



Good Shepherd
Microfinance

Pathways to Resilience

**The Financial Inclusion Continuum and
Economic Mobility**

The financial inclusion continuum and economic mobility

Financial exclusion is a global ‘wicked problem’, keeping almost 2 billion adults out of the formal financial system¹. In Australia, around 3.1 million people (16.9% of adults) lack access to safe, appropriate and affordable financial products and services such as bank accounts, credit and insurance². There is a direct relationship between poverty and financial exclusion, with people on low incomes often being unable to access mainstream financial products and services. The combination of living on a low income and being financially excluded amplifies existing social disadvantages and is linked to education, employment, public health and community participation outcomes.

Developing the financial inclusion continuum

Good Shepherd Microfinance is Australia’s largest microfinance provider. We offer a suite of people-centred, affordable financial programs for individuals living on low incomes, aimed at different financial stages of their lives. We aim to build financial capability and resilience through the delivery of community finance products and services. This work helps to ensure that people can become economically mobile and independent³. Faced with the challenge of financial exclusion in Australia, Good Shepherd Microfinance worked with Daymark to develop the ‘Financial Inclusion Continuum’ (Figure 1) below. This conceptual framework helps us to identify pathways towards greater inclusion and resilience, and guide our clients away from financial hardship and crisis towards stability.

¹ Demirguc-Kunt, Asli; Klapper, Leora; Singer, Dorothe; Van Oudheusden, Peter. 2015. The Global Findex Database 2014 : measuring financial inclusion around the world. Policy Research working paper; no. WPS 7255. Washington, D.C.: World Bank Group.
<http://documents.worldbank.org/curated/en/187761468179367706/The-Global-Findex-Database-2014-measuring-financial-inclusion-around-the-world>

² Randrianarisoa, A., Eccles, K., (2016) Pathways to resilience: The impact of financial conversations on the financial capability of NILS applicants, Good Shepherd Microfinance, Melbourne

³ Connolly, C (2014) *Measuring Financial Exclusion in Australia*, Centre for Social Impact (CSI) – University of New South Wales, for National Australia Bank, p5.

