The Impact of Microfinance on the Capabilities of Participants

A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy

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Declaration

I certify that except where due acknowledgement has been made, the work is that of the author alone; the work has not been submitted previously, in whole or in part, to qualify for any other academic award; the content of the thesis is the result of work which has been carried out since the official commencement date of the approved research program; any editorial work, paid or unpaid, carried out by a third party is acknowledged; and ethics procedures and guidelines have been followed.

Anuja Cabraal

13th of September 2010
“In another moment, down went Alice after it, never once considering how in the world she was to get out again.

The rabbit-hole went straight on like a tunnel for some way, and then dipped suddenly down, so suddenly that Alice had not a moment to think ... before she found herself falling down what seemed to be a very deep well...

... First, she tried to look down and make out what she was coming to, but it was too dark to see anything: then she looked at the sides of the well, and noticed that they were filled with cupboards and book-shelves: here and there she saw maps and pictures ...”

(Alice in Wonderland, by Lewis Carroll)
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# ABBREVIATIONS

<table>
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<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>CALD</td>
<td>Culturally and Linguistically Diverse</td>
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<td>CDF</td>
<td>Community Development Finance</td>
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<td>IDA</td>
<td>Individual Development Account</td>
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<tr>
<td>NAB</td>
<td>National Australia Bank</td>
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<td>NEIS</td>
<td>New Enterprise Incentive Scheme</td>
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<td>NEW</td>
<td>Northern Enterprising Women’s Network</td>
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<tr>
<td>NILS®</td>
<td>No Interest Loans Scheme</td>
</tr>
<tr>
<td>POCA</td>
<td>Post Office Card Account</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom of Great Britain and Northern Ireland</td>
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<tr>
<td>US</td>
<td>United States of America</td>
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<td>WHIN</td>
<td>Women’s Health In the North</td>
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ABSTRACT

This thesis seeks answers to the question of how microfinance programs influence the capabilities of participants. It does so by addressing two subsidiary questions: what are the impacts of microfinance programs and how do microfinance programs foster these impacts?

Microfinance is becoming a global phenomenon, not only in developing countries but also in developed countries such as the UK, the USA and Australia. However, in spite of this growth, there has been little in the way of research to try to understand the impacts of the programs in a multidimensional way, especially in Australia.

This thesis uses frameworks of social and financial exclusion and Sen’s capability approach to understand the impacts of microfinance programs. Social exclusion is increasingly being used as an additional measure of poverty in countries such as the UK and Australia as well as the European Union. The concept of social exclusion provides a multidimensional approach to addressing issues of disadvantage for low-income households. Financial exclusion is relevant as one of the main aims of microfinance in Australia is to provide financial products and services to those who are unable to access mainstream financial products.

The capability approach is also multidimensional and focuses on three main areas: what a person values, what a person has the capability to achieve (which includes the freedom and choice they have to achieve the things they value) and a sense of agency.

Qualitative interviews and participant observation were used for data collection, as individual experiences and narratives were central to the study. Participant observation provided a contextualised understanding of the lives of participants, which allowed for a greater depth of understanding and analysis.
The research found that the impact of microfinance was threefold: the impact on financial elements for participants, impact on the social dimensions in the participants’ lives and the development of enhanced capabilities. In reference to the financial impacts, participants spoke of four main areas: increased levels of savings, increased financial capability, increased financial security and greater levels of economic participation. These impacts were brought about through a combination of the financial aspects of the programs as well as through social aspects such as the provision of support networks.

The impacts on the social dimensions of the microfinance programs were primarily a result of participation in the savings and loans circles and the Enterprising Women program. These programs provided avenues for social interaction among participants. The social impacts that participants experienced were increased levels of support, greater trust, feelings of reciprocity and a sense of belonging. These impacts are all highly interconnected as they relate to the social networks that can form when people meet, thus increasing social capital. What was discovered was that a combination of the financial and social elements led to an enhanced sense of capability for participants. People spoke of greater freedom, empowerment and confidence, sense of equality, well-being and sense of achievement.

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.
CHAPTER 1: INTRODUCTION

Around the world, an average of 20,000 people die from extreme poverty every day, a total of eight million people a year (Sachs 2005). In 2005, the United Nations established eight millennium development goals to be achieved by the year 2015. The first goal was to halve the number of people living on less than one US dollar a day and to halve the number of people who suffer from hunger (United Nations 2010). It now appears from recent research that the number of people living on less than one US dollar a day are declining (Chen & Ravallion 2009; United Nations 2010).

Most of the world’s poor are women and globally, women earn an average of 50% less than men (Froehlich 2005). It is often single mothers who are the poorest, compared to any other group (Froehlich 2005). In Australia, measures of poverty estimate that anywhere from one in twelve to one in four people are considered to be poor (Saunders & Tsumori 2002).

Poverty is a complex problem and needs a multifaceted approach to address it. An Australian study found that there was a lack of clarity around what constituted poverty (Johnson 2002). In that study, the question of the number of people living below the poverty line in Australia sparked discussion around what the poverty line actually was and how it came to be calculated (Johnson 2002). In a seminal piece, Saunders (2005) wrote a comprehensive book describing the ‘poverty wars’ that have taken place in the Australian arena. The book not only describes the discrepancies with income-based or asset-based measures of poverty, but also discusses more multidimensional measures of poverty that have emerged, such as the social exclusion framework and the capability approach (Saunders 2005).

Microfinance has become a global phenomenon since the inception of the Grameen Bank Project in 1976 by Muhammad Yunus, which became the Grameen Bank in 1983, as a tool to assist in the battle against poverty. It has
been seen globally as an important and successful way of empowering the poor (Swain & Wallentin 2009; Prahalad 2005; Nader 2008). It is commonly said that Yunus had initially experimented with different models, types of services and savings groups to determine which ones were the best fit for use in Bangladesh.

Much experimentation is now occurring in terms of innovative microfinance initiatives unique to each country or region that are tailored to the needs of individuals within their constituency. The general principles of the Grameen model have been widely adopted in countries such as India (see Leach & Sitaram 2002) and Sri Lanka (see Shaw 2004) and has even extended across continents, now being adopted in countries in Africa such as Kenya, Malawi and Ghana (see Buckley 1997). McDonnell (1999) 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 (Tsai 2004).

There is extensive literature on current microfinance initiatives in the developing world. Many evaluations of these projects have been conducted (for example, Wells 1998). While success stories are more common, there are an increasing number of studies exploring some of the failures (Masud Ahmed, Chowdhury & Bhuiya 2001) and there are lessons to be learnt for future initiatives (Bhatt & Tang 2001; Shaw 2004). The main themes of the literature include assessments of current initiatives (Woller & Parsons 2002), market research for prospective initiatives (Miehlbradt & Chua 1999; McCarter 2004), and descriptions of current programs (Hernandez & Mugica 2003; Shanley 2005). There are also examples of the relationships between microfinance and the regulatory arena (for Kenya, see Mugambi 2005; for Philippines, see Lema 2005).

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1 It is acknowledged that some authors refer to developed countries as countries of the ‘North’ and developing countries as countries of the ‘South’. However, in this dissertation, the terms ‘developed’ and ‘developing’ will be used.
2004; for an overall Asian perspective from the Philippines to Pakistan, see McGuire 1999).

While there has been extensive literature on evaluations of microfinance programs globally, particularly in developing countries, there has been little in the way of evaluating or understanding the impact that these programs have for participants in developed countries such as Australia. One exception is the Calmeadow Metrofund in Canada, which has been extensively reviewed. The Metrofund was once the largest provider of microfinance in Canada, and disbursed over $4.6 million (Canadian) between 1987-1999 (Frankiewicz, 2001). In 2000, Calmeadow transferred the Metrofund to a local credit union, as it was not financially sustainable (Frankiewicz, 2001).

1.1 Research approach

As Hulme (2000) writes, all impact assessments have a conceptualised framework at their core. The frameworks provide an overarching strategy which informs the impact assessment (McNeill 2009). For this reason, a brief summary of the theoretical frameworks used for this research is provided in this chapter, and full details of those frameworks are provided in Chapter 2.

This research was informed by the idea that there needs to be a greater understanding of the participants of microfinance initiatives and their perceptions of the programs, in particular how those programs have influenced or impacted upon their lives. Therefore, the priority of this research was to ensure there was integrity in allowing the participants’ voices to be heard in their own words, and without reference to or the imposition of either the expected outcomes of the programs, or the anticipated benefits of participation hoped for by relevant microfinance organisation or its workers. This research was not intended to evaluate those microfinance programs against their objectives or expected benefits. For this reason, the frameworks of social and financial exclusion and the capability approach largely formed the foundation for this research.
Social exclusion can be defined as ‘the lack or denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities available to the majority of people in society’ (Levitas et al. 2007, p. 9). The framework of social exclusion is multidimensional and has a wide range of indicators, which means that it allows participants greater freedom and scope to express themselves.

Financial exclusion can be defined as ‘the lack of access by certain consumers to appropriate low cost, fair and safe financial products and services from mainstream providers’ (Chant Link & Associates 2004, p. 61).

The capability approach is highly compatible with social exclusion, as both are multidimensional. The capability approach was developed by Professor Amartya Sen and essentially is focused on what people are able to do and achieve, that is, their capabilities. The capability approach has three main concepts at its core: functionings, capabilities and the agency aspect. ‘Functionings’ are ‘the various things a person may value doing or being’ (Sen 1999, p. 175), whereas ‘capabilities’ refer to the various functionings that a person has or can achieve, that is, a person’s ability (or capability) to achieve a functioning. The agency aspect refers to ‘someone who acts and brings about change’ (Sen 1999, p. 19). The reason the capability approach has been used to inform this research is that it not only focuses on outcomes but also on the capability people have to achieve the things they want in their lives.

1.2 Rationale

Microfinance in Australia has had considerable growth over the last ten years and has received substantial funding from federal and state governments and the private banking sector. In spite of this growth, there is a significant knowledge gap in the area, particularly in understanding in how the programs affect the lives of participants. Burkett & Sheehan (2009) write that one of the three main challenges facing microfinance in Australia is in understanding the impact of microfinance programs in the Australian context.
If microfinance is to continue to be viable in Australia and relevant to addressing issues of social and financial exclusion, then impact-based studies are required, especially studies that take the participants' needs, wants and goals or values into account. That is, more impact based studies are needed that put the clients of microfinance programs at the centre of the research design.

Impact based studies are common in areas where there is some form of intervention, such as policy, projects and programs (The World Bank 2006). Impact studies are now emerging in a number of fields, including development (White 2009) and health (Pederson, La Brie & Lac 2008).

There is a growing debate on what constitutes an impact assessment. White (2009) suggests that the range of definitions can be summed up into two categories, defining one as '[a]ny evaluation which refers to impact (or often outcome) indicators is … an impact evaluation' (p. 7). The second is where impact is the difference between the indicator measured (such as levels of consumer confidence) with program/policy intervention, compared to those without intervention (White 2009). For the purposes of this research, the first definition is the one of most relevance.

The World Bank (2006) has also provided a range of four different interpretations of an impact assessment, with one being exactly the same as the second definition provided by White. Another is a longitudinal study, while the third constitutes an evaluation of all interventions in a specific geographical location. However it is the fourth definition that is particularly relevant to this research, where an impact assessment ‘looks at the impact of an intervention on final welfare outcomes, rather than only at project outputs’ (The World Bank 2006, p. 1).

This research is a detailed qualitative study of the impacts of three microfinance programs in Australia and an analysis of the components of those programs that facilitated those impacts. It does not provide an evaluation of the programs, nor was it meant to assess if the programs achieved their ‘targets’ or objectives. Instead, this research was intended to put the participants at the
centre of the research design and to understand the impacts of microfinance programs from the participants’ perspectives and the ways in which the programs affected these impacts. Put another way, this research sought to understand what had changed for the participants as a result of the microfinance programs in which they participated, and what elements of those programs facilitated those changes. For this research, qualitative methods were used to collect and analyse data.

1.3 Research questions

The main question for this research is: How do microfinance programs influence the capabilities of participants?

This thesis seeks to answer that question by addressing two subsidiary questions:

1. What are the impacts of microfinance programs on participants?
2. How do microfinance programs foster these impacts?

In considering these questions, it is important to define what is meant by the term ‘impact’, as the term has a wide range of definition. For the purposes of this research, ‘impact’ refers to the difference made in a person’s life as a result of intervention. In this research, the intervention is the microfinance program.

1.4 Methodology

In order to maintain the theoretical integrity of the capability approach, there was a focus on allowing participants to voice what was important for them in reference to their lives and priorities. This was done by using qualitative research methods, including conducting semi-structured interviews with participants as well as participant observation. A research diary was also maintained to ensure transparency of the research process.

In order to answer the research questions, a sample of three types of microfinance programs were chosen for the study. The first was a business
development program for culturally and linguistically diverse (CALD) women. The second was a program that provided no-interest loans for people on low incomes. The third type of program was savings and loans circles. Participants were interviewed with semi-structured interview questions. Participant observation was also conducted with members of the savings and loans circles to obtain a contextualised understanding of the lives of the participants. A qualitative approach was essential for the integrity of the research, as it was important to understand the impacts of the microfinance programs from the participants’ perspectives. All interviews were audio-recorded, transcribed and then analysed for emerging common themes.

1.5 Outline of thesis

This thesis is divided into nine chapters. Chapters 2 and 3 provide the literature review. Chapter 2 details the theoretical and conceptual frameworks that underpin the research. It provides an explanation of the social exclusion framework, including financial exclusion, which is highly interrelated with social exclusion. This is followed by an explanation of Sen’s capability approach. Chapter 2 also includes an explanation of the other frameworks more briefly used in this research, namely asset accumulation, social capital and well-being. The chapter concludes with a discussion on the relationship between the main frameworks informing this research.

Chapter 3 provides the scope of the microfinance arena in Australia, including the types of microfinance programs available, such as microcredit, microsavings, and microenterprise, to name a few. The distinctiveness of microfinance in Australia is discussed, as well as details of previous impact studies and evaluations in Australia.

Chapter 4 provides information on the methodology used to conduct this study. This includes particulars of the research sample, details of the case studies and the methods used to collect data such as semi-structured interviews, participant observation and the keeping of a research diary. This is followed by a discussion of the analysis techniques and comments on the challenges and
Chapter 5 has a detailed explanation of the three microfinance programs used as the foundation of this research. The aims and operations of each of the programs are provided. The first is the No Interest Loans Scheme (NILS®) administered by Good Shepherd Youth and Family Services. The second is the Enterprising Women program, which provided business education for women of CALD backgrounds. The third is savings and loans circles.

Chapters 6, 7 and 8 present the analysis of the findings of the research. Chapter 6 discusses the financial impacts of the microfinance programs on the lives of participants. The chapter concludes with details on the components of the microfinance programs that helped foster these impacts. Chapter 7 provides information on the impacts the microfinance programs had on the social dimensions of participants’ lives. Chapter 8 details how the microfinance programs have influenced the capabilities of the participants, including those aspects of the programs that led to changes in capabilities.

Chapter 9 concludes this thesis and draws together the main themes of the research, as well as summarising the main findings. The chapter also provides suggestions for further research and the implications of the study.

1.6 Limitations of the study

While it is widely recognised that both globally and in Australia the majority of the poor are women, and in particular are single mothers, this research has not taken a gendered approach. While all participants interviewed were women, the primary aim of the study was to understand the impacts of the microfinance programs on the participants. While it is fair to suggest that these impacts may vary for men, this is suggested as further research, to examine the way in which the findings may be gendered.

The other limitation of the study was that being qualitative in nature, the generalisability of the findings of the research are limited. Further, only three microfinance programs were researched. However, there was an aim to select
programs which provided a cross section of services to people in low income households, and which also differed in their approach and delivery of service.

This introduction has provided the context and rationale of this study. It has detailed the main research question and subsidiary questions, and the research approach and methodology used to inform the research. It has provided an outline of structure of this thesis as well as the limitations of the study. The main aim of this research was to ascertain the way in which microfinance programs influenced the capabilities of participants. This involved understanding the impacts of the programs, and also being able to identify the components of the programs that facilitated these impacts. In order to proceed, it is first necessary to understand the conceptual frameworks within which this research is placed.
CHAPTER 2: A FRAMEWORK FOR EXAMINING SOCIAL IMPACTS

‘The microcredit movement which is built around and for and with money is, ironically, at its heart, at its deepest root, not about money at all. It is about helping each person achieve his or her fullest potential’. Muhammad Yunus.

This chapter begins with an examination of the conceptual frameworks that inform this thesis and that provide useful constructs from which to assess and evaluate the impacts of microfinance programs in a developed country context. These are the theories of social and financial exclusion and the capability approach. Closely related to the concept of social exclusion is social capital theory, which is also examined. Also relevant is the framework of human well-being. A discussion of the relationship between the concepts of social exclusion, the capability approach, and social capital is also provided. These theoretical perspectives provided the structure within which this research was conceptualised and within which the various microfinance programs will be examined.

2.1 Social exclusion

There have been many different approaches to addressing poverty but in the United Kingdom and Australia, issues of poverty have increasingly been seen as issues of social and financial exclusion. There are many different definitions of social exclusion. The term has been applied widely, beyond the fields of poverty and development, to be used as a framework of analysis in a number of different research streams including areas as diverse as sexual orientation (Prendergast, Dunne and Telford 2001) and race discrimination (Iganski, Payne and Roberts 2001). However, for the purposes of this study, the most relevant use of the concept relates to the definition used in reference to people who are on low incomes or who do not have access to affordable financial services. In some cases, people may fall into both categories.
A simple way of explaining social exclusion is that it ‘occurs when people do not participate in the key activities in the society in which they live’ (Saunders, Naidoo & Griffiths 2007, p. 17), which puts social exclusion within the context of the society in which a person lives. That is to say, that whether a person is excluded or not is determined by factors relating to the society in which they live, rather than by absolute measures such as income (although income is a component of exclusion, just not the only component). However, this definition overlooks the role of choice. What if someone chooses to withdraw from certain activities? Would they still be considered excluded? It also does not address the issue that groups can be excluded, for example migrants, refugees or single mothers. Other common definitions of social exclusion stem from the one provided by the Social Exclusion Unit in the UK, which recognises that groups as well as individuals can be excluded (Hayes, Gray & Edwards 2008). It is suggested that social exclusion occurs when either groups or individuals experience a combination of problems such as unemployment, low income, poor housing and poor health (Hayes Gray & Edwards 2008). While this definition is more encompassing than the last, it is vague and does not provide a clear understanding of what would constitute a ‘problem’ that would contribute to someone becoming socially excluded. A more encompassing definition comes from Levitas et al. (2007), where social exclusion has been defined as:

> a complex and multidimensional process. It involves the lack or denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities available to the majority of people in society, whether in economic, social, cultural, or political arenas. It affects both the quality of life of individuals and the equity and cohesion of society as a whole (p. 9).

This definition emphasises the multidimensional nature of social exclusion. It also states that the cause of exclusion is that people are denied, or lack access to, aspects of life deemed ‘normal’ in mainstream society.

The modern use of the term ‘social exclusion’ originated in France, where it
referred to people who were excluded by the state, in reference to insurance. However, original references to social exclusion can be traced back to Max Weber (Burchardt, Le Grand & Piachaud 2002). Today, social exclusion refers to a situation where people are unable to participate, either partially or fully, in the economic, social and political systems of the community. This includes factors such as unemployment, poor health, poor housing, lack of access to affordable financial services, disengagement with the wider community and reduced life choices. However, just because a person is categorised as long-term unemployed, they may not necessarily be socially excluded (Roberts 2001). As Berman & Phillips (2000) state, social exclusion focuses on relational issues such as lack of social integration and participation.

In the United Kingdom, issues of social and financial exclusion had become so prominent that the national government developed a Social Exclusion Task Force in order to address poverty within the UK (Cabinet Office 2007). The social exclusion framework is most widely used as a substitute, and in some cases as an addition, to income-based poverty measures and is seen as an alternative measure of poverty, as it is more multidimensional. It is also used to inform policy with members of the European Union, the UK and most recently in Australia, with the Social Inclusion Task Force implemented by the Federal Government in 2007. The social exclusion framework allows for the merging of a social agenda, based on measures that go beyond income, and also for the incorporation of social and community indicators, among others. Hence, from a policy perspective, the social exclusion framework is considered to be more relevant.

There are various reasons why social exclusion has become progressively popular in dialogue surrounding issues of poverty. It was becoming increasingly apparent that income-based measures of poverty were too restricted (Smyth 2008), because they did not take into account living standards. For that reason, it was difficult to determine what level of income was best to use as a cut-off marker to determine the poverty ‘line’ (Hayes 2008). In fact, this ambiguity has lead to varying estimates and measures of poverty in Australia (Saunders &
In order to determine the extent to which a person is socially excluded, different indicators are commonly used. A wide range of social inclusion indicators have been developed by key researchers in the UK, some of which have been adapted in Australia. These indicators relate to different aspects of social exclusion.

The most common indicators of social inclusion used today can be categorised into the four categories proposed by Burchardt, Le Grand & Piachaud (2002). These are:

1. *Consumption*: this relates to a person’s capacity to purchase goods and services.

2. *Production*: this refers to a person’s capacity to participate in economic activity, e.g. employment.

3. *Political engagement*: this references the control over decision-making and choices that a person has, not only in terms of the wider community and society, but also in relation to choices that affect their own life.

4. *Social interaction*: this looks at the extent to which people socialise and engage with the people around them. These include family, friends and co-workers, as well as community involvement and participation such as voluntary or community work.

A person does not need to be excluded in all categories to be considered socially excluded, as there can be different degrees of social exclusion (Roberts 2001). For example, a person may be unemployed but can still be considered socially included, depending on the other categories. People may move in and out of different categories at different times, so someone may at one time be excluded in reference to three categories and at another time excluded only in reference to one category. As Roberts (2001) states, the question of the number of people that are excluded is perhaps not the correct question, as
there are differing degrees of exclusion; however, he provides no suggestion of what a relevant question might be. The categories used to measure social inclusion can also often be problematic. As Saunders (2005) points out, not even the wealthy sometimes would fit all the categories of social inclusion and this has often been one of the criticisms directed at the concept.

Social exclusion has been criticised because the social exclusion framework largely ignores the concept of the ‘mainstream’ which is essential towards its understanding. When seeking to foster greater social inclusion, the question arises, inclusion into what? Often it refers to ‘mainstream society’, which is presumed to be desirable (McDonald 2010). However, this argument that underlies some approaches to social exclusion theory, assumes that the ‘mainstream’ is desirable, and overlooks some of the structural barriers people face towards inclusion (McDonald 2010).

The approach has also been criticised because the dominant discourse within the framework of social exclusion is embedded with the concept of integration in economic participation (Levitas 1996; Hayes, Gray & Edwards 2008). While most indicators have social components, the emphasis in most of the discussions surrounding social exclusion is that people are excluded primarily due to lack of finances and if people have greater opportunities to enter the consumerist market, they are in essence included. Hayes, Gray & Edwards (2008) argue that while the main focus of social exclusion is currently on the marketplace, the ‘social’ aspects of social exclusion should not be overlooked.

Interestingly, the criticisms of social exclusion, when examined together, provide a more nuanced understanding of the approach. As discussed above, fostering greater social inclusion is seen as bringing people into ‘mainstream society’, and measures of social inclusion often emphasise economic participation. Therefore, there is an undercurrent that in order for people to be ‘included’ in society, they must participate economically by means of consumption or paid employment, or both. This vastly ignores the importance of structural, social and financial aspects of everyday life.
2.2 Financial exclusion

Financial exclusion is closely linked to social exclusion (Cabraal, Russell & Singh 2006). A paper by Burkett & Drew (2008) demonstrates that the relationship between poverty, financial exclusion and social exclusion is complex. It is suggested that while financial exclusion can be considered to be a dimension of social exclusion, it may also be a cause of social exclusion (Burkett & Drew 2008). Financial exclusion refers to a situation where people do not have access to fair, safe and affordable banking products and services (Burkett & Sheehan 2009; Chant Link & Associates 2004). Financial exclusion can be a broad concept related to a lack of access to a range of financial services or a narrow concept reflecting particular circumstances such as: geographical exclusion; exclusion on the grounds that charges and prices are prohibitively high; or exclusion from marketing efforts (HM Treasury 2004, p. 2).

That is, financial exclusion occurs when people lack access to the appropriate financial services that they require in order to exist in a comparable way to others in the community. It is said that one of the main aims of microfinance programs in Australia is to increase financial inclusion (Burkett & Sheehan 2009).

A comprehensive report into financial exclusion in Australia by Chant Link & Associates in 2004 defined financial exclusion as ‘the lack of access by certain consumers to appropriate low cost, fair and safe financial products and services from mainstream providers’ (Chant Link & Associates 2004, p. 61). These can include savings facilities and insurance products; however, the one most often referred to is access to safe and affordable credit.

La Torre (2006) identifies five different types of financial exclusion.

1. **Self Exclusion** occurs when individuals themselves feel that if they approached a financial intermediary they would be denied access to financial products and services.
2. *Access Exclusion* refers to the situation where people are not deemed to be creditworthy.

3. *Political and Social Exclusion* exists where people are not registered citizens or are denied the right to vote, such as ex-convicts.

4. *Condition Exclusion* is where individuals become excluded because they cannot bear the costs of financial products or services.

5. *Marketing Exclusion* is a reference to financial intermediaries excluding low-income consumers from their marketing strategies.

Another type of financial exclusion is geographical financial exclusion, which is of particular importance in the Australian setting. It refers to a lack of financial services and products due to a person’s geographical location. The Australian Indigenous communities are particularly disadvantaged on a geographical basis (Renouf 2002) and continue to face disadvantage (Demosthenous et al. 2006).

In the United Kingdom and the United States, financial exclusion is most prominently illustrated by the relatively large proportion of people who do not have a bank account, known as the ‘unbanked’. However, the term ‘unbanked’ is still problematic. For example, in a recent report by Finney & Kempson (2009), it was found that people who had investments were still classified as being ‘banked’, even when no members of the household had a savings or transactions account. A report in 2004 stated that at the time 8% of households in the UK had no access to any kind of bank account (HM Treasury 2004). However this would have changed since the introduction of the Post Office Card Account (POCA), where government payments can be made directly into a bank account.

In Australia only 0.8% of Australia’s adult population, about 120,000 people, do not own any financial products (ANZ 2005). Therefore, with the comparably low levels of unbanked, the Australian debate is not so much about the unbanked but the ‘underbanked’. This refers to those who may have a bank account but who do not have access to other banking products and services. For example,
sectors of the Australian population are excluded from some financial products and services such as affordable credit. In Australia, one of the key areas in discussions around financial exclusion is on the provision of safe and affordable credit for low-income consumers.

Financial exclusion is very relevant when we consider the prominence of fringe lenders in Australia and also the difficulty many people on low incomes face when trying to get a loan for an emergency that they have been unable to save for (whether this be by choice or because they cannot afford to save). A fringe lender is someone who charges a very high interest rate when issuing a loan. The interest and fees on these loans can be anywhere up to 400% of the loan amount. A report on published in 2010 on fringe lending in Queensland, acknowledged that there was a relationship between fringe lending and people on low incomes (Marston & Shevellar 2010). People often go to fringe lenders because they are uncomfortable going to banks, as they fear the banks will reject them or, often, they may not be able to obtain a loan from a bank. While people are often aware of the high costs associated with fringe lenders, they often see themselves as having no other options (Marston & Shevellar 2010).

Having explained some of the different types of financial exclusion, it is useful to examine the factors that can limit access to financial services. A recent report by the United Nations (2006) suggested certain groups such as females, the aged, and the youth were at more risk of being financially excluded than others. It was discovered that other factors that contributed towards financial exclusion included the lack of personal identification documents such as a driver’s licence and a stable address, as well as low levels of financial literacy (United Nations 2006).

Saunders (2005) writes that the way poverty is defined often becomes the way it is measured, and provides the example of people on low income. Saunders (2005) explains that because a person may be defined as poor based on their low level of income, low income by default becomes the measure of poverty. Subsequently, it is perceived that the solution to poverty also lies in the same
measure, that is, to increase income levels.

**Figure 1: Poverty: definitions, measures and solutions**

- **Definition of poverty**
  - Low income
- **Measure of poverty**
  - Income measures
- **Solution to poverty**
  - Increase income
  - Foster social inclusion

A similar process has occurred with the debate on social exclusion. Because the dialogue on the poor is increasingly moving towards seeing them as socially excluded, the solution is seen to be in fostering greater social inclusion, even though there is still a lot of uncertainty around the definition and understanding of the concept (Hayes 2008). The difficulty is that there is no clear understanding of what it is people are to be included into.

This same argument can be applied to the way financial exclusion is measured in Australia today. As mentioned earlier, the definition of financial exclusion suggests that people on low income are further disadvantaged because they do not have access to ‘safe and affordable’ credit. However, complexities emerge when it comes to assessing if someone is financially excluded. Often, the extent to which someone is financially excluded is measured by the number and types of financial products a person has. However, this is inconsistent with the definition, which refers to access to financial products, not the quantity of products used.

Other complexities in measuring financial exclusion in this manner are also evident. On the one hand, some measures of financial inclusion refer to the different types of accounts and banking products a person has, including a credit card. On the other hand, there is an argument that credit card debt is a
problem in Australia and is not always the most appropriate form of credit for people on low income. As discussed above, a person is not financially included depending on the number or types of accounts the person has but rather on their ability to access appropriate products that meet their needs. Measures of financial inclusion largely overlook this.

The frameworks of social and financial exclusion have also received other criticism. It is said that some of the indicators used to measure social inclusion are so broad that even those who are considered wealthy may sometimes not fit all categories of inclusion (Hayes 2008), therefore rendering the purpose of the measures meaningless. Another criticism of the approach is that there is a focus on the behavioural aspects of people on low income which can lead to their stigmatisation, even though their behaviour may be similar to those on higher income levels (Hayes, Gray & Edwards 2008). As already mentioned the social exclusion discourse still places most of the emphasis on economic activity, that is, a person’s ability to participate economically through the purchase of goods and services and paid employment (Levitas 1996). Even though social measures such as social interaction and participation in community activities are included, these often appear on the periphery and when quantitatively measured, do not provide sufficient understanding of their value. Another fundamental criticism of social exclusion has been that measures undervalue the role of unpaid housework (Levitas 1996). These criticisms have remained largely unaddressed, and it can be suggested that the way the social exclusion framework is currently being applied has not facilitated a contextualised understanding of the people it seeks to recognise.

A framework that does allow for a context-based analysis, as well as emphasising the choices and freedoms that participants have available to them is the capability approach. This approach is highly interrelated with the social exclusion framework (Cabraal, Russell & Singh 2006).

2.3 The capability approach

It has been proposed that social exclusion can occur as a result of deprivation
or ‘lack of capabilities’ (Hayes 2008). The capability approach was developed by Nobel Laureate Amartya Sen. The fundamental idea of the capability approach is that the aim of poverty reduction should be to increase the capabilities that people have, that is, to increase the choices and opportunities or freedoms they have to achieve the things that they value or have reason to value.

The theory of human development (and the capability approach, which sits within the framework of human development) has been said to be a return to the roots of the discipline of economics (Sen 2003). The nature of the economic discipline emerged as a result of broad humane concerns; however, the discipline has now moved towards measures of progress that are narrower and more mechanical (Sen 2003), such as a concentration on income and wealth (Sen 1999). Human development theory has been linked to some of the world’s great thinkers, from as far back as Aristotle (a few hundred years BC) to more recent thinkers such as Immanuel Kant, Adam Smith, Karl Marx and even John Stuart Mill (Sen 1989; Haq 1995). Haq (1995) writes that the basic purpose of human development is to enhance the choices that people have available to them.

The framework of the capability approach takes a grass-roots perspective on discussions surrounding poverty and development. It is premised on the idea that the main aim of development is to provide people with greater freedoms and choices, and is not merely a matter of income. Sen (1999) argues that poverty needs to be seen as the ‘deprivation of basic capabilities, rather than merely as a consequence of low income’ (p. 20). A shortage of income is a good starting point but not a good ending point for the study of poverty. The fundamental question comes down to looking at why it is important to help people out of poverty, and this is grounded in the principle of improving people’s lives. The capability approach focuses on the agency and freedom individuals have to achieve what they want to in their lives. Sen says ‘[d]evelopment consists of the removal of various types of unfreedoms that leave people with little choice and little opportunity of exercising their reasoned agency’ (1999, p.
The capability approach sits between the things a person wants to achieve and their fulfilment, as it looks at the capability people have to achieve certain outcomes. Most of the other frameworks, including social and financial exclusion and, as we will see later, social capital, focus on the actual achievement of goals or values.

There are four main concepts in Sen’s capability approach: functionings, capabilities, agency and freedom. These three concepts will be discussed in more detail below, to provide a better understanding of this approach.

### 2.3.1 Functionings and capabilities

In one of his earlier works on the capability approach, Sen defined a functioning based on what a person actually achieved (Sen 1985); however, in later works, this definition was refined to mean ‘being or doing what people value and have reason to value’ (Sen 1999, p. 22). This includes what a person has achieved or wants to achieve, for example, being in good health, having self respect, being happy or taking part in the community (Alkire 2008; Sen 1999; Sen 1992).

A functioning is an achievement or the desire to achieve something (such as a goal) and a capability refers to the ability of a person to achieve a functioning (Sen 1987). Capability can also be described as ‘a collection of functionings a person can achieve’ (Alkire, Qizilbash & Comim 2008, p. 3). Capabilities and functionings are closely interrelated.

For example, a person may have the ability to participate in the community but may choose not to; therefore, even though they are not participating in
community activities, they still have capability. A person who would like to participate in community activities but does not have the ability to do so does not have capability. Capabilities are assessed according to the priorities that an individual puts on them, rather than as external forces.

2.3.2 Agency

In addition to the concepts of functionings and capabilities, the third core concept is that of agency. The term ‘agent’ in this context refers to ‘someone who acts and brings about change’ (Sen 1999, p. 19). The role of agency in the capability approach is to distinguish between the goals and values a person may pursue for their own ends, which relates to their own sense of well-being and the goals and values of an agent or person who is motivated by aspirations and goals that extend to include members of the wider community. In the case of this research, the agent is considered to be the microfinance programs or organisations. It could also refer to the community workers. It may also refer to those participants who are interested in the well-being of others. The agency aspect is important when it comes to assessing a person’s freedoms (Alkire, Qizilbash & Comim 2008).

2.3.3 Freedom

Freedom is valued for two main reasons. The first is that it provides people with more opportunities to pursue the things that they value and the second is because it is a process of choice (Sen 2009). These two features are known as the two different aspects of freedom:

1. Opportunity aspect
2. Process aspect

An understanding of these two aspects is necessary to gain a full insight into the concept of freedom.

The opportunity aspect of freedom is concerned with a person’s ability to achieve certain functionings, regardless of the process of achievement (Sen 2009). This aspect of freedom allows a person to live the life they want and
allows them to take steps towards what they want; that is, a person’s opportunity to achieve what they want (Sen 2009).

The process aspect of freedom, in contrast, deals with the processes involved with freedom (Sen 2009) or the process by which things happen (Alkire, Qizilbash & Comim 2008).

The opportunity aspect of freedom is closely linked with capability and the process aspect is related to agency (Alkire, Qizilbash & Comim 2008).

