domestic arrangements. Whānau described the process of searching for and then subsequently securing new rental properties as “nightmarish”, “overwhelming” and “extremely stressful”.

Urban areas in particular were seen as the most difficult environments, with a number of whānau being forced to relocate several times in the space of a few years, due to the high turnover of private rentals through property sales. Increasing levels of gentrification bought about by rising property prices, suburban regeneration, first home buyers and a perceived influx of foreign or immigrant groups, together with the subsequent displacement of lower income whānau, were also viewed as major driving factors affecting housing stability. The research established a significant and clearly linked knock on effect in terms of reduced housing availability in regional centres such as Tauranga, Hamilton, Whangarei and Rotorua, brought about by the large number of people relocating from Auckland due to the high cost of living. Kaiārahi in these cities saw a major decrease in the pool of private rental stock together with a concomitant increase in rental prices.

Those rural and regional areas that have become increasingly more prosperous over the last decade (especially areas where dairy farming or other primarily horticultural ventures were a significant employer) also saw a clearly reported contraction in terms of the supply of private rental properties. It became clear from the wider consultation, that many whānau prioritised securing private rentals over Housing New Zealand (HNZ) properties, as they wanted better quality housing than that which was on offer through the government. A number of whānau believed that HNZ properties in general were cold, damp and unhealthy homes that were both poorly designed and maintained. Larger whānau reported that there was an extreme shortage of HNZ homes with four or more bedrooms, and that this forced them to seek private rentals in order to avoid overcrowding. In many cases whānau also wanted to avoid living in areas with a high concentration of HNZ properties, in order to avoid what they considered to be the negative aspects of 'ghettoisation' - namely poorly kept houses and sections, antisocial behaviour by neighbours, high crime areas and also gang activities, which were seen as factors which culminated in a general lack of security. Access to better quality schooling for their tamariki and proximity to services were also cited as reasons to seek private rentals. For whānau renting privately this has meant a continued ongoing struggle to pay rents which represent an unduly large proportion of their household income, often being more than 75%.

Housing Affordability

We encountered clear evidence that in many areas whānau were being increasingly priced out of the market for private rentals. In Auckland especially, whānau frequently faced jumps of more than 25% when attempting to secure replacement homes at the end of tenancies. Whānau reported a very high degree of competition for available premises which often lead to a bidding war amongst prospective tenants, with households drawing multiple incomes being much better placed to offer higher amounts of rent than those on benefits or reliant on low wage jobs. The ever growing number of arrivals into Auckland and other regional centres was also cited as a factor driving up rents. It is of note that this phenomenon, which until a few years ago was largely confined to Auckland, has now become widely reported throughout the North Island.

For example, interviews in Masterton revealed a number of whānau who were renting homes from Trust House – a subsidiary of the Masterton Community Trust. These whānau were paying near market level rents, even though they were renting from a community housing provider. Whānau talked about Trust House having purchased the complete stock of HNZ properties in the town and the wider Wairarapa area back in 1999, under the Shipley National Government. In effect this meant that the State no longer had a housing presence in this rohe. The result was the end of income-related rents, together with important housing safety net this provided. The whānau in question reported weekly rents of between $240-$295. This is in stark contrast to the HNZ rents (income-related) that we encountered throughout the North Island, which were between $55-$110. Furthermore, whānau also reported consistent yearly rent increases of $10 over the course of their tenancies.

Discrimination & Barriers

Whānau reported on a large number of discriminatory practices instituted by real estate agents and property managers in particular, towards whānau seeking private rental accommodation. In some cases, these were subtle and barely perceptible, but in other instances whānau were treated with open hostility, dismissiveness and contempt. A number of whānau were told outright that the landlord would not consider applications from beneficiaries - in clear contravention of the law. Other types of discrimination encountered by whānau included prejudice towards:

- Single parent households
- Beneficiaries
- Large whānau
- Whānau with teenagers
- Whānau with young tamariki
- Gang members/associates and their whānau
- Whānau with poor credit history
- Multi-generational whānau
- Māori

Microfinance

Almost all whānau and kaiārahi expressed excitement and support for the concept of microfinance and its potential as a tool to help improve the financial prospects of whānau. Many wondered why this type of facility was only just being implemented now, when there was such an obvious and longstanding demand for it. Whilst only a handful of interviewees had heard of existing microfinance initiatives, more than half reported having been stressed or harmed to some degree by the burden of repaying high interest loans or credit facilities. As highlighted in previous sections, interview analysis illustrated that unethical extensions of credit had often been entered into without full appraisal of all the relevant conditions, by whānau in sometimes desperate and stressful situations, where the securing of funds for a pressing need (or a moment of crisis) was their only priority.

Access to fair, safe and affordable credit together with other complimentary financial services, (extended within an ethical framework) was seen as an important, worthwhile and achievable alternative to second and third tier lenders - with their high rates of interest, unfair penalties and onerous repayment perimeters. Microfinance loans were widely viewed as a straight forward and essential alternative to finance company borrowing, but were regarded as somewhat more complicated and perhaps generally less suitable for emergency type loan situations (depending on the nature of the emergency). Experts agreed that the greatest utility for microfinance loans lay in being a component within a more comprehensive and holistically focused program, based upon building capacity and financially upskilling participants. This broader program would be geared towards not only developing whānau potential, but also helping to move whānau along the financial continuum towards a healthier and more sustainable long-term state of financial wellbeing.

Some whānau agreed that a certain degree of financial rehabilitation, built upon sustained mind-set shifts, was required in order for them to 'reset' their financial outlook and situation. This was reinforced by feedback where budgeting services had been accessed, and had highlighted a detailed understanding of the financial position of whānau.

Those whānau that had taken full advantage of the assistance provided by budgeting services, reported that getting all their debt out into the open (and committed to paper) was a powerful first step in gaining control of their financial situation. Many were surprised to learn that they did not owe as much as they thought, often as a result of old debts passing the five year reporting threshold. A constant theme was the reduction in anxiety that many expressed, as a direct result of knowing clearly and accurately (often for the first time) exactly what their real and complete financial situation was. Whānau that reported the highest levels of financial stress were generally the ones who knew they were carrying significant levels of debt, but had sequestered a more detailed understanding of exactly how much this amounted to. Whānau were often relieved to learn that budgeting service staff were highly skilled at negotiating reduced settlement amounts for delinquent debts, in many cases being able to more than halve them.

Debt Consolidation vs. Interest Rate Swap

Whānau had a strong awareness of the concept of debt consolidation, which was attributed to the widespread direct advertising campaigns that have been running for several years on television. 13.5% of participants had undertaken some form of debt consolidation loan, but were generally disappointed with the outcome. This was due to the fact that all of these whānau had obtained their debt consolidation loans through finance companies - with Gem Finance accounting for more than half. In cases where whānau were amalgamating several smaller debts into one repayment, the interest rates they secured for the replacement loan were broadly similar or slightly higher than what they were paying previously. In order to achieve lower regular repayment amounts, whānau were often stretching the loan term out to 2-3 years, which greatly increased the amount of total interest that was charged over the term of the loan. Just under half of these whānau had applied for a debt consolidation facility through a mainstream bank but had not been approved. Conversations with budget advisors illustrated clearly that banks were limiting successful applications for mainstream debt consolidation (with its much lower rates of interest) to high income earners or those with significant assets.