GOOD SHEPHERD MICROFINANCE FINANCIAL INCLUSION CONTINUUM

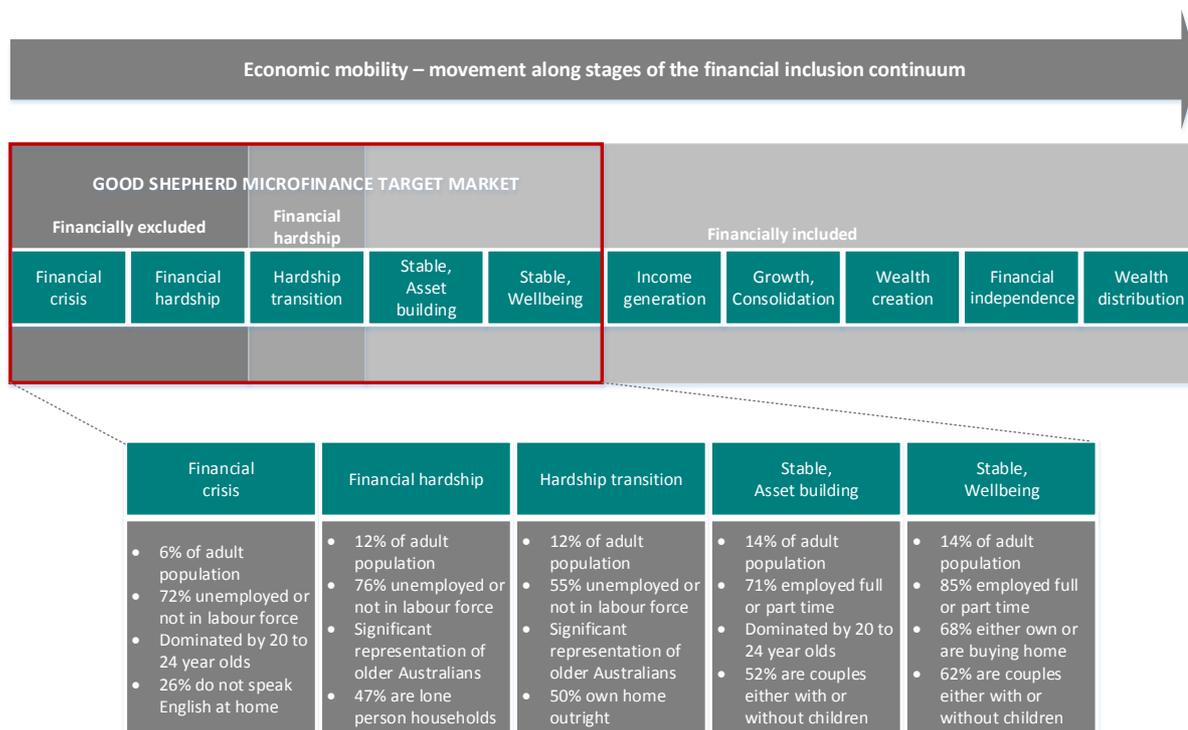


Figure 1 Segments along the Financial Inclusion Continuum⁴

Developing this continuum provided Good Shepherd Microfinance with a conceptual framework to guide and contextualise an understanding of our clients and the supports they might need to become financially included. It has also helped us to identify our target markets, and continues to inform our ongoing efforts to better understand our clients and to explore their needs and aspirations. This understanding further guides the design of safe, affordable and appropriate financial products and services that we provide to clients. Our aim is to support their transition along the continuum (we refer to this as ‘economic mobility’), offering pathways towards greater inclusion and resilience.

Economic mobility, as we define it, occurs as people shift along the continuum from financial exclusion towards inclusion. As this transition happens, individuals are often able to enhance their wellbeing, experiencing a change from feeling dependent and out of control, to being confident and resilient.

The wider community and economy can also experience positive flow-on effects as a result of these individual benefits; as people shift away from government welfare and service supports, towards creating wealth and investing in the economy. Our modelling found that the benefit of 10 per cent of each of the bottom five segments of the continuum moving up one segment is AUD\$20 billion⁵.

Designing safe, affordable and appropriate financial products and services

Development and refinement of our product and service offerings has been guided by the Financial Inclusion Continuum, and allowed us to tailor our offer to people who are

⁴ Peters, R (2012) *Financial Inclusion Continuum: Framework and Segment Profiling*, Daymark for Good Shepherd Microfinance, p11.

⁵ *Ibid*, p40.

financially excluded, including the No Interest Loan Scheme (NILS), StepUP (a low-interest bank loan), AddsUP (matched savings), and affordable insurance. Our research has found that financial exclusion and building financial resilience cannot be addressed by products alone; our suite of products is therefore offered alongside financial conversations that help build the confidence and financial capability of clients⁶. This method offers a staged approach and provides support to enable people to transition along the continuum.

Our financial products and services are primarily serving people who are living below the poverty line (92 per cent of NILS clients)⁷. Our clients can access a NILS loan to assist in the purchase of essential items like household goods, medical treatment and education. NILS provides a safe and affordable alternative to fringe credit providers, often associated with predatory lending practices⁸, which frequently contribute to long term financial hardship.

The majority of NILS clients (82 per cent) indicate a net improvement in social and economic outcomes, such as reduced stress or anxiety, and growing financial independence⁹.

A replicable process?

The Financial Inclusion Continuum was established by undertaking an analysis of different stages in a person's experience and the financial products and services that may be available to them at a given time within their personal set of circumstances. A key component of the development of the continuum related to a mapping exercise of financial products and services against financial stages from financial crisis through to wealth distribution.

Following this mapping exercise, we conducted an analysis of Australian Bureau of Statistics Census data (2011) to segment the market according to individual income, to establish market sizes, and to uncover key demographic identifiers. While individual income was used in the initial development of the continuum, our further review indicates that this measure may have skewed some of the populations and misrepresented where people actually sit along the continuum. As an example, in the initial assessment, many older people with high household wealth yet not in the labour market and with low incomes, were considered to be in financial crises, which is unlikely to be a true reflection.