Sen also identifies two different types of freedom: ‘constitutive freedom’ and ‘instrumental freedom’ (1999). Sen describes constitutive freedom as the ‘primary end’ of development and outlines factors that would increase some of the basic necessities of life, such as freedom from starvation and premature death, freedom of speech and also the opportunity for political participation (1999). Instrumental freedom on the other hand is described as the ‘principal means’ of development where the most distinctive features are that different instrumental freedoms complement each other and the development of one interrelates with others (Sen 1999).

Microfinance programs in Australia fall under the category of instrumental freedom as a means for further development of those who are financially excluded. The benefits of microfinance are not constrained to merely economic development but are also linked to other aspects of life such as encouraging greater social inclusion.

It is important to focus on the functionings and capabilities of people as well as the things that they value (Sen 1989). It has been noted that ‘[o]ne of the most important tasks of an evaluative system is to do justice to our deeply held human values’ (Sen 1989, p. 12). The primary purpose of this research was to focus on the needs, desires and goals of the individuals who participated in microfinance programs and assess if the programs were able to foster these. If those needs, desires and goals were achieved, the next step was to see which aspects of the programs were responsible for fostering them.
Nussbaum also provides details of the capability approach; however, her theory differs slightly from that of Sen. The foundation of Nussbaum’s approach is that it begins with the conception that human dignity (Nussbaum 2005). That is, the foundation of a person’s functioning lies in their human dignity. Sen actively avoids providing a list of categories or indicators for measuring capability, stating that it undermines the approach itself (Sen 2009). Sen’s version of the capability approach has been criticised for aspects that others deem to be its strengths such as its complexity, and vagueness and incompleteness due to the lack of a list of indicators for measurement (Alkire 2002). Sen avoided providing a list of indicators because it was deemed that indicators would be different according to different groups and their needs (Sen 2005).

Nussbaum however developed a list of ten capabilities required for people to live life with dignity (Nussbaum 2005). The list of the ten capabilities and their descriptions, found in Nussbaum (2005) are as follows:

1. **Life**: being able to live for a normal amount of time, free from premature death.

2. **Bodily Health**: having good health, access to shelter, and nourishment

3. **Bodily Integrity**: being free to move from place to place, secure against violence, and opportunities for choice over reproduction matters, and for sexual satisfaction.

4. **Senses, Imagination, and Thought**: access to education, being able to use imagination and thought that allows for freedom of expression and creativity, being able to use the senses.

5. **Emotions**: being able to attach to things, including people that are beyond the self, being able to love and grieve for others, as well as being able to express other emotions such as gratitude and anger.

6. **Practical Reason**: the ability to understand what is good, and reflect upon and plan one’s life.
7. **Affiliation**: being able to relate to other people, both physically and emotionally, and being seen and treated as equal, and having a base of self-respect.

8. **Other Species**: living with, and having concern for other species, including plants and animals.

9. **Play**: ability to enjoy, laugh, and participate in recreational activities.

10. **Control Over One's Environment**: refers to both political and material environment. Having control over choices in one’s life, having property rights that are equal to other people, and being able to have mutual respect in relationships with others.

While this list is comprehensive, there are still criticisms that can be made. Primarily because the list is quite broad and general, it can be argued that the list is too vague, and abstract. However, this was done purposefully, to allow room for different cultural and contextualised understandings (Nussbaum 2005). It is also stated, that the list is meant to be general, fluid and open-ended, allowing for future revisions (Nussbaum 2005). While the list is wide-ranging, Sen’s stance in not using a list of measurable indicators for capabilities is adhered to for the purposes of this research, as indicators can vary widely between individuals and groups. As the main purpose of this research was to understand participants’ perceptions, it considered more appropriate to work without a prescribed list of indicators.

### 2.4 Asset accumulation

It has been suggested that wealth provides greater freedom for people, as well as increased security and power (Kelly 2008). The welfare system is about income generation and, while this is important, it is also essential to start looking at wealth generation among the poor, as welfare alone has not enabled those on low incomes to build wealth, of which asset accumulation is a component. The accumulation of assets assists in the development of the capabilities (Cabraal, Russell & Singh 2006). Sherraden points out that while
welfare policies play a large part in some economies (including Australia), they do not always solve the issues surrounding development (Sherraden 2005).

Asset-building policies are based on the principle that the accumulation of assets has a number of positive effects on individuals’ lives and on the community in which they live (Lombe & Sherraden 2005). Assets provide a sense of security for families, a buffer in times of financial hardship and, more importantly, provide choice and opportunities for individuals. In the USA where asset-based social policies have been in place since the 1990s, there is growing evidence and agreement that higher levels of wealth and other assets are associated with better health and living conditions, higher levels of education, increased levels of economic household stability, higher levels of civic involvement and greater intergenerational wealth transfers (Scanlon & Page-Adams 2001; Lombe & Sherraden 2005; Bynner 2001; Paxton 2001). However, the premise of these policies and their long-term focus requires continual and longitudinal research into the effects of asset accumulation.

The accumulation of assets is inherently a long-term process and if savings and asset accumulation habits are embraced by a family, it encourages long-term focus and helps alleviate intergenerational poverty (Sherraden 2002). In Australia there is an alarming decrease in wealth held by younger people (Harding, King & Kelly 2002), which will adversely affect their future well-being. This decline is exacerbated by the current culture of consumerism, ‘nowism’ and high tolerance of debt, particularly that induced by credit card misuse.

The widening gap between the rich and the poor is one of the drivers for the development of asset-based social policies. While this issue is well researched in regard to the developing world, the research on inequality in the developed world has focused more on income than on assets. It has been well established that wealth in Australia is unevenly distributed (Latham 2002; Kelly 2002; Kelly 2008; Headey, Marks & Wooden 2004). In Australia, the wealthiest 10% of the population hold over 45% of the wealth, while the poorest 50% hold less than 10% of wealth (Headey, Marks & Wooden 2004). Unfortunately, wealth
inequality is predicted to rise over the next 30 years (Kelly 2008). Taxation systems are supposed to address inequality by redistributing wealth from those who have more to those who have less. The widening gap in wealth inequality in Australia would suggest that taxation alone is no longer adequate and new ways of addressing the problem are needed.

How does society encourage asset building? Sherraden (1991) suggests that four institutional variables are required to encourage saving and asset accumulation. These are:

1. Access to purposefully developed saving opportunities
2. Financial education
3. Appropriate incentives
4. Mechanisms geared towards facilitating savings

Sherraden (2005) also notes that a lot of emphasis is based on the benefits of welfare and that this is largely taken for granted. He states that while welfare plays a large part in some economies (including Australia), it does not always solve the issues surrounding development (Sherraden 2005). Sherraden (2005) makes the point that the welfare system is about income generation, which he states is important, but says that it is also important to start looking at asset building among the poor. He notes that it is widely recognised among those in the middle class that asset accumulation is important, and indeed the government tailors the tax system to make this possible (Sherraden 2005). He states that while recognising that it is important for those on higher incomes, it would also be of benefit to those on lower incomes, as it might benefit the next generation in the family, and welfare has not been able to solve that problem (Sherraden 2005).

The current welfare system is primarily focused on income support. This is important, but it is also essential to start looking at asset building. Welfare alone has not enabled those on low income to build assets. While we do have asset-building policies in Australia, they are all geared toward middle- to high-
income earners. For example, the first home buyer’s grants, tax incentives for investment properties and superannuation incentives all cater for those who are employed or are paying sufficient tax to take advantage of these incentives. Asset-building social policies are aimed at providing the same advantages to all, giving all the opportunity to acquire assets, build buffers against economic shocks and allow a greater level of social inclusion.

2.5 Human well-being

The capability approach is often used as an alternative to assessing human well-being (Clark 2009). In some cases, there have been links to the idea of ‘agency’ in the capability approach being used as an alternative form of evaluation to that of well-being (Sen 1992; Alkire, Qizilbash & Comim 2008).

While the examination of poverty through the lens of social and financial exclusion is broader than examining only income and consumption, some organisations, such as the European Union, believe that this outlook is still too narrow (Berman & Phillips 2000). Some people have now started to examine issues through the perspective of the social quality framework (Berman & Phillips 2000) or the human well-being approach, both which are said to be broader than that of social and financial exclusion.

Berman & Phillips (2000) discuss the concept of using social indicators as an alternative to social exclusion. They identify four concepts of social quality.

1. **Social-economic security/insecurity**: This relates to the way the economic condition of the population is dealt with by the different aspects of the welfare system. This category includes conditions such as poverty, unemployment and health.

2. **Social inclusion/exclusion**: This concept focuses on the structural causes of social exclusion, social infrastructure and labour conditions.

3. **Social cohesion/anomie**: An examination of the processes that surround social networks which includes the social infrastructure surrounding the
4. **Empowerment/disempowerment:** This relates to enabling the full potential of people to develop in terms of their competencies and capabilities.

Berman & Phillips (2000) suggest that these concepts are not meant to be mutually exclusive and that they do interact with each other. They also identify various indicators for each of the four concepts outlined above (Berman & Phillips 2000). For socioeconomic security, these include indicators such as income distribution, unemployment and homelessness (Berman & Phillips 2000). For social inclusion, indicators include the distribution of access to health services, leisure facilities and education, and the distribution of job discrimination, to name a few (Berman & Phillips 2000). In reference to social cohesion, indicators include participation in voluntary organisations and an examination of the level of crime (Berman & Phillips 2000). In relation to empowerment, Berman & Phillips (2000) include indicators such as the distribution of wealth by demographic variables and membership of publicly respected professions as measured against demographic indicators.

### 2.6 Social capital

When social exclusion is referenced to poverty, it is sometimes also linked to the concept of social capital (Hayes, Gray & Edwards 2008; Hayes 2008). The definition of social capital has been the subject of much debate (Portes 1998; Johnson, Headey & Jensen 2003). The discussion is often based on whether social capital is an attribute of an individual or a group or even both. There is also debate on whether social capital is something an individual has and brings to a group, or if it is something that is an outcome of group interaction.

There are two main streams of thought in the area of social capital, one developed by Putnam and the other by Bourdieu, and their definitions of the subject vary significantly. Putnam argues ‘social capital refers to connection among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them’ (2000, p. 19). In this definition, Putnam
suggests that social capital is both the connections that people have and also the outcomes that arise out of social interaction, namely the outcomes of trust and reciprocity. However, what Putnam’s definition is missing is whether social capital is something attributed to the individual or to the group, and it also fails to state the nature of the group. Bourdieu’s definition, while more complex, provides greater clarity on the concept:

the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition – or in other words, to membership in a group – which provides each of its members with the backing of the collectivity-owned capital, a ‘credential’ which entitles them to credit, in the various sense of the word’ (Bourdieu 1986, p. 51).

In this definition, Bourdieu suggests that the group or network needs to be robust and also that social capital is collective in nature, that is, an attribute of the group, although it can be used by either the individual or the group. A simplified definition is that social capital is 'the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition' (Bourdieu & Wacquant 1992, p. 119).

Social capital refers to the outcomes of these social interactions. If people do not have access to avenues for social interaction, their social capital will be reduced. For example, people on low incomes might be excluded from social networks and organisations that could assist them in securing employment or other opportunities (Woolcock & Narayan 2000).

The concept of social capital is multidisciplinary, being used in fields as diverse as anthropology and economics (Woolcock 1998). The theory now builds on both development theory and the role of community. Though, in the past, development theory largely overlooked the important role of the community and the role of social interaction in the well-being of an individual (Woolcock & Narayan 2000). While the theory of community development could also be
examined, it is beyond the scope of this research; however is recommended for future research examination. Stronger social networks are linked with lower levels of poverty (Woolcock & Narayan 2000). This is because it is assumed that people have support networks to fall back on in times of trouble.

Social capital is seen as the third leg of the tripod, the other legs being human capital and physical capital (Putnam 2000). Human capital refers to the properties that an individual has, such as education, skills and knowledge, while physical capital refers to their physical or environmental resources (Fukuyama 2002). Social capital refers to the connections between individuals (Fukuyama 2002).

One of the core concepts of social capital is that relationships are seen as resources that are useful in times of need and that can be used to assist with material gain (Woolcock & Narayan 2000). These different types of social bridges with other people can be formal or informal (Hughes et al. 2007), and this may depend on the setting or institution within which the interaction is taking place.

While there is debate over the definition of social capital, one of the more encompassing definitions is provided by Woolcock & Narayan (2000) as ‘the norms and networks that enable people to act collectively’ (p. 226). As attempts have been made to provide greater clarity over the concept of social capital, authors have attempted to conceptualise social capital by identifying different categories.

Some of the most common categories used are those termed ‘bonding’ and ‘bridging’. There is also the structural approach, which refers to horizontal structures and vertical structures (Coleman 1988; Putnam 2000). Table 1 provides a summary of what characterises ‘bonding’ and ‘bridging’ social capital. Bonding social capital can be said to be found in localised areas, referring to a situation which allows people to meet on a day-to-day basis, whereas bridging social capital enables people to move forward and progress in the world around them (Woolcock & Narayan 2000). Bonding social capital can
be related to ‘thick trust’, where trust is strong, whereas bridging social capital can be related to ‘thin trust’, where there are low levels of trust (Anheier & Kendall 2002). Putnam (2000) describes thick trust as being relevant to those we know well and thin trust to those in the wider community.

Table 1: Types of social capital

<table>
<thead>
<tr>
<th>Bonding social capital</th>
<th>Bridging social capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Localised area</td>
<td>Larger community</td>
</tr>
<tr>
<td>Those we meet day to day</td>
<td>Progress in wider community</td>
</tr>
<tr>
<td>Thick trust</td>
<td>Thin trust</td>
</tr>
<tr>
<td>Strong trust</td>
<td>Low levels of trust</td>
</tr>
<tr>
<td>Trust in those know well</td>
<td>Trust in wider community</td>
</tr>
</tbody>
</table>

(Adapted from Woolcock & Narayan 2000 and Anheier & Kendall 2002)

Social capital has also been broken down into the categories of structural and cognitive (Grootaert & van Bastelaer 2002; Uphoff & Wijayaratna 2000). Structural social capital refers to actions such as information sharing and decision making through structural networks and is said to be objective, involving rules and procedures (Grootaert & van Bastelaer 2002). Cognitive social capital is applied more subjectively, referring to attitudes, beliefs, norms and shared values (Grootaert & van Bastelaer 2002). While seemingly polar, both the cognitive and structural forms of social capital can be complementary. For example, while a community organisation may fall under the category of providing structural social capital, some members may have close personal relationships, which would then class them as cognitive (Wilson 2006).

We can see that the two different classification types of social capital can be drawn together. It could be argued that the structural forms of social capital
reflect what was termed bridging social capital and that cognitive social capital reflects the concepts relating to bonding social capital.

Another category of social capital that has emerged is the categorisation of social capital in terms of horizontal and vertical structures (Ito 2003). This structural approach works particularly well when referenced to microfinance programs. Horizontal structures relate to those that develop between participants in a program. For example, in a savings and lending circle, the horizontal structure refers to the relationship between the participants in the group. The vertical structure refers to the relationship between the participants and the microfinance lender (Ito 2003).

Woolcock & Narayan (2000) identify four different categories of social capital: ‘communitarian view’, ‘networks view’, ‘institutional approach’ and ‘synergy approach’, with the two main approached being the communitarian view and the networks view. The communitarian view is described as that which links social capital with local organisations such as clubs and associations (Woolcock & Narayan 2000). Those taking the communitarian view tend to look at the number of groups in a community to assess the level of social capital in any given community and assume that communities are homogeneous (Woolcock & Narayan 2000). This view does not recognise the possibility that there may be negative impacts of social capital such as negative peer pressure (Woolcock & Narayan 2000).

The networks view, however, does account for the fact that there may be disadvantages to social capital, and accounts for both the perceived positive and negative aspects of social capital (Woolcock & Narayan 2000). The networks view suggests that people must have strong ties with each other, which can include family and friends, and stresses that this is necessary in order to provide people with a sense of identity and common purpose (Woolcock & Narayan 2000). The networks view is that economic development occurs when individuals are initially allowed to benefit from their community membership, arguing that they gain skills from participation in their community
which can then be used for economic participation later on. Social capital, however, can also have disadvantages for economic participation, in that group ties may become so strong that they exclude others from employment opportunities or ridicule those who work hard or differently from the group (Woolcock & Narayan 2000).

In order for any form of social interaction to exist, trust is needed to form those social relationships (Hughes et al. 2007). Putnam (2000) highlights the importance of trust and reciprocity in relation to social capital. While the concepts of trust and reciprocity are debated in reference to the definition of social capital (Woolcock & Narayan 2000), there is no doubt that they are important features of social capital, regardless of whether they are seen as outcomes of social capital or a part of it.

The issues of trust in relation to social capital, particularly in the context of poverty, become extremely important as there is significant research to suggest that there is a direct correlation between low levels of trust in a community and low levels of social capital (Fukuyama 2002). Trust is based on the assumption that other people are honest and reliable and comes with the expectation that a person means what they say (Hughes et al. 2007).

Research has found that there is a positive correlation between levels of trust and a person’s overall satisfaction in life (Hughes et al. 2007). It is, therefore, an important finding that people on low incomes have significantly lower levels of trust than people on higher incomes (Hughes et al. 2007). Lower levels of trust were found to be similar with other people considered to be more vulnerable members of the community such as the unemployed and those with poor health (Hughes et al. 2007). The research also showed that people were more likely to trust others similar to themselves in reference to values, way of life, language and opinions, and also that people who are more dependent on others are also likely to have lower levels of trust than those who are more independent (Hughes et al. 2007). Putnam (2000) also writes that there is evidence that communities that are more trusting can be said to have a greater
economic advantage that other communities (all other things being equal).

With this in mind, it is probably important that there has been a slow yet significant decline in Australia in levels of trust that people have both towards one another and towards institutions, particularly the banking sector (Hughes et al. 2007; Hughes & Stone 2006). At the heart of any community, trust is essential as ‘people enter into relationships with each other for their mutual and common benefit, trusting each other, and acting in trustworthy ways towards each other within the terms of the relationship’ (Hughes et al. 2007, p. 78).

In order to have trust in others, reciprocity is needed (Hughes & Stone 2006). Reciprocity can be described as ‘the combination of short-term altruism and long-term self-interest’ (Hughes et al. 2007, p. 74). This means that people do things for others with the belief that at some time in the future it will be of benefit to them, although they may not be able to identify a specific benefit. The basic idea is that people think that if they help someone now, someone will help them in the future. In some cases, helping others is sometimes seen as a reward in itself. Putnam (2000) writes that the concept of reciprocity lies at the very heart of the concept of social capital.

It is important to recognise that not all social capital is good capital. For example, organised crime often relies on high levels of trust and reciprocity. As Aldridge, Halpern & Fitzpatrick (2002) say, sometimes social capital can increase rather reduce crime. Some of the other disadvantages of social capital include people succumbing to negative peer pressure or being friends with people who have a bad influence on them (Woolcock & Narayan 2000). There is also the critique that social capital can actually be a hindrance to social inclusion and that it can lead to divided communities, rather than uniting them (Aldridge, Halpern & Fitzpatrick 2002).

The argument that social capital can lead to greater social exclusion depends on the groups or communities that form. The criticism is that the majority of people on low income socialise with a small social network which incorporates their family; however, people on middle income tend to have much broader
social networks (Aldridge, Halpern & Fitzpatrick 2002). It is said that social capital can lead to the division of communities because of the argument that if you have an inclusive group, there also needs to be people outside this group (the concept of ‘us’ and ‘them’ by Barth (1969). Aldridge, Halpern & Fitzpatrick (2002) cite the example of Northern Ireland and state that these issues can arise when levels of bonding social capital significantly outweigh levels of bridging social capital. While some people emphasise that there can be negative aspects of social capital, there are those who choose to see only the positives of social capital, such as Rankin (2002), who defines social capital as the positive aspects that emerge from building social networks as connections.

2.7 Relationship between social exclusion, the capability approach and social capital

The concepts of social exclusion and the capability approach are often used in similar contexts in literature (Smyth 2010; Hayes, Gray & Edwards 2008; Sen 2000), and it is important to understand the two concepts and examine the strong relationship between them. This section begins by looking at the relationship between the concepts of social exclusion and the capability approach, and then identifies the main differences. It then considers the relationship between social exclusion, the capability approach and social capital.

There has been little published on how the concepts of social exclusion and the capability approach interrelate, although the two are closely aligned. The main premise of both approaches, however, is that when thinking about development or poverty, it is important to go beyond measures of income or wealth and consider other factors that people value. These can include social interaction and even political engagement. It depends on the individuals. In this way, both perspectives allow the examination of poverty through a multidimensional approach.

The categories or indicators of social inclusion, which are consumption, production, political engagement and social interaction, can also be used as
indicators of the *achievement* of a person’s functionings, as can be seen in Figure 3 below, that is, what a person values or wants in their life. As Sen (1999) suggests, social exclusion can occur as a result of lack of capabilities. In the same way, a person may not be able to reach fulfilment of their functionings due to a lack of capabilities. However, while consumption, production and social interaction may be elements of functionings, a person’s political engagement relates directly with their ability to achieve a functioning and therefore relates directly to a person’s capability.

The political component of social inclusion is implicitly tied to the concept of the capability approach, and this is where the notions of choice and capability become important in the social exclusion debate. The debate on social exclusion often ignores the role of choice, and overlooks the idea that people may choose not to be included (Le Grand 2004; Levitas 2005; McDonald 2010).

*Figure 3: Relationship between capability approach and social inclusion*
There are two fundamental differences between the capability approach and social exclusion. The first is that if we utilise Sen’s version of the capability approach, there are no prescribed indicators of ‘functionings’ or human goals in this approach, whereas there are a prescribed set of indicators for social exclusion. It can be argued that these indicators could be reconsidered to be categories of functionings, particularly when prescribed for developed countries such as the UK and Australia. The capability approach and social exclusion diverge when it comes to functionings and capabilities. Measurements of social exclusion do not take into consideration a person’s desire or ability to, for example, participate in community activities. It measures the outcomes, rather than the processes.

Social capital is closely related to social inclusion and, in particular, to the social interaction component. As can be seen in Figure 4, social capital refers to the outcomes of what happens when people interact socially.

**Figure 4: Relationship between capability approach, social inclusion and social capital**
Many different types of indicators have been developed in relation to social exclusion and there are other indicators that relate to well-being and capabilities. The purpose of this research was not to use these as measures of a person’s overall sense of well-being or the extent to which they were socially included, or even to design a new set of indicators. These frameworks were used to inform the research and as a general guide to inform the interview questions. As noted above, the purpose of this study was simply to put participants at the centre of the research design, to understand their desires and goals (their functionings), as well as their needs, and to see if and how the microfinance programs were able to facilitate greater capability for participants.
CHAPTER 3: MICROFINANCE IN AUSTRALIA

The concept of microfinance has become popularised as a tool to assist the fight against poverty in both developing and developed countries, including Australia. There are a vast number and great variety of microfinance initiatives around the world. Identifying the ways in which they attempt to alleviate poverty allows for an easier evaluation of these programs. The majority of programs in Australia aim to address financial exclusion. There is a growing recognition of the need to take a broader approach and help people develop capabilities. Poverty is not only about the income levels of individuals but also about their ability to make informed choices. Utilising Sen’s broader framework in Australia allows us to incorporate development strategies such as microfinance as a means to help address inequality.

This chapter provides an explanation of microfinance and its purpose. It then provides a brief outline of the Grameen Bank, which was responsible for the popularisation of the global microfinance movement. This chapter then details the scope of the microfinance arena in Australia, with examples of the different types of programs on offer. The programs described are not an exhaustive list of microfinance programs in Australia; rather, they provide a flavour of the scope of the microfinance arena in Australia. In order to understand the impacts of microfinance programs in Australia, it is necessary to detail the different types of programs on offer.

The term ‘microfinance’ refers to a broad range of financial products and services provided for people who are excluded from mainstream financial services, and are often on low incomes. These products include credit, savings facilities, access to financial services, insurance and financial education. For services and products to be classified as ‘microfinance’, the essential ingredient is that they must endow financial benefit to people. Microfinance has been defined as ‘a set of tools, approaches and strategies addressing the needs of people who are financially excluded’ (Burkett & Sheehan 2009, p. 2).
Otero (1999) states:

for microfinance to continue its path towards becoming a successful development strategy, it must display these three dimensions: a relationship to the poor, a reliance on permanent institutions, and a connection with the financial system of a country (p. 10).

The current microfinance arena in Australia arguably has all three of Otero’s dimensions.

As can be seen from the above definitions, microfinance programs are linked with multiple concepts; however, the fundamental principle that underpins microfinance programs is that they are a tool to assist those on little or no income or, in other words, people who are considered to be poor relative to their communities.

Microfinance includes the following products:

- **Microcredit**: The provision of no or low-interest loans.
- **Microsavings**: Refers to either incentives for people to save or the provision of savings account or savings facilities.
- **Microinsurance**: Research in Australia shows that people on low incomes have very low levels of insurance. This category is about providing insurance to help protect in cases of unexpected emergencies and asset damage or loss.
- **Microenterprise**: Is the provision of business training, finances or both, to help people or groups of people to establish their own small businesses.
- **Remittances**: This is a fast growing area of microfinance. It refers to 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 financial capability: This refers to programs that provide financial education and training. These types of programs are mainly found in developed countries such as the UK and are prominent in Australia.

Another term that has been used in the global arena, sometimes in place of microfinance, and that is gaining increasing attention in Australia, is Community Development Finance (or CDF) as an umbrella term used to encompass microinsurance, microcredit and microbanking (ANZ 2004). Burkett & Sheehan (2009) describe CDF as being broader than microfinance, encompassing a wider range of services, for example, the provision of social housing. The main reason the term is gaining increased attention is that there is an increasing shift away from the focus on the individual towards a focus on the community.

Microfinance has grown in prominence since Muhammad Yunus started the Grameen Bank Project in 1976. In 2005, the Grameen Bank and Muhammad Yunus jointly won the Nobel Peace Prize for the work in alleviating poverty. While the term ‘microfinance’ may be relatively new, only being used after the Grameen Bank was established, microfinance is not a new concept. Seibel (2003) argues that every country currently considered to be ‘developed’ has some history of microfinance, and gives examples of Ireland and Germany. In Ireland, loans funds emerged in the 1720s and provided interest-free loans from donated sources (Seibel 2003). Seibel also wrote about the emergence of community-owned financial institutions in the late 18th century in Germany (2003). Australia had credit co-operatives, where a community of people would meet and collect savings together and issue loans to individuals. Friendly societies have also played an important historical role in the UK and Australia in addressing issues of financial exclusion.

The Grameen model of microfinance, however, has been responsible for the popularisation of the concept and has been replicated around the world as a model and tool for the alleviation of poverty. It is worthwhile looking at a snapshot of the Grameen model to gain an understanding of microfinance in
developing countries. Although there are many different types of microfinance programs, the Grameen model is the most replicated.

Muhammad Yunus, founder of the Grameen Bank, initially started lending small amounts of money to people on little or no income and found that the money was being repaid, so he reached out to more people by starting the Grameen Bank Project. Yunus initiated many programs through the Grameen Bank Project such as savings groups to help those in need of money to sustain themselves (Jolis 1996).

The Grameen Bank has two main objectives: to provide access to banking facilities to poor people in a non-exploitative way and to give these people the opportunity to increase their income through the injection of credit (Grameen Bank 2006a).

The Grameen model organises small borrowing groups, of which women are primarily the constituents. Group borrowing facilitates a sense of collective solidarity, where people can support and encourage each other to make the required payments. If there is a default on a loan, then no-one else in the group is permitted to take a loan until it is cleared. In this way, the collective group system places peer pressure and responsibility on each member to ensure that repayments are met (Grameen Bank 2006b). The close geographic proximity of the members of the savings group facilitates effective implementation of this system. Other contributing factors to its success are close supervision of loans by bank staff and regular meetings, which provide additional support by the bank to borrowers (Grameen Bank 2006b).

Rahman (1999) highlights some of the issues surrounding the Grameen approach to microfinance, raising relevant cultural issues such as an increased incidence of violence against women and the changing approach by the bank from one that helps to alleviate poverty to one that looks more towards higher profits and greater sustainability.

Critics of microfinance have argued that it does not reach the poorest people.
The Grameen Bank implemented a program to address this concern. It is known as the Struggling Members’ Program and is specifically targeted to those who beg. People who join the program do not have to stop begging but are encouraged to look at other forms of raising money, such as purchasing something with their loan to sell instead of begging. This program began in 2003 (Yunus 2004).

3.1 Microfinance in Australia: Setting the scene

The microfinance arena in Australia differs from the microfinance models in developing countries described in Chapter 1 in both the range and the execution of the services provided. For example, mobile banking and remittances are growing areas in developing countries; however, there is no knowledge of these services being provided in Australia.

The following section provides a brief overview of the different types of microfinance programs available in developed countries with an emphasis on Australia. It draws largely on research by Dr Ingrid Burkett, who has conducted extensive research on the microfinance arena in Australia and in 2009 updated her 2003 study on microfinance in Australia. The purpose of this section is to provide an overview of the different types of programs available, as well as their aims and scope.

The main types of microfinance programs in Australia are:

- Microcredit
- Microsavings
- Financial capability (or literacy)
- Microenterprise
- Microinsurance (although this is still a very limited area in terms of service provision)
3.1.1 Microcredit

People on little or no income are often very good budgeters but rarely have money to put aside for a rainy day. This is why no-interest and low-interest loans are of great benefit to the community. People can access no-interest loans for the purchase of white goods or other large household items. Low-interest loans are often personal loans that can be used for a wide range of purposes. The programs are offered by a range of organisations and some larger programs emerged through partnerships between not-for-profit organisations and banks. The largest known credit program in Australia is the No Interest Loans Scheme (NILS®), which is partnered through the National Australia Bank (NAB) and the community organisation Good Shepherd Youth and Family Services. It has also received funding from the Australian Government. The NILS® program is also the longest running program, having been established in 1980 (McInerney 2005).

There are two main types of microcredit programs offered in Australia. They are interest-free loans and loans which charge interest at a reasonably low rate. For most microcredit programs in Australia, the underlying objective is the same, and that is to provide low-income consumers with access to safe, affordable credit to help make people more financially included. Unfortunately, the majority of the programs are unable to cover their financial costs (including some of the programs that charge interest) and are therefore not self-sustainable.

All the programs have eligibility criteria. In almost all cases, programs require that recipients of the programs have either a healthcare or pension card issued by Centrelink and live in stable housing. Potential clients also need to demonstrate that they have the capacity to repay the loan, which is assessed when clients produce household bills, budgets and so on. However, there are exceptions to this, such as the Carlton Community Credit Co-op, which does not require participants to have stable housing (Fisher 2005). On average, most programs provide loans between $500 and $2000, although this can vary, with some programs starting at loans of $100 and others providing a borrowing limit.
of $3000 (Burkett & Sheehan 2009).

3.1.2 Microinsurance

A very limited number of insurance programs have been provided for people on low incomes in Australia. There are currently two known providers of microinsurance. The Fitzroy & Carlton Community Credit Co-op operates an initiative that provides insurance facilities for people on low income through the CUNA Mutual Group (CUNA Mutual Group 2010). However, research on the initiative is not publicly available and little more is known about the nature of the service provided or about the scale or outreach of this service. The NAB, in partnership with Good Shepherd Youth and Family Services and Allianz, also provided insurance options for participants of their StepUP loans scheme. This has now been expanded and is more widely available to people on low incomes (Good Shepherd Youth and Family Services 2008). The types of insurance provided include house and contents insurance and different types of car insurance (National Australia Bank 2010).

There has also been limited research on insurance issues among lower income groups in Australia. The most recent report on microinsurance, published in 2006, stated that many people on low incomes were uninsured (Sheehan & Renouf 2006). It was found that the primary reason people did not obtain insurance was that it was perceived as a luxury (Sheehan & Renouf 2006).

3.1.3 Microsavings

Developing a savings habit is a crucial pathway to accumulating assets. Asset-building policies in the USA have been successfully implemented through Individual Development Accounts (IDAs). Conceptualised by Michael Sherraden, IDAs are matched savings programs that encourage low-income people to save and build assets. Matched savings programs are widespread in the USA and have also been implemented in other countries such as the UK (Saving Gateway) and Canada (Learn$ave). These programs have all been evaluated and have demonstrated that given appropriate institutional frameworks, those on low incomes can succeed in saving and increasing their
financial capabilities (Schreiner, Clancy & Sherraden 2002; Kempson, McKay & Collard 2003).

While matched savings programs may differ in structure, eligibility and spending criteria, the core component is the matching of a person’s savings. The majority of programs also offer a financial education component. Most programs provide the opportunity for financial education, either as a compulsory requirement of participation or on a voluntary participation basis.

In Australia, there are four known matched savings programs (Burkett & Sheehan 2009). The largest of these is Saver Plus, which is a matched savings program run in partnership by ANZ and the Brotherhood of St Laurence. There are also many programs that include provision for both savings and loans. The main aim of the matched savings programs is to assist people on low incomes to develop a saving habit (Burkett & Sheehan 2009).

3.1.4 Financial literacy

Financial literacy refers to ‘the ability to make informed judgements and to take effective decisions regarding the use and management of money’ (Roy Morgan Research 2003, p. 2). It refers to a person’s ability to make appropriate choices and decisions in relation to their financial situation for both the present and the future. This includes informed and effective choices about budgeting, spending, saving and use of financial products and services including borrowing, investing and planning for the future (Roy Morgan Research 2003). However, financial literacy should only be measured against the financial products and services that an individual actually needs, or uses, rather than the full range of products on the market (Roy Morgan Research 2003, cited in Worthington 2006).

While the discourse in Australia still largely centres on financial literacy, there has been a shift in countries such as the UK, away from the use of the term
literacy’, towards examining financial ‘capability’. A comprehensive research study of the financial capability of people in UK was published in 2006, which included development work on the concept of financial capability (Atkinson et al. 2006). The study found that there were four main areas of financial capability which were; managing money, planning ahead, making choices, and getting help (Atkinson et al. 2006).

There has been a slight shift away from the language of ‘literacy’ towards ‘capability’ in Australia (see Landvogt 2006, Landvogt 2008). Landvogt (2006) argues that term ‘literacy’ implies basic education, whereas ‘capability’ encompasses ideas of individual agency as well as a social context that may enable, or inhibit the actions of individuals. She refers the idea of ‘financial capability’ to Sen’s capability approach, where capability refers to a person’s ability to achieve what they want or value. While it is important to recognise emerging shifts in the discourse in the area of microfinance, the current arena in Australia still largely utilises the phrase ‘financial literacy’, and therefore, it has been used to explain the literature, however in the analysis, the term ‘financial capability’ will be used to reflect the changing discourse.

Singh et al. (2005) write that there is a link between low levels of financial literacy and those who have low incomes or savings and also do unskilled work. Research confirms that financial literacy is lowest for low-income earners, the unemployed, people aged 18–24, those aged over 70, and people from non-English-speaking backgrounds (Worthington 2005; Roy Morgan Research 2003). These are all important findings as they suggest that if the financial literacy of those on low incomes or unskilled workers is improved, then so will their financial situation. There is recognition of a growing need for financial skills development amongst the community, as the number of financial products

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2 The term capability is often confused with capacity, and the definitions of the two are often contested. In some cases, it is argued that a person’s capability is determined, in part, by their capacity, while others contest that a person’s capacity, is influenced by their capability.
on the market is rapidly growing (Marcolin & Abraham 2006).

Financial education programs provide participants with the opportunity to make informed choices when managing their money. A higher level of financial literacy among adults in the community has the potential to alleviate high levels of intergenerational poverty. Children learn financial habits from their parents and better financial management within the family will have flow-on effects for future generations.