As an example, one Hamilton based whānau combined two vehicle loans together with other loans for furniture and relocation costs. The total outstanding amount prior to being consolidated was $30k. The debt consolidation product was sold to them on the basis that they would have a reduced total repayment amount, together with the convenience of one weekly repayment (in place of four). This whānau have ended up paying back close to $60k over three years, as the marginal interest rate was just under 30%pa. These repayments placed a great amount of stress on their disposable income over this time and this was definitely not the outcome they expected. They reported feeling tricked into transferring their previous loans to this facility and were very ashamed that they had obviously been taken advantage of. At the time they thought the loan agent was doing them a favour by reducing their weekly repayments, but in hindsight realised that he was most probably motivated by the prospect of a large commission.

Whānau identified a clear preference for using microfinance loans in the first instance, to get on top of their outstanding debt. This was complementary to the generally expressed understanding of the concept of debt consolidation products. Interview analysis suggested that within the broader umbrella of debt consolidation, there were in fact two distinct applications. The first focuses on the consolidation of a number of smaller debts into one easier to manage single repayment, and the second concentrates on reducing the overall cost of borrowing by swapping a high interest product for a lower interest one.

The Debt Relief Loan Scheme (DRLS) developed by Ngā Tangata Microfinance addresses both of these needs through one simple and intuitively attractive product, which has the potential of greatly reduce the total cost of credit for whānau. With an interest rate of 7%pa, this facility has the ability to save borrowers more than 20%pa in interest payments (based on the average finance company interest rate of 29%pa). Over the term of the loan this could halve the total value of repayments, returning this money back into the disposable income of whānau, thereby greatly easing pressure on living costs. It thus provides both immediate relief from high interest payments and directly aids whānau to better position themselves moving forward.

Personal Enterprise Loans

39% of whānau reported that they regularly or periodically undertook some form of (mostly undeclared) income generating activity in order to help meet the shortfall in their weekly budget, or to buy goods that their main form of income just did not allow for. A further 15% of whānau stated that they had or were considering alternate ways to boost their income in order to meet a basic standard of living. Cleaning houses for private clients was the most common of the 'declared' activities, and making and selling kai was the most common of the 'undeclared' activities. Those who were pursuing ventures at the illegal or undesirable end of the spectrum voiced a clear desire to shift to more acceptable and less risky activities at some point in the future. It was often pointed out that the extra income most gained from their undeclared endeavours was merely enough for them to afford to eat properly, reduce their levels of financial anxiety and purchase clothing and other necessities.

Whānau engaging in small enterprises felt that the maximum thresholds for declaring income (after which their benefit entitlements would be reduced) were both unfair and unrealistic, and believed they should be able to keep most or all of their supplementary earnings without decreasing their benefit payments. These respondents repeatedly stated that they wanted the freedom to work on their own terms and the flexibility to pursue pastimes that interested them and that they enjoyed.

This cohort was predominantly made up of mothers, many of whom had either not been in payed employment before or alternatively had been out of the workforce for some time. Roughly two thirds were sole parents, who had either sole or (less commonly) joint responsibility for childcare. The second largest group within this cohort were ex-prisoners, who also faced very significant barriers to gaining employment. In both cases the ability to increase income through entrepreneurial activities was seen as having the potential to both relieve financial pressure in the short term whilst improving the overall prospects of employability in the long term.

Small enterprise loans have the potential to support whānau by increasing household income in the first instance. This could be a valuable first step for whānau in terms of going some way towards relieving the crushing pressure of constant financial struggle. Personal enterprise loans could also be a way of encouraging whānau (especially those who are homebound) towards a positive plan of action to improve their financial circumstances, as well as instil and bolster a sense of personal industry, pride and satisfaction. By supporting whānau to apply a mercantile lens to the skills, attributes, experience and inclination they already have, personal enterprise loans could provide a more realistic and sustainable pathway for those unwilling or unable to secure orthodox employment. To have the maximum chance of success, whānau would also require access to mentoring and other support structures. Based on the large number who are already undertaking some type of informal self-employment, this is definitely a worthwhile avenue to explore further in relation to microfinance, with scope existing within the existing NILS framework to repurpose this product towards a more generative application.

Loans for Asset Building Purposes

The simplest and most straight forward product within the existing microfinance sphere here in Aotearoa, is undoubtedly the Good Shepherd 'StepUP' loan. This is mainly used for asset building purposes, with the majority of loans to date being for vehicle purchases. This coincides with the main objective that whānau interviewed for this project reported seeking finance company loans for. Having a vehicle was considered to be an absolute necessity by most whānau, with 63% having taken out a loan at some stage for this purpose. Apart from a handful who were able to borrow through their mortgage facility, most car purchases had been achieved through finance company loans at between 18%pa - 32%pa interest. In comparison to the StepUP product, which has no fees and 7%pa interest, this represents a hugely profitable area for second tier lenders. On average whānau reported that they repaid just under double what they had borrowed from finance companies in order to purchase a vehicle. For those with the capacity to meet repayments, StepUP loans represent a significantly more beneficial opportunity for whānau to be able to leverage their future income against the purchase of a necessary asset such as a vehicle - at a fraction of what they would pay for a finance company loan for the same purpose.

Income Deficit – The Limitations of Microfinance

Several kaiārahi and budget advisors in particular, voiced serious reservations about extending any type of credit to whānau with a demonstrated deficit in discretionary income. This is a pivotal underlying issue with regard to the potential reach of microfinance type loans here in Aotearoa. The important distinction in terms of applicability is that whānau must first secure enough income to be able to adequately service loan repayments, before micro credit becomes a suitable tool to aid their overall financial development. Financial capability building must go hand in hand with this improvement in capacity, in order to advance whānau financial prospects sustainably and safely. The problem with this reality is that it was often the most financially marginalised of whānau who reported getting into the most difficulty with loan repayments, because they basically did not have the capacity at the outset to afford them. This would have been clearly identified upon application by a responsible lender, and in most cases would have formed the basis of a loan rejection.

This is the central point of contention around which all issues involving credit for low income whānau revolves. Despite the fact that income deficits suggest that leveraging future income in the form of a loan is in many cases unachievable, this does not confront the actuality that whānau who have problematic income deficits almost always have a greater demand for the goods and services that they would use the loan to purchase, as a simple function of the fact that they were being sustained by markedly lower levels of income in the first place. Addressing this pivotal aspect of financial exclusion is the fundamental purpose of community finance, yet it is seldom acknowledged that without an essential focus on increasing baseline levels of income, microfinance type loans run the risk of being completely irrelevant to a large proportion of whānau.

Case Studies and Typology of Whānau Needs

In order to better understand the financial capacity and requirements of whānau, and to target appropriate successful needs based interventions, we established a whānau specific financial continuum which represents a broad typology of whānau needs relative to their situational dynamics.