We feel that household income or household net worth is likely to be a more accurate representation of where on the continuum people fall and the products and services they have access to. Therefore, as we further apply the process of developing a financial

⁶ Eccles, K & McIlwain, G (2015) *Life Changing Chats: The Impact of the Financial Conversations on StepUP Applicants*.

⁷ Corrie, T (2013) *Measuring the impact of Microfinance 'Money Conversations' on Financial Capability: A trial study - Methodological report and pilot findings*, Good Shepherd Youth and Family Service.

⁸ Banks, M., Marston, G., Karger, H., & Russell, R. (2012) *Caught Short: Exploring the Role of Small, Short-Term Loans in the Lives of Australians. Final Report*, Social Policy Unit. The University of Queensland, Brisbane.

⁹ Bennett, S. Georgouras, M. Hems, L. Marjolin, A. and Wong, J. (2013) *Life Changing Loans at No Interest: An Outcomes Evaluation of the Good Shepherd Microfinance's No Interest Loan Scheme (NILS)*, Centre for Social Impact (CSI), University of New South Wales, for Good Shepherd Microfinance.

continuum across our global network, we will be exploring the most appropriate indicators of financial inclusion.

Global application

Good Shepherd Microfinance is part of a global network established by the Good Shepherd Sisters over 200 years ago. We work side by side with people in the community wherever services are needed and wherever there are opportunities for positive change. Good Shepherd Microfinance plans to work collaboratively with the Good Shepherd Mission Development Office based in Rome, and the Good Shepherd Provinces in 74 countries around the world to support the development of microfinance globally; we plan to identify opportunities and initiatives where the financial inclusion continuum can guide the development of microfinance products and services to promote economic justice worldwide.

We welcome opportunities to work with others to apply and extend our learnings internationally, to better explore the markets they serve to promote financial inclusion and build financial resilience. Developing an understanding of the financial products and services available to, and needed by, different client groups in all communities can help focus product and program efforts. People living on low incomes, and the community as a whole, can benefit from improving the financial inclusion and financial resilience of people who are presently excluded from safe, affordable, and appropriate financial products and services.

A system-wide approach

Although the continuum has guided the development of safe and affordable products and services to meet the needs of the financially excluded, changes at the system-level will be required to achieve financial inclusion. Inequality, lack of opportunity, ill health or disability and intergenerational disadvantage all contribute to poverty and financial exclusion in Australia.

As part of our efforts to successfully transition the 3.1 million financially excluded people to full inclusion, we are working in collaboration across the broader economy and society. We are currently bringing together organisations across sectors including business, government, community and academia, to take real action to enable financial inclusion and resilience, to develop a Financial Inclusion Action Plan (FIAP) program¹⁰.

Through our work developing the FIAP program, we have gathered best practice learnings from financial inclusion programs across the globe. The FIAP program aims to promote and develop greater equality, inclusive growth and resilient communities. Any global efforts to improve financial inclusion can start by addressing financial products and services but must also consider the other key players needed to address the broader issues.

Improving financial inclusion and supporting economic mobility can help us all make progress towards the Sustainable Development Goals of ending poverty (goal 1), inclusive growth (goal 8) and reduced inequalities (goal 10). We intend to further develop and apply the financial inclusion continuum, refining the modelling and assumptions, and building a more robust understanding of the clients we serve and how we should develop our programs to promote economic mobility and build financial resilience.

¹⁰ <http://goodshepherdmicrofinance.org.au/services/financial-inclusion-action-plans>

For stories from our clients visit:

<https://www.youtube.com/playlist?list=PL3jrFvdtUzJmMVmLmCtOztJTJTUK1VpHz>

For more information about Good Shepherd Microfinance's suite of financial products visit: <http://goodshepherdmicrofinance.org.au/which-loan-right-me>

For more information about Financial Inclusion Action Plans visit:

<http://goodshepherdmicrofinance.org.au/services/financial-inclusion-action-plans>

For more information about Good Shepherd Microfinance's advisory services, please contact advisory@gsmicrofinance.org.au

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