In Australia, there has been heightened concern for the low levels of financial literacy in the community. This has prompted a number of initiatives from Federal and State Governments, corporate bodies and community organisations. Financial literacy programs in Australia aim to teach the public monetary skills including budgeting, understanding financial paperwork, managing debt and understanding consumer rights. The majority of these programs are run by larger financial institutions but also involve social workers and non-profit organisations. There was also the establishment of the Financial Literacy Foundation by the Federal Government in 2005, whose main role has been awareness raising of the importance of financial literacy in the wider community (Australian Government 2009).

Most of the financial literacy programs include modules on budgeting, saving and spending, and tips on healthy money management skills, among others. (For further information, see Russell & Brooks 2009; Westpac 2009; Commonwealth Bank of Australia 2006).

There are also a range of programs targeted towards both high school and primary school students. (For more information, see Citigroup & YWCA 2003; Commonwealth Bank of Australia 2006.) These programs are targeted towards teenagers providing money management advice as well as online learning centres which provide advice and money management tips (Commonwealth Bank of Australia 2006).
3.1.5 Microenterprise

Enterprise development programs aim to assist people to establish their own businesses. Different programs provide different methods of support, including no-interest business loans, business training and the development of a business plan. The microenterprise arena in Australia is different from the other types of microfinance services in that each program has different objectives and different method of operation. However, all target the low-income population, with some programs targeting specific community groups such as people from culturally and linguistically diverse backgrounds (CALD) or the indigenous population.

While most of the microenterprise programs have a multitude of aims, the one objective which they all share is to assist people to establish their own business (Burkett & Sheehan 2009). Another common, although not universal, aim of microenterprise programs is to assist people off welfare and to enable them to become more financially independent. Examples are the Many Rivers Opportunities program and the microenterprise program between the Brotherhood of St Laurence and Fitzroy & Carlton Community Credit Co-op (Burkett & Sheehan 2009).

All programs provide participants the opportunity to apply for a business loan, although lending amounts vary between $500 and $20,000 (National Australia Bank 2008). In a few cases, programs also offer business education and support, such as the Enterprising Women program run by Women’s Health in the North (Vettori et al. 2008).

3.2 Distinctiveness of microfinance in Australia

Microfinance in Australia is growing in importance as a valuable developmental strategy. Hence, the inclusion of developmental theory into the Australian microfinance arena is timely and adds to the understanding of the role and potential benefits of microfinance in helping to assist those on little or no
Development strategies are often thought of in the context of the developing nations but they add value in Australia in terms of creating paths towards financial security and more importantly in providing greater levels of financial choice. The benefits of microfinance are not constrained to economic development but can affect many other aspects of life.

Building financial inclusion is about making financial products and services available to people who need them (United Nations 2006). A report by the United Nations showed that there is a slow shift in paradigm from microfinance towards inclusive finance (2006). The report states that the former refers to organisations dealing solely with microfinance, while the latter also includes institutions with a mainstream focus as well as microfinance (United Nations 2006). This is perhaps what led to microfinance in Australia being seen as an issue of financial inclusion rather than mere poverty alleviation. In fact, the relationship between microfinance and financial inclusion is so close that the Australian Microfinance Network changed its name to the Australian Financial Inclusion Network in early 2010.

Burkett (2003) explores regulation and the ‘distinctiveness’ of the microfinance industry in Australia. She explains that regulation can often be a constraint to providing a full range of services that would otherwise be available in other non-regulated countries (Burkett 2003). However, this study does not include an examination of the regulatory framework of the microfinance industry in Australia. This is because the emphasis has been on understanding the influences of the program in the context of the participants’ lives, rather than looking at it from the framework or structures within which the programs operate. While regulation is a very important issue and affects the types of services that can be provided to people on low incomes, these issues have already been examined in the Australian arena (see Wilson 2006a; Wilson 2004; Howell & Wilson 2005; Wilson, Howell & Sheehan 2009).

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It is important to note that regulation plays a significant role in relation to the types of initiatives available in Australia and overseas (for examples, see Mugambi 2005; Lema 2004; Burkett, 2003). Examples of regulation include the maximum interest rates that can be charged on loans, the legal requirements of setting up loans schemes, different taxes applying to different types of transactions and whether a non-profit organisation can take savings from people, among others. Therefore, regulation impacts upon the different microfinance agencies and the various types of initiatives that can be implemented and made available to those on low income.

Government regulations on the banking industry and on welfare benefits have a significant impact on the different types of microfinance initiatives that are available in Australia. In fact, the Australian regulatory framework lends itself to a ‘distinctive’ microfinance industry in Australia (Burkett 2003). Regulation in Australia can often be a constraint to providing the full range of services that would be available in other countries which are not as heavily regulated (Burkett 2003). Greater clarity is needed in Australia around programs such as savings and loans circles, as there have been shifting regulatory regimes that affect microfinance.

It is said that regulations regarding welfare payments need to be better scrutinised, due to the nature of earning restrictions that recipients face (ANZ 2004). In fact, welfare payments could act as a deterrent for some to fully participate in a microfinance initiative (ANZ 2004).

3.3 Sustainability

Although microfinance was adopted in most cases as a version of philanthropy, it is expected to be sustainable. An important argument is that servicing the needs of people at the bottom of the pyramid can be sustainable and profitable if it meets the needs of the consumers. The business model also needs to be scalable so it is relevant to communities in different parts of the world (Prahalad 2005).
Many microfinance institutions are not sustainable, relying instead on donor support (Morduch 1999). This is also the case for microfinance programs in Australia. Morduch (1999) provides two explanations for this. Firstly, he suggests that the running costs of these organisations are too high, and secondly, that the institutions choose to cap interest rates rather than passing them on to clients, in the belief that the latter would be exploitation (Morduch 1999).

Conflicts arise, however, between the aims of business sustainability and the alleviation of poverty. Grameen Bank has been making a profit since 1998 and running independently without the use of donor funds (Yunus 2005). This means that one of the largest microfinance organisations in the world relied on donor support for around 20 years. This leads to a question about the sustainability of microfinance projects in Australia which do rely heavily on donor support. Rahman (1999), however, says the changed emphasis towards higher profits is in conflict with the alleviation of poverty.

If microfinance is to be part of the solution to eradicate poverty in Australia, it must be accepted that the sustainability of these projects hinges on donor support. As Professor John Langmore writes, ‘[t]he question then becomes will donors continue to provide subsidies as long as the social returns can be shown to continue to justify the costs?’ (Langmore 2005). Both Langmore (2005) and Morduch (1999), however, advocate that microfinance is a worthy cause for donor investment, as it is a cost-effective way of poverty reduction. Microfinance services extend beyond mere monetary benefit for the beneficiaries, providing people with a sense of agency. Both Langmore (2005) and Morduch (1999) suggest that donors will take these factors into consideration when deciding whether to invest in such forms of social responsibility. It is implied in their arguments that microfinance is a more valuable tool in alleviating poverty than others. It is important for the sustainability of microfinance programs that studies such as these, which explore the impacts of microfinance programs on participants, continue.
In developed nations, microfinance is gaining prominence as an additional strategy to traditional income support programs to help address financial exclusion. In the USA and the UK, asset-building programs and new enterprise programs are demonstrating significant success. Hence, the majority of the literature regarding microfinance in a developed country context is emerging from North America and the UK. In Australia, microfinance is an emerging area of research. However, if microfinance in Australia is to be sustainable, assessment of programs is required to gauge the impacts of the programs on their participants.

3.4 Impact studies and evaluations of microfinance in Australia

There is considerable documentation available on the different types of programs and the evaluations of microfinance programs around the world (for examples, see Ahmed 2009; James Shon & Warner 2009; Strier & Abdeen 2009, Hugh 2006; Lepines 2004). In Australia, while research has been carried out on the outcomes and outputs of microfinance programs, there has been little research examining the impacts of these programs (Burkett & Sheehan 2009). There are, however, exceptions to this, one being the Saver Plus program, which has provided comprehensive research on the impacts of the program since its inception (for further information, see Russell et al. 2009; Russell & Wakeford 2005, Russell Brooks & Nair 2005). The other is a preliminary study of the NILS® programs (Ayres-Wearne & Palafox 2005). Both evaluations use the social inclusion framework to inform the research.

The main findings in terms of impact from the Saver Plus study have been that the program has been able to help cultivate a saving habit among participants and that it has been able to foster greater levels of social inclusion (Russell et al. 2009). Good Shepherd Youth and Family Services conducted a preliminary study on the social impact of their NILS® program on its participants in Australia. The research reported that their loans fostered greater social inclusion among its client base (Ayres-Wearne & Palafox 2005). This study, however, was preliminary and questions used were heavily structured. A report
launched at the national NILS® conference in 2005 stated:

obtaining a NILS® loan can develop a person’s self-esteem, strengthen their confidence in managing household finances, enhance their consumer knowledge and skills and develop a greater sense of belonging in their local community’ (Ayres-Wearne & Palafox 2005, p. ii).

The report stated that a NILS® loan helps build and develop self-esteem as people feel a real sense of achievement when they pay off a NILS® loan (Ayres-Wearne & Palafox 2005, p. iv). It strengthens their money management skills as during the loan approval process recipients are encouraged to look at current household spending and are provided with information and money management strategies (Ayres-Wearne & Palafox 2005). The loans help to make the daily lives of participants easier, thus reducing stress and anxiety in the home setting and making people feel more comfortable about having visitors in their homes (Ayres-Wearne & Palafox 2005). Over time, this allows people to be more active in their community networks (Ayres-Wearne & Palafox 2005).

It is important to consider a different way of evaluating the effectiveness of the programs. If one is idealistic, it could be argued that the true purpose of microfinance is to benefit the participants. If this is the case, then it would be useful to provide participants with the opportunities to express what is important to them by reference to their needs (and in some cases their desires and goals or values) and to assess if the programs have helped (or hindered) these aspirations. It would also be useful to see what it is about the programs that have helped to foster any changes. While this may not be necessary for all evaluations, it would be useful for pilot programs and programs that are at the stage of reassessing their model and considering the ways the program could be changed or improved.

While both impact-based studies utilised the social inclusion framework to inform the research, they were studies that were more structured and quantitative in their approach. The purpose of this research was to examine the
influence microfinance programs had on the capabilities of participants. It was considered that the qualitative methodology constituted the best approach in which to conduct this examination by allowing participants greater freedom and scope to express their wants and goals or values (or in other words, their functionings), as well as their needs.
CHAPTER 4: METHODOLOGY

‘We do not simply ‘collect’ data; we fashion them out of our transactions with other men and women... we create accounts of social life’ (Coffey & Atkinson 1996, p. 108).

This research responds to the call for more impact-based studies in the area of microfinance in Australia and does so by putting the voices of the participants of the programs at the centre of the research design. As mentioned in Chapter 1, there is a growing debate as to what constitutes an impact study. For the purposes of this research, it refers to the examination of the overall outcomes of the program for participants. There is also a growing body of literature that debates the different ways of measuring impact. There has even been a catalogue compiled, detailing the different ways of measuring impact, with focus on social ventures programs (Olsen & Galimidi, 2008). The approach used in this research, is most likened to what Hulme (2000) refers to as the humanities approach, which uses qualitative data collection methods.

This chapter describes the research method used in this study. It starts by providing an outline of the conceptual frameworks used for this research, including details of the epistemological framework used to inform the research – namely, the constructivist epistemology. This is followed by an explanation of the use of the phenomenological theoretical perspective and the reasons for using a qualitative approach. This chapter will further detail the sample and describe the demographic information of the participants. The three main methods of data collection used for this research are outlined: semi-structured interviews, participant observation and the keeping of a research journal. Analysis techniques are described and the chapter concludes with details of the challenges and limitations of the study.

4.1 Conceptual framework

It is important to have an understanding of the conceptual framework within
which research is undertaken as it informs the scope and boundaries of the research. The epistemological stance of a researcher provides the foundations for the research design. Maynard (1994, p. 10) writes that ‘[e]pistemology is concerned with providing a philosophical grounding for deciding what kinds of knowledge are possible’. It relates to what the researcher deems as knowledge (Collis & Hussey 2003). The epistemological approach of this research was constructivist.

The constructivist view is that knowledge, and reality are ‘contingent upon human practices, being constructed in and out of interaction between human beings and their world, and … within an essentially social context’ (Crotty 1998, p. 42). This research was designed to understand the relationship between the microfinance programs and participants. The constructivist epistemological was considered appropriate for this research, on the basis that meaning is created from interaction (Crotty 1998), in this case, meaning being created from the interaction between participants and their experiences of the microfinance program. The focus was on the subjective individuals and how they gave meaning to the impacts that the microfinance programs had on their lives.

This is vastly different from the objectivist epistemology, which supposes that the meaning of truth and knowledge lies in the objects themselves and is not subject to interpretation (Crotty 1998). If an objectivist framework had been used for this research, quantitative approaches for data collection such as surveys would have been used, and the focus would have been more on measurements of impacts than on the meaning people derived from their interactions.

Within the constructivist epistemology, different theoretical perspectives inform the research. Theoretical perspectives fundamentally refer to assumptions that a researcher brings to a research project. The main theoretical perspective that informed this study was the phenomenological approach. This approach is about laying aside any preconceived notions of what is being studied and looking at the meanings that have been prescribed by the interviewees (Crotty
However, the basic and most critical assumption with phenomenology is that it is about the *lived* experience of participants (Morse & Richards 2002). Another underlying assumption is that people should be understood based on the *context* of their worlds (Morse & Richards 2002). In the framework of this research, the focus was primarily on the experiences participants had with the microfinance programs in the context of their broader lives.

The research design of this project was qualitative. Qualitative methods were used because the phenomenological approach assumes that meanings are derived through interactions in the world (Crotty 1998). Qualitative researchers ‘seek to answer questions that stress how social experience is created and given meaning’ (Denzin & Lincoln 2005, p. 10). Qualitative methods were most suited to this research as the focus of the research was on the participants and their experiences and their reflections on the impacts that the microfinance programs had on their lives. It was not an evaluation of the programs. A qualitative research design was the best fit in order to address the research questions.

The qualitative approach also provides the opportunity to achieve a deeper understanding of the functionings and capabilities provided by the programs for participants. It meant that participants had the opportunity to talk about the impacts the program had on them without the imposition of a preconceived list of responses. This was intentional, as the aim was to gauge what was important for the participants. In order to do this, flexibility and semi-structured interview questions were needed in the study. It was useful to see how the programs fitted into the context of the participants’ lives and, as will be demonstrated later in this chapter, participant observation provided this opportunity. The aim was to see what was important about the microfinance programs to the participants and what aspects of the programs had the most impact from their perspective.

4.2 Sample and access

This section provides an overview of the three microfinance programs from
which participants were included into the research: the No Interest Loans Scheme (NILS®), the Enterprising Women program, and savings and loans circles. This section provides a brief overview of the programs; however, a more detailed understanding of the programs in presented in Chapter 5.

The three cases studies were based in urban settings, being Melbourne and Brisbane. This was to ensure comparability among the sample, as life in rural Australia can differ greatly from the urban cities. The Enterprising Women program was selected as it was one of the most prominent programs that provided avenues for women to set up their own small business (microenterprise). The savings and loans circles were selected as they most closely replicated microfinance models used overseas, and also because they provided both savings and loans facilities. While there are hundreds of informal groups like the savings and loans circles across Australia, the focus of the research was on programs that emerged from community organisations, so that consistency and comparability across all programs could be maintained. Theoretical sampling was also conducted with participants from the NILS® program as it is the largest of its kind in Australia.

Theoretical sampling is a sampling strategy used in order ‘to collect data from places, people, and events that will maximise opportunities to develop concepts in terms of their properties and dimensions, uncover variations, and identify relationships between concepts’ (Corbin & Strauss 2008). It is different from conventional data sampling techniques because it is used as a response to data that has already been collected, as opposed to sampling techniques which are established at the beginning of a project. It was used in the case of the NILS® program, because the two other programs used were group-based and the NILS® program provided individual services rather than group-based facilities. Therefore, it was used to ascertain if there were similar outcomes if a group situation was not present.

The NILS® program is a service provided by Good Shepherd Youth and Family Services and has strong financial support from the National Australia Bank
(NAB) and the Federal Government. The program provides no-interest loans to people on low incomes, mainly for the purchase of household goods. Good Shepherd Youth and Family Services has prepared a NILS® resource kit that other community groups and organisations can use to assist in the establishment of their own NILS® programs (Ayres-Wearde & Palafox 2005). Each provider of a NILS® program operates differently and sometimes has different lending criteria. The participants interviewed for this research were all recipients of a loan from Good Shepherd Youth and Family Services, so the lending criteria was based specifically on the principles Good Shepherd use for lending. These principles are detailed in Chapter 5.

The NILS® loans are primarily issued for the purchase of household items such as fridges, washing machines, beds, televisions, household repairs and so on. In some cases, they can be used for other needs such as health and educational expenses. There are eligibility criteria for obtaining a loan, one of the criteria being that a person must be an ongoing recipient of government benefits. Clients can borrow between $500 and $1200 interest-free, fee-free, and loans need to be repaid within 18 months. The repayment rate is calculated on an individual’s capacity to repay the loan, based on their income and expenses.

The Enterprising Women program operated for three years, with the last course being offered in November 2007. The Enterprising Women program provided business training for women from a culturally and linguistically diverse (CALD) background and was provided by Women’s Health in the North (WHIN) in partnership with the Spectrum Migrant Resource Centre.

Each Enterprising Women business training program ran for an average of ten weeks. Sessions comprised a one-hour presentation on business knowledge followed by a one-hour workshop. The workshops were designed to assist women with some of the more practical aspects of business operations.

In total, six business education programs were run, with a total of 98 participants and 11 people being issued loans of $2000 (Vettori et al. 2008).
The Enterprising Women program concluded following the expiry of the three-year funding for the program. Funding for the Enterprising Women program was obtained from the Victorian Government through the Community Support Fund (Vettori et al. 2008).

The savings and loans circles were implemented by Foresters Community Finance and are the closest replication of the Grameen model among the three programs examined. Some common characteristics include the regular group meetings, having money pooled into a joint savings account, and the opportunity to borrow money. The savings and loans circles provide an avenue for people to save on a regular basis and also the opportunity to access an interest-free loan.

The savings and loans circles were initially established by two community workers from Foresters Community Finance, and, once established, are managed by members of the circles. Some of the common features of the groups or circles are that they meet on a regular basis and pool savings into a common bank account. Money is then lent out from this common pool to members as the need arises and is repaid interest-free. If there is enough money in the bank account, then more than one member may take out a loan at any given time. The groups are also self-funded, which helps to make them sustainable, as there is no reliance on long-term external funding. The only aspects of the circles where additional funding may be required are in providing training for people in facilitating the early stages of group set-up and in the provision of some seed money typically between $200 and $500 per circle for the purchase of items such as receipt books, notebooks and ledgers for record keeping purposes. Members need few or no skills to be part of and involved in the set up of one of these circles.

As part of this research, three savings and loans circles were examined: the ‘established group’ had been running for over ten years; the ‘expanded group’ for over five years; and the ‘new group’ started in 2008.

As can be seen in Table 2, each of the three microfinance programs have (or, in
the case of the Enterprising Women program, had) different aims and objectives, operating and running differently. The NILS® program provides small loans with no interest payable, with the aim of providing access to safe and affordable credit. The Enterprising Women program and the savings and loans circles aimed to foster greater connectedness between people and, in the case of Enterprising Women, especially among women from a marginalised background. In this way, their aims reflect a desire to foster greater social inclusion among their participants. Both the Enterprising Women and the savings and loans circles clearly state in their aims that they work within a framework of community development.

The operations of each of the groups were significantly different, with NILS® working with individuals, and the Enterprising Women program and savings and loans circles being focused on group settings. The Enterprising Women also had a specific aim to provide business training and knowledge for participants.

Table 2: Summary of programs

<table>
<thead>
<tr>
<th>Development of program</th>
<th>NILS®</th>
<th>Enterprising Women</th>
<th>Savings and loans circles</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Involvement with a community worker and Good Shepherd Sisters in 1980</td>
<td>Feasibility study and pilot program</td>
<td>Idea from a model in Vietnam, adapted for Australia</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aim, purpose, ideology</th>
<th>NILS®</th>
<th>Enterprising Women</th>
<th>Savings and loans circles</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>To provide access to safe and affordable credit to people on low incomes</td>
<td>Increase connectedness</td>
<td>• Self help</td>
</tr>
<tr>
<td></td>
<td>Dignity and respect for people on low incomes</td>
<td>Foster greater confidence among women of CALD backgrounds.</td>
<td>• Reciprocity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Solidarity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Building and fostering relationships</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Collective decision making</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Group autonomy</td>
</tr>
</tbody>
</table>
In the context of this research, it was important to identify the aims of the programs as well as to understand their general methods of operation. This was necessary not only in order to assess if the programs were able to foster greater capabilities for participants, but, in particular, to ascertain the aspects of the programs which enable those capabilities.

### 4.2.1 Demographics

A total of 38 women were interviewed for this research. Of those, 23 were from the Enterprising Women program, 10 were from the savings and loans circles and there was theoretical sampling of five NILS® program participants. In addition, participant observation was conducted with other members of the savings and loans circle who were not formally interviewed. Their demographic details were not collected as it was not deemed appropriate with people who were not formally interviewed, and accordingly have not been included in this section. Within each of the programs, interviews were conducted with both participants who had been part of the program for a long period of time and participants who were new to the programs.

A wide range of age groups was represented in the sample. There were eight

<table>
<thead>
<tr>
<th>General operations</th>
<th>Sample Demographics</th>
</tr>
</thead>
</table>
| • People contact NILS® provider  
• Initial meeting and assessment with NILS® worker  
• Loans assessment  
• Loans issued  
• Repayments made at reasonable repayment rate  
• Once loan is fully repaid, other loans can be issued.  
| • All on government benefits  
• Mix of ethnicity  
| • A series of 10–12 seminars which have:  
  • Presentation on different aspects of running a small business  
  • Practical session where participants work through a workbook on different aspects of running a business  
| • Approximately half on government benefits  
• All migrants  
| • Groups of 6–14  
• Regular meetings  
• Regular savings contributions  
• Records kept of all transactions  
• Receipts issued for all transactions  
• Loans issued  
| • Very few on government benefits  
• Majority Australian but some migrants |
women aged 25–34, 11 aged 35–44, 14 aged 45–54 and 5 aged 55 and over.

In terms of household demographics, 10 participants were sole parents, 15 were in couple relationships (married or de facto) and had children, 6 were in couple relationships without children, 4 were single with no children, and 3 participants had other household arrangements.

In terms of income, government benefits constituted the main source of income for 20 of the participants, while for 16 of the participants, the main source of income was paid employment (including those who were self-employed). The remaining two participants stated their main source of income to be their partner’s income.

When it came to education, 17 of the participants said that their highest level of education completed was university, four said it was year 12 (or equivalent), for seven it was TAFE or a technical school and five participants said their highest level of education was primary school. The remaining five participants did not disclose their education level.

The ethnic backgrounds of the participants were wide-ranging. There were four from Africa, seven from Asia, 13 from Australia, eight from Europe, five from the Middle East, and one from South America. Overall, a wide cross-section of the population was represented in the sample. For a full list of the demographic information of participants arranged by program, please refer to Chapter 5.

4.3 Methods of collecting data

With each microfinance program, the first step was to conduct open-ended, face-to-face interviews with one microfinance worker from each of the relevant organisations in relation to their services and clients. A copy of the interview schedule with the microfinance workers is attached in Appendix A. Following the interview with the microfinance worker, semi-structured interviews with microfinance participants were conducted. Documentation on the services and all available past evaluations were examined to ascertain the way in which the microfinance programs were run and administered. Documentation also helped
inform the interview schedule with participants to ensure up-to-date and appropriate questions were asked about different components of the programs. Every attempt was made to provide interviewees with an opportunity to talk openly. Participant observation was also done with the savings and loans circles, and a research diary was kept throughout the research process.

4.3.1 Semi-structured interviews

Face-to-face, semi-structured interviews were used to collect the majority of the data across all three microfinance programs. The interview process can be described as based on ‘a qualitative method that involves open-ended, relatively unstructured questioning in which the interviewer seeks in-depth information on the interviewee’s feelings, experiences, and perceptions’ (Lofland & Lofland 1984, p. 12).

In order to ensure consistency between interviews, an interview schedule was prepared for each program designed to address the main research question. The interviews covered six main areas:

1. general information about the participant;
2. general information about the program;
3. the impacts of the program;
4. participants’ financial situation;
5. aspects of the programs that facilitated changes for them; and
6. questions about how people saw their future.

In the interview schedule, the section on the impacts had the greatest number of questions, and there was an attempt to cover as broad a range of impacts as possible. A table was developed to ensure that all areas were covered (Appendix B). Almost all questions were the same in the interview schedule for each of the programs examined, with the only differences in the questions being the ones that were specific to the program. For example, interviews with participants in the Enterprising Women’s program had a few questions that
were specifically about the business education, and interviews with participants in the NILS® program had some questions specifically about no-interest loans. Please refer to Appendix C for a copy of the interview schedules.

The interview schedule was used only as a guide, and the order and wording of the questions was flexible. Due to the open nature of the questioning, the participants would often cover topics on the interview schedule without prompting.

Prior to entering the field, a series of pilot interviews were conducted to assess if the questions in the interview schedule had a logical progression and to check the average duration of the interviews. The pilot interviews were audio-recorded, which allowed for review and assessment of interview technique, with the consequent opportunity to address issues and improve interview technique at the time of the interviews with participants.

All members of the savings and loans circles were given a brief of the research project, which provided a concise explanation of the research being conducted. Participants in the Enterprising Women program were sent letters from Women’s Health in the North explaining the research project. In the letter, participants were informed that phone calls would follow to establish their interest in participating in the research (refer to Appendix D for a copy of the briefs). Participants from all the programs were provided with a statement explaining the research in plain language (known as the plain language statement) (Appendix E). In addition to providing details of the research project, the plain language statement also made clear that participation in the research was voluntary. All interviewees were required to sign a participant consent form, where participants gave their written consent to participate in the research (Appendix F).

Interviews were conducted in locations convenient to the interviewees. In most cases for Enterprising Women and NILS® interviewees, this was in their homes. Visiting people’s homes allowed for a greater understanding of the context and also provided a valuable avenue for discussion and an opportunity
to start the interview in a relaxed conversational manner. For example, one person had a piano in her lounge and a little discussion about her interest in music helped to foster trust and comfort, and provided an opportunity to build a rapport with the interviewee.

With savings and loans circle participants, most interviews were conducted in cafes or restaurants; however, ultimately, all but three participants' homes were visited during the course of participant observation. Interviews were conducted in cafes and restaurants and again helped to foster trust and comfort as some participants were keen to introduce their favourite places.

All interviews with participants were audio-recorded with two exceptions: Wendy and Kim. Wendy, from the Enterprising Women program, was not comfortable being recorded. The interview with Kim, a former member of a savings and loans circle, started as an informal chat but ended as a detailed discussion about the disbanded savings and loans circle in which she had been a member. There was a risk that the flow of the discussion would have been interrupted by introducing the voice recorder, and therefore, no audio-recording of the conversation was made. However, detailed notes during the interviews with both Wendy and Kim were taken, and more extensive notes were recorded directly after these interviews.

The majority of the transcribing of the audio-recordings was carried out externally, although all transcripts and recordings were subsequently reviewed to ensure there were no errors. This process also allowed for a deeper understanding of the interviews as the context and tones in speech, could be taken into consideration.

As mentioned in the previous section, interviews were also conducted with one microfinance practitioner or community worker from each organisation prior to interviews with microfinance participants. These interviews had the purpose of gaining more information on, and a better understanding of, the relevant programs including their aims and operations. These interviews also had the purpose of discussing any impacts the microfinance practitioner or community
worker felt the program had had on participants to ascertain if there was a need to add further questions to the interview schedule for participants. A different interview schedule was used for the microfinance practitioners or community workers, from that used with participants of the microfinance programs.

All interviewees from the Enterprising Women and NILS® programs were provided with a $25 Coles Myer gift card as an expression of appreciation for their time and contribution to the research. Even though participants were informed about the voucher, most participants from the Enterprising Women program were surprised to receive it, saying they had not agreed to participate in the research for that purpose. However, for NILS® participants, this voucher was an additional incentive for at least two interviewees, one who said that she would be able to buy milk and bread after I handed her the card, and the other who wanted to schedule the meeting as early in the week as possible, as she had no money left in her bank account and wanted to use the voucher to buy groceries.

4.3.2 Participant observation

Participant observation (also known as field research and ethnography) is most commonly used in the field of anthropology; however, it is becoming more common as a method of data collection in other disciplines (Collis & Hussey 2003). Participant observation was conducted in Brisbane with members of the savings and loans circles for approximately two months.

Participant observation is about establishing a relationship with a person or group of people in their natural setting in order to gain a better understanding of their culture, circumstances and/or lives (Lofland & Lofland 1984). Engel & Schutt (2005, p. 274) define participant observation as ‘a qualitative method for gathering data that involves developing a sustained relationship with people while they go about their normal activities’. Observation involves ‘talking with those being observed for purposes of getting more information about what is happening and to bring out explanations as to why things are occurring’
Participant observation is a process that facilitates a more detailed understanding of the nuances and meanings in the lives of people (Saunders, Lewis & Thornhill 2003). It allows an ‘outsider’ to have an ‘insider’s’ view of the world and also allows the researcher to see participants’ lives and experiences over a longer period of time. Not only does this provide context but it also means that the researcher can more easily identify those things that are important in a person’s life, as well as providing the context within which to understand why they are important. With this research, it allowed for a greater insight into the relationships participants had with one another within the savings and loans circles. It was often possible to meet the different people participants spoke of and observe their relationships and habits. Spending two months in Brisbane provided an opportunity to understand and observe why different things were important in people’s lives and exactly what it was about the program that facilitated changes for people.

During the course of participant observation, different themes began emerging from conversations with people and there was an opportunity to follow these up with questions to gain deeper insights. For example, people would often say that the social component of the program was important to them. Throughout the period of participant observation, it was possible to begin the process of understanding how and why that social interaction benefited the participants.

Literature on participant observation often mentions the importance of having informants (Collis & Hussey 2003; Lofland & Lofland 1984). Informants provide insiders’ perspectives of the group. Their role sometimes includes providing information that is not apparent at meetings or in conversations with other people. It sometimes also includes information that can be deemed to be of a sensitive nature. In the course of this research, it was found that at least one participant from each of the three savings and loans circles would often answer
follow-up questions, and effectively play the role of an informant. It should be noted that, overwhelmingly, participants were friendly and welcoming, and allowed observation of the meetings of their respective circles.

The first meetings with a participant from each of the savings and loans circles outside of the group meetings was arranged by contacts within Foresters Community Finance, which was the original parent organisation of the three circles. At least one meeting with a participant from each circle occurred before attending a meeting of that circle.

The participant observation was planned to enable attendance at the maximum number of circle meetings during the course of this research, and to ensure that attendance at those meetings would coincide with the start of the research with savings and loans circle participants. This was intended to allow for the maximum time to develop the relationships with participants. At each meeting, an introduction of the research and the research process was made, and information about the research was provided. Most of the meeting was spent observing the interaction between participants. Towards the end of the meetings, contacts and connections were made with participants, which resulted in further engagement.

Engel & Schutt (2005) note that before entering the field, a researcher needs to have a clear understanding of the research questions, the personal stance on people being researched and any problems that might be faced. In order to assist in managing activities in the field, very detailed field notes were kept. Even prior to entering the field, notes were taken on any conversations with participants and any thoughts and anxieties that related to the fieldwork process, as well as conversations with people about the fieldwork process. There was at least one diary entry per day. Both before and after each interaction with participants, detailed notes were taken, including thoughts and recollections of conversations, as well as reflections on emotions and any challenges faced during the course of the participant observation, as these may have had an influence on the data.
4.3.3 Research diary

‘I write because I want to find something out. I write in order to learn something that I did not know before I wrote it’. Laurel Richardson

Reflexivity is ‘a self conscious awareness by the researcher of their impact on the research and research process’ (Willis 2010, p. 409). The role of the research diary is twofold. It assists with reflexivity of the research, that is, how the researcher has shaped the data during the course of the research, and it is also a way of discovering and analysing data (Willis 2010). Richardson (2003) details the role of writing in research, seeing it ‘as a method of inquiry, a way of finding out about yourself and your topic’ (p. 499). Through writing, new aspects of the area can be discovered, as well as a person’s relationship with the topic. For these reasons a research diary was kept throughout the research process. It assisted with reflexivity and presented a means to be aware of any biases, prejudices or assumptions about the research. It was also used for reflexivity and as a means of discovering and checking data analysis.

For example, after reviewing the diary, it was found that the two month participant observation in Brisbane greatly shaped the data, as time was predominantly spent with members of the savings and loans circles, as well as community workers. Their favouring of a community development approach drew attention towards the social aspects of the program and the benefits of the social interactions facilitated by those circles. However, it is fair to say that these themes were already beginning to emerge from interviews with participants from the Enterprising Women program, which were conducted prior to the research with the savings and loans circles. It is the keeping of a research diary that allows for such insights and reflexivity.

This diary was started prior to commencing the research and enrolling in the degree, and continued until the end. It included a vast array of information such as thoughts and feelings, questions and any doubts about the study. The diary was updated regularly and each entry was dated. The keeping of the diary increased the transparency of the research, in that it facilitated a greater
understanding of any assumptions and perceptions. Detailed notes were also written as soon as possible after each interview. The diary fostered an ongoing focus on understanding what was most important for participants.

### 4.4 Analysis techniques

As already mentioned, the research diary (including field notes) assisted in the analysis of the findings. However, the data was primarily analysed by organising the interviews and field notes into themes and categories.

All interviews were transcribed and coded, initially on the themes of the interview schedule, followed by participants’ responses. NVivo7, a qualitative research software program, was used to assist in the analysis. The program works like a filing system and enables qualitative researchers to sort data into different categories, make notes and add comments. It allows researchers to change and modify categories and also to use multiple categories for the same pieces of information.

The data collected in these themes was subsequently re-examined and broken down into smaller components. This enabled an assessment of what the impacts actually were and what components of the programs were relevant to those impacts. Some of the categories that emerged from this analysis were quite small, as there was a clear intention not impose any bias onto the data. These smaller categories were then rearranged according to themes and in some cases combined with other categories where there was a significant overlap in concepts. This resulted in the emergence of the three main themes from this research, namely: financial elements, social dimensions and capabilities.

A matrix was subsequently derived to examine the intersection of the different impacts and components, to gauge which components were the most influential and to gain an understanding into the most frequent impacts mentioned by participants. On this basis, impacts could clearly be categorised into different streams.
4.5 Challenges and limitations

There were a variety of challenges and limitations throughout the study. It was sometimes difficult to get agreement to access participants from the different microfinance programs, including the NILS® program participants. However, ultimately a diverse range of programs was incorporated in the study.

There may have been a perception amongst some of the Enterprising Women program participants that this research was closely linked with Women’s Health in the North. While this may have influenced some of the information participants provided (for example, participants may have hesitated in mentioning negative impacts), participants still provided information on improvements for the program. In order to address this perception, the independence of this research was made clearer with participants from subsequent programs.

While the sample size of the NILS® participants was relatively small, it was used for theoretical sampling, and was able to provide valuable insights into the difference in terms of impacts that a program which does not have social interaction provides for participants.