Within this fluid and incremental categorisation, we then matched cohorts against the product landscape in order to locate whānau relative to each other and also to the form of intervention most likely to leverage the greatest benefit and movement for them in terms of an expected upward progression from one cohort to the next.

Detailed case study notes gleaned from whānau interviews that we conducted, are illustrated below in order to describe and give a general sense of the archetypal characteristics and parameters that each cohort presents. These case studies, read in conjunction with the Typology of Whānau Needs (Figure 1 : Typologies of Whānau Needs) and the Whānau Needs and Product Landscape (Figure 2: Whānau needs and product landscape) illustrate how we have located whānau on the financial continuum and also how we envisage whānau will approach and interact with the model. The model itself is based on a Whānau Ora approach of responding to whānau needs and voices, as they emerged from the consultation phase of the research.

Cohort 1 – Crisis Situation

(Whānau 25)

- Solo Mum with 3 kids (15yo/14yo/7yo)
- Compulsorily relocated from a town an hour's drive away by HNZ (closest available house) otherwise would have been kicked off the wait list for a HNZ house and was told by WINZ that there would be no more emergency housing help forthcoming ie. homeless
- Whānau feel much worse off in the new town as they are away from all their support systems/friends/other whānau and they are in a remote area and do not have a vehicle (car impounded – no WOF/rego unable to afford to get it out)
- Whānau felt completely unable to get a private rental in the town they were living in as real estate agents did not want to rent to beneficiaries with kids (high prosperity area) – told by perspective landlords "we don't take your kind"
- Whānau were in emergency housing (motel) for 10 weeks (accruing large debt) – describe the process of having to reapply every week as extremely stressful – also was only allowed to have 2 kids stay in the unit so had to send third child to live with relatives
- Whānau expressed a sense of disconnection from their kainga and wider whānau – Mum said "We don't have much family support, my kids have got me and that's it"
- Whānau knew of a large number of HNZ properties in the town that were sitting vacant for a long time – when asked HNZ & local council about these were told that they were not available
- Whānau have $85pw deducted automatically from their benefit for debts to the state ($9k WINZ overpayment + repaying advances) many vehicle/driving fines and court judgements – this large amount putting huge pressure on food budget
- Poor credit history stopping Whānau from getting normal electricity account (had to get globug instead – at significant extra cost) and internet connection – high school kids unable to study at home (substantially disadvantaging them)
- Whānau do not have enough income to meet their basic costs – kids often hungry/not enough food for growing teenagers/$ for school bus – often have to choose between electricity or food
- High school kids not being able to choose the subject options they want due to high material/participation costs (mum really feeling bummed out about this)
- Whānau owe $40k in debts all together (bank/finance company/cash converters/Mercury Energy $6k) – most debts in delinquency (have not had enough money to make any payments at all)
- Whānau have had problems with clothing truck debt in the past
- Mum feels completely stressed out by debts and especially downhearted by the effect it is having on her children (not being able to have the same opportunities as other kids – because they don't have the money)
- Mum had previously had under the table work which she really enjoyed – but the downside was no sick pay/holiday pay or ACC when things went wrong
- Currently considering some form of insolvency procedure as no possibility of paying debts

Cohort 2 – Severely Struggling

(Whānau 6)

- Single Mother with two children (10yo daughter & 21yo son)
- Mother on sole parent benefit and working part time looking after her cousin who is on ACC
- "I've been on the benefit since I was 16yo when I had my son"
- Son works fulltime and pays $200pw towards household
- Mother reports that her daughter has lots of behavioural issues at school
- Moved to Hamilton "for change....... just getting out of the rut of what I've been born and bred on that hasn't gotten me anywhere but trouble" and "to get away from a dead end lifestyle up north" and "getting out of the struggle up north and showing my children that there is more to life than the little valley that we've been brought up in"
- Mother just released from 4½ year prison term one year ago
- Children just moved to live with her 6 months ago now that she is on her feet
- Moved from her last house because it was cold and damp & the rent went up every 6mnths
- Renting privately and paying $440pw – the whānau feel that this is steep but "worth it to have privacy, space and be in a house that we're happy in"
- After rent Mother has $90pw left for everything else
- Mother currently fraudulently using fake identities for her power, internet and phone – She terms this as "a different form of survival" and views it as necessary to get by
- Mother did a deal with the landlord to paint & plaster house in return for 8wks free rent
- Mother said she really struggled looking for a new house because she didn't have a rental history for the time she was in jail or references – and also knew her jail term would show up on a police check through rental agency
- Mother reports that she was banned from WINZ because of a run in with security (didn't have ID and they wouldn't let her in) mentioned her mind-set from being in prison
- Now has advocate that attends on her behalf
- Mother has used budgeting service when she came out of jail but found it of limited use (as she is unwilling/unable to address her large amount of delinquent debt)
- Reported that she came to Te Kohao through an old acquaintance who "used to be in violent alcohol and drug fucked relationship but while I was in jail she got out of that and did a social work degree and now she works here!"
- Has received assistance through Whānau Direct which she used to pay for Kip McGrath tuition for her daughter (literacy and numeracy) "investing in my daughter"
- Mother is worried that her daughter doesn't have the necessary outside (whānau) support to deal with her behavioural issues
- Reports that the whānau feel very isolated being so far away from their extended whānau supports but feel that their ahi kaa whānau don't have anything positive to contribute to their journey forward
- Mother previously applied for finance company loan but was declined (bad credit/low income/high risk)
- Has used clothing trucks and is happy with the service (received $50 credit for each person she has referred) – has used it only when it suits her and not got sucked into extra spending)
- Mother returns appliances before the warranty runs out and get them replaced
- Whānau has been significantly affected by tangihanga – and travel to get there as they are from up north (recently attended 4 tangi in a 2 month period)
- Daughter has been excluded from touch rugby as mother was not able to pay dues on time

- Mother is especially critical of PARS and sees it as creating a dependency not setting people up to cope on their own – she views these programs as focusing on trying to funnel prisoners away from their natural strengths and interests towards things that are unsustainable
- Mother sees an opportunity to make a business in this area based on her experience as a prisoner - that she believes will greatly improve reach and outcomes for people with similar backgrounds to her
- Mother plans to utilise WINZ business grant for this purpose
- Mother is currently enrolled with TWoA studying Te Reo and business
- Mother reports that "I burned my name with rentals, power companies, everything a long time ago"
- Mother reports that IRD have been trying to recover $18k per year (x 4.5yrs) in child support at the moment for the time she was in jail and her daughter was in her mother's care
- Reports that she also owes $7k to WINZ that she is currently not paying towards
- Mother estimates her total debt to be about $40k
- She is in the process of applying for a NAP

Cohort 3 – Severely Struggling/Poised for Change

(Whānau 66)