Another limitation of this research was that the participants were all women. There was a conscious decision to select a female only sample, as the Enterprising Women program had only female participants and the savings and loans circles had primarily female membership. However, as already noted in Chapter 1, of the proportion of people on low income in Australia, the majority are women. It is recommended that the impacts of microfinance on men be examined for future research.

4.6 Summary

This chapter has provided a detailed account of the research design and methodology of the study. The constructivist paradigm and the approach of the research process were outlined, followed by a detailed explanation and justification of the different methods used for data collection. These included in-
depth, semi-structured interviews, participant observation and the maintenance of a research diary. This was followed by an explanation of the analysis techniques and the chapter concluded by detailing the challenges and limitations of the research.
CHAPTER 5: THE THREE MICROFINANCE PROGRAMS

In order to understand the ways in which microfinance programs contribute towards greater capabilities and impacts for participants, it is first necessary to understand how the programs operate and what their purposes and ideologies are. This chapter provides an overview of the three different microfinance programs examined, and is accordingly divided into three sections: the No Interest Loans Scheme (NILS®), the Enterprising Women program, and savings and loans circles. Each section begins with information about the origins of the program and is followed by an explanation of its aims and ideology, and information about how the programs are run and operated. This is followed by a brief outline of the demographic of participants for each program.

This chapter draws on a mix of literature as well as interviews with community workers in the relevant organisations.

5.1 No Interest Loans Scheme

The No Interest Loans Scheme (NILS®) is a program provided by Good Shepherd Youth and Family Services. The program provides no-interest loans to people on low incomes, mainly for the purchase of household goods. The first no interest loan associated with Good Shepherd Youth and Family Services was issued almost 30 years ago, in 1980, with the help of the Good Shepherd Sisters (McInerney 2005; Ayres-Wearne & Palafox 2005).

From this first loan the idea of the NILS® program was born, with more loans being provided to people on limited incomes. Initially, loans were issued from their Collingwood office, but in 1990 they also opened offices in St Albans and in the Mornington Peninsula, following a demographic study of the area indicating that there was a need for such services (McInerney 2005). A few years later a Victorian NILS® Network was established, followed shortly by a National NILS® Network (McInerney 2005). This meant that community groups and organisations which wanted to provide no-interest loans could use the
framework that Good Shepherd had developed for their NILS® program (Ayres-Wearne & Palafox 2005). Good Shepherd Youth and Family Services had prepared a NILS® resource kit that other community groups and organisations could use to assist in the establishment of a NILS® program (Ayres-Wearne & Palafox 2005).

This means that today, while the NILS® program is still administered by Good Shepherd Youth and Family Services, there are also hundreds of other community groups which provide no-interest loans for people on low incomes. Even though the different organisations and community groups operate under the trademark of NILS®, each provider of a NILS® program operates differently and sometimes has different lending criteria for their loans. The participants interviewed for this research were all recipients of a loan from Good Shepherd Youth and Family Services, so the lending criteria were based specifically on the lending principles of Good Shepherd Youth and Family Services.

One of the overarching ideologies of the NILS® program is to ensure that people are treated with dignity and respect throughout the loan process (Ayres-Wearne & Palafox 2005). The NILS® program primarily aims to provide fair and equitable credit to those with little or no income (McInerney 2005). In this way, it differs slightly from the other two programs studied as they also have a community focus. As it stands, the NILS® program today is based primarily on bringing about greater financial inclusion by providing access to safe and affordable credit for people on low incomes, whereas the other two programs, as will be evident below, also aim to foster greater social inclusion.

NILS® loans are primarily issued for the purchase of household items such as fridges, washing machines, beds, televisions, household repairs and so on. In some cases, they can be used for other needs such as health and educational expenses. Loans however are not issued for loan consolidation or the payment of household bills and expenses (Ayres-Wearne & Palafox 2005).

The NILS® program operates in such a way that repayments made by clients are recycled back into the pool of money used for further lending. All clients are
informed that this is how the loans work and the NILS® program worker emphasises to clients that the money they repay will go back into the pool to assist others in need of a loan. This is known as ‘circular community credit’ (Good Shepherd Youth and Family Services 2008). Unlike the savings and loans circles and the Enterprising Women program, however, NILS® program clients do not meet one another. Their only contact with another person in reference to the program was the NILS® program worker.

In order to be eligible for a NILS® loan, a person must meet certain eligibility criteria. An applicant must be in stable housing in a geographical location where the NILS® program is provided (determined by their postcode) and must have been at that address for a minimum of six months (McInerney 2005). The geographical location is generally in close proximity to a Good Shepherd office. Other criteria include that a person must have a health care card or a pension card and must have the capacity to repay the loan (McInerney 2005).

Clients can borrow between $500 and $1200 interest-free and fee-free. Loans can be for the purchase of one or two items and need to be fully repaid within 18 months. The repayment rate is calculated on an individual’s capacity to repay the loan, based on their income and expenses.

The process for applying for a NILS® loan appears to be straightforward and simple. Potential clients initially contact Good Shepherd Youth and Family Services about the NILS® via the phone. The NILS® worker then explains the eligibility criteria and the process of getting a loan. If still interested in applying, the client is sent an information kit which includes an introductory letter, a brochure about the program and a checklist of the documents that the client needs to provide for the application.

The client then makes an appointment to see a NILS® worker. The client is asked to bring bank statements and various bills with them to the interview, along with a quote for the item they want to purchase. Among other reasons, a quote is requested so the NILS® worker can gauge how much the client wants to borrow and also to see if they can find the client a better price for the item.
they wish to purchase.

The client and the NILS® worker work through the application and also go through a budget exercise together, so the worker can be sure the client will not be under any financial hardship as a result of the loan. The application is then completed and sent to a loans committee.

More often than not, only successful applications get sent to the loans committee. This is because the workers can generally gauge in the application process if clients meet the criteria, including their capacity to repay the loan without being put under any extra pressure as a result of the repayments.

Since it first began, Good Shepherd Youth and Family Services have expanded the program and continue to provide no-interest loans for people on little or no income. Currently, there are over 250 NILS® program providers around Australia and in the 2007–2008 financial year over 210 NILS® loans were issued (Good Shepherd Youth and Family Services 2008). Past research has shown a consistency in the demographic of loan clients, with figures from 2005 showing that approximately 61% of loans were for the purchase of white goods, 75% of applicants were female and 51% of applicants were sole female parents (McInerney 2005). As can be seen by the statistics provided, the majority of the participants are female.

Good Shepherd Youth and Family Services have been assisting people in need for more than 140 years in Melbourne (Good Shepherd Youth and Family Services 2009). They provide services for both men and women which include housing assistance, foster care, financial counselling and the NILS® program.

5.1.1 Demographics

All participants in this research were recipients of government benefits, as this was a prerequisite in order to obtain a loan. In addition, four of the five participants in the sample were single at the time of the interview. Two clients did not have dependents; however, they both had older children who were living away from home. Only two of the participants had completed high school, one
of whom had gone on to higher education. Table 3 provides a summary of the demographic information for NILS® participants.

Table 3: Demographics of NILS® program participants

<table>
<thead>
<tr>
<th>PSEUDONYM</th>
<th>AGE</th>
<th>ETHNICITY</th>
<th>HOUSEHOLD</th>
<th>EDUCATION</th>
<th>INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elizabeth</td>
<td>55-64</td>
<td>Australian</td>
<td>Single, no children</td>
<td>Primary school</td>
<td>Government benefits</td>
</tr>
<tr>
<td>Isa</td>
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<td>Year 12</td>
<td>Government benefits</td>
</tr>
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<td>Kate</td>
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<td>Natalie</td>
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<td>Tanya</td>
<td>35-44</td>
<td>Australian</td>
<td>Sole parent</td>
<td>University</td>
<td>Government benefits</td>
</tr>
</tbody>
</table>

5.2 Enterprising Women

The Enterprising Women program was run by Women’s Health in the North (WHIN) during 2003–2007. WHIN provides services specifically for women including natural therapies, mental health, lifestyle and counselling, to name a few. Their operations are focused on women living in the northern regions of Melbourne and Victoria.

Before the inception of the Enterprising Women program, a feasibility study was conducted to assess the way in which overseas microfinance models could be used and adapted in Australia and, in particular, the northern regions of Melbourne and Victoria (Vettori et al. 2008). It was recommended by Finucane (2002) in her feasibility study that a program providing training in conjunction with credit would be likely to provide greater long-term benefit for women than credit alone. Following the feasibility study, a pilot project was run during 2003–2004 (Vettori et al. 2008). One of the findings from the pilot was that there was a need to provide financial literacy training for women (Vettori et al. 2008).
From this, the Enterprising Women program was modified to include a component involving financial literacy training (Vettori et al. 2008). The program then ran for three years, with the last course finishing in November 2007.

The Enterprising Women program aimed at providing support for marginalised women, particularly women from culturally and linguistically diverse (CALD) backgrounds. The Enterprising Women program also worked on the premise that women would be most empowered if the program was group-based and provided opportunities for women to engage with one another (Finucane 2002). One of the main reasons the Enterprising Women program targeted migrant women was that the feasibility study showed that women from culturally and linguistically diverse backgrounds were not accessing, or being as supported, in relation to business development education as compared to women from English-speaking backgrounds (Finucane 2002).

The Enterprising Women program provided three different services. It included microenterprise support, which incorporated a business training program along with an option to take out a no-interest loan at the end of the business training program. In order to be eligible for a loan, women first needed to complete and submit a business plan. As part of the program, financial literacy training was also offered and provided the opportunity for women to join Northern Enterprising Women, a networking group designed to assist women to engage with each other and share business knowledge. For the purpose of this research, only participants who undertook the microenterprise support were interviewed. Some of these women were also part of the Northern Enterprising Women’s group. None of the women who were interviewed took part in the financial literacy training. This was because very few of the women who did the financial literacy training also undertook the microenterprise program.

Each business training program ran over an average period of ten weeks. Each session comprised a one-hour presentation on business knowledge. Topics included budgeting skills, workplace health and safety, taxation, and relevant technical and legal information. The second part of the program was a
workshop designed to assist women with some of the practical aspects of business operations. In particular, the WHIN worker provided exercises for the women to work through, including budgets and other business skills.

As an added service for women, WHIN provided free child care for the duration of the program to help women who had young children. They also provided free transport for women who would have otherwise not been able to attend the program, which often consisted of the WHIN worker picking up and dropping off women before and after the program.

In total six business education programs were run, with a total of 98 participants and 11 people being issued loans of $2000 (Vettori et al. 2008). The last business training session was completed in November 2007, as the three-year funding for the project came to a close.

5.2.1 Demographics

Table 4 provides a summary of the demographic information for the participants of the Enterprising Women program. The majority of the participants were aged 35–54. Half of the women had completed at least one university qualification, with another eight women completing Year 12 or equivalent or a TAFE course. Over 50% of the participants were in a couple relationships and had children and almost a quarter of the women were sole parents.

More than half of the participants said that English was one of the languages they spoke at home. It should be noted that this was a program designed specifically for migrant women. In terms of places of origin, 50% of the women came from Asia, including the Middle East (also known as West Asia). The next most common region was Europe, with five women having a European background, followed by four women who said they originally came from Africa. The majority of women arrived in Australia between 1980 and 1999.

Of the 23 people interviewed, 14 reported they had started their own business. Of the remaining nine women, some said that they planned to start their business in the new year, and others spoke of different barriers that prevented
them from starting their own business. In reference to income, half of the participants (12) were a recipient of government benefits. Of the remaining 11 women, nine said that their main source of income was their own business or paid work, and the remaining two said their main source of income was their husband’s income.

### Table 4: Demographics of Enterprising Women program participants

<table>
<thead>
<tr>
<th>PSEUDONYM</th>
<th>AGE</th>
<th>ETHNICITY</th>
<th>HOUSEHOLD</th>
<th>EDUCATION</th>
<th>INCOME</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Paid employment</td>
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<td>Paid employment</td>
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</tbody>
</table>

### 5.3 Savings and loans circles

Foresters Community Finance is located in Brisbane and, like Good Shepherd Youth and Family Services, has a long history. It is the amalgamation of two different organisations that historically provided services commonly known as mutual aid (Foresters Community Finance n.d.). Historically, the aim of mutual aid organisations was to provide financial benefits such as health insurance and unemployment benefits. They were run by people meeting on a regular basis and contributing to a pool of money to be used to look after them, their families and friends (Foresters Community Finance n.d.). It is through the concept of mutual aid that Foresters Community Finance came to take on a project looking at the expansion of the savings and loans circle model.

The concept of the savings and loans circles originally emerged from a clergymen who visited Vietnam over 20 years ago and saw a similar program in operation there (Foresters Community Finance n.d.). When he returned to Australia, he established a savings and loans circle in his parish (Foresters Community Finance n.d.).
Community Finance n.d.). One of the original community workers on the project said that this group still had six members and had saved over $250,000 during the last 20 years.

Foresters Community Finance heard about this savings and loans circle and wanted to promote the idea across Queensland, as it was in line with their origins of mutual aid. They employed two community workers who promoted the savings and loans circle model to different community groups across Brisbane. Foresters Community Finance also developed the ‘Animators Training Kit’. The kit was a tool used to assist people set up a savings and loans circle. It provided information on the aim and purpose of the circles, as well as guidelines and strategies on how to set up a savings and loans circle in a sustainable way.

Foresters Community Finance have encouraged the development of the savings and loans circles because those circles promote the values of building and fostering relationships, collective decision making and group autonomy (Foresters Community Finance n.d.). The circles were established by the two community workers meeting with different community organisations and promoting the savings and loans circle idea. As indicated by the interviews with the community workers, in the first 13 years, Foresters supported, developed and had been in contact with over 30 circles.

Foresters Community Finance does not keep a detailed record of the savings and loans circles because those circles were established out of other community organisations for which Foresters Community Finance provided training. It is estimated that there are from 10 to 15 savings and loans circles currently in operation, and consensus from those involved with establishment and operations of the savings and loans circles is that most of the circles that started when training was initially provided are still in operation. Of the current circles, in operation, two started in early 2008.

There have also been some circles that have disbanded. In the course of the participant observation, participants confirmed that at least two circles are no
longer operating. A former member of one of these disbanded circles was a participant and her reasons for the group ending are provided below in section 5.3.4. According the Foresters Community Finance community worker, the other circle disbanded because all the people in the circle (comprised of women) found employment and no longer had the time to meet during the day.

The main aim of the savings and loans circles has not been clearly defined. However, from conversations with community workers, it appears that interest in the program emerged because it incorporated the three main principles of Foresters Community Finance. These principles, as found in Forester’s Animators Training Kit (Foresters Community Finance n.d.), are:

1. **Self help**: refers to people taking responsibility for social improvement and also having a sense of agency.

2. **Reciprocity**: where different benefits are exchanged in the group between people.

3. **Solidarity**: is about people looking out for one another, including those who might be in a situation worse than their own.

The structure of the savings and loans circles embeds those principles. Even though each circle has its own way of operating, there are some common ground rules for each circle and recommendations on the ways they should work.

There should be a person who takes responsibility for helping to establish a new circle. The term ‘Animator’ is used by Foresters Community Finance to refer to this person. The initial role of the Animator is to provide information to the new circle and ensure that everyone has equal input into decisions made. It is considered that the most important role for the Animator is to set the culture for the savings and loans circle, ensuring that it is an environment where members treat each other with respect and equality (Foresters Community Finance n.d.).
It is recommended that the people in the circle have some prior connection with each other and that members have a common purpose (Foresters Community Finance n.d.). This is because the key foundations upon which the circles operate are trust and relationship between members. Trust is a key element to the success of the circles.

The savings and loans circles function by allowing people to get to know each other and to learn to trust other group members with their money. In the early stages, when people come together and pool their savings, people need to have trust in the processes that they put into place and not so much in each other. This is because prior to them handing over their savings, they set up the rules that, as a circle, they choose to follow. They need trust in the system that they have set in place in order to hand over their money. The time delay between joining a circle and eligibility to take out a loan is typically necessary so that the group can come to trust the new person and the new person can come to trust the group.

Even though each circle may vary in terms of some rules and operation, clear rules and guidelines need to be established, with the understanding that they may adapt to suit the changing needs of the group of circle members. Some of the common features of the circles are that they meet on a regular basis for a few months before collecting savings, in order to get to know each other and build trust. After some time, the circle will open a bank account, generally with more than one signatory on the account to ensure that there is always accountability. Circles are free to decide what type of bank account they wish to open. Once the account is open, the circle decides who will take on different roles such as banker, account keeper and secretary. It is recommended that these roles be rotated on a regular basis (Foresters Community Finance n.d.).

Once these matters are established, the circle members start contributing a regular amount of savings at the meetings. Some circles specify both a minimum and maximum savings amount, while others simply identify a minimum (which can be as low as $1 a month in some cases). After a certain
amount of time, which is decided collectively, members can borrow money from the pooled savings at no interest. Usually, members need to contribute savings and attend meetings regularly for a certain amount of time before they can borrow money.

As part of their initial rule set-up, each circle decides how long people must be members before they can borrow and also the maximum amount of borrowing available. Decisions also include the purpose of the loan (if they choose to specify this) and the repayment rate and duration. If there is enough money in the bank account, then more than one member may take out a loan at any given time. In cases where there is a conflict and more than one member wants a loan and there is not enough money in the account, it is decided on the basis of greatest need. The circle decides who is in greatest need or urgency of the loan; however, it appears that this issue has not yet arisen.

These rules can change over time to meet the changing needs of circle members. If for some reason a person desires to leave the group, they can leave with the savings they have contributed to the circle over the period of their membership. This is designed to encourage saving. While the savings and loans circles are the closest replication of overseas models of microfinance, particularly in developing countries, there is one fundamental difference in operations. While overseas models rely on peer pressure to ensure repayments due to the rule that no-one in a circle can access a loan until one is paid back, the savings and loans circles are based on reciprocity and trust. These concepts will be discussed further in Chapter 7.

The savings and loans circles are set up and managed by their members. They are also self-funded, which helps to make these groups sustainable, as there is no reliance on long-term external funding. The only aspects of the circles where additional funding may be required are in providing training for people in facilitating the early stages of circle set-up and in the provision of some seed money, typically between $200 and $500 per circle, for the purchase of items such as a receipt book, notebooks and ledgers for record keeping purposes.
Members need few or no skills to be part of and to be involved in the set up of one of these circles. From past experience, community workers found that the circles worked best when jobs such as banking, minute keeping, and record keeping were rotated, and where all members had a say in the decisions that the circle made. The processes of how things are done in the circle, such as ensuring that everyone has an equal say, are just as important as what is actually decided.

As part of this research, a total of three savings and loans circles were examined. The ‘established group’ has been running for over ten years, the ‘expanded group’ for over five years, and the ‘new group’ started in 2008. Details of the different groups are provided below.

5.3.1 The established group

The established group, at the time of the participant observation, had nine members, of whom eight were female. The one male in the group was the partner of one of the women and was often the one who does the banking and looks after the books. This group started out of a community organisation ten years ago. One of the community workers at the organisation did a door knock in the local area to get to know members of the local community and also to promote the savings and loans circle idea.

As Alice (all names are pseudonyms), a community worker and member of the circle, said, the group started out being a distress fund. This meant that certain rules had to be followed as a distress fund was different from a savings and loans circle, in that the rules were provided by Foresters Community Finance and had to be adhered to. These rules included the establishment of office bearers such as a secretary, a treasurer and so on. They had a loans subcommittee and had to hold Annual General Meetings and record all details. Alice said that people got used to following these rules and said that after some time, the rules became a little like a security blanket.

Alice said that one of the main changes involved in making the shift from a distress fund to a savings and loans circle was dissolving the rules of Foresters
Community Finance. Some people left the group at the time of the changeover. The main reason given for this was that the people who left the group were the ones who were not attending the meetings, so it was said that it would have been the natural time for those people to take their leave of the group and that it was not necessarily due to the changing nature of the group.

Now, as a group they have fewer rules and people are more confident that this system will work, but a couple of the community workers said that it took some time to get there. In the beginning stage, people would ask if something was a valid loan or not and the reply would be yes, because it did not have to be a distressed situation if they wanted a loan, but some people needed reminding.

Other people from a neighbouring suburb approached the established group and wanted to join because they liked the idea. To prevent the group from getting too big and unmanageable, the suggestion was made that the other people start their own savings and loans circle, holding their own meetings, but that they could pool all their money with the established savings and loans group. Therefore, this group became another ‘cell’ of the established group. They would often even hold meetings together, where over 30 people were present. One of the participants spoke fondly of those times, stating that this made it a real social atmosphere. She enjoyed meeting everyone and having cups of tea with them. The disadvantage, however, was that they were finding the group was getting too big to manage and it was increasingly difficult to get to know all the members. The amalgamated group then split into two and a new account was opened. Members of the two groups, however, still do meet occasionally, and at the time of the interviews, they were planning their 10th birthday celebration together.

This group moved from monthly meetings to quarterly meetings in 2007. Two of the members participating in this research are newer to the savings and loans circle. One had been saving with the group for almost two years (and also belongs to another savings and loans circle), and the other had joined six months prior to the start of participant observation.
All members of this group either work or live locally, with the exception of the newest member. She joined this group because she was friends with many of the existing members.

5.3.2 The expanded group

The expanded group began over five years ago. They met and continue to meet in the party room at McDonald’s, which McDonald’s provides free to community groups in the evenings. This group was formed out of a religious organisation and has continued to grow over the last five years. This group meets once a month. During the course of participant observation, the group held their fifth year birthday celebration, which doubled as a savings and loans circle meeting.

This group has continued to attract interest and grow over the years, so much so that there are now three different cells to this group. The decision as to who went into what cell was based on location. Two of the cells were formed based on members who lived close to each other and the third was formed with all the members who lived in neither of the other locations. The cell involved in participant observation was this last group, the one which had members from all locations in it. By coincidence, this cell had a majority of original members, including the person who had initiated the savings and loans circle. This cell had two male members and eight female members. Three members were related – a mother and her two daughters who joined after the mother recommended them to the group.

5.3.3 The new group

The new group has been running since approximately March 2008. They were an all-family group of 14 people, with almost an equal mix of males and females. This family group were refugees from an African country. The country of origin has not been disclosed due to confidentiality, and the potential to identify persons involved.

It is the father of the family who chose to start the savings and loans circle and
he is part of the group, along with his wife, children, sons-in-law, daughters- in-law, nephews, nieces and one grandchild.

This group initially met fortnightly and during the course of participant observation decided to change to monthly meetings instead. Participant observation extended over two meetings with this group. Prior to the start of participant observation, the group had already made two deposits into their bank account. No loans had yet been issued.

5.3.4 Disbanded groups

As mentioned earlier, participants confirmed that two groups had disbanded. The reasons for the groups’ disbanding varied. The disbanding of one group was due to a change in members’ life circumstances. This group had consisted mainly of sole unemployed parents. As their days were free, they chose to meet during weekdays and during working hours. Over time, however, group members began finding work, therefore found it more difficult to attend group meetings. It is unknown whether the group members still meet socially.

The other group disbanded due to a lack of commitment to the meetings. Kim, the former member of the disbanded group who participated in this research, said that that savings and loans circle ran for four years and had seven members. She said that they met on a monthly basis and during the seven years seven loans were issued in total. Kim said that the main reason the group disbanded was because people stopped attending the meetings. Almost all the members of this savings and loans circle were also members of housing co-operative and were friends outside the group and met regularly at other events. Kim said that the savings and loans circle meetings no longer remained a priority for her group. The trust that comes when dealing with money had already been established with the housing co-op that Kim and her friends belonged to and they all met regularly outside of the savings and loans group setting. For these reasons, this particular group proved to be unsustainable.
5.3.5 Rules and guidelines

Table 5 shows the different rules and guidelines under which the groups operated. There were a number of rules yet to be determined by the new group, and in particular, rules in relation to borrowing. From the meetings observed, the new group was trying get the savings process established before moving on to thinking about the loans aspects.

With the established group and the expanded group, there were not many differences of significance. The two most notable differences were the maximum amount that could be borrowed and the frequency of meetings. The established group changed their meeting frequency from monthly to quarterly in 2007. Everyone except for the new person and Alice said that they missed the monthly meetings. The new woman, Rory, had only been part of the group since they met quarterly.

In terms of the maximum that could be borrowed, the expanded group had allowed for double the amount that can be borrowed as compared with the established group. At their birthday celebration, they were also in deliberations as to whether they should increase the amount of borrowing to $3000, as someone requested this amount for an emergency, but then later withdrew the request.
Table 5: Rules and guidelines of savings and loans circles

<table>
<thead>
<tr>
<th></th>
<th>ESTABLISHED GROUP</th>
<th>EXPANDED GROUP</th>
<th>NEW GROUP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting frequency</td>
<td>Quarterly</td>
<td>Monthly</td>
<td>Monthly</td>
</tr>
<tr>
<td>Savings minimum</td>
<td>$5</td>
<td>$10</td>
<td>$10</td>
</tr>
<tr>
<td>Savings maximum</td>
<td>$20 (though this is flexible)</td>
<td>None specified</td>
<td>None specified</td>
</tr>
<tr>
<td>Time after which members can borrow</td>
<td>6 months</td>
<td>6 months</td>
<td>Not specified at time of fieldwork</td>
</tr>
<tr>
<td>First time borrowing amount</td>
<td>$500</td>
<td>$500</td>
<td>Not specified at time of fieldwork</td>
</tr>
<tr>
<td>Maximum amount that can be borrowed</td>
<td>$1000</td>
<td>$2000</td>
<td>Not specified at time of fieldwork</td>
</tr>
</tbody>
</table>

5.3.6 Demographics

Of the participants who were interviewed from the savings and loans circles (all of which were from the established and expanded groups), all but one were Australian, which differs significantly to demographics of the Enterprising Women sample. However, substantial field notes from participant observation were taken with participants of the new group who, as mentioned earlier, were a refugee family from Africa. Of significant note in this sample is that all but three of the participants’ main source of income was employment. This differs significantly from the NILS® sample. The majority of the new savings and loans circle were also in paid employment and actively participated in community activities.
Table 6: Demographics of savings and loans circles interviewees

<table>
<thead>
<tr>
<th>PSEUDONYM</th>
<th>AGE</th>
<th>ETHNICITY</th>
<th>HOUSEHOLD</th>
<th>PROGRAM</th>
<th>INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Judy</td>
<td>45–54</td>
<td>Australian</td>
<td>Other</td>
<td>Established</td>
<td>Paid employment</td>
</tr>
<tr>
<td>Alice</td>
<td>55–64</td>
<td>Australian</td>
<td>Couple, no children</td>
<td>Established</td>
<td>Paid employment</td>
</tr>
<tr>
<td>Belinda</td>
<td>45–54</td>
<td>Australian</td>
<td>Other</td>
<td>Established</td>
<td>Paid employment</td>
</tr>
<tr>
<td>Jessica</td>
<td>45–54</td>
<td>Australian</td>
<td>Couple with children</td>
<td>Established</td>
<td>Paid employment</td>
</tr>
<tr>
<td>Louise</td>
<td>35–44</td>
<td>Australian</td>
<td>Couple with children</td>
<td>Established</td>
<td>Paid employment</td>
</tr>
<tr>
<td>Rory</td>
<td>25–34</td>
<td>Australian</td>
<td>Couple, no children</td>
<td>Established</td>
<td>Paid employment</td>
</tr>
<tr>
<td>Susan</td>
<td>45–54</td>
<td>Australian</td>
<td>Sole parent</td>
<td>Established</td>
<td>Paid employment</td>
</tr>
<tr>
<td>Josie</td>
<td>45–54</td>
<td>European</td>
<td>Sole parent</td>
<td>Expanded</td>
<td>Government benefits</td>
</tr>
<tr>
<td>Debbie</td>
<td>45–54</td>
<td>Australian</td>
<td>Sole parent</td>
<td>Expanded</td>
<td>Government benefits</td>
</tr>
<tr>
<td>Bianca</td>
<td>65+</td>
<td>Australian</td>
<td>Couple, no children</td>
<td>Expanded</td>
<td>Government benefits</td>
</tr>
</tbody>
</table>

5.4 Summary

It has been important to describe the way in which the different microfinance programs run and operate. This is especially needed in order to understand those facets of the programs that contribute to the different impacts on participants. This chapter has provided information on the different microfinance programs examined in this research. The savings and loans circles and the Enterprising Women program had both financial and social facets, whereas the NILS® program was primarily financially based. The NILS® and Enterprising Women programs were administered and controlled by their relevant organisations, with little contribution from participants to decisions about the operations of the programs. The savings and loans circles, in contrast, provided a great deal of autonomy for participants in the operation of
the program.

The following three chapters utilise the empirical data collected in the study as well as the understanding of the operations of the programs to analyse and present the findings of the research. The chapters draw on the interviews and participant observation conducted to understand the impacts of the microfinance programs on participants.
CHAPTER 6: IMPACTS ON FINANCIAL ELEMENTS

The purpose of this research was to ascertain the influence the microfinance programs had on the capabilities of participants. In order to do this, it was necessary to understand the impacts of the microfinance programs on participants, and subsequently to understand how the microfinance programs fostered these impacts. It was discovered that there were a wide range of impacts as a result of the microfinance programs, and these could be classified into three categories: Impacts on finances, impacts on social dimensions, and the impact on capabilities. These three chapters are divided into three different categories, with this chapter examining impacts on financial elements, Chapter 7 examining impacts on social dimension, and Chapter 8 looking at the impact on capabilities. Each section is followed by an examination of the different components of the programs that fostered the impacts for participants in the context of their lives.

One of the main aims of microfinance programs is to facilitate greater financial inclusion among clients (Burkett & Sheehan 2009). While initially the focus of this study was on the social impacts rather than the financial impacts of microfinance programs, participants also spoke of the impacts the programs had had on their finances and financial capability. This consequently requires an examination of the impacts of the programs on the financial elements of people’s lives. The following chapter examines the impacts of the programs on the social aspects of people’s lives. Participants spoke of five main areas in which their finances were affected. These were:

1. Savings
2. Financial capability
3. Financial security
4. Financial hardship
5. Increased economic participation
6.1 Savings

As demonstrated in Chapter 2, the development of a saving habit is a crucial pathway towards asset accumulation (Sherraden 2005). In total, eight people said directly that the microfinance program, in which they were part, enhanced their commitment to save. Of these eight people, five were from the savings and loans circles (which is exactly half of those interviewed from the savings and loans circles), and two were from the Enterprising Women program. While the NILS® program provided an interest-free loan rather than a savings facility, participants often saw this as an alternative to savings and in fact likened it to savings.

From the Enterprising Women program, two participants said that the program helped them save. For one, it was the business knowledge that assisted her with this. Judy, aged 35–44, in a couple relationship and mother of three dependent children, said that she learnt techniques on how to save from the workshops and seminars provided in the program. She gave examples of practical advice she had received and was using to help save. Judy said that before shopping, she would make a list of all the things she needed and then she would not buy unnecessary items.

What I mean [is] if you need something here in this house, you [make]... a list so you are not lost [when you go shopping]. If you want to buy something or ... [when] my husband asks me ... I get the list or else I’m lost and want to buy ... everything.

Judy said that after she started making her lists, she found that she had ‘saved’ some money ... So that’s a big eye opener’. Judy was one participant who spoke directly about the practical ways in which the business education assisted her.

The other participant from Enterprising Women said that the program had helped her to save after the community worker opened a bank account for her. She said that after the account was open, she had started to put aside small
amounts of money into the bank account to save for her children’s education.

The other five people who spoke directly about saving were all from the savings and loans circle. Of course, it must be noted that while only five participants spoke directly about saving, all participants of the savings and loans circles were required to save. People who had been part of the established savings and loans circle, particularly from the start, said that they had managed to save a large amount of money since joining the group, which for some was close to ten years.

Debbie, 45–64 and a single mother, said that the savings and loans circle had helped her to save. Not only did she save with the savings and loans circle but she had also started two other savings funds, one of which was a ‘Christmas fun fund’, which was in her own private savings account and into which money was directly deposited. She had also started an ‘education fund’ which was used to pay for her daughter’s and her friend’s daughter’s school books.

I’m not as hurried or tense because I have some savings. And don’t get me wrong, like I save, I have a Christmas fun fund you know so I save up for Christmas presents and I’ve had to raid it a couple of times but there’s currently some money [in there] ... I made some smart choices by not going down the credit path.

Not only had she benefited from the savings and started saving outside the savings and loans circle, but Debbie said that her children had also benefited. They had seen her saving behaviour and they themselves had started to save for things they want to buy. Even though her son was eligible for a credit card, he chose not to get one, and instead, saved for items that he wanted to purchase.

Debbie explained why the group had helped her to save, attributing it to a shared sense of responsibility that she felt.

I guess I feel like the responsibility to bring that payment [savings
amount] so I can keep that contribution, whereas if it was just me contributing into a private bank account I would probably just ... spend it. ‘Oh the sales are on, I need some new jackets I think I will just go out and buy some’.

Debbie was able to articulate what kept her contributing savings to the savings and loans circle:

I really think it’s that shared thing for me and even though it’s not like no one in the group is going to think any worse of me if I don’t make that commitment, I just feel like it’s a positive sense of responsibility for me.

Here, Debbie highlights that what kept her saving was the positive sense of shared responsibility that results from being part of the savings and loans circle. Another member of the established savings and loans circle, Rory, aged 25-34, said that in the past, she had tried to save on her own but had been unable to. She spoke of some of the barriers she faced when it came to saving prior to joining the savings and loans circle.

Even when I was working ... I guess I was on a relatively higher income, even to what I am on now, but I had never really saved. I had never had enough money to really be able to save a lot and there have always been a lot of barriers ... [such as] motivation. They are all sort of personal barriers I guess. Motivation, my want for material goods I think has gotten in the way.

This supports findings from a report on saving among low-income households in the UK, which found that individuals generally preferred the easiest course of action available to them, especially as financial planning requires effort, and cite this as one of the barriers people faced towards saving (Kempson & Finney 2009). Although Rory recognised that one of her barriers was her lack of motivation – or it could also be said lack of discipline – to save, she discussed what influenced her behaviour.
I blame a little bit of that [lack of motivation] on society though, not on me because I think yes, the idea of society is to be able to get all these things and to get them quickly and to have all these material goods. That's how you are measured and even though that is probably not something I would really value, I feel like that is an ingrained judgment that I have. That I am often catching myself up on but if I don’t have a car that looks as nice as everybody else’s car I still feel bad even though I don’t think I should.

What Rory said seems to suggest is that in order to feel a sense of belonging to mainstream society, there needs to be a certain level of ‘material’ inclusion. There have been interesting debates in the media recently, stating that the ownership of a flat-screen television and its size is seen as a status symbol now (3D television 2010). In other words, a person feels a sense of belonging by having a large, flat-screen TV. While measures of social inclusion try to be more holistic and multidimensional, rather than based simply on economic participation, in many cases, this does not happen. The social inclusion discourse often still fails to incorporate equal measures of community participation along with economic indicators such as means of employment and consumerism (the purchase of goods and services). In fact, the discourse on social inclusion, while incorporating measures that examine the extent to which a person participates in community and political activities (Burchardt, Le Grand & Piachaud 2002), still emphasises, and at times reinforces, ideas that a person is included primarily when they engage in economic terms (Levitas 1996). What Rory is alluding to is societal pressure to ‘belong’ based on economic reasons rather than social ones.

What has influenced the capability for Rory to save is being involved in a support network that has a foundation of belonging, not on the consumption of goods and services, but rather on the regular saving habits of individuals. Whether having these opportunities to interact would have affected the NILS® participants’ saving is unclear. Interestingly though, many of the NILS® participants spoke of access to a no-interest loan in the same way people often
NILS® participants often said that they found it difficult to save. Natalie, a client of the NILS® program, aged 45-54 and sole parent of one child, said that she was unable to save. Natalie did not see herself as someone who was able to save, and said that she would have found it difficult to save money over a long period of time. Natalie said that she saw the loan as a different form of saving, as she would have otherwise been unable to purchase her new household item.

She thinks of the loan as a form of saving.

This supports findings in a report by Kempson & Finney (2009) which suggests that one of the reasons people did not save was that they saw themselves as spenders rather than savers. While the NILS® program is fundamentally about the provision of no-interest loans, from the perception of participants it was viewed almost as savings in reverse. While participants still got into debt by taking out a loan, and a loan that needs to be paid back (although interest-free), the participants still viewed this as an achievement and likened it to savings. Often, when someone saves for something, they see it as an opportunity to purchase goods and services or as an added financial security, as we saw above. Because the NILS® program allows participants to get a new loan
immediately after one has been paid off, when a participant has paid off a loan, they see it as an opportunity to purchase something else, with their next loan, in the same way as using savings. In fact, all interviewees were already thinking about what they were going to purchase once the current loan had been paid off. While NILS® participants were not saving, they viewed the loans in the same way as people who save view savings. While worthy of mentioning, this still cannot be seen as an impact on saving for NILS® participants, as it is not saving behaviour.

Table 7 provides a summary of the characteristics of microfinance programs that help to foster saving behaviour. It shows that the one characteristic the Enterprising Women program, and savings and loans circles have in common in fostering savings behaviour, is the provision of support. The other characteristics that help foster savings for the savings and loans circle participants included a sense of belonging, a shared sense of responsibility, and a forced savings habit. For the Enterprising Women program participants, financial education was also important.

Table 7: Characteristics of programs helping to foster saving behaviour

<table>
<thead>
<tr>
<th>Program</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprising Women</td>
<td>• Financial education</td>
</tr>
<tr>
<td></td>
<td>• Support from a community worker, including the opening of a bank account</td>
</tr>
<tr>
<td>Savings and loans circles</td>
<td>• Forced saving</td>
</tr>
<tr>
<td></td>
<td>• Sense of shared responsibility</td>
</tr>
<tr>
<td></td>
<td>• Support network</td>
</tr>
<tr>
<td></td>
<td>• Sense of belonging that is founded in saving</td>
</tr>
<tr>
<td>NILS®</td>
<td>• No saving behaviour but view loans as savings in reverse, due to the ability to obtain another loan directly after one has been paid off</td>
</tr>
</tbody>
</table>
Sherraden has demonstrated that assets, including savings, can generate a wide range of positive effects for people (Sherraden 1991), including an orientation towards the future and increased household stability, among others (For a summary, see Cornell & Noya 2003). While positive effects of asset accumulation and the development of saving habits have been reported, this research has not identified specific flow-on effects of saving benefits for participants. However, the impacts of saving have been explored both in the Australian context (for example, Russell et al. 2009) and overseas (McKay & Kempson 2003; Kempson & Finney 2009).

6.2 Financial capability

One of the other benefits that participants from both the savings and loans circles and the Enterprising Women program spoke of were greater levels of financial knowledge, or capability. All participants from the Enterprising Women program said that they found the program informative. This was largely due to the program’s focus on financial education. While the emphasis was on business education, these skills were transferable to household money management.

In terms of the savings and loans circles, seven out of ten interviewees spoke of increased levels of financial knowledge. All said that the group provided them with an avenue to talk about their financial situation and also to share knowledge and experience about ways to manage their finances. Jessica from the established group, aged 45-54, in a relationship, and mother of two children, said that in the savings and loans circle:

There are conversations all the time around ... money, and people are always giving each other tips about ‘don’t do that with your mobile phone’, or ‘do this’... you know, there is just this really informal support that happens naturally and it’s not like we are there for a support group or because we’ve all got problems or you know... they are just really simple, easy way of relationship development and support that can happen in communities.
A newer member of the established group, Rory, spoke of what it was about the nature of the group that enabled open conversation around finances.

I feel like I would get benefit socially and I guess in a supportive sense around finances when I attend the group as well. Because how does that happen? Because I think you can talk about that, you are there for the purposes of finances but finances in a shared open sense. Like it’s just that intrinsic nature of that group that the values are around being open and talking about that and we are talking about people’s loans or people come to present a loan which I haven’t actually been there for but I have heard about the process and have heard about people coming back and saying how that loan is going and all that sort of stuff. That’s the type of stuff that I think many people don’t talk about in their social circles. Finances I don’t think are a social topic enough and when its kept private, to me, I do all of my learning basically through talking and I learned that at university as well when I was in tutorials and stuff, I would learn a hell of a lot more than if people were just talking at me where I was reading. I don’t really get anything out of reading really. I might get a few points but my main learning is by talking with people and if I can be able to benefit from talking with people about finances I think that’s fantastic because I don’t find I get so many opportunities to do that.

Rory explained that because money is private it is often not discussed among friends and family. This is consistent with the findings in research published by Singh et al. (2006) which showed that money is still a very private aspect of life for people in Australia. In some cases, money can be even be a difficult topic of conversation between couples (Singh & Cabraal 2006). Rory found that the focus of the savings and loans circles was on money and so this domain was one where money was more openly discussed than in other spheres.

Table 8 shows the characteristics of the programs that facilitated greater levels of financial knowledge for participants. It shows that for the participants of the Enterprising Women program, greater levels of financial knowledge were
attributed to the financial information sessions provided by the program and to the support of the community worker. For the savings and loans circles, greater levels of financial knowledge were attributed to greater levels of social interaction and sharing of financial information and advice among group members.

<table>
<thead>
<tr>
<th>Program</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprising Women</td>
<td>• Financial information sessions&lt;br&gt;• Support by community worker</td>
</tr>
<tr>
<td>Savings and loans circles</td>
<td>• Sharing of financial information among group members</td>
</tr>
</tbody>
</table>

The flow-on effect of the increase in financial knowledge was that members of the savings and loans circles said that they passed on their new financial skills and saving experience to their children, who then learned saving habits, and said that it also opened up trust and communication between other family members.

### 6.3 Financial security

The programs were also seen to provide benefits to participants by providing participants with a greater sense of financial security. This was done mainly by fostering greater levels of financial inclusion. The definition of financial inclusion, as discussed in Chapter 2, effectively states that people are financially included when they have *access* to safe mainstream financial products and services. This does not mean that they have to *use* the products or services but simply that they have the *choice* or *opportunity* to do so if and when they want or need to; that is, they have financial *capability*. This is an important distinction, as a person’s financial inclusion is often measured by the
actual number of financial products a person has rather than the number they feel they have access to or the types to which they have access. While these products are not traditionally seen as ‘mainstream’, they are still considered to be safe and affordable.

Gaining a sense of financial security was a strong inducement to joining a microfinance program. If people felt they had access to a safe, affordable financial product or service, in particular access to an interest-free loan as well as savings, they had a greater sense of financial security. Increased feelings of financial security were specific to the savings and loans circles and the NILS® participants. People cited two main reasons for this sense of financial security. In the context of the savings and loans circles, participants cited the fact that they were putting away regular savings and had access to them if a need ever arose. Further, this sense of financial security was underpinned, for both savings and loans circle participants and NILS® participants, by access to interest-free loans.

Members of the savings and loans circles saw the group as an added financial security in their lives. While not all members of the groups joined because they felt they needed the added financial security, the majority did. In fact, all but three of the participants interviewed said that the additional financial peace of mind was one of the reasons they were attracted to the groups. Further, all members of the savings and loans circles participating in this research reported greater levels of financial security, regardless of the reasons they joined the savings and loans groups. This was a result of changed circumstances, as well as the knowledge that they could access their savings if needed and also knowing that an interest-free loan was available to them if needed.

Louise, aged 35–44, a member of the established savings and loans circle, who was in a couple relationship and had one dependent child, said that she really liked the financial aspects of the group.

I guess I do like ... in a financial aspect ... that there is somewhere that I can go if I’ve got financial troubles. Like I really do feel a sense of
security... In that, it’s a level of security that I didn’t really have anywhere else. So that’s reassuring for me.

She also explained why she liked the financial aspects.

I guess from a practical sense they’ve provided a bit of a safety net for me that I wouldn’t normally have had. Even though I’m in paid employment, up until a few years ago, I work in a sector which is chronically underpaid for a start. I’ve never earned, I’ve never been a middle income earner, I’ve always been a low income earner or a student.

She said that she would not be eligible for a NILS® loan as she was not receiving government benefits, so the savings and loans circle provided financial back-up for her. It is also not known if she lived in a location where NILS® program was available. It can be seen from her comments that having a place to go where she could access money when she was in financial need provided her with reassurance and peace of mind and a greater sense of financial security.

Another woman, Rory, aged 25–34, from the established savings and loans circle, spoke of the peace of mind she felt financially as a result of being a part of the savings and loans circle.

I want to be able to take account of the unexpected financial things and prepare for those, and I feel like I have an avenue to do that. I have got another backup plan and I feel like it’s really easy to be able to achieve as well.

For Rory, the financial security and financial peace of mind were there because she had an avenue available to her if she faced any unexpected financial hardship. She felt that she had a resource available to her that would assist in helping her plan for unexpected financial situations.

Another participant of the savings and loans circles also talked of the financial
peace of mind that belonging to such a group provided. Jessica, 45–54, a member of the established group, spoke of what she thought drew people to the program.

I think for people who have been on a low income or a fixed income, I think the original attraction is the financial security that it can offer in a safe way.

She continued by explaining why the savings and loans circles provided people with an added sense of financial security.

I think once people realise that the money is there, once they’ve sort of gone through the initial thing and ... the group is working and [they recognise that] ‘I’ll be able to get a loan if I need it’, then it provides that peace of mind... and for people on fixed and low incomes, you know, the idea of being able to just go to a group of people you know and ask for a loan when you are really struggling, that’s attractive.

Jessica, a mother of two and in a couple relationship, spoke of how the program provided her with a greater sense of financial security because she knew that she would have access to money if she needed it.

But it is all about peace of mind I think. Just knowing that if something happens and I haven’t got the money for it, I know I’m going to be able to get that loan without having to go cap in hand to emergency relief agency or even worse, a cash converters or something like that. This is something I am entitled to because I have been part of it and it’s absolutely fine for me to ask for a loan. So I think that peace of mind has been important. I would say not just for our group but for all the other groups I have been involved in, that is a really big thing.

She continued by talking about her experience when she accessed a loan from the savings and loans circle.

Over the years you know there have been times when things were a bit
tighter and I’ve had a couple of loans to pay ... and that was really good and I just knew that I asked and I was going to get it, that it wasn’t something that I had to feel embarrassed about ... There was no drama and I knew the money [was available].

This last point Jessica makes is important. She alludes to the reason this type of access provides peace of mind for people. She said that she did not have to feel embarrassed about asking for a loan. Often people are uncomfortable going to a bank asking for a loan, either because of the interest charged or because they perceive that they might be rejected. Having access to a loan outside of the bank and not having to rely on payday lenders has provided savings and loans circle participants with an added sense of financial security.

Of those who did not join the savings and loans circles for the financial security, all three were surprised to find that after time, they had unexpected events in their lives such as personal health problems or illness in their family which made them appreciate the added financial security and backing that came with belonging to such a group. So ultimately, the added sense of financial security that resulted from being part of the group was a benefit for all the savings and loans circle participants.

Alice, 55–64, who was in a couple relationship and who did not have any dependent children, joined the savings and loans circle because she liked the concept of community building which the group offered. She never thought that she would need access to a loan as she was on a steady income. However, her perceptions of the group changed when unexpectedly she fell seriously ill. Alice said:

So ... it really made me think that our lives can change so quickly and ... having a group like the savings and loans group does give you ready access to $1000 if you need it in a hurry or $500 or whatever.

Becoming ill unexpectedly made Alice realise that, regardless of income, a person’s life can change without notice and that belonging to a savings and
loans circle can provide security for people in times of need.

Belinda, aged 45–54, who was single, also joined the group thinking that she would never need access to a loan as she was on a steady regular income through paid employment. However, her financial situation changed dramatically when a family member became ill and Belinda was forced to leave work to look after them. Jessica described Belinda’s circumstances.

Up until a year or so ago she’d [Belinda] been in pretty much full-time employment ... and financially she’s sort of ... okay, and a number of times she has said ... ‘I probably won’t need a loan but I really like saving my money here’ ... and then her circumstances ... changed and she’s had family members who are unwell and she’s given up work to look after them ... Now she’s just got a loan a few weeks ago.

This story shows that even though there were people who joined the savings and loans circles for reasons other than financial security, over time they had also come to see, and appreciate, the added financial security that the savings and loans circles could provide. It also shows that regardless of income, there are times when added financial security can be of great assistance.

Even though people belonging to the savings and loans circles may have different socio-economic backgrounds, the loans have been able to assist them all financially (with the exception of the new group, which at the time of the interviews had only just started saving), as Belinda, aged 45–54 and a member of the established group, pointed out.

I think it [the savings and loans circle] has been really helpful to people who are ... long term on a really low income, on a Centrelink income for example. And for ... critical things like the fridge or the stove or tyres for the car need replacing or fixed, then they’ve been able to access that money really quickly in order to just function. You know those really day to day functional sorts of things. Whereas there have been other members of the group I suppose in a similar situation to me where we’ve had more than the basic wage, had stable housing, I mean, you know,
my loan paid for the telephone bills at my sister’s place but, and that’s been fantastic, but at the same time we’ve still got a roof over our heads, like we haven’t got the worry of having to find money to pay rent ... It’s a different level of need, I acknowledge that. Yeah we have assets, but we didn’t have the cash flow ... to pay a bill.

The added financial security benefited all participants of savings and loans circles. The members of the new group, who had only just started saving, were keen to have the added financial security in their lives. So what is it about the savings and loans circles that provided the added security?

Members of the savings and loans groups said that the added financial security was twofold. People knew that the savings they contributed to the group were theirs to take with them if and when they needed to, so people knew that if they were really short of money, they would be able to take those savings with them.

The other aspect of financial security which all the groups except for the new group spoke about were the no-interest loans. Participants knew that a no-interest loan would be available for them if and when they wanted, and all members of the established group and expanded group had taken out a loan. Only one person, Karen, from the new group from the savings and loans circles, said that she would not use the loans facility if one was introduced because she did not believe in borrowing any kind of money. The other members of the new group did not speak of this as they were still in the process of establishing their operational rules and guidelines. They were also only at the beginning of their saving process. However, it was the savings to which they most looked forward.

Having readily available access to a no-interest loan was perhaps the greatest financial benefit for NILS® participants, as it brought about greater levels of financial security. Some of the participants, as seen in section 6.1, said that they were unable to save. All of the NILS® participants interviewed said that they would not have been able to purchase the goods they bought without the NILS® program, because the banks would not have given them a loan and
other businesses such as payday lenders would have charged them interest which they would not have been able to afford. In fact, members of the savings and loans circles also spoke of similar issues of not being able to access any other loan services, with Debbie saying:

> Oh, I've been to a bank but they won't know you, they will not lend you money. The first thing they do is they ask you how much you earn and when you tell them I'm on Centrelink and I'm working part-time and I'm only getting x amount of dollars, that's it. See you later. I've been to financial brokers and investment people and all sorts of people for help and you know they charge you $200 for a visit. When the man is giving you advice for free and saying come back next year and see if I can help you some more, you know you're in deep trouble.

There was a strong feeling among both savings and loans circle participants and NILS® participants that banks would not lend to them and that they had very limited other options if they needed access to a loan, one of which would be to approach a payday lender, which was not an attractive option. This was perhaps why the no-interest loan provided members of these programs with a greater sense of financial security.

Interviewees from the Enterprising Women program did not speak of their ability to access loans from banks or other service providers. One reason for this could be attributed to the nature of the program. The Enterprising Women program was a business education program and the loan on offer at the end was to be used to assist in the establishment of a business. Also, starting your own business can often be risky and involves a certain level of financial uncertainty.

The Enterprising Women program did not offer personal financial assistance for participants, other than through financial education. As the main reasons for a sense of financial security with savings and loans circle participants resulted from access to a loan for personal reasons and the maintenance of long-term savings, the Enterprising Women program did not foster this kind of impact.
The NILS® program shared a common characteristic with savings and loans circles and that was the provision of no-interest loans, which was one of the main causes of financial security for participants. Often, participants of NILS® programs accessed a loan when they were already in hardship, for example when their fridge had broken down and they needed a new one (as was the case with three of the NILS® program participants). In addition, all of the NILS® participants spoke of getting a loan for things that they wanted, in addition to their needs. For example, three of the participants, who were still paying off loans at the time of the interview, already had in mind what their next loan was going to be for, and gave examples of a recliner chair, a new bed and a clothes dryer.

While the general nature of the no-interest loan was similar for the savings and loans circles and for the NILS® program, there were added levels of financial security for members of the savings and loans circles. While each person could take their savings away with them if and when they decided to leave, the savings were otherwise put in a joint bank account for the use of lending money to all members. This gave people a sense of ownership and responsibility when borrowing money, as they were borrowing the money from friends and peers. More than that, it also gave people greater control over their financial circumstances because members of the savings and loans circles were all responsible for the decisions and choices that the group made, and this added a level of control over their financial situation, lead to greater levels of financial security. So, in fact, it is this additional impact (the greater sense of control and responsibility) that ultimately engendered a greater sense of financial security as a result of the savings and loans circles.

Table 9 shows the characteristics of the program that facilitated a greater sense of financial security among participants. Interviewees experienced greater levels of financial security when they had long-term savings as well as when their access to a no-interest loan was coupled with a sense of greater responsibility over the borrowings.
Table 9: Characteristics of programs helping to foster greater financial security

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<th>Program</th>
<th>Characteristics</th>
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<td>NILS®</td>
<td>• Interest-free loan</td>
</tr>
<tr>
<td>Savings and loans circles</td>
<td>• Interest-free loan</td>
</tr>
<tr>
<td></td>
<td>• Greater control and responsibility over money</td>
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<td></td>
<td>• Access to savings</td>
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For all of the established group and expanded group savings and loans circle participants and NILS® participants, one of the biggest influences in a person’s sense of financial security was the knowledge that they could access an interest-free loan when needed. This was emphasised more with the savings and loans circle participants, as they had greater freedom in accessing a loan. Another key area providing financial security for savings and loans circle participants was the knowledge that they were saving and could access their savings if needed.

6.4 Financial hardship

Not all the financial impacts participants spoke of were favourable. Of the five NILS® participants, three spoke of difficulties with managing their budgets with the increased expense of the loan. However, they also said that this was offset by the benefits received from accessing the loan.

Cathy, a NILS® participant, aged 34–44 and sole parent of three children, said she found it difficult to manage on a reduced budget as a result of borrowing. She said that she had additional money taken from her account and still had to pay her bills as well as provide for her three children.

Another NILS® participant, Isa, aged 25-34 in a couple relationship and mother of one child, said that the $25 per fortnight loan repayment meant that she had less money available to spend on food. ‘It’s $25 a fortnight and I can’t spend that on food maybe’. However, she then said, ‘I have something more valuable for me. Yeah. I have a computer. I can spend the $25 doing [nothing] ... useful.'
Like I pay the $25 for the computer, it’s good’. She was expressing that having the loan was a positive experience for her. This was echoed by two other NILS® participants. Natalie, who was paying off a loan by repayments of $40 per fortnight said that it was a lot of money for her but she managed, saying:

And you learn to live without $40. It’s funny how, you know, when you have it you spend it and it’s still not enough, then you don’t have it and it’s still not enough so you can still live. We are strange creatures, humans.

When questioned about the loan amount, another NILS® participant said that her financial situation would be the same without the repayment, in that she would still only have $7 in her bank account. In fact, she said that she had reduced the amount she drank as a result of the loan because she could only afford one bottle of whiskey a fortnight instead of two bottles. She also said that the loan had meant she had cut back on other little luxuries in her life such as fancy soap and candles.

No-one from the other programs reported having increased levels of financial stress or any other disadvantages as a result of participating in their respective microfinance programs.

6.5 Increased economic participation

Income generation is an important indicator of social inclusion, with it relating directly to a person’s capacity to consume and to engage economically (Burchardt, Le Grand & Piachaud 2002).

Of the 38 women interviewed, 16 said that their financial situation had improved as a direct result of the microfinance programs. Of these, the majority were from the Enterprising Women program, with 14 who stated that their financial situation had improved since they completed the Enterprising Women business program. The remaining two were from the savings and loans circles. No one from the NILS® program reported an improvement in their financial situation.
However, what the research was not able to capture was the extent to which the program prevented people from going into further hardship, which the NILS® program worker said was a major impact of the NILS® program.

Of the 23 women interviewed from the Enterprising Women program, over half said that their financial situation had improved, with three saying they had found employment after the completion of the course. Of the three women who had only just completed the program, two said they anticipated their financial situation would improve after the course and the third said she anticipated her financial situation at first to become worse, as she had the initial outlays of her business, but then expected that it would greatly improve as her business became more successful. Only one participant, Cathy, aged 35-44, and sole parent of three children, said that her financial situation was slightly worse after the completion of the course because she took out a loan. Four women said that there had been no change to their financial situation because they had not started a business.

Of the 14 women from the Enterprising Women program who had more income as a result of the program, for two people, the increase in income was a result of money made at the markets. These markets, where participants were able to sell their wares, were organised by Women’s Health in the North. One participant had made $200, while another said that she had made as much as $400–$500.

Vanessa, 35–44, in a couple relationship and mother of five, also said that as a result of her business she was expecting that she would stop needing access to welfare and come to rely solely on her business for her income. Jenny, aged 25–34, in a couple relationship and mother of four children, said that her business was so successful that her husband was due to change his job and begin working with her in her business to help her keep up with demand.

Perhaps the biggest impact the finances had on a participant was for one member of the expanded savings and loans circle. She spoke of the financial component of the savings and loan circle as being the catalyst for a dramatic
life transformation, for the better. Debbie, aged 45–54 and single mother of five children, tells the story of how destitute she became after her husband left her and the role that the savings and loans circle played in helping her turn her life around.

I had no money for rent and no money for food ... so ... I took my five children to Centrelink because I didn’t know what else to do ... and I got shown a social worker who just happened to be a person that was involved in this group, and he talked to me at length about my financial situation... At the end of the second appointment when the complete story of ... how little money I had to live on and the reality of the life I was now facing [was realised], he [told me about the]... savings and loans group and [said] ... it could help [me]. He said you have to save $10 a month, and he said to me even though $10 seems a lot of money, in essence that $10 could be the thing that down the track could help you in a grave crisis, and because you know when things go down, what do you do? And so I saw the logic in it and so I joined the group. And that was a huge thing because $10 was a lot of money.

Debbie explained what happened after she joined the group.

I came a couple of times and saved the money and then I couldn’t keep the $10 a month up ... there were too many bills ... lots of things were happening. So I stopped coming and I stopped making the payments and I was embarrassed about the fact that I had bills that were unpaid and I had this group that I wasn’t keeping my part of it. The cell co-ordinator kept ringing me and I ... wouldn’t talk to her ... then one day the car had blown up and just everything had gone wrong and I didn’t care any more ... Finally in desperation I took the phone and said to her ... at least give me my ... $40 back as that will be money to feed my children for a couple of days. And she said, ‘Oh no, actually I’ve been making the payments for you. I’ve been saving the money for you and you actually qualify for a loan and I was wondering if we could help you’.

This became the catalyst for change in Debbie’s life. She described her feelings
after the co-ordinator offered her support.

Her lending me that, paying that money for me and lending me that money at that point turned everything around [for me], because I went and got my car back and I started coming to the group and I started realising that these people care. When I felt that no-one else in this world cared, these people cared.

After Debbie got the loan, within a week she went out and found a job, and said that the real motivation in her seeking employment was twofold. She wanted to be able to pay back the loan and show the members of the savings and loans circle that she was worthy of their trust, and also, the loan had given her a greater sense of confidence and faith in herself. She said that because others had faith in her, she had greater faith in herself. It is clear that in Debbie’s case, the increase in her level of income was due to the trust and support shown by other members of the savings and loan circle.

For the participants of the Enterprising Women program, any increase in the level of income was directly related to the success of their business. While in a couple of cases people were able to generate income at a market which was set up by community workers from Women’s Health in the North, this income generation exercise was not able to sustain greater levels of income over the longer term.

Long-term increases in income levels for participants of the Enterprising Women program were largely generated by the success of small businesses they set up. The different types of businesses started included:

- Catering
- Personal development
- Driving school
- Language school
- Clothing
It has been difficult to isolate the elements of the program that enabled some people to start a business compared with others, especially as all participants received the same business information. What was possible to ascertain, however, were the barriers women faced in beginning their businesses. This following section will discuss the barriers women from the Enterprising Women program spoke of when wanting to start their businesses.

6.5.1 Barriers to starting a business

Participants gave four main reasons why they had not started businesses. They were emotional reasons, lack of finances, insufficient business knowledge and family commitments.

The most common barriers women spoke of that prevented them from starting a business were personal or emotional reasons. Just under half of the Enterprising Women participants spoke of different emotional barriers, including fear and lack of confidence, as being the main reason preventing them from starting a business. Almost 20% of the women said they were scared to go into business, with two citing financial concerns as their main fear, saying they were not comfortable taking the financial risk often associated with small businesses. Mary, aged 40–49, from Africa, said, ‘You know when you want to do something but you are scared? That’s what has happened to me’. Ruth, aged 40–49, from the Middle East, however, set up her business in spite of her fears.

A little less than 20% of the participants said they still lacked some confidence in their skills and ability to establish a business. However, two of these women started their business despite this, and one woman said she hoped to begin her business next year after her planned overseas holiday. Three women who had not started a business said that they wanted a business partner, as they felt overwhelmed and unable to manage a business on their own.
Ingrid, aged 50–59 from Europe, said, ‘It is all too much, it is all too much for someone like me’. Ingrid, who was in a couple relationship and did not have any dependent children, spoke of the emotional barrier she faced, which prevented her from starting her own business. She said that her life concerns were too great and she felt she no longer had the drive and energy to start her own business, saying that someone younger would be much more able than her.

It wasn’t useful for me because my level of dealing with the modern way of life its very small. ... And I’m not young. Also it is easier to fight, to strive when you are younger. I find that with the worries that I suffered in the past five years ... it’s all too much for me to cope with any more stresses.

In terms of financial barriers to business start-ups, four women said they did not have enough money to start their business idea and that the loan of $2000 was not enough to get the business off the ground. When asked what an ideal amount of money required was, two of these women said that the start-up cost was closer to $5000–$6000. Beth, aged 45–54 and sole parent of two children, was thinking of starting her own business but spoke of the difficulties in doing this with a loan amount of $2000.

Actually I am thinking to start my own business but maybe I am able to save some money, then I will borrow a little, but with $2,000 you cannot do anything. $2,000 is nothing. Even if you want to go and ask them to print the cards it costs money. If you start a business you need your business cards to give to the people. Everywhere, wherever you go you have to spend.

In other cases, participants wanted to start their own catering businesses but found that the set-up costs would be too high. For example, women who wanted to start their own catering businesses frequently spoke of financial and regulatory barriers because council regulations required that they have alternative kitchen arrangements. Often, the changes to the home were either
too costly or the women were renting and unable to make the necessary changes.

A little over 13% of participants interviewed from the Enterprising Women program spoke of lack of business knowledge as being a barrier to starting a business. Lisa, aged 30–39, from Asia, and Mary, aged 40–49, from Africa, both said they were looking for more information following the Enterprising Women program in order to start their own businesses. Lisa said that Enterprising Women gave her information about the New Enterprise Incentive Scheme (NEIS) and after completing the NEIS program, she started her business. Mary had only recently completed the Enterprising Women program and said she hoped to enrol in the NEIS program, after which she would start her business. Fran, aged 40–49, from the Middle East, had difficulty understanding what was said in the course due to her difficulties with the English language. Since completing the program, she had started taking more English lessons and hoped one day to have her own business.

To address the issue of business knowledge, Enterprising Women participants provided a range of suggestions. Five women said they would like more practical components in the sessions. Suggestions for the practical components ranged from more interactive sessions during class time, where women had the opportunity to talk about topics in reference to their own business ideas, to hands-on fieldwork, where participants could work voluntarily for a business in their area of expertise.

Yasmin, aged 25–34, in a couple relationship and mother of one child, outlined how she thought the sessions could have been made more practical. She said she would have liked to have been given more homework. Yasmin also said it would have been good to have sessions that encouraged participants to actively participate, in order to assist with the implement of peoples’ businesses.

I found that a lot of the things were all theoretical, and um, a lot of the information was just drummed in. It wasn’t a program where you as a future business owner had a lot of business development stage where
you would go through researching your business... where actually it leads you through the process, and makes sure that at the end of it, you actually have a portfolio for your business that you are ready to run with it.... Um so, for each individual person, I would have wished, that if it was going to be a marketing session, it’s not just about how to do it and things like that, but also again work with them and through all the stages so that once the program is finished, the person is ready and able to run it and start by the end of the program, actually start to run it. Even before the program ends, I would have liked to see some of these women start making ways and help even to actually knocking on doors and start seeing those little wings that will encourage other women to grow.

One of the most common ideas for making the program more practical was to provide onsite training for participants, relevant to different business ideas. For example, if someone wanted to start a catering business, provide them with the opportunity to work voluntarily for a catering company, or if someone wanted to begin their own travel agency, provide them with the opportunity to work in or observe the day-to-day operations of the business. Beth, aged 45–54 and sole parent of one child, described what she wanted to see in terms of practical sessions.

Yes because they gave us information but practical is different. There should be some training, like you do on other courses they send you on placement. This is a program, this is not training but there should be some ... Like a lady she is already doing catering, this is a hard business and they should send you there to help her as a volunteer to know what is inside. What is outside ... Inside business is different. They should send you to help or as a volunteer if someone is doing catering. If you go there you work with them, it is practical then you come to know how they do all the, what they need to do, where to apply it, and how they take orders and what it costs them and what [price you] should give ... You know ... if someone ordered [from] me that ... they want me to arrange for them evening tea for 24 people, how do I know? If I am not working with someone how I will give them the price? How do I know
how much it will cost me and how should I arrange that you know? All the things that this is the cost and if I will buy this, this and this. When you do the practical a lot of things come up.

Similarly, four other participants from Enterprising Women suggested that further training be provided specific to each business idea. Mary, aged 45-54, in a couple relationship and mother of three children spoke about the information she needed in reference to her business idea of importing goods. This was not provided to her in the Enterprising Women program, but she said she needed it in order to commence her own business. She said that she had received varied information from different people and was unsure about the best course of action she should take.

If I go into the import or export [industry], how do I connect to the people from outside Melbourne, outside Australia? We need to know that. If I try to make an agency, how can I open my business ... Some people tell me you have to do a course, and I need to know which course I need to do. Because I want to start a good business you know. Good for me and good for Australia too.

One participant, Karen, 35–44, in a couple relationship and mother of one child, while suggesting that further information specific to her own business idea would have been useful, identified that due to the limited resources of the organisation, this may not have been possible. ‘Yes. More specific information to different people’s businesses because it’s not the same. And with limited resources you can’t provide specialist information for every kind of business’. Three other participants from Enterprising Women also said that more resources were needed for the project.

Karen, aged 35-44, in a couple relationship and mother of one child, spoke of the resources she would have liked to have seen available:

I just think more resources into the project. Because there was just one project worker who did an excellent job but there is only so much one
person can do you know. Somehow ... a lot of the women were not at stages where they were strong enough to go out and do things themselves, they needed a little more support which [would] have only been possible with more resources ... and more time from the workers, a bit more from the organisation. I think in the resources they had they did a good job. But perhaps the chance of success would have been higher if they had more resources in terms of ... workers and information.

There were also participants who found the program a little too overwhelming. In total, four women spoke of the program being a little ‘too much’. Of those, Lisa said that the program was too short for her to take in the amount of information that was presented.

It gave me a good understanding about the tax and what I need to do about the BASS statement, the tax and registration. To me they gave me a lot of information that I needed to do, but I wasn’t ready so I got so many information and put it aside. Also I found it a bit short to absorb that much information.

The other barrier to starting a business that women reported was family commitments. Two of the women said that family commitments prevented them from starting their own businesses. Danielle, aged 40–49, from Asia, at the time of the interview said there was a possibility her husband was waiting to hear if his role at work would involve him relocating to another state and she was therefore waiting to start her business when things were confirmed. Danielle also said that she was sure she would start her business as soon as they were settled. After the program Danielle commenced employment with a small family business in the industry in which she hoped to start her own business. Wendy, aged 41–45, from Asia, said that a member of her family was ill shortly after she completed the course, and therefore she spent time looking after them, which prevented her from further developing her business idea. At the time of the interview, she had been actively seeking a rental property where she could begin her business and was trying to find the correct location for the right price. Wendy also said that there was a slight possibility she might move.
back to her home country with her family and set up the business there.

One of the main causes of increases in the income levels amongst participants was a result of the establishment of their small businesses. Understanding the barriers that other participants faced in starting their own businesses is important so that future microenterprise programs can address some of the issues, and thus potentially provide greater benefits for participants. What can be inferred from the above discussion is that the Enterprising Women program helped increase the income of participants by providing them with information, practical skills and support on how to start their own businesses. However, what we also know is that there were barriers women faced that could not be overcome by the education provided or the availability of a no-interest loan. If the loan amount had been increased to approximately $6000, however, at least two more women said they would have been able to start businesses of their own. The implementation of on-the-job training, more practical sessions and more information would also have assisted women to establish their own businesses and hence generated more income.

Table 10 shows the components of the programs which provided participants with the capability to generate income. Business education and training that helps individuals establish their own business results in greater income generation as an outcome of successful start-up of a business enterprise. The trust and support from other people in the program can also lead to an increase in self-confidence and result in more income generation.

Table 10: Characteristics of programs leading to income generation

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<th>Program</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprising Women</td>
<td>Business education and support resulting in business start-ups</td>
</tr>
<tr>
<td>Savings and loans circles</td>
<td>Trust and support shown by other members resulting in greater self-confidence and self-belief</td>
</tr>
</tbody>
</table>

While an increase in income is still no guarantee against poverty (Saunders
2005), it does contribute towards greater social inclusion. As seen in Chapter 2, economic participation (of which income generation is a component) is one of the main indicators of social inclusion. As Gillard (2008) highlighted, for someone to be socially included, opportunities for securing a job (among others) need to be provided. All the women who reported an increase in income did so either because of their own employment or self-employment. This helps to break down at least one of the barriers of exclusion, and assists in fostering greater social inclusion.

In addition, some of the other opportunities Gillard mentioned included accessing services, connecting with others, dealing with a crisis and being heard (Gillard 2008). In looking at these in reference to the savings and loans circles and Enterprising Women program, it is clear that the savings and loans circles fulfilled all of these criteria, while the Enterprising Women program was able to address all except for ‘dealing with a crisis’ and ‘being heard’. It would be fair to say that these programs provided avenues or agency for people to be more socially included.

6.6 Summary

This chapter has detailed the financial impacts of the three microfinance programs researched, which include the positive impacts of increased levels of income, the development of savings, increased levels of financial knowledge and greater levels of financial security. The one negative impact that three NILS® participants spoke about was an increase in levels of financial hardship, however this appears to have been balanced against the benefits of the loans obtained under that program.