- Young couple late 20's with 4 children (custody of 3 – ages 12,8,2) father has another child who lives with her mother (13yo) and visits on weekends
- Father works full time as an apprentice builder (final year), mother works part time in the dairy industry (previously worked fulltime before latest baby)
- Mother hopes to return to fulltime work in the next six months once baby is in day-care
- Whānau feel that they are disadvantaged by childcare subsidy only being available once children turn three (unaffordable otherwise)
- Whānau live in a home owned by the father's parents (and pay minimal rent)
- Whānau have finance company loans on two vehicles at high interest rates
- They report that they have struggled to make repayments since having latest baby and mother no longer working full time
- Report that they live week to week and always run out of money before their next payday
- Mother does casual relief milking for $40 cash per milking (which she does not declare)
- Mother only able to work early morning milking while father is home to watch kids
- Whānau feel that they are reliant on this extra income to be able to meet their essential costs (but feel that they are missing out on job surety - holiday/sick pay etc.)
- Their home has a large open plan living area and is not well insulated – leading to large electricity bills for heating in the winter (they often camp out in the lounge during winter as this is heated by a fireplace)
- The middle child has severe asthma and eczema and requires frequent trips to the GP which is expensive and time consuming as they live in a rural area and have to drive into town
- The whānau feel constantly stressed out by financial pressures (especially to meet their car loan repayments) and the mother feels under pressure to work more than she would like to
- The whānau also feel under pressure with regards to their teenage children's increasingly costly education related costs (school trips/sports costs and other extra-curricular costs)
- Whānau feel they would benefit from being able to transfer the balance of one car loan into a low interest debt consolidation loan (29% vs 7%) and that this would aid their cash flow
- In the future Mother hopes to start own business in dairy related industry (weighing calves)

Cohort 4 – Struggling but Improving

(Whānau 41)

- Middle aged Maori male, working full time and living with teenage daughter and his father – two older adult kids living independently (1 tertiary student and 1 working)
- Extended whānau have built a homestead on their ancestral land and our subject aspires to also return home in the future and build himself a home there once his youngest child finishes school
- Subject had previously been a gang member and had been in and out of jail since 1989 – last released in 2015 and with the support of his whānau has made a complete change of life, left the gang and became drug free (NA)
- Made the realisation that his whānau was also suffering every time he went back inside and that he was missing out on being a part of his kids' life as they grew up
- Feels like he now has a job that he loves, is back with his whānau who he loves and is now happy for the first time in his life (and wants to stay happy – and this is his motivator)
- Has made a change to eating healthy and working out at the gym – and feels that this sets a platform for looking good > feeling good > thinking good > acting good "I always go back to things that make me happy, coz when I'm happy everything's all right"
- Has firm goals set now and is slowly working towards achieving them
- Made contact with the Provider whilst still in prison – and they found a house for his father which enabled him to have an address to be released to
- Describes his relationship with his kaiārahi and the Provider as the first sustained help he has received from any agency and definitely the first that has made a real difference
- Reported huge benefit from programmes undertaken while in prison – STEPS/AoD/Anger Management/Kaupapa Maori Unit/DTU/Psycho Drama..... and wished that these had been available in the community as preventatives – felt that there is a real need for elements of these programs within the school curriculum to equip kids with the necessary skills to make good decisions and not get into trouble with drugs/gangs/sex/finances etc.
- Whānau Direct funding to help start business – buying equipment to get started
- Started own business – recycling/refurbishing computers or breaking down broken ones into parts to sell (preventing dangerous chemicals from getting in to the landfill)
- Has whānau member who has been undertaking the same business for 15yrs in another city (provided knowledge, advice and support to get started)
- Now employs three other Maori and looking to expand (work subsidies from WINZ)
- Has sourced support from multiple community agencies included the local Iwi
- Always had debts to the State – fines/child support etc.
- Some private debts as well but these were deleted whilst in jail (5 yr >)
- Interested in using microfinance loan to help get business going
- Expressed some trepidation about whether he will be able to obtain finance (from any source) considering his history of incarceration, bad debts etc.

Cohort 5 – Doing Mostly OK

(Whānau 64)

- Middle aged couple late 50's living with the wife's two adult daughters 30/32 (+ both daughter's partners) and four mokopuna (17/8/6/3) – household of 10
- Parents moved back to Kaikohe from Auckland to look after the wife's elderly father after her mother passed away - and their daughters and mokopuna followed them home
- The whānau are very happy to be back in their own rohe and all living together
- Mother works fulltime for a Maori health provider and husband is looking for work (he left his full time job as a builder when they moved up north)
- Whānau value the sense of community (feel safe & away from bad influences – especially drugs which they report are very prevalent and available in their area) where they live and also the opportunity to provide a small rural school education for their moko
- Whānau renting a rural home from a friend and paying about 1/3rd or their income in rent
- Whānau surprised at the lack of good quality homes for rent in their area and the high prices
- Parents have always both worked and been careful with their money
- Have not used the budgeting service before (also don't feel they need it)
- Whānau find that petrol is a major cost for them as they live a long way out of town
- Mother previously owned a home with her ex-husband (for 15yrs) but sold it when they divorced – she invested her half of the sale proceeds and plans to use that to eventually build a retirement home on her whānau land
- Whānau is considering pre-fabricated (kitset) homes that can be relocated to their land
- Mother feels that at her stage of life she would rather save up for things that she needs instead of using HP or taking a loan
- Mother feels that she is lucky that she was brought up with good values and a good work ethic by her parents – to be a good person and thankful for what her whānau has
- Whānau don't feel that they would benefit from microfinance personally but do believe that it has potential to aid other, especially younger whānau (living in the city) who have higher costs and less assets
- Mother talked about starting a confidence and self-esteem program to help women and mothers especially in her area – and believes that this could be an important and integral step to preparing them to start working towards a better future for themselves and their whānau – that could be complimentary to microfinance type loans (especially for personal enterprise uses).

Typology of whānau needs

ThinkPlace

Kaiārahi use a financial literacy needs assessment which helps to gain a better understanding of where whānau are at in terms of their capability and needs. Are they:

- Ready for financial products? Is the timing right, and is the context suitable?
- Interested and willing to use them? Do they have the right mindset?
- Able to use them? Is there sufficient scaffolding and support in place and is the criteria feasible?

Crisis situation

Unable to make ends meet. Surviving in extreme hardship without clear future direction.

Needs

- Immediate relief for short and longer term issues
- Basic life skills including money management
- Debt written off
- Insolvency options

What does financial inclusion mean for this whānau?

- High levels of support to navigate social and financial services
- Hope that there may be an option to start a financial journey with a 'clean slate'
- Intensive support to ensure that they do not continue to make the same mistakes as in the past

Severely struggling

Unable to make ends meet. Surviving under severe financial pressure.

Needs

- More money or lower costs
- Support to better understand finances and financial choices
- Models for 'a new normal'
- To move from short to longer-term thinking and planning
- Motivation and encouragement from others

What does financial inclusion mean for this whānau?

- Holistic support is offered to lay the ground work for improving financial literacy
- Ability to see a new way forward through attaining employment and increased financial literacy
- More financial planning and less instances of crisis

Severely struggling /poised for changed

Only just able to make ends meet. Potential opportunity to make a financial shift.

Needs

- Intervention to support a moment of potential change
- Financial literacy & capability
- Build upon existing life skills and good practices
- 'Hand up' not a 'hand out'
- Motivation and encouragement to consider positive behaviour

What does financial inclusion mean for this whānau?