Table 11 summarises the impacts of the financial elements in a person’s life and the components of the program that lead to these impacts. It can be seen from the table that having support networks was important for participants to increase their levels of savings, thus contributing towards asset accumulation as well as debt prevention.
Table 11: Summary of financial impacts and characteristics of programs

<table>
<thead>
<tr>
<th>Impact</th>
<th>Program</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase income</td>
<td>Enterprising Women</td>
<td>• Business education and support resulting in business start-ups</td>
</tr>
<tr>
<td></td>
<td>Savings and loans circles</td>
<td>• Trust and support shown by other members, resulting in greater self confidence and self belief</td>
</tr>
<tr>
<td>Saving</td>
<td>Enterprising Women</td>
<td>• Financial education</td>
</tr>
<tr>
<td></td>
<td>Savings and loans circle</td>
<td>• Forced saving, Sense of shared responsibility, Support network, Sense of belonging founded in savings</td>
</tr>
<tr>
<td>Saving</td>
<td>NILS®</td>
<td>• No saving behaviour, but view loans as savings in reverse, due to the ability to obtain a loan directly after one has been paid off</td>
</tr>
<tr>
<td>Financial knowledge</td>
<td>Enterprising Women</td>
<td>• Financial information sessions, Support by community worker</td>
</tr>
<tr>
<td></td>
<td>Savings and loans circles</td>
<td>• Sharing of financial information among group members</td>
</tr>
<tr>
<td>Financial security</td>
<td>NILS®</td>
<td>• Interest-free loan</td>
</tr>
<tr>
<td></td>
<td>Savings and loans circles</td>
<td>• Interest-free loan, Greater control and responsibility over money, Access to savings</td>
</tr>
<tr>
<td>Financial hardship</td>
<td>NILS®</td>
<td>• Loan repayments</td>
</tr>
</tbody>
</table>

From Table 11, it is evident that the main financial impacts came about as a result of the financial components of the microfinance programs, as well as the
support provided by other participants or by the community worker. These factors provided increased levels of opportunities and freedom for participants to improve the financial aspects of their lives and to achieve greater levels of social inclusion, particularly in the production and consumption categories (indicators provided by Burchardt, Le Grand & Piachaud 2002).
CHAPTER 7: IMPACTS ON SOCIAL DIMENSIONS

While there were significant impacts on the financial elements of people’s lives, participants also spoke of the social benefits of the programs. This chapter endeavours to detail only the social impacts of the program and will conclude with an explanation of the relationship between these dimensions. The next chapter will describe the impacts the programs had on the capabilities of participants.

Avenues provided for participants to interact socially proved to be a real catalyst for fostering greater social inclusion and increased levels of social capital in the lives of the participants. There were five main social dimensions on which the programs were found to have an impact:

1. Sense of belonging and reduced sense of loneliness
2. Friendship and strengthening of relationships
3. Support
4. Trust
5. Reciprocity

These areas are all interrelated and often when participants spoke of one of these they would also speak of another.

These impacts were the outcomes of the savings and loans circles and the Enterprising Women program but not the NILS® program. This is because the NILS® program did not provide participants with opportunities for interaction with others, which was the foundation from which these impacts were derived.

This chapter is structured differently from Chapter 6, Impacts on Financial Elements, and Chapter 8, Impacts on Capabilities because the impacts in each of those two categories were quite distinguishable from each other and were often caused by different components of the programs. However in relation to
impacts on social dimensions, the impacts are not easily distinguishable from one another and only one component contributed to the impacts – the opportunities for people to meet and interact socially. Therefore, a detailed breakdown of different components is not required here.

The impacts described in this chapter are not distinct and there is no linear relationship between them. In fact, what has emerged is that these impacts relate to one another and often, if one aspect is increased, such as a greater level of support, then participants also reported benefits in other areas, such as greater levels of friendship.

This chapter will first describe the impacts and then provide details and evidence on the nature of the social interaction that facilitated these impacts.

**7.1 Sense of belonging and reduced sense of loneliness**

One of the widest reaching impacts the programs had on participants was in relation to the participants’ sense of belonging, and reduced loneliness. Participants from the savings and loans circles and the Enterprising Women program spoke of a greater sense of belonging or a feeling of reduced loneliness as a result of the microfinance programs they were involved with.

Ruth, 45–54 and a single mother, articulated the benefits she received from being a participant in the Enterprising Women program. She said that it was organised in such a way that participants were made to feel as if they were friends, which resulted in her feeling less lonely. She said that she gained things from the program that were lacking in other parts of her life, such as sense of belonging. She said, ‘I think it just gave me more strength. More strength ... because you deal with women, you talk to women, you don’t feel alone any more’.

Belinda, a member of the established savings and loans circle, said that she saw the programs as a way for people to belong and feel connected.

So I think ... for me microfinance ... in this cultural and economic context
in Brisbane, Australia, I think that’s what it offers ... It offers people a means of economic assistance or support but it offers something more than that... So in some ways I see it as a tool. I see it as another tool for community building... Yeah, in some ways it’s sort of like a, I don’t know for some people to sort of feel okay about participating. I mean some people really want to belong and feel connected and stuff and in some ways it’s a clear way for people to come together and participate.

One of the participants from the expanded savings and loans circle, Debbie, a single mother who was on the brink of launching her own business, articulated why the social interaction was so important.

You know, like people that go to therapy. It’s not so much the type of therapy that makes the difference, it’s having somebody to connect with, and that’s what makes the difference, it’s the therapeutic alliance ... and so community groups, that’s the thing, it’s the connection. It’s coming to the group and having to come every month and getting to know these people even if you don’t really want to. You’ve got to come and pay your money so you’ve got to at least stick around for 10 minutes.

Jessica, who helped establish the savings and loans circles in Brisbane and who was also a founding member of the established savings and loans circle, spoke of the nature of the relationship development and the nature of the informal support provided.

I just kind of see them as a useful tool to bring people together to be, to have... the opportunities to come together and not just talk about money but talk about their kids and their lives in a supportive, non-threatening way.

Overall, a person’s sense of belonging stemmed from the group interactions. It was not just a matter of feeling as if they were part of society but also a feeling that they were contributing to the well-being of others and relating to people on an equal level, who might have a different background from their own. People’s
sense of belonging was greatly related to the friendships, and relationship building that occurred as a result of the social interaction.

7.2 Friendship and strengthening of relationships

Participants from the savings and loans circles and the Enterprising Women program spoke of having more friends and enhanced relationships. The Enterprising Women program appeared to have the most significant impact for Sally, aged 55–64, from Europe, and in a couple relationship. She said that before she joined the program, she had many problems in her life. She wanted to attend because she ‘thought it was more of a way of escape. ... I didn’t go for the money, I was not interested in the money, I was just [interested to] meet other people... talk to each other’. Sally stated that she got greater confidence and learned new social skills by watching the speakers and the way they presented themselves and interacted with people. She said that during the course of the program, she made many new friends and said this was because ‘I feel more confident to talk to people. Before, I tend[ed] to withdraw’.

Vanessa, 35-44, a participant of the Enterprising Women program, said that the program helped her to ‘understand and handle the community’, saying it taught her how to be social in Australia because the group was so multicultural. She also said she gained more friends as a result of program. Jenny even started her own social women’s group after completing the program because she found that she was having less time for her friends. Her social group met in a community centre once a week. Karen said that she ‘built fantastic friendships through the group’ and was still friends with the women she met at the program.

One woman from the established savings and loans circle, Belinda, said that she found the social benefits of the program to be fantastic, saying it provided her with more friends, noting that the friendships also gave her another layer of support.

I really think the social benefits are second to none, I mean it’s the relationships, the friendships, it’s the people around in times of crisis,
like when my sister got sick, you know, and we have had the emotional and social support of people at the local level and some of those people happen to be in the savings and loans group ... in the end I just think that’s one of the big pluses. It’s another way of community building. Like it’s microfinance, it’s another means to build a community.

When asked why community building was important to her, she said:

Oh well, I think building community, I mean I’ve had various, you know, things happen in my life over, particularly over the last five years, and without community I think I would be a different person in terms of my ability to cope and my sense of hope about the future. I mean I could have been showered with lots of money from whatever source, but without those supportive relationships that I have through local community and through other connections and stuff, they’re the things that sustain, they’re the things that hold you up and keep you going.

She was then asked what it was about the savings and loans circle that fostered the supportive relationships. She said that it was due to the attitude with which people came together.

Well, I think it’s one way in which people can come together in a spirit of co-operation and working together and through that, I think particularly at a local level, it might be through ... a work place or through another sort of common bond that brings people together, you know it’s, I mean we can rock up to an agency in a local community and go and get a no-interest loan and be relieved of our some sort of particular short-term financial burden. That can happen, but there’s no relationships formed ... there might be with the person in the agency but it’s a ... service based relationship, and okay, it meets a financial ... but ... if I were socially isolated and struggling financially and ... rock[ed] up to a community agency and go and get a no-interest loan, okay, that no-interest loan meets my financial need but it doesn’t offer me or provide an invitation to participate in community and to build relationships with people. And ... I think that’s the challenge of this modern day too, for
people to feel a sense of belonging. I mean it’s another way for people to have a sense of belonging, to belong to something and to be connected to people.

A member of the established savings and loans circle, Jessica, who had been there since the start, spoke of her experience in terms of the relationships.

We have watched people’s kids grow up, things happen, relationships happen, people get married. So when you kind of go through some of that stuff in that and there is a culture of acceptance and support and equality, I think it is inevitable that those sorts of relationships will form. You know, if it wasn’t a savings and loans group it’s something else. I think you still get those sorts of relationships happen when people go though those experiences together.

Another participant, Jessica, saw the savings and loans circle as an opportunity to develop relationships.

I think savings and loans groups offer opportunities for relationship development and building community and a chance for people to get together and maybe do a whole lot of other things as well.

These are a few examples of what almost all savings and loans participants and Enterprising Women participants said, which is that they had more friends, and enhanced relationships as a result of meeting people and the networking. They also formed bonds of friendship and support as a result of the programs.

Often, when people spoke of the relationships and friendships that developed as a result of the program, they also spoke of greater feelings of support. In fact, the two are highly interconnected. An increase in levels of friendship led to greater levels of support, while simultaneously, greater levels of support facilitated the strengthening of relationships.
7.3 Support

Almost all of the women interviewed spoke of limited access to support networks and friends prior to the programs. Some women said that they had no-one they felt they could turn to for advice in their lives prior to the program. However, participants of the savings and loans circles, and the Enterprising Women program spoke of feeling more supported as a result of the programs.

When participants spoke of support, it was often in reference to the informal support networks that formed between the participants in terms of their relationships and friendships. However, half of the women from Enterprising Women said that they really benefited from the more formal, individual support provided by the community worker. Most women said that if they needed any extra information after or even during the program, the worker would source the answers for them or at least point them in the right direction. Penny said, ‘[w]ith small business, you sort of fly by the seat of your pants but this really gave you the support in every single aspect of running a business’.

Vanessa said she really liked the program:

> because they offer you help where you need the help. You never feel like you are bad to get information. You ask and you get help, without even saying why. They help you where you need to get help. So they organise what you want, what you need. And even if you don’t [keep] contact with them and call them after three months and need their help, they’ll still be there for you.

Jenny, 25-34, in a couple relationship and mother of four children, spoke of the support that came with the nature of the group associated with the Enterprising Women program.

> When you get to meet other people and what they are doing in their business, it’s really, everyone is pulling each other along and everyone is in the same boat. So you know, you will be able to do something. Yes the sisterhood of the group with all the women. It was a really really
good experience.

The majority of the women from the Enterprising Women program said that the assistance and support provided such as transport and childcare were very helpful. Seven of the women interviewed had used assistance with childcare and/or transport and said that if those facilities had not been provided, they would not have been able to attend the sessions. Many women who did not use the childcare or transport facilities, however, also said that the fact that they were available was very positive.

Most of the women felt they could call on the community worker involved with the Enterprising Women program to help them if they need it, even months or years after the completion of their program. However, the funding for the Enterprising Women program ended in December 2007. One woman even broke down into tears when talking about the thought that the help would no longer be available, especially for new women. Overall, the support provided by Women’s Health In the North was a significant factor in helping women establish their enterprises.

Members of the savings and loans circles spoke of the enormous support they felt from others in their groups. Participants formed friendships and became a support network for one another. In fact, many of the participants from the savings and loans circles spoke of going to other members of the group if they needed support of any kind, whether it be financial, in the way of a loan, even emotional in cases where family members may have been sick, or simply providing advice to one another on different aspects of people’s lives.

Belinda, a member of the established savings and loans circle, said that she was able to get by in the tough times because she had support networks around her.

You know I think about the circumstances of my life over the last five years and I don’t worry. I think you know, people say, oh, how have you been able to cope? And my response to that is I’ve been able to cope
because I feel supported.

The social nature of the Enterprising Women program and savings and loans circles brought about significant benefits for participants. The social interaction provided participants an arena to talk about their problems and also feel more supported as a result of the relationships that developed during their time in the group setting.

7.4 Trust

Trust is an important social dimension that has emerged from the research, as it is a necessary factor for enabling the development of friendships, and the fostering of supportive environments. As seen in Chapter 2, trust is also essential for cultivating social capital.

As discussed in Chapter 5, trust was essential for the savings and loans circles to be successful. So why has trust been categorised as an impact of the programs? It is an impact because even though it is also essential for the operation of the circles, people experience increased levels of trust as a direct result of the savings and loans circles. For example, the success of a matched savings program depends upon the success of people to be able to save. If they are not able to save, then the program would not be considered successful. In the same way, the development of trust among participants is essential for the success of the savings and loans circles. Of course, because two of the circles involved in this research were either new or had been in operation for at least five years or more, and there was an opportunity to speak to only one participant who was from a savings and loans circle that was no longer in operation, the results could be biased. However, the participant from the disbanded savings and loans circle stated that one of the reasons the circle ended was because there was already a high level of trust among participants and they were already involved in another form of savings group, based around housing.

Everyone, except for the participants in the new group, spoke of trust. The
reason the new group did not speak of trust was not clear. It could be because they were a family group and trust may already have been established or perhaps the nature of trust is different between family members compared to that between friends and members of the community. Another possibility is that the idea of trust had not yet emerged because the group was so new and no one had yet been issued with a loan. They were still in the process of establishing their rules and processes.

The process of trust was different for new people joining an already established group, compared to when someone joined from the commencement of the group. For joining an already established group, people needed to have trust in both the established process and in at least one other person in the circle, to know that the system worked.

Trust between members of the group allowed for more flexibility. This can be seen with the more lax nature that the established savings and loans circle had towards savings and loans, as they had become more flexible in relation to the maximum that someone could deposit into the account and also more flexible in terms of deposits made to the savings account. Even though it was not part of the rule book, if an established member missed a meeting and was unable to give their savings to someone beforehand, the group accepted the savings at the next meeting.

The increased flexibility as a result of trust is best illustrated by the story that Louise told. She had been part of the savings and loans circle for some time, until her son turned two, and she was finding that the meeting times were clashing directly with his nap time. This made it increasingly difficult for Louise to attend the meetings. She did not want to leave the group; however, she found that she was unable to attend meetings. Louise presented her situation to the group who collectively decided that she should stay part of the savings and loans circle and make payment directly into the group savings account. This was possible only because there was total trust among the members.

While Louise does not attend their meeting any longer, she hoped to attend in
the future but in the meantime, she was able to stay connected by running into other group members unplanned, at the supermarket and other local areas.

Of the 17 people in the savings and loans circles interviewed and or observed through participant observation, only one spoke of problems with trust. Judy spoke about the default on a loan when the established savings and loans circle was classified as an emergency (distress) fund. She said that one member had defaulted on their loan and she had to chase the member for the money. Judy even threatened her with legal action. She said other members of the group were too trusting of the member that defaulted on their loan payment, but accepted that a community worker had to trust people, saying that it was their job to do so. Judy said that in the end, the member left the group, but had contributed enough in savings to cover the rest of the repayments on the loan. Judy also said that she did not trust the newest member of the group enough to be comfortable about giving her a loan, until she had been part of the group for approximately one year. She said that is because the new member, Rory, would only have contributed a maximum of $60, so she would not be happy giving her a loan of $500. In addition, the changed meeting arrangement, where the group only met once every quarter, meant that it would take the newest member longer to get to know other members.

Overall, however, Judy, along with all other group members, trusted the other members of the savings and loans circle. The result of this was that the members of savings and loans circles had a forum where they could discuss other issues, such as problems in their workplace or at home. The trust that they had built and established helped them form a support network, where they could go for more than just loans and savings. This again highlights the interrelationship of social networks, showing that increased levels of trust can foster greater levels of support.

Two people in particular from the expanded savings and loans circle spoke of the flow-on effects of the trust built and established in the group on other aspects of their lives. Jenny spoke of the increased trust and accountability
effects on her children and Debbie spoke of the real impact that the trusting nature of the group had on her life.

Jenny, a member of the expanded savings and loans circle, and a single mother of three children, was studying at TAFE and also working two different jobs as a casual. She said that as a result of the savings and loans circle, she changed the way money was managed in her household. Jenny introduced a ‘drawer’ system into her home, to help her and her children manage money. She said that she had provided a drawer at home where she kept some extra cash for the children, in case they needed money for transport or food. She kept the money there because she did not want to be found in a situation as she had in the past, where her children needed some cash and she did not have any on her. Jenny stated that her children automatically call her up and let her know when they have taken money out of the drawer, how much, and for what purpose. She said that it had improved the trust and accountability in relation to money in her household.

Debbie, aged 45–54, is a mother of five children and is almost ready to launch her own business. She said that the program helped her develop trust, both within herself and with people around her. As already seen in Chapter 6, Debbie had experienced difficulties in her life, and the support and trust the other members of the savings and loans circle showed in her, was the catalyst for dramatic improvement in her life. Debbie said that it was because members of the savings and loans circle showed trust in her, she was then able to trust herself and trust in her ability to pay the loan back. Debbie said, however, that for her, she needed other people to trust her first, because she had been so scarred due her previous experience.

Both stories of Debbie and Jenny highlight the important role that trust plays in relation to the savings and loans circles. Jessica, when asked about how one could tell what was right for participants of the savings and loans circles, said that community workers needed to trust participants to know what was right for them.
This meant that the process of trust was built into the savings and loans circles from the start and was built into the structure and core principles of the group. While the trust demonstrated by group members in each other is an important part of the developmental process and benefits of the group, the trust should not be a blind trust. Certain situations warrant a more precautionary approach, for example in the case of addiction.

There was an example of a man who had been a member of the expanded savings and loans circle for a few years, and who was an alcoholic. He had been in and out of rehabilitation for many years. When he asked for a loan, the group agreed to give him the loan on the condition that the cheque would be made out to the company he was to purchase the goods from. He was dissatisfied with this and as a result, he chose to leave the group. It is clear that he left the group because of a severe lack of trust but this arguable lack of trust by the members of the group was warranted, as his past behaviour showed that handing money directly to him may not have been in his best interest.

7.5 Reciprocity

People need to feel valued and have a sense that they are contributing to the welfare of others. Participants from the savings and loans circles, as well as the Enterprising Women program, had a sense of reciprocity or desire to help others. However, none of the NILS® participants spoke of this. The reason is likely to be that participants from the savings and loans circles and the Enterprising Women program were in direct contact with each other and had more opportunity to interact with each other and the community workers. In order for someone to feel that they are able to give back to others, there must first be a sense that they have something to give. Both the Enterprising Women and the savings and loans and circles brought about these feelings in participants.

With the savings and loans circles, the concept of reciprocity was embedded into the principles of the groups. Rory, a member of the established savings and loans circle, spoke of the benefits she saw in being part of such a group,
saying:

But if I am putting the payments into that group bank account then I know that the balance is building up and others are going to be able to benefit from getting the loans out of that, and I feel like I would get benefit socially and I guess in a supportive sense around finances when I attend the group as well.

Another member of the same savings and loans circle, Jessica, went onto explain the benefits she saw of reciprocity as being important for people, especially those on low incomes.

Often poor people are... there’s not a lot expected of them, you know. ... I do kind of understand what that does to people’s psyche of there’s no expectations of you so you are not seen as a useful person. Whereas, if you’re a member of a savings and loan group there’s an expectation that you are going to play your part and contribute and the fact that it’s easy to contribute means that that can happen.

Another participant said that often the media portrayed poor people as being ‘dole bludgers’ and pensioners as making no contribution to society. ‘That’s the way they’re portrayed lots of times, so this challenges that. It says you can make a contribution and we are making a contribution to each other and, yeah’.

For members of the savings and loans circles, especially those who were less financially well off than others in the group, it was seen as an opportunity to help people financially which they would not have otherwise had.

Tied with the concept of reciprocity, that is, the idea of sharing, and giving to one another, is the idea of helping others. It is interesting to note that while the participants from the savings and loans circles used the language of reciprocity, the participants from Enterprising Women used the language of ‘helping others’. In fact, many participants from the Enterprising Women program, after its completion, said that they wanted to help others or said that they had already
started supporting other people.

One participant, Anne, said that she had actually started her own community organisation, trying to raise funds for underprivileged children overseas. She said she became inspired after seeing people work for the betterment of others, which made her feel more empowered.

Participants from the Enterprising Women program also became inspired as a result of the knowledge they had gained. Four in particular spoke of wanting to share the knowledge with others and help people establish businesses. Penny said, 'I feel like I want to help everybody start their business'. She said that she could not wait until she started to help others.

Out of the 17 participants from the savings and loans circles, ten said that they found the reciprocity aspects of the group empowering. They said that they were able to help other people while also helping themselves, which gave them an increased level of personal satisfaction. The majority of these women would have otherwise been unable to assist other people financially. In fact, as was seen in Chapter 5, the concept of reciprocity was embedded into the structure of the program. While there was no such structure with the business training program, some participants left with a feeling that they had something they could offer other people and they wanted to share their skills and knowledge.

7.6 Not all interaction was positive

Not all the women who spoke of social interaction spoke of it favourably. In fact, four people from the Enterprising Women program suggested that the social interaction among participants did not meet their expectation, and their number of friends had not increased because of the program. Of these four, one participant did not have a strong grasp of the English language, making interaction with the other women in the group difficult. Yasmin felt there was not enough free time to socialise and make friends, and Uma said that she felt very different from the other women in the group in relation to culture, education and life stage.
Interestingly, all participants who found that the social interaction had not met their expectations, had higher levels of education than other participants, and more participation within the wider Australian community. They felt that the other participants of the program were there for reasons that differed from their own and so they were unable to relate to other members in their group.

7.6.1 Meeting frequency

Alice, 55–64, in a couple relationship and a member of the established savings and loans circle, said she found it difficult to fit the time in for the meetings. She was able to rectify this slightly when meetings moved from monthly to quarterly. Alice said:

> Even catching up with friends sometimes you know, you sort of end up having to juggle dates, and certainly the savings and loans group has been like that at times, but you see now there are nine of us and I think we are all quite comfortable with meeting quarterly and that’s easier. It’s easier for me to think, well I do want to be at that meeting so I will meet people later or something like that.

On the other hand, all the other members of the established savings and loans circle said they missed the monthly meetings. Each gave different reasons for having preferred the meetings being monthly.

For one participant, Judy, a member of the established savings and loans circle, the difficulty with the three-monthly meetings was in finding the full amount of savings for the three-month period and having to save that separately and bring that to the meetings. For example, if someone saved $20 per month, they would have to bring $60 to the savings and loans circle meeting. On top of that, if someone had a loan, they would need to add the repayment amount. Judy said:

> I don’t mind it, but I miss it. I find the downside to that is at least monthly, if your repayments were like say $20 or $25 a month, you’d have that money each month, but every three months, you know that’s $75 say for
the three months and then you’ve still got to put in your, I put in $5 per month so that’s $50, so close to $100. If something else comes up in that time then you use it for that.

She continued by saying that she missed the social nature of the group – ‘and besides you’re not meeting with your friends every month you know, getting together’.

Louise also spoke of missing the meetings and stated that the one of the ways the group worked was through social interaction with other members. However, she said that there was regular interaction between different members of the group and that many of the members saw each other in other situations. Louise said:

I miss the monthly meetings, I really do... and I know at least one other member misses them too... Because one of the keys for the way these groups work is to get that regular interaction with each other. And the reality is, and this is interesting, the reality is that a lot of the members, in fact nearly all of the members in some capacity see each other in other contexts of their lives. So it’s not like they’re this desperate lot of people who get together once every three months and who don’t know each other or whatever, it’s, people are actually quite connected to each other in other ways...

Susan, 45–54, a sole mother, found the change from monthly to three-monthly meetings particularly difficult as she often worked on the weekends and the change in meeting time made it even more difficult for her to attend meetings.

Yeah, well that’s been going on now for about a year and I haven’t been to a meeting except for that last one for ages, like the end of last year sometime and I was sort of feeling frustrated thinking, well it’s important to get to a meeting just so they know you’re still there, and you’re still intending to be part of the group. It’s more to show your intentions I think rather than, I thought well I can run and give the money to [Judy] and say, can you go and put it in and they will receive it and that, but that
doesn’t feel quite the same to me. I think it’s not about the money it’s about that we’re part of a group as well.

Another difficulty people cited with having the meetings quarterly as opposed to monthly was that it made it increasingly difficult to remember the date of the meeting, whereas previously it was the first Saturday of the month, which was much more routine. One participant even said that she sometimes forgot which weekend the meetings were and as a result, missed some.

I still sort of think, oh is this one of the months, no it’s not, and you get out of the habit of thinking it’s the first Saturday of the month. So when you’re out of that habit then when it comes up the Saturday can come and go and you suddenly think, oh there was a meeting last Saturday, what shift did I have? Maybe I could have somehow, no, you know, but because you’re out of that habit, you’re not in that routine; it’s a lot more awkward to get to the meeting.

These comments from participants show that the monthly meetings are an important feature of the groups, and meeting regularly and as often as once a month is important to maintain contact and links, and even for savings. However it can be difficult to factor the needs of all group members in decision making. The interesting thing of note is the lack of comment on meeting frequency by the other two savings and loans circles. Often, when things are working well, there can be little to say on the subject.

7.7 Summary

When examining outcomes of microfinance programs for participants, along with the factors that contribute to these outcomes, one of the main features highlighted by interviewees was the importance of social interaction.

The social nature of the Enterprising Women program and savings and loans circles brought about significant benefits for participants. The social interaction provided participants an arena for talking about their problems and to feel supported as a result of the relationships that developed during their time in the
A member of a savings and loans circle tried to sum up what it was about social aspects that provided benefit for people.

I guess that’s it, maybe there is something about a sense of group that you don’t get when you’re in conversation with one-on-one, because there is an energy in a group I think that is absent from, or that is different to that one-on-one connection I think.

The programs had a significant impact on the sense of belonging people felt they had, and well as the strengthening of their relationships. From these relationships came increased feelings of support. The ranges of social impacts are not discrete entities and they all relate to one another and contribute to and support each other. For example, people spoke of having stronger relationships, which led to greater feelings of support. Subsequently, increased levels of support facilitated stronger relationships and more friendships. Trust also led to enhanced relationships, which in turn led to stronger levels of trust. These are just examples, as all the impacts on the social dimension are interrelated.

The savings and loans circles and the Enterprising Women program were also able to generate and foster greater levels of social capital for participants. This is demonstrated by the increase in trust and reciprocity reported by participants. The type of trust that was generated amongst members of the savings and loans circle would be classified as ‘thick’ or ‘strong’ trust, as it was in a localised area, and lead to relationship building and stronger support networks.

The relationship of these social components is complex; however, all are induced by programs providing opportunities for people to interact with one another. The support, friendship, trust, reciprocity and sense of belonging and less loneliness all feed off each other, because they are all elements of relationship building and social capital and, in particular, can be attributed to the social interaction component of social inclusion, which is often overlooked. The impacts on social dimensions coupled with impacts on the financial elements for
participants proved to be catalysts for greater benefits for participants, especially in reference to the personal elements in their lives.
CHAPTER 8: IMPACT ON CAPABILITIES

‘Without the participation of the people who are affected by poverty and related problems no solution can be found’. AT Ariyaratne

In addition to the financial and social impacts of the microfinance programs, there were a number of impacts that related to the way participants viewed themselves, their lives and their futures as a result of the microfinance programs. These directly related to the capability participants felt they had available to them in achieving what they wanted, or may want in their future. From discussions with participants, it was apparent that many of these were flow-on effects from the financial and social impacts already mentioned in the two previous chapters. The impacts presented in this chapter primarily relate to a change in the perception people had of their own levels of capability, including a greater sense of agency. People spoke of feeling more empowered and having more choices and opportunities available to them.

As seen in Chapter 2, capability refers to a person’s ability to achieve what it is that they want to achieve. This chapter demonstrates that participants of the microfinance programs, and in particular the group based programs, felt they had greater capabilities, and a greater sense of agency as a direct result of participation.

8.1 Freedom, choice and control

Freedom, choice and control are all core elements of Sen’s capability approach. A significant finding of the microfinance programs, in particular the savings and loans circles and the Enterprising Women program, was that participants reported greater feelings of freedom, choice and control in their lives. These all relate directly to Sen’s concepts of capability, as they are about enhancing the opportunities people have, so that they can go onto realising and achieving the things that they value or want in their lives. One participant articulated why freedom was valued.
Anne, a member of the Enterprising Women program, spoke of increased levels of freedom she felt as a result of the program. She said that this was a greater measure of success for her than money. She explained this as:

I guess I have more freedom ... I measure my success by freedom rather than how much money I have ... I think even if you have millions of dollars, if you don't have freedom you are stuck. You might have millions of dollars in your bank but [if] you have to work nine until nine every day to have your income coming in ... I don’t think that's nice. And having a lifestyle that I like is success I think. And choices, I can do whatever [I want].

Anne said that this freedom gave her more choices in her life. For Anne, having the freedom to choose the lifestyle she wanted was success for her. It was not about the amount of money that was in her bank account.

No-one from the NILS® program spoke of increased freedom, choice or control. However, members of the savings and loans circles, and in particular the Enterprising Women’s program, did. With the Enterprising Women program, the majority of the participants stated that the program opened up the choices they had available, especially in reference to their businesses. The components of the program that most provided an increase in the level of impact for participants were the business education and the support from other women and the community worker. Penny, aged 25-34, a participant of the Enterprising Women program, when asked if the program had had any impact on the choices available to her, said, ‘It’s just opened them up wide’. What enabled the participants of the Enterprising Women program to have an increased level of choice and freedom available to them was primarily the business information that was provided. This included both the formal presentations and the workshops, and also the informal sharing and networking that took place between the participants. One participant, Karen, from the Enterprising Women program even said that the business training gave her the choice not to commence her business. She said:
I am glad that I could come to the conclusion that I am not ready to do
the business at that stage. Without being upset about it because at least
it was an informed choice to do that ... I could have walked out and you
know, that could be in any business. But I am personally very happy that
I didn’t do what I didn’t do at that stage ... It was an informed choice
rather than just an impulse.

So not only did the program facilitate more choices for people in reference to
how to set up and establish their businesses, but also in the freedom of the
knowledge that in some cases it may be better to wait before establishing a
business.

The savings and loans circles provided participants with the choice and
opportunity to run the program in the way they wanted, based on mutual
consensus. This means participants had greater levels of choice in their lives,
as this principle was embedded in the program operations. Participants were
free to voice any concerns they may have had, and all participants had an equal
say in the way the program operated.

Participants of the savings and loans circles and the Enterprising Women
program also spoke of a greater sense of control over their finances and a
greater sense of control over their own lives.

One participant from the Enterprising Women program said she feel calmer and
has great control over her emotions as a result of the program.

So in business you deal with many different types of people and you get
to know different personalities so even if people get upset or yell or they
are angry at me, I am quite calm and relaxed and that is what people do
when they are stressed. So I have more control than my own feelings
and take responsibility of that.

Another participant spoke of the greater sense of control she had over her
finances.
Sense of control. Yes, I do feel like I am more in control and I am more relaxed about, yes down to the budget I know there is a backup plan. I think relaxation, feeling in control and feeling good definitely go hand in hand.

Nina, an Enterprising Women participant aged 25–34, found she had greater control over all aspects of her life.

Like, how to manage the time. How to manage the house. Like, if I'm working, what do I have to do with my kids. You know, how to make a time for them, for work, the house, for the husband, you know.

Vanessa, another Enterprising Women participant, said:

I could say to you I feel every day happier than before. I even must thank you because I was so happy.... When you’re happy, you’re able to lose weight, you’re able to control your life and I think I am in control fully in my life.

Participants felt they had greater control in different aspects of their lives. One participant from the savings and loans circle, however, did not have the opportunity she wanted to enable her children to participate in the savings and loans circle, even though she wanted them to start their saving habit early. She felt it important that people under the age of 18 be allowed to join the groups (even though there may have been regulatory frameworks that would have prevented this from happening). She said that this was to assist with generational influences on low-income families, saying:

You have to wait until you’re 18 and I think that’s a shame, and I actually think that contravenes why it started. I think you’ve got to do some generational changes for lower socio-economic families.

She spoke of this being a downside to the program:

So that would be the downside [of the groups], that they're waiting for
them to be adults where I would like them to start the saving habits around 8 or 10, definitely by 14 where they know money, they don’t know the value of it, but yeah, that would be the downside.

She even suggested a way that this could be monitored, saying that parents could be made responsible for the children and that parents could sign off for the children and be responsible for any of the administration duties on behalf of the children. This participant felt she did not have the freedom or control to influence change over the group in the way she wanted. So, regardless of how much the savings and loans circles try to engage members and provide freedom and choice for people to run the programs in the way they choose, in the end it is a democratic system, so all decisions will always be on a majority basis.

It has been demonstrated that microfinance programs have been able to foster greater freedom and choices. Table 12 presents a summary of the characteristics of the programs that provide increased levels of freedom, choice and control for participants. Greater freedom and choices were often fostered for people through education and training, including the formal education provided through the business education and workshops of the Enterprising Women program, as well as more informal sharing dialogue. The informal sharing was often just about participants speaking with one another, within the savings and loans circles as well as the Enterprising Women program, on a wide range of topics.

Other contributors to increased levels of choices and freedom were the support structures and the flexibility in allowing participants to have a certain level of control and freedom over the operations of the programs. Of course, this is only in so far as the democratic nature of the groups allows.
Table 12: Characteristics of programs that facilitated freedom, choice and control

<table>
<thead>
<tr>
<th>Program</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprising Women</td>
<td>• Business education and training</td>
</tr>
<tr>
<td></td>
<td>− Formal</td>
</tr>
<tr>
<td></td>
<td>− Informal sharing networks through social interaction</td>
</tr>
<tr>
<td></td>
<td>• Support</td>
</tr>
<tr>
<td></td>
<td>− Community worker</td>
</tr>
<tr>
<td></td>
<td>− Other participants</td>
</tr>
<tr>
<td>Savings and loans circles</td>
<td>• Flexible choices in program structure</td>
</tr>
<tr>
<td></td>
<td>• Informal support networks through social interaction</td>
</tr>
</tbody>
</table>

8.2 Empowerment

Participants of the savings and loans circles and the Enterprising Women program found that they felt empowered as a result of their involvement in the programs. While people spoke of this sense of empowerment in different ways, some spoke directly about feeling empowered.