- They are informed about financial decision-making and meaningful opportunities
- Support to create a 'new normal' of financial literacy and confidence
- Relief from weekly struggles to balancing payments

Struggling but improving

Living under continued financial pressure whilst trying to develop & employ better financial habits.

Needs

- Support to meet their current and future financial commitments
- 'Support to set up a positive trajectory of choices and actions
- Effective programs to help build and reinforce better habits
- Motivation and encouragement

What does financial inclusion mean for this whānau?

- Access to loans and other financial products that could bring huge changes and focus on a positive trajectory
- Confidence to explore financial products further
- Simple and relevant savings scheme
- The capacity and ability to meet unexpected costs when they arise

Doing mostly OK

Continue to carefully live within their means.

Needs

- Access to further mainstream products and services
- Support and confidence to shift from doing OK - to thriving!
- Financial products that build on good habits

What does financial inclusion mean for this whānau?

- They are supported to share knowledge and pass on their learnings
- Becoming financial mentors to others
- They are able to navigate mainstream and other financial products with discernment & ease

Figure 1 : Typologies of Whānau Needs

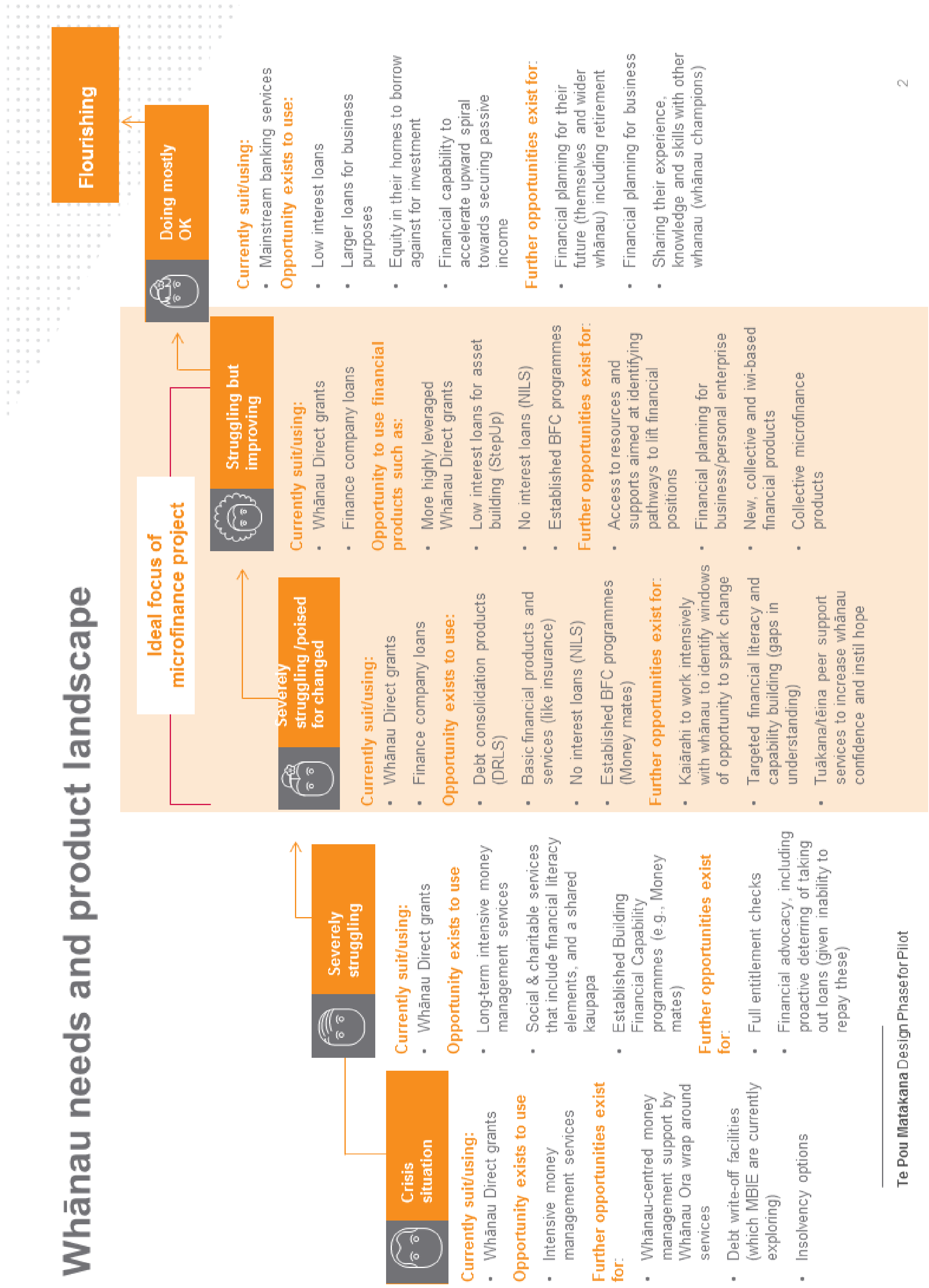


Figure 2: Whānau needs and product landscape

Summary – What does the primary data tell us about the place of Microfinance in Whānau Ora?

The interviews with whānau throughout the North Island revealed a disproportionally high level poverty and financial exclusion, with the pervasiveness of both now reaching epidemic proportions. It is highly topical that with the recent change of government, we are now starting to think about, talk about, and write about these issues again, with renewed acknowledgment of, and vigour for confronting the factors that consign many Maori whānau to live in financially unacceptable circumstances.

The testimony of the whānau who have been involved in this project paints a vivid picture of the harsh realities involved in the struggle to survive on insufficient levels of income. Whānau are unequivocal, not only in their demand for a fairer and more inclusive social and financial landscape, but also in their resolute desire for legislative relief from the most detrimental effects of those who seek to profit from the most vulnerable in our society. Participants felt that government has a mandate and responsibility to take direct action against the ever increasing number of entities that target economically defenceless whānau with opportunistic offers of easy and unsafe credit.

Given the low levels of financial capacity reported by the majority of whānau, together with the fact that most were living in situations of income deficit, it is clear that a very targeted approach must be taken towards improving the financial wellbeing of Māori. **In the first instance this must focus directly on raising the level of household income for those dependent upon the State for support, and also those working in low paying industries**. This is especially paramount for those whānau supporting tamariki. Micro credit specifically targeted at supporting and fostering small scale personal enterprise can be seen as an achievable way of securing this.

Secondly, whānau expressed an overwhelming desire for more Māori specific financial capability building programs and resources. It was encouraging to see many Māori provider partners devoting more attention and focus towards this, however it was also clear that there is an overwhelming need for structure, training and pathways aimed at attracting and upskilling more Māori into these roles. For many whānau, an inability to identify and connect either socially and culturally with budgeting advisors, has prevented them from accessing the full benefit of these services.

The high prevalence of income deficiency is at present a significantly limiting factor for the potential application of micro credit towards asset building purposes. Whānau must first be supported to be able to meet their essential costs before they can be sustainably advantaged through the use of micro credit to build their asset base. This was clearly evidenced by the definite preference expressed by whānau, for utilising micro credit in the first instance for debt relief purposes. By being able to reduce the burden of ongoing payments of high interest loans, by either consolidating multiple smaller debts, or swapping the high interest rate for a lower one, whānau felt they would have a much better chance of getting on top of their finances. The gap between high and low interest rates (DRLS) would also reintroduce much needed funds back into the weekly budget.