Josie, aged 45–54 and a single mother of three, found the savings and loans circle empowering, particularly because of the opportunity it gave her to save. She said that the group:

happened at a time when I wanted to change the future for myself and my children and that’s when I started with a small step of change. So [the group] was presented to me as an opportunity to save just a small amount of money but it’s incredibly empowering that I have a plan of savings and I have a plan for the future. I ... who was stripped of all choices except to serve God and to deal with my situation with dignity and graciousness now had this choice around finance and I chose to take that. It also represented being an example for my children. It doesn’t matter how small it is, save.
Josie saw the savings and loans circle as an opportunity to turn her life around and used the opportunity not only for the benefit to herself but also to benefit her children. What Josie said was that she felt empowered as a direct result of her demonstrated ability to save. It is here where we can see the flow-on benefits that some impacts can generate for participants. Josie also continued by saying that she found the ability to access a loan and not have to pay any interest a very empowering thing.

I need an organisation like [savings and loans circle] ... it's ... just that ... it's very empowering never to need a credit card ... and not paying off interest is very empowering to me, and I've been there, like I've had this debt from my marriage.

Vanessa, a participant of the Enterprising Women program, said that she had found the program very empowering.

It is you can say, what we used to say, it was motivation you know. It give me lot of powering, empowering for women, especially for women. I can say the word again and again. They're very empowering ... I can say to you they empower for community not only for women. They might be first for women but they are second for the community always

She explained what she meant by ‘empowering’.

Empowerment means ... I feel ready to enjoy my business, I'm enjoying my family, I enjoy my community. They empower[ed] [me] to feel [like] I can do anything... If you know [what] the word means ... it's hard to do anything you want unless ... you have the ... health and [a] stable mind. And that's what I get from Women's Health. I'm happier person.

For Vanessa, the Enterprising Women program enabled her to feel more empowered about her own life. It enabled her to feel happier about her life and life circumstances.

Anne, another member of the Enterprising Women program, found the program
so inspirational that she had started her own not-for-profit organisation. She was able to articulate what it was about the program that provided the inspiration, and sense of empowerment for participants.

Actually I got together with my friends at the end of last year and the beginning of this year we created a [not-for-profit] organisation. I guess it’s very inspiring to see people working for other people when it’s not about yourself but it’s about other people you feel more empowered and ... you become go-getters I guess.

Anne articulates what many other participants from the same program also said. This was that they found the opportunity to meet other people who were inspired by what they did, helped to motivate participants with their own goals and objectives, what Sen would term with their own functionings.

Helen, aged 35–44, in a couple relationship and mother of two children, said that she also found the Enterprising Women program very empowering. She said:

It was very empowering. I think a lot of the different sectors involved in small business, or business in general are very male dominated, and I think as women, some women might find it embarrassing that they might not know the right questions to ask their bank manager or you know their accountant or something like that. So I guess learning the lingo was helpful. So for me it was empowering that way, because I really didn’t know a lot of that stuff. I’ve never been in the business sector, I come from a community services sector which is you know at the other end of the spectrum.

For Helen, it was empowering because she felt that business was a male-dominated area and she found the knowledge and education provided by the program broke down some of the language barriers present in the business arena. While this thesis has not explored gender aspects of microfinance, it is certainly an area that needs further research and would be useful as a future
study. What Helen said demonstrated why this would be important.

If course, these are only representations of a larger group of people who felt empowered by their involvement of the microfinance programs, but the aim here has been to provide a representation of the main themes spoken of by participants. Table 13 provides a summary of the main characteristics of the programs that provided participants with an increase in their sense of empowerment. It shows that the knowledge sharing, as well as the opportunity to meet others and save, led to greater levels of empowerment for participants.

**Table 13: Characteristics of programs that facilitated a greater sense of empowerment**

<table>
<thead>
<tr>
<th>Program</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings and loans circles</td>
<td>• Opportunity to save</td>
</tr>
<tr>
<td></td>
<td>• Provision of a no-interest loan</td>
</tr>
<tr>
<td>Enterprising Women</td>
<td>• Knowledge sharing</td>
</tr>
<tr>
<td></td>
<td>• Opportunity to meet other inspired people</td>
</tr>
</tbody>
</table>

### 8.3 Confidence

The most commonly reported benefit of the programs was the increased levels of confidence felt by participants, particularly for members of the savings and loans circles and the Enterprising Women program. The majority of the participants interviewed from Enterprising Women reported an increase in their levels of self-confidence as a result of the program.

Of the four from the Enterprising Women program who did not report an increase in level of confidence, two women said they were very confident before they entered the program so it was not possible for their confidence to increase. One interviewee said it did not improve her confidence as she could not understand much of what was being said due to difficulty she faced in
understanding English. Another participant said it did not have any impact on her confidence levels at all.

Ruth, a participant of the Enterprising Women program, said that she gained strength from the program as a result of meeting other women.

I think it just gave me more strength. More strength ... because you deal with women, you talk to women, you don’t feel alone any more ... It helped because you meet women who [are] like you and we talk, you laugh, you talk and you learn at the same, you know, in a funny way ... and you feel like, oh I’m strong, I can do things and it’s a good feeling to have especially if you’re depressed ... I can stand on my feet. I can do things.

Beth said that it was the knowledge gained that gave her more confidence. ‘When you learn more things, you get more confidence’. Beth said that before the Enterprising Women program she doubted her ability to learn new skills but as a result of the program, she was learning computer skills from her children. Jenny said that one of the things that really resonated with her was the Enterprising Women worker telling her not to underestimate herself. Jenny said:

If they [the speakers] can do it then so why can’t I? ... It was great for my self esteem, and belief that yes, you can do it. And with me I was always reluctant... but in the end ... I had really good people around me.

Lisa said that prior to attending the Enterprising Women program, she lacked confidence in her language skills because she was from a migrant community, but when she attended the program and met other migrant women and heard stories about how they had started their businesses, she felt she could do it as well. At the time of the interview, Lisa had successfully started her own business.

When asked what the program meant to her, Penny said, ‘Confidence. The biggest thing is confidence’. Karen said that the confidence she gained from
the program was one of the main factors that helped her to find work in Australia. Karen said, ‘Listening to the speakers ... made you feel positive that you could achieve, to believe in yourself ... if she can do it then so can I ... I think the fact that I was a lot more confident did help me find work’.

Overall, women from the Enterprising Women program said that the program greatly improved their confidence. As seen in the examples above, the confidence gained carried through to various aspects of their lives and was not limited to business.

Members of the savings and loans circles also spoke of increased levels of confidence. For these women, however, the type of confidence provided by the program varied. For some of the women, the confidence related to the increased levels of confidence that came from the development of financial skills.

A community worker who had been involved with a savings and loans circle since its inception spoke of confidence and reasons for the increased levels of confidence felt by participants. Jessica said:

I think just being involved in something and proving that feeling like you can run something and be responsible with money. All these different comments that people have said to me over the years kind of coming back about running something to do with money ... Who would have thought that we could have, or I could have, ever been involved in something like this because money is like something that experts do. So I think there is a sense of a bit more confidence for some people, then a willingness to put themselves out there a little bit more and maybe do some part-time work or some study or things like that.

She explained that the autonomous nature of the groups and also the way that all members were responsible at some time for banking and secretary roles gave people more confidence, which then had a flow-on effect in other aspects of people’s lives and gave them greater confidence in their own abilities. For
other members of the savings and loans circle, the confidence came with the knowledge that they had added financial security and that they had savings and the ability to borrow a no-interest loan if needed.

Table 14 provides a summary of the different characteristics of the programs that helped foster greater levels of confidence for participants. For the Enterprising Women participants, these included business knowledge and information, and the opportunity to meet other women from a similarly marginalised background, in this case, other migrant women, as well as hearing speakers who inspired participants and encouraged them in their endeavours.

For the savings and loans circle participants, the increase in confidence came from the added financial security (details of which are provided in Chapter 6), as well as the opportunity to be responsible with handling money, including other people’s money, and understanding financial information.

<table>
<thead>
<tr>
<th>Program</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprising Women</td>
<td>• Business knowledge</td>
</tr>
<tr>
<td></td>
<td>• Social interaction (especially with others from a marginalised group such as migrant women)</td>
</tr>
<tr>
<td></td>
<td>• Inspiring speakers</td>
</tr>
<tr>
<td>Savings and loans circles</td>
<td>• Financial security</td>
</tr>
<tr>
<td></td>
<td>• Opportunity to handle money and accounts</td>
</tr>
</tbody>
</table>

8.4 Pride and dignity

Along with confidence came a sense of pride and dignity for participants, in particular the participants of the NILS® program. They spoke of a sense of pride in their newly purchased household items and were proud that they were able to buy something new. Natalie, aged 45-54, and sole parent of one child,
bought a fridge with her first loan, and spoke of increased feelings of pride:

> It’s my first fridge. I call them my babies now. Because I never, all my life with living with grandpa and then with father, then with husband, always have second-hand fridge or something like that. You know, somebody else fridge. This is mine now, so I’m very proud of myself.

Those participants, who were interviewed in their homes, had a strong desire to show the items they had purchased with their loan. For many of these participants, this was the first time they had been able to purchase something new and there was sense of pride that they were able to do so. Another NILS® participant, Elizabeth, aged 55-64 spoke of the pride that came with owning something new.

> You own all your own stuff you know and you’ve got new stuff ... [so it's] a bit of dignity and pride you know. I don’t always have nice new stuff and things.

Members of the savings and loans circles also spoke of a sense of dignity that came with belonging to such a group because they did not have to ‘go begging’ to the banks for a loan. They spoke of a sense of dignity in being able to ask for a loan from the circle, as opposed to having to go to a community organisation or a bank, where they feared rejection. They saw the circle as a means of accessing a loan with dignity; that is they could approach their friends for a loan without fear of rejection because they knew that the money was available to them. Jessica said:

> I just knew that I asked and I was going to get it, that it wasn’t something that I had to feel embarrassed about or you know? There was no drama and I knew the money was there’. Her story mirrors many others from participants of the savings and loans circles.

Table 15 summarises the characteristics of the programs that were able to facilitate greater pride and dignity for participants. For the NILS® participants,
these were enabled as a result of the opportunity people had to purchase a new household item that they considered their own. With the savings and loans circles, there was a real sense of dignity that they associated with the opportunity to access an interest-free loan from friends without having to approach a community organisation or a bank which many feared would not give them a loan.

Table 15: Characteristics of programs that facilitated greater pride and dignity

<table>
<thead>
<tr>
<th>Program</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>NILS®</td>
<td>Ownership of a new household item</td>
</tr>
<tr>
<td>Savings and loans circles</td>
<td>Access to a loan from friends, not a community organisation or bank</td>
</tr>
</tbody>
</table>

8.5 Sense of achievement

Of those interviewed, eight people spoke of the sense of achievement they felt as a result of the microfinance program. Of those eight, three were from the NILS® program, one from a savings and loans circle, and four from the Enterprising Women program. As a result, there were different reasons why people felt a sense of achievement.

The NILS® participants spoke of a sense of achievement as a result of being provided with an opportunity to purchase a household item. Natalie, who spoke of the increased sense of pride she felt in owning her own new fridge, also said that it provided her with a sense of achievement. Natalie said that being on a pension meant it was difficult to purchase new things as the amount received allowed for just the food and the bills. She said while it may have been possible to save, she was not good at saving. So therefore, the NILS® program provided her with an opportunity to purchase a new item. For this participant, the sense of achievement came from the sense of ownership of a new
household item. What enabled her to purchase this was the provision of a no-interest loan that she was able to pay off. So in this way the NILS® program provided the agency for the participant to gain a greater sense of achievement.

Jenny, a participant of the Enterprising Women program felt a real sense of achievement after completing her business plan at the end of the information sessions. She said:

I remember when we went to [the community worker] and they showed us someone else’s business plan, I thought oh my God, are we going to do that? And at the end when you see your product in your hands you go, oh my God you know, you did it, you went for it.

Sally, 55–64, married without children and also an Enterprising Women participant, said the business knowledge provided her with a sense of achievement. She said:

But then I went there ... and as I said, at the end ... I achieved a lot. As I say I still try to improve myself ... I still try to learn more about business which before I would let my husband run it.

Both these participants had a sense of achievement because they saw how far they had come since the beginning of the program. The catalyst in providing these participants with the agency to achieve this was the business education program.

For Debbie, a member of the expanded savings and loans circle, the sense of achievement came when she found employment as a direct result of her membership in the circle. Specifically, what prompted Debbie to find employment was the support, confidence and trust of the other group members.

Table 16 provides a summary of the characteristics of the programs that fostered a greater sense of achievement for participants. The sense of achievement was greatest among NILS® participants because the program had given them the opportunity to purchase and own something new and this was
something many of them experienced for the first time in their lives. The Enterprising Women program brought about a sense of achievement by providing participants with business education. The sense of achievement of the savings and loans circle participants was fostered by the support and trust of other group members.

<table>
<thead>
<tr>
<th>Program</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>NILS®</td>
<td>Ownership of a <em>new</em> household item</td>
</tr>
<tr>
<td>Enterprising Women</td>
<td>Business education</td>
</tr>
<tr>
<td>Savings and loans circles</td>
<td>Support and trust from other group members</td>
</tr>
</tbody>
</table>

8.6 Equality

One of the greatest barriers people face in society is that people do not treat each other equally (Hughes et al. 2007). Participants of all the programs spoke of equality, although it was referred to in different ways for each program. This is significant because it shows that people feel inequality in different ways and shows that there are different ways to foster a sense of equality amongst people.

From discussions with participants, there was a strong sense that they felt people on low incomes were seen and treated differently by the rest of society, that they were seen as lower-class citizens. This was often discussed when talking about approaching a bank for a loan but also more generally when talking about engaging with the wider community. Consequently some people often did not engage with the wider community, with some participants also saying that they were reluctant to invite people to their homes.

The sense of inequality was more acute for the migrant women from the
Enterprising Women program, particularly because they felt another layer of exclusion based on cultural and language barriers. However, all three programs provided participants with a greater sense of equality in very different ways.

The women from the Enterprising Women program spoke of equality in the group because all the other participants were also migrant women and, indeed, some of the speakers were also migrant women. The main theme was that ‘If they can do it, then so can I’, because they could identify with the other women.

The women from the NILS® program said that one of the reasons they liked the NILS® program was because they were treated equally. This is in contrast to what is often said by people on low incomes in reference to their experience at banks, or even their perception of how they might be treated by the banking sector. One participant said that when asking a bank for money, ‘you have to go cap in hand and beg and you know, be treated like dirt’. A NILS® participant Elizabeth, aged 55-64, single with no children, said that she liked the NILS® program for the reason that they treat you equally. They don’t ask too many questions and they give you a fair chance to get a loan you know, as long as you’ve got all the documents, the bills and things, you know.

Another NILS® participant, Natalie, aged 45–54 and sole parent of one child, spoke of her increased sense of equality as a result of being able to own things that she perceived people on higher incomes had. She said that the loan enabled her to have things that other people had.

It’s like you go to places and you see people having this, having that, and you come back in your place and you don’t have that, you don’t have this and you feel a little bit, you know, behind. And then when you can get it, and then you feel same as other people ... It just makes me the same as other people. You know, there are lots of people they think, you’re on pension, oh you poor thing. It’s actually you are because you
can’t afford many things.

Natalie felt more included in society as a result of being able to purchase goods and having some of the things she perceived the majority of the population to have. The purchase of goods helped her to feel more included in society and made her feel as if she was more like everyone else. Here we see Natalie’s sense of equality reflecting the dominant discourse on social exclusion, where economic participation is seen as a means of inclusion.

The participants from the savings and loans circles spoke about the equality of the participants in the circle and the impact that equality had on them. Debbie spoke of the increased sense of equality that she felt.

For me, because I’ve got such a high calibre and it’s just the circumstances of life that took me down the wrong track, my desire to be with more successful people and more prestigious people was there, and this was an avenue for it, and because as you said not everybody was broke. Lots of these people are in this group because they wanted help and it was identified that everybody needed to be on an equal playing field, and even the people who didn’t need to take out a loan took out a loan and paid it off over 20 painful months of $20 a fortnight or whatever it was that they paid off and it hurt, it like really hurt, because they got to feel what we felt of how annoying that was, just to chip away at it instead of just putting it on the credit card or paying it out in cash. They actually have to come and do it you know, and so that was a very valuable thing.

In relation to the way the group operated, Debbie said:

Yes that’s [equality] the big thing. In the consensus is the thing there’s no-one that’s any higher than another in the group. We are all equal, and I’m the co-ordinator because they wanted me to be the co-ordinator and I offered, but I’m no more powerful to make a decision or do anything than anybody else.
For Debbie, the fact that everyone in the group, regardless of their level of income or status, had equal access to a no-interest loan and were able to borrow the same loan amount represented equality, as well as the fact that everyone had to contribute the same minimum amount in savings.

This next statement captures the importance of the way a person is seen and treated in the eyes of others. Debbie talked of how when her husband left her, she no longer felt like a part of ‘high society’ but rather identified with ‘the dregs’. Debbie said that she felt other people were not interested in her and that if they were, it was only because they wanted to help her or felt sorry for her. She said that the savings and loans circle was good for her as it was something she was able to rely on.

I became acutely aware of it at some stage because what tends to happen is when you’re alone and a single mother you suddenly find everybody else that’s in need so that’s your world. You’ve gone from being of very high standards where you know of the people in need but you’re not acutely acquainted with them as such, to being left with the dregs of society as it were and they’re the sort of people that you suddenly identify with. Whether you want to or not you find yourself relating to them, and, because the other people don’t want to know you, and if they do, they want to know you because they feel sorry for you and they want to help you. Very few people will consider you their equal, whereas when you have high status you were their equal, you were their PR, but suddenly you’ve become, you’re superior of their mercy, and it’s a very, and you know especially when you’ve been rejected. Like divorce is a wicked thing and even when there has been abuse and all the rest of it there’s obviously an incredible relief but there’s all this identity crisis that happens inside of you.

One member of the savings and loans circle, Josie said that she felt valued as a result of being part of the group and said that prior to joining the group, she felt as if she was inferior to other people. The sense of equality that came as a result of belonging to the group also had a profound impact on her sense of self.
She said, ‘It also reinforces a peace and an acceptance of where I am at this point in my life’.

In the savings and loans circles, everyone was treated as an equal. So the savings and loans circles provide the first step for people to socially engage and to build and develop trust in themselves and others around them. They also foster a sense of equality, regardless of personal financial circumstances. From these savings and loans circles people were able to move towards being socially included in ‘mainstream’ society without feeling disempowered.

In summary, all three programs helped to foster a greater sense of equality in their participants. This sense of equality helped to boost people’s confidence and made them feel more valued as members of society, as well as more empowered. As table 17 shows, equality was facilitated by a number of different reasons. For NILS® participants, it was because the community workers did not talk down to participants and treated them as their equals. For the Enterprising Women participants, the sense of equality emerged because the program was specific to women from a CALD background. This meant that participants had the opportunity to meet and talk to women who faced similar barriers to their own, in a supportive and positive environment. For the savings and loans circles, there was a sense of equality because all members were treated equally and had equal opportunities and equal power in the group.

<table>
<thead>
<tr>
<th>Program</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>NILS®</td>
<td>Treated as equal by community workers</td>
</tr>
<tr>
<td>Enterprising Women</td>
<td>Opportunity to meet other CALD women in a positive and supportive environment</td>
</tr>
<tr>
<td>Savings and loans circles</td>
<td>All members with equal access to power in the group</td>
</tr>
</tbody>
</table>
8.7 Further skills and education

The two skills that people spoke most of were increased computer literacy and increased financial management skills. The former was more common among business development participants, while the latter was more common among savings and loans participants, due to the shared responsibilities associated with the running of the program. Enterprising Women participants also spoke of gaining extra qualifications as either a direct or an indirect result of the program, in order to further their business ventures.

Of the participants who completed the Enterprising Women business program, four subsequently went on to complete a New Enterprise Incentive Scheme (NEIS) course which provided further business skills and education. The participants said that the Enterprising Women program had been a stepping stone for the NEIS program, and three of the four women said they knew about NEIS only through the Enterprising Women program. Vanessa stated that she did not think she would have coped with NEIS if she had not done the Enterprising Women course. Those participants spoke of the differences they found between NEIS and Enterprising Women. All four women said that the NEIS course was much more comprehensive in relation to business knowledge but they had received other benefits from Enterprising Women such as greater levels of support and encouragement.

Yasmin, who was not eligible for NEIS, said that she was very grateful for the Enterprising Women program, as she would otherwise not have had access to this information. Of course, there were other financial skills that were gained as a result of the microfinance programs, such as greater financial knowledge, which was discussed in Chapter 6.

8.8 Well-being

Participants provided feedback that as a result of the programs they led happier and more fulfilled lives and, in some cases, had better health. The programs influenced factors such as outlook on life and brought about less hardship as
well as reduced stress levels. People felt that their desires were fulfilled and they were happier and had greater enjoyment in their lives as a result of the microfinance programs.

One of the NILS® participants said that getting the loan and being able to purchase a new washing machine reduced the level of anxiety she felt in her life. All others who spoke of reduced stress were from the Enterprising Women program. Just under half of the women interviewed from the Enterprising Women program reported a decrease in their stress levels, and as many as 16 women reported an increase in their levels of health and well-being. While members of the savings and loans circles did not speak of reduced stress, they did speak of increased financial security, thus implying that they were less worried or stressed about their finances.

In reference to reduced stress, the majority of the Enterprising Women participants said that acquiring business knowledge, or at least knowing where to find more information if they wanted to start a business, had a significant positive impact on them and helped to reduce their stress levels. One participant, Beth, aged 55-64, and sole parent of two children, articulated this by saying: ‘It relieved my stress, I got a lot of knowledge about small business, where to contact, how to do it, how to start it’. For another participant, just going out and meeting others and having discussions with other participants helped alleviate stress. ‘Going out of my house and ... in the program a lot of other women they discussed, and my brain was involved in those things. It’s a release of stress’. For another, the stress reduction came with business knowledge. ‘I think things, I think my lack of knowledge was definitely a barrier, and think part of that reflected in my stress levels. And having done the course certainly relieved some of that’.

A community worker from the savings and loans circles said that people had a greater sense of well-being as a result of the increased financial security in their lives. Alice said:

For some people it really was a great support. Like I remember people
literally kind of dancing, now maybe not dancing as in dancing down the street, but so happy that they’d joined and that this had given them some financial security and yeah. And so it was really opening doors for some people, and I mean ... like just their sense of well-being was better or higher because they, it was like a bit of a stress relief thing that they had this financial security thing happening in their lives.

The NILS® program also provided a sense of greater well-being for participants. In fact, three NILS® participants spoke of greater levels of health and well-being as a direct result of the scheme. Two of the participants had reduced addictive habits. For one this meant she had quit smoking as she was unable to afford cigarettes. ‘I was smoking a pack and a half two years ago and I don’t smoke a cigarette at all’. She saw this as a positive influence on her life. For another participant, having a NILS® loan meant that she could no longer afford to buy as many bottles of whiskey a fortnight as she used to, so she had cut back on her alcohol intake.

Rory, a member of the established savings and loans circle, also said that her health would improve after being part of the program, as in the past she had been unable to afford to go to a dentist. She said that as a result of being in the program, she would be able to get a loan to see a dentist. She said it also meant that she would have money available to fix any problems she might have with her gums. Rory said:

Actually I didn’t go to the dentist for four years so that’s a healthy impact that now I am going to be able to do that and I didn’t go out of fear obviously for what would happen if I got a bill. But I have recently made an appointment with the dentist and I’m going very soon.

Rory spoke of the years she would have had to wait if she was not a member of the established savings and loans circle.

And I’m not worried. Like I don’t have any teeth pain or anything like that but yes, I haven’t gone for a check-up in that long because I couldn’t
afford it and I was on the waiting list when I was on Centrelink benefits but I think you have to wait about three or four years before you get your check-up.

Perhaps the most significant impact the programs had in relation to a person’s health was in the reduction of depression. Women who spoke of reduced depression were all from the Enterprising Women program, and said that it was a result of the interaction with other women.

Beth, who had depression for over 10 years, said that for the duration of the Enterprising Women program, her stress levels were greatly reduced, along with her depression. Beth said the reason for this was because she heard about the problems some of the other women were facing so she was not so focused on her own situation, and also because her mind was occupied on the sessions themselves.

Vanessa said that her health was better after the program because she has been less stressed and as a result has lost 10 kilos. Vanessa said that this change took place because the program made her happy, which helped to facilitate these changes for her. ‘When you’re happy, you’re able to lose weight, you’re able to control your life and I think I am in control fully in my life’.

Wendy also had depression prior to the program and said the program had such a positive impact on her that since the course her medication levels have reduced and she has also lost weight.

Ruth described how the Enterprising Women program improved her health.

I used to come back happy...it helped because you meet women who are like you, and we talked and laugh and you joke and you learn at the same time, in a fun way and you feel like I am strong, I can do things, and it is a good feeling to have, especially if you are depressed, Oh I can stand on my own two feet, I can do things.

Ruth’s thoughts were reflected by at least four other participants of the
Enterprising Women program. Ruth described the reasons for such a profound change in her sense of well-being.

I think because I didn’t take it seriously to be able to talk to other women. I was with depression and sickness. I just pushed away from society for a while. And by coincidence by meeting them, they brought me back. Even without them knowing actually. I don’t think they realise that this affected me this way.

Another participant, Beth, who also suffered from depression, said she felt better after attending the Enterprising Women business sessions. She attributed this benefit to the social nature of the event, saying she felt better ‘because of the gathering together and they talk to each other. We enjoy, we eat, drink, we talk about our problems to each other’. Beth went onto explain why she had reduced levels of depression when she attended the Enterprising Women program.

Before that program, first of all, I don’t know about the other people but I got rid of my depression when I was attending the program. First of all talked to [community worker] and she said a lot of things to me about my depression and she gave me moral support if I wanted to start. She suggested to me you can do this, you can do that and when I went there I met a woman and we talked and at that time when I was with them I never thought about when I am all alone at home and been thinking and I am more depressed. When I was with them I was a little bit better than before. The first thing, for me, I don’t know for other women because maybe they got other benefits, but my benefit was it relieved my stress and my stress was released and my English is not very good.

A participant of a savings and loans circle, Josie, also spoke of the impact the program had on her mental health as a result of the security she felt because of having savings.

My mental health has improved vastly because that was one of the
things that I felt a total value about. Around that issue and my mental health is better around that, I'm not as hurried or tense because I have some savings.

Another participant, Debbie, spoke of the impact the savings and loans circle had on her due to the support she received from group members.

I've gone on and it's like I've found my feet again. And this group was the pivotal point when I was ready to quit, and I'm not a quitter, but I just felt like there was nowhere and nothing left to do and I'd just been beaten down beyond what I could hack, and this group changed that, they showed me on one or two occasions when there was no-one who was willing to give me a chance or even care, and so yeah.

Sally, a participant of the Enterprising Women program, said that her life had changed for the better since she attended the program. She said, 'Everything has turned out good since I started there. I don't know if it's just that or if my attitude towards things, I don't know, but since then everything has changed'.

Along with life change, people also spoke of a sense of achievement.

As demonstrated above, all three microfinance programs had significant impacts for participants and their sense of well-being, including effects such as stress reduction and better health, as well as greater levels of satisfaction with life. Table 18 provides a summary of the characteristics of the microfinance programs that facilitated these impacts for participants. For the participants of the NILS® program, it was particularly due to the provision of a no-interest loan and the consequent reduction in stress, or the enforced inability (as a result of having to make payments) to purchase goods that were harmful to a person’s health. For the Enterprising Women participants, a greater sense of well-being was facilitated through business education and, in particular, through the participants' interaction with one another. For the members of the savings and loans circles, greater levels of well-being emerged as a result of the social interaction among participants as well as access to a no-interest loan.
Table 18: Characteristics of programs fostering a greater sense of well-being

<table>
<thead>
<tr>
<th>Program</th>
<th>Characteristics</th>
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<tbody>
<tr>
<td>NILS®</td>
<td>• Access to a no-interest loan</td>
</tr>
<tr>
<td>Enterprising Women</td>
<td>• Business education</td>
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<tr>
<td></td>
<td>• Avenues for social interaction</td>
</tr>
<tr>
<td>Savings and loans circles</td>
<td>• Avenues for social interaction</td>
</tr>
<tr>
<td></td>
<td>• Access to a no-interest loan</td>
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</tbody>
</table>

8.9 Summary

This chapter has described the impacts the microfinance programs had on the capabilities of the participants. Participants in all three programs spoke of an increased sense of empowerment in their lives as well as more freedom, choice and control. Participants felt a sense of achievement and had a greater sense of pride and dignity as well as more confidence in themselves. They also spoke of greater levels of well-being as well as feelings of equality within society.

Three particular components of the microfinance programs fostered the impact on these capabilities: the provision of financial services, knowledge sharing and social dimensions.

The financial services included aspects such as a no-interest loan and the opportunity to save, which led to participants feeling more empowered, having a greater sense of dignity and pride in themselves, and having a greater sense of achievement. It also facilitated greater levels of well-being.

The knowledge sharing occurred through formal and informal means. Participants cited this as being one of the reasons for an increase in their sense of freedom, choice and control, as well as a greater sense of empowerment. Increased knowledge also facilitated greater levels of confidence, a sense of
achievement and greater well-being. It also encouraged the furthering of some participant’s skills development and education.

The social interaction, support and trust from other participants as well as community workers led to improvement in the capabilities of participants. This is a significant finding, as many of the current microfinance programs available in Australia, including some of the biggest, do not provide avenues for social interaction.

Table 19 provides a summary of the impacts on the capabilities of participants, as well as the characteristics of the programs that were able to foster these benefits. One of the things of note is that the NILS® program, by enabling people to own a new household item, was able to provide participants with a greater sense of pride and dignity, as well as a sense of achievement. However, the majority of the impacts on participants’ capabilities were fostered by the savings and loans circles and the Enterprising Women program (though it must be recognised that the NILS® sample was smaller than the other two).

As seen in Chapter 7, social interaction led to a range of positive impacts for participants. These positive impacts, as well as the process of social interaction itself, were found to lead to enhanced capabilities for participants. The capabilities of microfinance participants were further enhanced where avenues for this social interaction were provided in conjunction with the provision of financial services, including business education and training and access to a no-interest loan.
<table>
<thead>
<tr>
<th>Impact</th>
<th>Program</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Freedom, choice and control</strong></td>
<td>Enterprising Women</td>
<td>• Business education and training</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Formal</td>
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<tr>
<td></td>
<td></td>
<td>– Informal sharing networks through social interaction</td>
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<tr>
<td></td>
<td></td>
<td>• Support</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Community worker</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Other participants</td>
</tr>
<tr>
<td>Savings and loans circles</td>
<td></td>
<td>• Flexible choices in program structure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Informal support networks through social interaction</td>
</tr>
<tr>
<td><strong>Empowerment</strong></td>
<td>Savings and loans circles</td>
<td>• Opportunity to save</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Provision of a no-interest loan</td>
</tr>
<tr>
<td></td>
<td>Enterprising Women</td>
<td>• Knowledge sharing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Opportunity to meet inspired people</td>
</tr>
<tr>
<td><strong>Confidence</strong></td>
<td>Enterprising Women</td>
<td>• Business knowledge</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Social interaction (especially with others from a marginalised group, such as migrant women)</td>
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<tr>
<td></td>
<td></td>
<td>• Inspiring speakers</td>
</tr>
<tr>
<td>Savings and loans circles</td>
<td></td>
<td>• Financial security</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Opportunity to handle money and accounts</td>
</tr>
<tr>
<td><strong>Pride and dignity</strong></td>
<td>NILS®</td>
<td>• Ownership of a new household item</td>
</tr>
<tr>
<td></td>
<td>Savings and loans circles</td>
<td>• Access to a loan from friends and not a community organisation or bank</td>
</tr>
<tr>
<td><strong>Sense of achievement</strong></td>
<td>NILS®</td>
<td>• Ownership of a new household item</td>
</tr>
<tr>
<td></td>
<td>Enterprising Women</td>
<td>• Business education</td>
</tr>
<tr>
<td></td>
<td>Savings and loans circles</td>
<td>• Support and trust from other group members</td>
</tr>
<tr>
<td><strong>Equality</strong></td>
<td>NILS®</td>
<td>• Treated as equals by community workers</td>
</tr>
<tr>
<td>Impact</td>
<td>Program</td>
<td>Characteristics</td>
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<tr>
<td></td>
<td>Enterprising Women</td>
<td>• Opportunity to meet other CALD women in a positive and supportive environment.</td>
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<tr>
<td></td>
<td>Savings and loans circles</td>
<td>• All members with equal access to power in the group</td>
</tr>
<tr>
<td>Further skills and education</td>
<td>Enterprising Women</td>
<td>• Business education and training</td>
</tr>
<tr>
<td>Well being</td>
<td>NILS®</td>
<td>• Access to a no-interest loan</td>
</tr>
<tr>
<td></td>
<td>Enterprising Women</td>
<td>• Business education</td>
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<td></td>
<td></td>
<td>• Avenues for social interaction</td>
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<tr>
<td></td>
<td>Savings and loans circles</td>
<td>• Avenues for social interaction</td>
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<tr>
<td></td>
<td></td>
<td>• Access to a no-interest loan</td>
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CHAPTER 9: MICROFINANCE IN AUSTRALIA: INCREASING CAPABILITIES TO FOSTER GREATER SOCIAL INCLUSION

The microfinance sector in Australia has been thriving over the last ten years, with many new programs and increased levels of funding from state and federal governments. There are also partnerships between not-for-profit organisations and the banking sector. What has been lacking in the microfinance arena has been research that explores the impacts of these microfinance programs. This thesis has explored the impacts of three microfinance programs on participants in Australia.

The main research question was: How do microfinance programs influence the capabilities of participants? In order to answer this question, two subsidiary questions were also needed to be addressed:

1. What are the impacts of microfinance programs on participants?
2. How do microfinance programs foster these impacts?

These questions were addressed within the frameworks of social exclusion, financial exclusion and Sen’s capability approach. The research and analysis also drew on concepts of social capital theory, asset accumulation and well-being. The phenomenological approach was used to understand how participants gave meaning to the microfinance programs in the context of their lives. Because of the theoretical frameworks, semi-structured interviews and participant observation were used to collect information.

9.1 The impact of microfinance programs

The impact of the three microfinance programs on their participants is discussed under three broad categories: financial elements, social dimensions and capabilities.
9.1.1 Impact on financial elements

All the programs were built around a financial component. Almost all participants spoke of the program’s significant positive impact on their finances. As a result of the microfinance programs, participants said they felt they had a greater sense of financial security, increased income, more savings, a tool to help stay debt-free and increased financial knowledge and skills.

Participants who spoke of financially relevant benefits only spoke of one area where they lacked access to financial products and that was access to an affordable loan from a bank. However, two of the microfinance programs, the NILS® program, and the savings and loans circles, were able to provide these services to participants to enable them to access affordable loans.

What this research was unable to do was to ascertain the long-term effects of programs such as the Enterprising Women program, which provided increased levels of income for women. It remains unknown if the businesses that the women established were able to generate income for them in the longer term. Also, while women reported greater levels of financial knowledge, behavioural change was not measured, although some women did speak of changed saving and spending behaviour.

In addition, not all the financial impacts were positive, with some participants reporting increased levels of financial stress due to the provision of the no-interest loans, however those participants considered that increased stress as offset by the benefits associated with the loan.