Whānau that reported very positive outcomes from their interactions with budgeting services, cited the ability to financially plan further into the future, feel that they were more in control of their spending priorities and pay their bills on time, as the most meaningful benefits to them. Almost all of these whānau disclosed that they felt these were unachievable prior to working with budgeting advisors and that for many, they previously had no conception of being able to plan more than a week into the future. This highlighted the fact that there are clear increments or plateaus of financial capability and that interventions need to be clearly measured to support whānau shifting along this continuum of financial capability. For whānau who had been able to gain a measure of control over their financial circumstances, micro credit was seen as a valuable alternative to finance company loans. The combination of no fees together with a low rate of interest, was seen as a great opportunity by whānau to be able to borrow small amounts in order to leverage their future income towards things such as vehicle purchases, furniture and household goods, and other assets that were unduly difficult to save up for.

In essence, feasible applications for micro credit are limited not only by the relative degree of financial capacity and knowledge possessed by whānau, but also by their ability to be able to meet their essential costs and have a surplus available to be able to repay loans without undue hardship. In our typology of whānau needs this presently excludes the first two cohorts, which represent approximately two thirds of whānau interviewed. These whānau are not currently in a financial position to easily sustain any type of loan repayment regime, but would absolutely benefit from other microfinance services, especially capability building programs aimed at empowering them to progress along the financial continuum into a subsequent cohort, where micro credit could become sustainable. Structured savings plans and insurance have universal applicability, and this is an area of microfinance that has a huge amount to offer all whānau.

When implemented holistically, microfinance does have a proven ability to assist low income whānau, especially those who find themselves excluded from mainstream financial services. This is especially relevant in a 'banked' society such as Aotearoa, where credit exclusion is often a key driver of financial exploitation. The modality, timing and degree of benefit available to whānau is based firstly upon their existing position on the financial continuum, and secondly around the degree of successful uptake they are able to secure through programmatic interventions. **As previously mentioned, these interventions can be a combination of; small amounts of loan capital at no or low rates of interest, tailored (Maori-specific) financial capability building programs, low cost insurance and incentivised savings plans. The benefits of microfinance should be further enhanced by being incorporated within the wider framework of a wraparound service ecosystem such as Whānau Ora.**

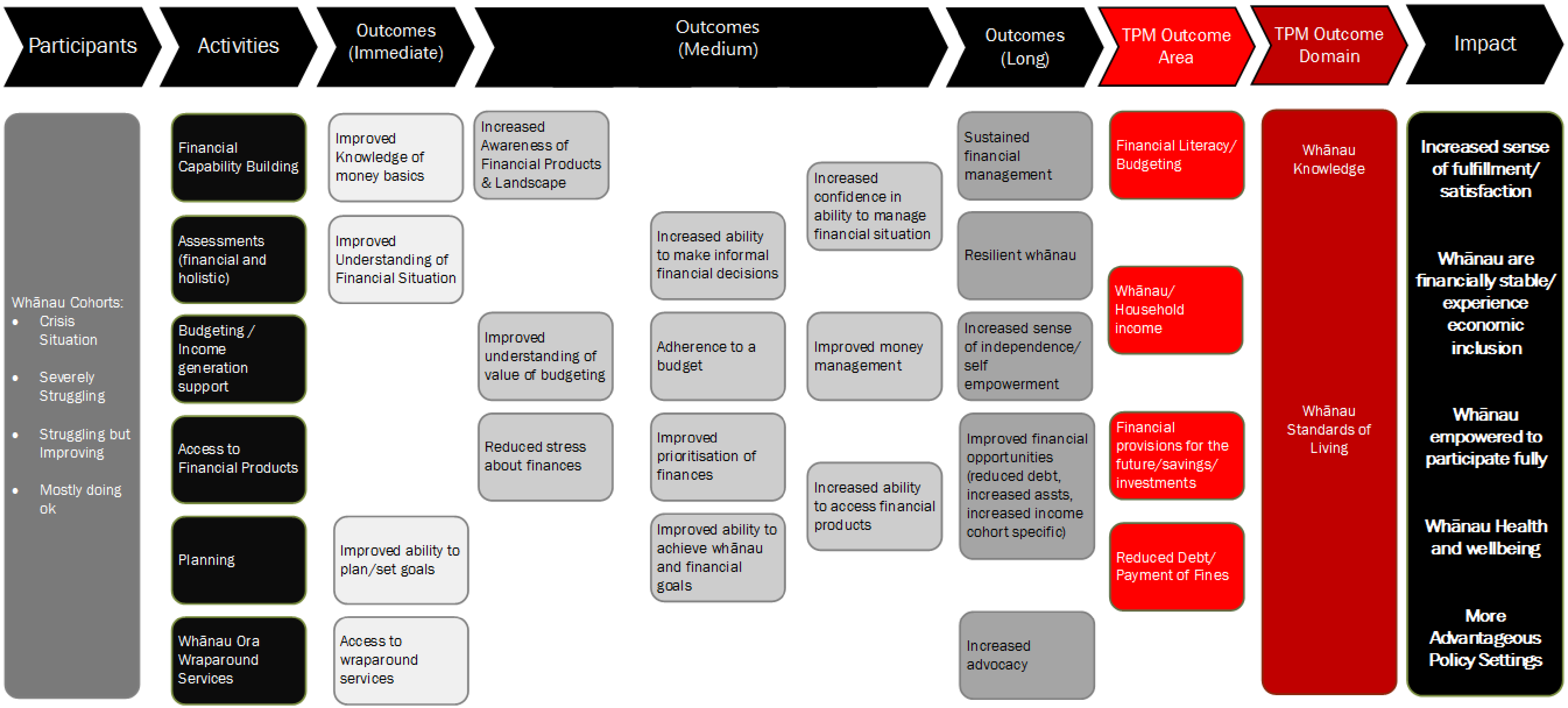
The first step on this journey could most effectively be accomplished by the development of a shared kaupapa and set of service protocols between Māori providers and existing microfinance service providers, such as Ngā Tangata Microfinance & Good Shepherd NZ. The extensive and lengthy consultation with both organisations that has taken part of this research over the last six months has identified clear pathways for working together constructively to benefit whānau.

Independent evaluation of both Ngā Tangata Microfinance & Good Shepherd NZ, proves that their interventions are working. Both organisations acknowledge that they need to form progressive strategic partnerships in order to increase their reach, particularly with regard to Māori. As the North Island Commissioning agency, Te Pou Matakana would be uniquely positioned to utilise the extensive provider network across Te Ika ā Māui to reach into almost all Māori communities, no matter how remote or isolated. Feedback from provider partners affirms our research premise that in the medium term, once kaiārahi training and capability building structures have been fully developed and implemented, there will be capacity to offer microfinance products and services within the scope of Whānau Ora.

Across the breadth of whānau interviewed for this project, there was one constant reference point, and that was hope. Even in the most precarious of circumstances, whānau expressed hope that their tamariki and mokopuna will grow to lead positive, fulfilling and rewarding lives. Whānau also asserted that although they may be poor in a material sense, they were blessed with aroha, kotahitanga, awhitanga and manaakitanga.

Research Logic Model

The first draft logic model focused on the **key outcomes that would need to be achieved in order to address whānau needs emerged that from the research phase**. It includes some of the core activities that could make up a service under this pilot, without going into a depth of detail that would pre-determine how a pilot would be set up. Similarly, it **identifies the whānau cohorts that emerged from the research** but does not predetermine which of these whānau would be best suited to be the focus of the pilot, or how the activities would be delivered to create the desired outcomes for whānau.


Participants
Activities
Outcomes (Immediate)
Outcomes (Medium)
Outcomes (Long)
TPM Outcome Area
TPM Outcome Domain
Impact
Whānau Cohorts:
Crisis Situation
Severely Struggling
Struggling but Improving
Mostly doing ok
Financial Capability Building
Assessments (financial and holistic)
Budgeting / Income generation support
Access to Financial Products
Planning
Whānau Ora Wraparound Services
Improved Knowledge of money basics
Improved Understanding of Financial Situation
Improved ability to plan/set goals
Access to wraparound services
Increased Awareness of Financial Products & Landscape
Improved understanding of value of budgeting
Reduced stress about finances
Increased ability to make informal financial decisions
Adherence to a budget
Improved prioritisation of finances
Improved ability to achieve whānau and financial goals
Increased confidence in ability to manage financial situation
Improved money management
Increased ability to access financial products
Sustained financial management
Resilient whānau
Increased sense of independence/ self empowerment
Improved financial opportunities (reduced debt, increased assts, increased income cohort specific)
Increased advocacy
Financial Literacy/ Budgeting
Whānau/ Household income
Financial provisions for the future/savings/ investments
Reduced Debt/ Payment of Fines
Whānau Knowledge
Whānau Standards of Living
Increased sense of fulfillment/ satisfaction
Whānau are financially stable/ experience economic inclusion
Whānau empowered to participate fully
Whānau Health and wellbeing
More Advantageous Policy Settings

Appendix 1

Partner Providers

TE POU MATAKANA - PARTNER/PROVIDER	GENERAL PHONE	REGIONS	WEBSITE
Ngāti Hine Health	0800 737 573	Kawakawa, Whāngarei	http://www.nhht.co.nz/
Ki A Ora Ngāti Wai Health Trust	09 430 0939	Kamo	http://www.ngatiwai.iwi.nz/
Whakawhiti Ora Pai	09 409 7880	Te Hapua, Te Kāo, Pukenui	http://www.wop.co.nz/
Te Hauora O Te Hiku O Te Ika	09 408 4024	Kaitaia	http://www.tehikuhauora.nz/
Te Hauora O Ngāpuhi	09 405 2647	Kaikohe	http://www.ngapuhi.iwi.nz/
Te Runanga O Te Rarawa	09 408 0141	Kaitaia	http://www.terarawa.iwi.nz/
He Iwi Kotahi Tātou Trust	09 404 1299	Moerewa	http://heiwi.co.nz/
Te Hau Āwhiowhio o Ōtangarei	09 437 0908	Otangarei	http://www.otangarei.org/
Te Pū o Te Wheke O Ngāpuhi	09 401 5530	Kaikohe	http://www.ngapuhi.iwi.nz/wh%C4%81nau-ora.aspx
Te Puna Hauora	09 489 3049	Northcote, Northshore	http://tepuna.org.nz/index.html
Te Whānau o Waipareira	09 836 6683	Waitakere, West Auckland	http://www.waipareira.com/
Hoani Waititi Marae	09 818 2323	Glen Eden, West Auckland	http://www.naumaiplace.com/site/hoaniwaititi/home/welcome/
Manukau Urban Māori Authority	09 277 7866	Papatoetoe, South Auckland	http://www.muma.co.nz/
Ruapotaka Marae Society Incorporated	09 570 5340	Glen Innes, East Auckland	
Ngāti Whātua Ōrakei	09 336 1670	Tamaki Makaurau, Central	http://www.ngatiwhatuaorakei.com/
Kotahitanga	09 267 5305	South Auckland	
Te Kaha O Te Rangatahi	09 267 5305	South Auckland	https://www.tekaha.co.nz/
Turuki Healthcare	09 275 5788	South Auckland	https://turukihealthcare.org.nz/
Papakura Marae	09 297 2036	Papakura, South Auckland	http://www.papakuramarae.co.nz/
Manurewa Marae	09 267 8768	Mahurewa, South Auckland	http://www.manurewamarae.co.nz/

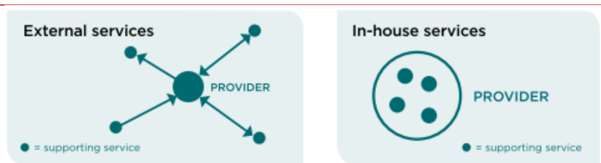
Ngā Ripo - Kaipara Whānau Ora Collective	09 439 1826		http://www.ngaripo.org.nz/
Te Rūnanga o Ngāti Whātua	09 470 0720	Whangarei, Northland	http://www.ngatiwhatua.iwi.nz/
Te Kōhao Health	07 856 5479	Hamilton South, Waikato	http://www.tekohaohealth.co.nz/
Nga Miro Health Trust	07 824 5129	Ngaruawāhia, Waikato	
Te Rūnanga o Kirikiriroa	07 846 1042	Hamilton, Waikato	http://www.terunanga.org.nz/
Rauawaawa Kaumātua Charitable Trust	07 847 6980	Frankton, Waikato	http://www.rauawaawa.co.nz/
Te Korowai Hauora o Hauraki	07 846 1389	Te Rapa, Waikato	http://www.raukura.org.nz/
Raukura Hauora o Tainui	09 263 8040		http://www.raukura.org.nz/
Raukawa Maniapoto Alliance	07 895 5919	Ngaruawāhia, Waikato	http://tutuhou.co.nz/raukawa-maniapoto-alliance/
Waahi Whaanui	07 828 9695	Huntly	http://www.whanui.org.nz/
Ngāti Haua Trust	07 889 5049	Morrinsville, Waikato	http://www.ngatihauaiwitrust.co.nz/
Ngā Mataapuna Oranga	07 579 4930	Tauranga	http://nmo.org.nz/
Te Ao Marama Whānau Ora Collective	07 315 8689	Opotiki	
Te Puna Ora O Mataatua	07 307 1983	Whakatane	http://www.tpoom.co.nz/
Te Whānau a Apanui Health Social Services	07 325 2726	Opotiki, East Coast	http://www.apanui.co.nz/
Te Rūnanga o Te Whānau	07 325 2726	Opotiki, East Coast	http://www.apanui.co.nz/
Tūwharetoa Ki Kawerau Health, Education & Social Services	07 323 8025	Kawerau	
Te Arawa Whānau Ora Collective	07 213 1995	Rotorua	http://tearawawhanauora.org.nz/
Korowai Aroha Trust	07 348 8454	Rotorua	http://korowai.org.nz/
Te Rūnanga o Ngāti Pikiao Trust	07 347 3195	Rotorua	http://www.pikiaorunanga.org.nz/
Mangakino Area School (Te Kura ā Rohe o Mangakino)	07 882 8149	Mangakino	http://www.mangakino.school.nz/
Ngāti Manawa	07 366 5736	Murupara	https://www.ngatimanawa.org/
Te Rūnanga o Ngāti Whare	07 366 5690	Murupara	http://www.ngatiwhare.iwi.nz/
Te Roopū a Iwi O Te Arawa Charitable Trust	07 348 1231	Ōhinemutu, Rotorua	http://tearawawhanauora.org.nz/maatua-whangai/

Whānau Ora ki Tuwharetoa	0800 456 656	Taupō	http://www.whanauora.maori.nz/
Te Roopū Āwhina ki Porirua	04 238 4091	Porirua	http://www.tra.org.nz/
Takiri Mai te Ata	0508 KOKIRI	Lower Hutt	http://www.takirimai.org.nz/
Te Runanganui o te Atiawa ki te Upoko o te Ika a Maui Inc	04 566 8214	Lower Hutt	http://www.atiawa.com/
Te Taiwhenua o Heretaunga	06 871 5350	Hastings	http://www.ttoh.iwi.nz/
Te Kupenga Hauora Ahuriri	06 835 1840	Napier	http://www.tkh.org.nz/
Te Rūnanga o Tūranganui a Kiwa	06 867 8109	Gisborne	http://www.trotak.iwi.nz/
Ngāti Porou Hauora	06 864 6803	Te Puia Springs	http://www.nph.org.nz/
Te Rūnanganui o Ngāti Porou	06 867 9960	Gisborne, Ruatoria	http://www.ngatiporou.com/
Kaitī School	06 867 7831	Kaitī, Gisborne	http://www.kaiti.school.nz/
Te Kura Reo Rua O Waikirikiri	06 868 8297	Kaitī, Gisborne	https://www.facebook.com/WaikirikiriSchool/
Te Whare Maire o Tapuwae (Rangi Manual)	06 928 1523	Wairoa	
Te Aitanga a Hauiti Centre of Excellence	06 862 6629	Tolaga Bay, Gisborne	
Whaiora Whānui	06 370 0818	Masterton	http://www.whaiora.org.nz/
Te Oranganui Iwi Health Authority	06 349 0007	Whanganui	http://www.teoranganui.co.nz/
Ngāti Rangi	0800 N RANGI	Ohakune	https://www.ngatirangi.com/
Te Roopū Āwhina ki Porirua	04 238 4091	Porirua	http://www.tra.org.nz/
Te Rūnanga O Toa Rangātira Incorporated	04 238 4964	Porirua	http://www.ngatitoa.iwi.nz
Tū Tama Wahine o Taranaki	06 758 5795	Taranaki	http://www.tutamawahine.org.nz/
Tui Ora	06 759 4064	Westown, New Plymouth	http://www.tuiora.co.nz/
Te Tihi o Ruahine Whānau Ora Alliance	06 354 9107	Palmerston North	http://tetihi.org.nz/
Best Care (Whakapai Hauora)	06 353 6385	Palmerston North	http://www.whakapaihauora.maori.nz/
Rangitāne o Tamaki Nui a Rua Incorporated	06 374 6860	Dannevirke	https://rangitane.co.nz/
Ngā Kaitiaki o Ngāti Kauwhata	06 323 6446	Fielding	
He Puna Hauora	06 356 7037	Roslyn, Palmerston North	

Te Wakahuia Trust	06 357 3400	Palmerston North	
Muaupoko Tribal Authority	06 367 3311	Levin	http://muaupoko.iwi.nz/wp/

Appendix 2

The Good Shepherd Guide to Setting up a Microfinance Organisation

Organisational Structure	Legal status of organisation, most are charitable trusts
Accreditation	From an organisation such as Good Shepherd who assist in developing policies and procedures to secure funding such as capital funds
Holistic Approach	Offering microfinance as part of other services
Client interaction – extent of relationship through microfinance process	• Managing entire process from application to final repayment • Application and grant with management of loan through a separate budgeting service • Other
Support Services	 (Centre for Social Impact, 2014b)
Key Roles	• Strategy design and implementation • Loans co-ordination and assessment • General administration • Client relationship management
Legal Requirements "The legal framework around microfinance can be complex and will differ for each organisation depending on factors such as: • the legal structure of your organisation • the activities you undertake • the types of products you provide • whether or not you charge fees or interest"	• Anti-Money Laundering/Countering Financing of Terrorism Act 2009 (AML/CFT) • Credit Contracts and Consumer Finance Act 2003 (CCCFA) • Financial Advisers Act 2008 Also: • Insurance • Tax liability, for example applying for donee status • Reporting requirements • Governance issues
Funding	• Loan Capital • Operational Costs
Knowledge	• **Local knowledge** – To offer the most effective range of products, microfinance organisations must understand how its potential clients are affected by financial exclusion, and the traditional finance options that are currently available to them. • **Finance knowledge** – A microfinance organisation must be able to assess whether a client is in a position to repay a loan • **Computer literacy** – Management of loans and client information

	• **Marketing knowledge** • **Legal knowledge** – Legal research skills are helpful but not essential
Products – consideration to which type of products might suit clients' needs and how to integrate with other services: **Products Currently offered in NZ** **No-interest loans** e.g. (NILS®) between $1000 and $2000; asset building and family wellbeing; with typical purchases being white ware, beds and car repairs **Step Up Loans -** no fees, low interest loans up to $5000 **Debt relief loans** - Loans for debt relief, either as a separate product or within the no interest scheme. **Other social services** - "holistic portfolio of services" offered to clients **Financial literacy and budgeting workshops**	**Additional Products Offered in Australia (from Good Shepherd Australia)** **Speckle –** a fast online cash-loan which offers an alternative for people seeking small cash loans under $2,000[15] **"AddsUp Savings Plan"** - A bank or other financial institution will match the client's saving of $500. The package is incorporated into the service once a client has passed the no or low interest entry point.[16] **"Good Money" Community Finance Hubs** - microfinance providers have "shopfronts" to compete directly with pay-day lenders.[17] **"Good Insurance"** - Forming partnerships with insurance providers to bring low-cost insurance products onto the market.[18] **"Good2GoNow"** - an ethical buying service that gives clients access to the best prices on energy efficient whitegoods, computers and other household appliances.[19]

Sources: (*Starting a microfinance organisation in New Zealand*, 2014) ("Good Shepherd Microfinance," n.d.)

[15] http://goodshepherdmicrofinance.org.au/services/speckle/

[16] http://goodshepherdmicrofinance.org.au/services/addsup-savings-plan/

[17] http://www.goodshepherdmicrofinance.org.au/services/good-money

[18] http://goodshepherdmicrofinance.org.au/services/good-insurance/

[19] http://goodshepherdmicrofinance.org.au/services/good2gonow/

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