9.1.2 Impact on social dimensions

Programs were able to foster greater social interaction among participants of the Enterprising Women program, and savings and loans circles in almost all cases. This greater social interaction led to an increased sense of social capital among participants, that is, participants said that they had greater levels of trust, not only in themselves but also in people around them. There was also a greater sense of reciprocity, that is, people wanted to contribute to others and
give back to the community. Participants said they felt more supported and enjoyed more friendships as a result of social interaction. They also said that they had stronger relationships, a greater sense of belonging and an increased sense of equality. While not all social impacts were positive, the negative impacts were only a small component, as the vast majority of participants found that the social dimensions of the programs greatly impacted their lives for the better.

9.1.3 Impact on capabilities

It was found that if a program was able to provide increased social interaction coupled with greater financial security, then participants had increased capabilities and functionings. They related to a person’s sense of self, such as a greater sense of empowerment, more confidence, higher self-esteem, pride and dignity and increased sense of control, as well as skills development and a sense of achievement. Overall, the impact on capabilities was very positive.

9.2 Enabling components of the programs

There were two main components of the microfinance programs that facilitated the scale of impacts for participants. These were the provision of financial services and avenues for people to interact socially with one another. The provision of financial services often led to an increase in financial impacts, and the provision of avenues for social interaction led to greater social benefits for participants such as friendships and increased sense of trust, equality, a desire to help others and increased financial literacy. The provision of avenues for social interaction also led to participants feeling more supported and able to support other people, as well as building and fostering greater levels of social capital.

Combining those two components led to participants feeling more empowered and having a greater sense of capability. One participant from a savings and loans circle summed it up well, saying, ‘[I] think in the beginning, from my experience … the financial aspect is more important to people and then over time the social part becomes more important’.
Table 20 provides a list of the components of the programs that contributed to greater social inclusion among participants. The table is broken into two columns. The first column lists the financial services that provided impacts for participants and the second column lists the social services that provided impacts for participants.

The financial services that contributed to greater social inclusion among participants were: the provision of financial education, which could be either formal or informal, the opportunity to save and access to an interest-free loan.

The social components which contributed to greater social inclusion among participants were: increased levels of support from both a community worker and/or group members, trust from other group members, the ability to have control and responsibility over money, and having a shared sense of responsibility over money. Other significant components were a sense of belonging to a group where the ‘binding agent’ relates to finances, avenues for social interaction, and being treated, or seen as an equal by the community worker and/or other members of the group.

Table 20: Enabling components of the programs

<table>
<thead>
<tr>
<th>Financial components</th>
<th>Social components</th>
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</thead>
<tbody>
<tr>
<td>1. Financial education</td>
<td>1. Support from community worker and/or group</td>
</tr>
<tr>
<td>2. Opportunity to save</td>
<td>2. Trust from other group members</td>
</tr>
<tr>
<td>3. Interest-free loan</td>
<td>3. Greater control and responsibility over money</td>
</tr>
<tr>
<td></td>
<td>4. Sense of shared responsibility</td>
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<td>5. Sense of belonging that is founded in finances</td>
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<td>6. Avenues for social interaction</td>
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<td>7. Sense of equality</td>
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9.3 Research contributions

This research has shown that microfinance programs have the potential to increase the capabilities of participants. It has been demonstrated that the social dimensions are just as important as the financial in bringing about positive changes for people and helping them lead happier and healthier lives. Measures of social inclusion have often been biased towards assuming that someone is socially included if they are economically engaged in society, however the findings of this research suggest that a more balanced approach needs to be applied. One of the measures of financial inclusion is the use of bank loans. However, this study has shown it is the choice to access a loan that is empowering rather than its actual use.

The microfinance programs studied have enabled people to have greater choice in their lives. This choice has been the catalyst for bringing about benefits for participants in a number of different areas. Certain aspects of the programs enabled participants to become more socially included as well as economically included, and both of these together have lead to greater capabilities for participants. The programs have acted as agents to increase participants’ choices and opportunities (in other words, to increase their capabilities or their political inclusion), and this in turn has been a catalyst for increasing their social inclusion.

Bringing people together in the same place fostered greater relationships between people. Participants of the microfinance programs spoke more about relationship and community building than about participating in mainstream, consumerist society. This was particularly true for the savings and loans circles and the Enterprising Women program.
The figure above illustrates the findings. The sections in purple show the social and financial impacts of the programs, with the financial elements relating to the consumption indicator of social inclusion as well as increased levels of economic participation. The section in light blue details the increased capabilities, and highlights that only when a program addresses both the social dimensions and financial elements is there a significant increase in the capabilities of participants.

The green section represents the components of the program that brought about the changes. A program needs to provide an avenue for social interaction as well as financial services in order to foster greater capabilities. If a program is able to foster both a sense of financial security and social interaction, this leads to people having greater levels of personal satisfaction and greater development of capabilities. The Enterprising Women program and
the savings and loans circles provided both the financial services and the avenues for social interaction; however, the NILS® program only provided the financial aspects. While the NILS® program was able to bring about a sense of pride and dignity for participants, the capabilities of NILS® participants were not increased to the same degree as the increase in capabilities evident in the participants of the other two programs. This suggests that in order to develop greater levels of social inclusion and increase capabilities for participants of microfinance programs, a balanced approach addressing both social dimensions and financial elements is necessary.

This research has highlighted a need for a balanced approach when addressing issues faced by people on low incomes and the interconnectedness of social and financial needs. There needs to be a balance between the provision of financial resources and the development of avenues for social interaction. When both elements are present, we begin to see dramatic changes in people’s lives.

9.4 Implications of the study

The benefits of increased social capital, greater social inclusion and the development of capabilities are direct results of a holistic approach to the provision of microfinance in Australia. This suggests that if programs want to develop the capabilities of participants and foster greater levels of social inclusion, then there should be the provision of both financial services and avenues for social interaction. This constitutes the primary recommendation of this research.

9.5 Further research

One area recommended for further research would be to examine the role of gender in microfinance programs. While the participants interviewed were all women, this has not been a gendered study. Further research could be undertaken to understand in what ways the findings and impacts of microfinance programs may be gendered, which could be done by including men in the sample. This would be best done with a contextual understanding of
the gendered nature of poverty.

There is a need for more impact-based studies in the area of microfinance programs, particularly in developed countries such as the USA, the UK and Canada, and particularly studies that are participant focused and assess the impacts of the programs based on the needs and functionings of those participants. This would provide an interesting and useful international comparison, and useful lessons could be shared on program designs.

One area that would be useful to explore, particularly for financial inclusion, would be to examine why participants would not be comfortable approaching banks for financial services (including loans). While both this research and previous research has shown that participants often say they feel they would be rejected for a loan, some also say that they would feel uncomfortable or embarrassed going to a bank, therefore, it would be useful to explore some of the personal barriers people face and how some of these could be overcome.

While it could be asked whether the programs were a success or a failure in assisting people out of poverty, this research shows that poverty is multidimensional, and that redressing poverty requires more than increased incomes and economic participation. Addressing poverty also involves providing people with greater freedoms and capabilities so they can achieve what they want and value in their lives.

It should also be recognised that there is no single type of microfinance program that will address the needs of all individuals. The provision of microfinance programs in Australia should to continue to be innovative and to evolve to meet the needs of participants, but it also must be focused, holistically, on providing both financial services and avenues for social interaction. This evolution would best occur alongside impact-based assessments that allow for an understanding of the functionings and capabilities of program participants. Not only should microfinance programs be community focused, but so should their evaluations.
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Appendix A: Interview questions with microfinance workers

Interview questions for WHIN worker

1. What is the “Enterprising Women’s” Program?
   a. How did the idea first come about? Who decided to start the program, and why? Why in this way?
   b. How long has the program been running for?
   c. How does the program run?
   d. What topics does it cover, and how are these decided? How successful do you feel these are? Is there anything about the topics that you would change?
   e. How are speakers sourced?

2. Tell me about the participants of the program
   a. How do participants find out about the program?
   b. How do people approach you?
   c. Who is able to participate? Is there a certain selection criteria? How well does this work?
   d. Why were those characteristics chosen? Is there anything about this that you would change for the future?
   e. What sort of feedback have you had from women?
   f. What sort of benefits do you think the program has for women?
   g. How many would you think go onto start their own businesses?

3. What sort of one-on-one assistance do you provide?
   a. What sort of women would seek one-on-one assistance?
   b. When would they seek assistance?
   c. What about this process in your opinion works well?
   d. What could be improved?
   e. What are some of the benefits you feel this has to the women?

4. Tell me about NEW? (This is the community network of women)
   a. What is it, and how does it work?
   b. How and why did it start?
   c. What is the purpose of the network?
   d. What are the characteristics of the women involved?
   e. Why do women join?
   f. Why do women leave?

5. Are there any comments about the program / process that we haven’t covered and you would like to add?

Thank you very much for your contribution.
Interview questions for Foresters ANA worker

Introductions

1. Tell me a little bit about Foresters ANA, and how you came to be involved?
   a. How did the idea first come about? Who decided to start the program, and why? Why in this way?
   b. How does the program run?
   c. What are your overall impressions of the Savings and Loans Circles?

2. Tell me about the participants of the program?
   a. How do participants find out about the program?
   b. How do people approach you?
   c. Who is able to participate? Is there a certain selection criteria? How well does this work?
   d. Why were those characteristics chosen? Is there anything about this that you would change for the future?
   e. What sort of feedback have you had from women?
   f. What sort of benefits do you think the program has for women?
   g. If there any difference between the impact on men and women?

3. What sort of assistance do you provide?
   a. What about this process in your opinion works well?
   b. What could be improved?
   c. What are some of the benefits you feel this has to the women?

4. Are there any comments about the program / process that we haven’t covered and you would like to add?

Thank you very much for your contribution.
Interview questions for GSYFS worker

Introductions
1. Tell me a little bit about NILS, and how you came to be involved?
   a. How did the idea first come about? Who decided to start the program, and why? Why in this way?
   b. How does the program run?
   c. What are your overall impressions of NILS?

2. Tell me about the participants of the program?
   a. How do participants find out about the program?
   b. How do people approach you?
   c. Who is able to participate? Is there a certain selection criteria? How well does this work?
   d. Why were those characteristics chosen? Is there anything about this that you would change for the future?
   e. What sort of feedback have you had from women?
   f. What sort of benefits do you think the program has for women?
   g. If there any difference between the impact on men and women?

3. What sort of assistance do you provide?
   a. What about this process in your opinion works well?
   b. What could be improved?
   c. What are some of the benefits you feel this has to the women?

4. Are there any comments about the program / process that we haven’t covered and you would like to add?

Thank you very much for your contribution.
## Appendix B: Interview schedule table

### INTERVIEW SCHEDULE TABLE

<table>
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<th>Themes</th>
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</tr>
<tr>
<td><strong>Aspects of program</strong></td>
<td>q.2 What did you find useful about the program. In what ways did the program work for you?</td>
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<td>q.3 what sections did you think were not so useful? Why? How could these have been improved?</td>
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<tr>
<td><strong>Financial situation</strong></td>
<td>q.6 what happened to your financial situation after the program?</td>
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<td>q.7 what sort of changes have there been in your budget since the program?</td>
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<td><strong>Future</strong></td>
<td>q.19 (about the future) Where do you see yourself and your family in 12 months? What about in 5 years?</td>
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<tr>
<td><strong>General about program</strong></td>
<td>q.16 How would you describe your overall experience with WHIN?</td>
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<td></td>
<td>q.1 tell me about what led you to the business education program</td>
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<td>q.2b In what ways did the program work for you?</td>
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<tr>
<td><strong>Impacts</strong></td>
<td>q.4 What has being part of the program meant to you?</td>
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<td>q.5 how has being part of the program affected your choices and opportunities?</td>
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<td>q.11 in what ways did the program influence or affect your sense of control over your life?</td>
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<td></td>
<td>q.12 can you tell me how the program may have affected your outlook on life?</td>
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<td>q.13 I am interested to hear about some of the things that caused you stress before the program. How have these changed? What has been the cause of this change?</td>
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<td>Q8. Do you feel you have enough money to look after your families health?</td>
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<td>Q9 is your families, or your own health a concern for you?</td>
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<td>q.10 how did your family respond to your involvement in the program, and or starting/not starting the business?</td>
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<td>q.14 describe some of the ways you coped in difficult times before you joined the program. What happened when you felt you could not cope?</td>
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<td>q.15 Where did you go in times of need? Who did you turn to?</td>
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<td>q.17 Do you feel you are part of a community? If so, can you describe that community for me? Is there any community you feel you do not belong to, but would like to? Do you feel excluded from any groups?</td>
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Appendix C: Interview schedules

Interview Schedule Foresters ANA

Introductions

1. Tell me about how the savings and loans circle works.

   **Prompters:**
   - How did begin
   - Decision process
   - How did they get involved
   - How they heard about the organisation
   - How is the group structured,
     1. how often do they meet,
     2. where do they deposit savings,
     3. how do they deposit savings
   - Why did you choose this?
     1. What is the difference between this, and a non-group method?

2. What has being part of this group meant to you?

   **Prompters:**
   - Personally
   - For the family
   - In relation to the knowledge gained
   - Level of confidence
   - Any changes in community involvement?
   - Any financial or personal sacrifices?
   - Any other impact or cost/benefit?

3. Tell me about your experience with the group?

   **Prompters:**
   - relationship with other members?
   - Positive moments?
   - Negative moments?
   - What made them stay with it?
   - What do they like and dislike?

4. Has being a part of this group affected the choices you feel you have now, as opposed to before?

   **Prompters:**
   - What types of opportunities and choices?
   - What about for their family?
   - Have they been positive or negative?
   - What particular aspects of the process contributed to this?
What have you made friendships or connections with other people?
If you took out a loan, what did you use the loan for?

**Finances/Money**
5. Tell me about any changes in your financial situation as a result of the circle.

*Prompters:*
- Employment situation
- What changed in their income level?
- What were the contributing factors to this change?
- Changes in use of financial products

6. What sort of changes have there been in your budget?

*Prompters:*
- Stress on budget
- Who controls / manages the budget
- How do you budget?
- Sense of control over finances

7. Do you feel you have enough money to look after your family’s health, to buy medicines and so on?

8. Is your family, or your own health a concern for you?

*Prompters:*
- Changes in food eaten
- Has there been an increase in exercise
- Changes in unhealthy habits (smoking/drinking)

**Social networks**
9. How did your family respond to you joining the group?

*Prompters:*
- Did it change the future outlook for you or your family?
- Which members of the family
- Why some family members and not others
- Was there a family discussion
- Whose decision was it to join, and how did you decide
  WHO was going to join? Was more than one family member able to attend the sessions?
- Who did you have encouragement/discouragement from?
  Why?
- Any changes in the relationship since the loan?

**Outlook**
10. Can you tell me how the loan process may have affected your outlook on life?

**Prompters:**
- Outlook before
- After
- What about process generated the difference

11. In what ways did the process influence or affect your sense of control over your life?

**Prompters:**
- What has changed
- Financial control
- Control over situations
- Life in general
- What would help to generate more control
  - (if money, how do they think they will be able to get this?)

12. I am interested to hear about some of the things that caused you stress before the circle? How have these changed? What has been the cause of this change?

**Prompters:**
- Outlook before
- What are your main stressors?
- Financial worries
- Non-financial worries
- Outlook on future
- Changes, and cause of change

13. Describe some of the ways you coped in difficult times before the group.

**Prompters:**
- Where did you get assistance from?
- Where would you have liked to get help?
- What services were lacking?

14. Where do you go in times of need? Who do you turn to?

**Prompters:**
- Friends/social networks
- Trust
- Non-financial needs
  - If not, where do they go for help? What do they do?
  - What would it mean for them to get the help they needed?
  - If yes, where do they go? Who do they go to? How did the relationship develop?
15. Who would you turn to for assistance now?

16. How would you describe your overall experience with the savings and loan circle?

Promters:  
- Was there a prior relationship with other members?
- Understanding
- Flexible
- What were your expectations, and were these met?
- What more could have been done?

**Overall Social inclusion**

Another aspect of my PhD is looking at the broader community.

17. Do you feel you are part of a community? If so, can you describe that community for me? Is there any community that you feel you do not belong to, but would like to? Do you feel left out, different, or excluded from any groups?

Promters:  
- Type of community
- Sense of engagement
- What they mean by community
- Level of connectedness
- Hobbies
- Time involved in community activities
- What prevents more time

18. Have you always felt this way?

19. Where do you see yourself / and your family in 12 months? 5 years?

20. Are there any comments about the process that we haven’t covered and you would like to add?

21. Any other comments of your overall experience.

Thank you very much for your contribution.
Interview Schedule Enterprising Women

Introductions

Microfinance institution

1. Tell me about what led you to the business education program with WHIN?
   - **Prompters:**
     - Why they were interested in program
     - Decision process to approach WHIN
     - Discussion with other people
     - How they heard about organisation
     - Have they ever had their own business?
     - Did they want to start own business?
     - NEIS?

2. What did you find useful about the program? In what ways did they work for you?
   - **Prompters:**
     - What aspects of the program worked well?
     - What about those sections was good?
     - How did those sections help you?
     - Did the training program help to increase your overall confidence and skills to start a business? Please explain why or why not?
     - Did taking part in this program help you to find out new information about starting a business that you weren’t aware of before starting the program? Or would not have been otherwise able to access? How so/ or not so?

3. What sections did you think were not so useful? Why? How could these have been improved?
   - **Prompters:**
     - How do you think the program could have been improved overall?
     - What things would you have liked to have seen done differently, or wanted more information about?

4. What has being part of the program meant to you?
   - **Prompters:**
     - Personally
     - For the family
     - In relation to the knowledge gained
     - Level of confidence
     - Any changes in community involvement?
     - Any financial or personal sacrifices?
     - Did they start their own business?
5. **How has being part of the program affected your choices and opportunities?**
   - **Prompters:**
     - What types of opportunities and choices?
     - What about for their family?
     - Have they been positive or negative?
     - What particular aspects of the program contributed to this?
     - Have you made friendships or connections with other women in the program that you are likely to keep in contact with?
     - Have you started a business since taking part in the program?
     - How successful has your business been? Tell me about how your business idea has progressed.
     - If you did not start a business, have you pursued other employment opportunities (what were they).
     - (Only if did not start a business) What stopped you from pursuing a business idea after the program?
     - If you took out a loan, what did you use the loan for?

6. **Finances/Money**
   - **What happened to your financial situation after the program?**
     - **Prompters:**
       - Employment situation
       - Business situation
       - What changed in their income level?
       - What were the contributing factors to this change?

7. **What sort of changes have there been in your budget since the program?**
   - **Prompters:**
     - Did they take out a loan
     - Increase stress on budget
     - Who controls / manages the budget
     - How do you budget?
     - Sense of control over finances

8. **Do you feel you have enough money to look after your family’s health, to buy medicines and so on?**

9. **Is your family, or your own health a concern for you?**
   - **Prompters:**
     - Changes in food eaten
     - Has there been an increase in exercise
     - Changes in unhealthy habits (smoking/drinking)
Social networks

10. How did your family respond to your involvement in the program, and or starting/not starting the business?
   - Prompters:
     - Did it change the future outlook for you or your family?
     - Which members of the family
     - Why some family members and not others
     - Was there a family discussion
     - Whose decision was it to start/not start business?
     - Who did you have encouragement/discouragement from?
       - Why?
     - Any changes in the relationship since the loan

Emotions/thoughts/feelings

11. In what ways did the program influence or affect your sense of control over your life?
   - Prompters:
     - What has changed
     - Financial control
     - Control over situations
     - Life in general
     - What would help to generate more control
       - (if money, how do they think they will be able to get this?)

12. Can you tell me how the program may have affected your outlook on life?
   - Prompters:
     - Outlook before program
     - After program
     - What about program generated the difference

13. I am interested to hear about some of the things that caused you stress before the program? How have these changed? What has been the cause of this change?
   - Prompters:
     - Outlook before program
     - What are your main stressors?
     - Financial worries
     - Non-financial worries
     - Outlook on future
     - Changes, and cause of change

14. Describe some of the ways you coped in difficult times before you joined the program.
   - Prompters:
     - Where did you get assistance from?
15. Where do you go in times of need? Who do you turn to?
   - **Prompters:**
     - Friends/social networks
     - Trust
     - Non-financial needs
     - If not, where do they go for help? What do they do?
     - What would it mean for them to get the help they needed?
     - If yes, where do they go? Who do they go to? How did the relationship develop?

16. How would you describe your overall experience with Women’s Health In the North?
   - **Prompters:**
     - Was there a prior relationship with org?
     - Understanding
     - Flexible
     - What were your expectations, and were these met?
     - What more could have been done?

**Overall Social inclusion**

Another aspect of my PhD is looking at the broader community.

17. Do you feel you are part of a community? If so, can you describe that community for me? Is there any community that you feel you do not belong to, but would like to? That is, do you feel left out, different, or excluded from any groups?
   - **Prompters:**
     - Type of community
     - Sense of engagement
     - What they mean by community
     - Level of connectedness
     - Hobbies
     - Time involved in community activities
     - What prevents more time

18. Have you always felt this way?
19. Where do you see yourself / and your family in 12 months? 5 years?
20. Are there any comments about the program / process that we haven’t covered and you would like to add?
21. Any other comments of your overall experience of the program?

Thank you very much for your contribution.
Interview Schedule Good Shepherd Youth and Family Services

Introductions

1. Tell me about what led you to Good Shepherd?

*Prompters:*  
- Why they were interested in this program  
- Decision process  
- Discussion with other people  
- How they heard about the organisation  
- Have they ever taken out a loan before?  
- Approached other organisations?

2. What has this service provided by GSYFS meant to you?

*Prompters:*  
- Personally  
- For the family  
- In relation to the knowledge gained  
- Level of confidence  
- Any changes in community involvement?  
- Any financial or personal sacrifices?  
- Any other impact or cost/benefit?

3. What did you find useful about GSYFS? In what ways did it help you?

*Prompters:*  
- What aspects of the loan process worked well?  
- What about those sections was good?  
- How did those sections help you?

4. What did you think were not so useful? Why? How could these processes have been improved?

*Prompters:*  
- How do you think services could have been improved overall?  
- What things would you have liked to have seen done differently, or wanted more information about?

5. How has this loan affected your choices and opportunities?

*Prompters:*  
- What types of opportunities and choices?  
- What about for their family?  
- Have they been positive or negative?  
- What particular aspects of the process contributed to this?
• Have you made friendships or connections with other people?
• If you took out a loan, what did you use the loan for?

**Finances/Money**

6. What happened to your financial situation after the loan?

**Prompters:**
• Employment situation
• What changed in their income level?
• What were the contributing factors to this change?

7. What sort of changes have there been in your budget since the loan?

**Prompters:**
• Stress on budget
• Who controls / manages the budget
• How do you budget?
• Sense of control over finances

8. Do you feel you have enough money to look after your family’s health, to buy medicines and so on?

9. Is your family, or your own health a concern for you?

**Prompters:**
• Changes in food eaten
• Has there been an increase in exercise
• Changes in unhealthy habits (smoking/drinking)

**Social networks**

10. How did your family respond to your taking out a loan?

**Prompters:**
• Did it change the future outlook for you or your family?
• Which members of the family
• Why some family members and not others
• Was there a family discussion
• Whose decision was it to take out the loan?
• Who did you have encouragement/discouragement from?
• Why?
• Any changes in the relationship since the loan?

**Outlook**

11. In what ways did the loan process influence or affect your sense of control over your life?

**Prompters:**
• What has changed
• Financial control
• Control over situations
• Life in general
• What would help to generate more control
• (if money, how do they think they will be able to get this?)

12. Can you tell me how the loan process may have affected your outlook on life?

Prompters:
• Outlook before
• After
• What about process generated the difference

13. I am interested to hear about some of the things that caused you stress before the loan? How have these changed? What has been the cause of this change?

Prompters:
• Outlook before
• What are your main stressors?
• Financial worries
• Non-financial worries
• Outlook on future
• Changes, and cause of change

14. Describe some of the ways you coped in difficult times before you took out the loan.

Prompters:
• Where did you get assistance from?
• Where would you have liked to get help?
• What services were lacking?

15. Where do you go in times of need? Who do you turn to?

Prompters:
• Friends/social networks
• Trust
• Non-financial needs
• If not, where do they go for help? What do they do?
• What would it mean for them to get the help they needed?
• If yes, where do they go? Who do they go to? How did the relationship develop?

16. How would you describe your overall experience with (organisation)?

Prompters:
• Was there a prior relationship with org?
• Understanding
• Flexible
• What were your expectations, and were these met?
• What more could have been done?

**Overall Social inclusion**

Another aspect of my PhD is looking at the broader community.

17. Do you feel you are part of a community? If so, can you describe that community for me? Is there any community that you feel you do not belong to, but would like to? Do you feel left out, different, or excluded from any groups?

**Prompters:**
- Type of community
- Sense of engagement
- What they mean by community
- Level of connectedness
- Hobbies
- Time involved in community activities
- What prevents more time

18. Who do you feel you can trust in the community? (What do I mean by trust?)

19. Have you always felt this way?

20. Where do you see yourself / and your family in 12 months? 5 years?

21. Are there any comments about the loan process that we haven’t covered and you would like to add?

22. Any other comments of your overall experience of (organisation)?

Thank you very much for your contribution.
**Appendix D: Participant briefs**

**Participant brief for savings and loans**

You are invited to participate in a research project being conducted by Anuja Cabraal, from RMIT University as part of her PhD project. This research is looking to see if there are any impacts of microfinance programs, and if so, what these impacts might be. This study will help to understand if these programs bring about social and financial changes to clients. If so, discover which aspects of the programs contribute to these changes. The research also hopes to see if there are any costs or benefits of the program.

This project focuses on people who have participated in a development or savings program, or taken out a no or low interest loan. All participants of the research will remain anonymous. Any identifying features will be masked so participants cannot be identified, and participants are free to withdraw their participant at any time.

Please feel free to contact me if you have any further questions.

Regards,
Anuja Cabraal
PhD Candidate
Global Cities Institute
RMIT University
Ph: 0402 205 846
Anuja.cabraal@rmit.edu.au
Letter from Women’s Health In the North to participants

Dear ...

I am writing to you about a final evaluation that Women’s Health In the North (WHIN) are undertaking of the Enterprising Women Business Education and Micro-loans program which you took part in. As you will remember, the program provided free information and support to women in relation to starting a small business.

The project has been running for almost three years, and we are now interested in talking to women who took part in the program, to find out about your experience. We are also interested to know if from your experience, there were any costs or benefits either for yourself, or your family and friends as a result of your involvement. By understanding what the program has meant to women who have been involved, we will be better able to put together new programs in future to meet the needs of women in the community.

I am writing to ask if you would consider taking part in an interview about your experience in the Enterprising Women program. The interviews will be conducted by an independent person to WHIN, Anuja Cabraal. Mrs Cabraal is currently doing her PhD with RMIT University, looking at the impact of programs like Enterprising Women, and has kindly offered her services to WHIN as a volunteer.

Please be assured that all information, and comments discussed during the interview with Anuja are completely confidential, and your anonymity is ensured. All participants will be identified by code so that their names will not be associated with either the tape of the interview or the transcript. Only the principal researcher will have access to that code. WHIN will not be provided with that code. The results of the research will appear in WHIN’s final evaluation report, papers for publication in academic journals, a conference, and the PhD thesis.

In recognition for your time and valuable contribution in this evaluation process, and PhD research, we are offering all women who take part in an interview a Coles gift voucher of $25.

Anuja will contact you by telephone in the next few days to see if you would like to take part in an interview. Your participation is completely voluntary.

If you have any questions, or concerns about taking part in the interviews, or about the confidentiality of your details, or would like to take part and have not been contacted as yet, please contact me directly on 9484 1666.

With many thanks for your assistance.

Best wishes,

Lisa Vettori
Enterprising Women
Women’s Health In the North
Appendix E: Plain language statements

Plain Language Statement: Worker

Dear …

You are invited to participate in a research project being conducted by RMIT University. This information sheet describes the project in straightforward language, or ‘plain English’. Please read this sheet carefully and be confident that you understand its contents before deciding whether to participate. If you have any questions about the project, please ask one of the investigators.

This research is looking at the social and financial impacts of microfinance programs such as the one offered by Good Shepherd Youth and Family Services (GSYFS). This study will help us to understand if these programs bring greater social and financial benefits to clients. If so, what aspects of the programs contribute to these benefits?

Who is involved in this research project? Why is it being conducted?

This research is being conducted by Anuja Cabraal, as part of her PhD project. All students are required to have an academic staff member as a supervisor. Her primary supervisor is Associate Professor Roslyn Russell, from the Business Portfolio. The second supervisor is Professor Supriya Singh, from the Business Portfolio.

The research project has been approved by the RMIT Human Research Ethics Committee, and GSYFS have also provided their support for the research.

Why have you been approached?

You have been approached to participate in this research because of your work with GSYFS. You have been selected from this group by recommendation from GSYFS. Please note that your participation in this research will not affect your employment conditions.

What is the project about? What are the questions being addressed?
This project focuses on people who have participated in a development program, or taken out a no or low interest loan. The aim is to discover the social impact of the program on the participant, as well as the program’s costs and benefits.

**If I agree to participate, what will I be required to do?**

In the interview you will be asked about your experience with the program, from a provider’s perspective, and about your overall impressions of the program. This includes feedback on the benefits it provides clients, as well as any perceived limitations. The interview will last for approximately an hour and a half and will take place in a location convenient to you. The interviews will be recorded for analysis.

**What are the risks or disadvantages associated with participation?**

If you are unduly concerned about your responses to any of the questions or if you find participation in the project distressing, you should contact Michelle Sainsbury, Microfinance Manager at GSYFS as soon as convenient. You may also contact Anuja Cabraal or Associate Professor Roslyn Russell. They will discuss your concerns with you confidentially and suggest appropriate follow-up, if necessary. You also have the option of contacting the Secretary of the Ethics Committee at RMIT University.

**What are the benefits associated with participation?**

Participation in this research will allow you to evaluate the program for yourself and perhaps build on its positive aspects. Your contribution will also help provide a better understanding of the program, and perhaps contribute to program development and improvement. This will help to ensure that it meets the needs of future clients.

**What will happen to the information I provide?**

All information collected throughout this study will be kept securely in a locked cupboard, where only the principal researcher will have access to it. This will be destroyed after five years. All participants will be identified by code so that their names will not be associated with either the tape of our interview or the
transcript. Only the principal researcher will have access to that code. Identifying details will also be masked. All information will remain confidential, and you will remain anonymous.

Any information that you provide can be disclosed only if (1) it is to protect you or others from harm, (2) a court order is produced, or (3) you provide the researchers with written permission.

The results of the research will appear in academic papers for publication or for a conference, and a thesis. Only pseudonyms will be used, and all identifiable information will be masked.

What are my rights as a participant?

Your participation in this program is completely voluntary. You have the right to access any information that we collect from you. Please note that you can withdraw from the project at any time. If you do choose to withdraw, all unprocessed information obtained from you will not be used.

Whom should I contact if I have any questions?

If you have any questions, please contact Anuja Cabraal on 03 9925 1516, or via email Anuja.cabraal@rmit.edu.au. You may also contact Michelle Sainsbury from Good Shepherd Youth and Family Services on 03 9419 5477.

Yours sincerely

Anuja Cabraal
PhD Candidate
Business Portfolio
RMIT University

Any complaints about your participation in this project may be directed to the Secretary, Portfolio Human Research Ethics Sub Committee, Business Portfolio, RMIT, GPO Box 2476V, Melbourne, 3001. The telephone number is (03) 9925 5594 or email address rdu@rmit.edu.au. Details of the complaints procedure are available from the above address or http://www.rmit.edu.au/council/hrec.
Plain Language Statement: Participants

Dear …

You are invited to participate in a research project being conducted by RMIT University. This information sheet describes the project in straightforward language, or ‘plain English’. Please read this sheet carefully and be confident that you understand its contents before deciding whether to participate. If you have any questions about the project, please ask one of the investigators.

This research is looking at the social and financial impacts of microfinance programs such as NILS® offered by Good Shepherd Youth and Family Services (GSYFS). This study will help us to understand if these programs bring greater social and financial benefits to clients. If so, what aspects of the programs contribute to these benefits?

Please note that participation in the research will not affect whether service will be provided, or the nature of the services provided. Participation in the research is entirely voluntary.

Who is involved in this research project? Why is it being conducted?

This research is being conducted by Anuja Cabraal, as part of her PhD project. All students are required to have an academic staff member as a supervisor. Her primary supervisor is Associate Professor Roslyn Russell, from the Business Portfolio. The second supervisor is Professor Supriya Singh, from the Business Portfolio.

The research project has been approved by the RMIT Human Research Ethics Committee, and GSYFS have also provided their support for the research.

Why have you been approached?

You have been approached to participate in this research because of your participation with GSYFS.

What is the project about? What are the questions being addressed?
This project focuses on people who have participated in a development program, or taken out a no or low interest loan. The aim is to discover the social impact of the program on the participant, as well as the program’s costs and benefits.

**If I agree to participate, what will I be required to do?**

In the interview you will be asked about your experience and perceptions of the program, and any impact it may have had on participants. These effects may be large or small – all are relevant and important to the research. The interview will last for approximately an hour and a half and will take place in a location convenient to you. The interviews will be recorded for analysis.

**What are the risks or disadvantages associated with participation?**

If you are unduly concerned about your responses to any of the questions or if you find participation in the project distressing, you should contact Anuja Cabraal or Associate Professor Roslyn Russell as soon as convenient. They will discuss your concerns with you confidentially and suggest appropriate follow-up, if necessary. You also have the option of contacting the Secretary of the Ethics Committee.

**What are the benefits associated with participation?**

Participation in this research will allow you to evaluate the program for yourself and perhaps build on its positive aspects. Your contribution will also help provide a better understanding of the program, and hence, help people to improve in its current content, if needed. This will help to ensure that it meets the needs of future clients.

**What will happen to the information I provide?**

All information collected throughout this study will be kept securely in a locked cupboard, where only the principle researcher will have access to it. This will be destroyed after five years. All participants will be identified by code so that their names will not be associated with either the tape of our interview or the transcript. Only the principal researcher will have access to that code. Identifying details will also be masked. All information will remain confidential,
and you will remain anonymous.

Any information that you provide can be disclosed only if (1) it is to protect you or others from harm, (2) a court order is produced, or (3) you provide the researchers with written permission.

The results of the research will appear in academic papers for publication or for a conference, and a thesis. Only pseudonyms will be used, and all identifiable information will be masked.

**What are my rights as a participant?**

Your participation in this program is completely voluntary. You have the right to access any information that we collect from you. Please note that you can withdraw from the project at any time. If you do choose to withdraw, all unprocessed information obtained from you will not be used.

**Whom should I contact if I have any questions?**

If you have any questions, please contact Anuja Cabraal on 03 9925 1516, or via email Anuja.cabraal@rmit.edu.au

**What other issues should I be aware of before deciding whether to participate?**

As we discuss participation in the program, the interviews are likely to reveal some aspects of your life. However talking about changes that may have taken place can also be reflective and therapeutic.

Yours sincerely

Anuja Cabraal
PhD Candidate
Business Portfolio
RMIT University

Any complaints about your participation in this project may be directed to the Secretary, Portfolio Human Research Ethics Sub Committee, Business Portfolio, RMIT, GPO Box 2476V, Melbourne, 3001. The telephone number is (03) 9925 5594 or email address rdu@rmit.edu.au. Details of the complaints procedure are available from the above address or http://www.rmit.edu.au/council/hrec

Version # 4, 09/05/2008
Appendix F: Participant consent form

RMIT HUMAN RESEARCH ETHICS COMMITTEE

Prescribed Consent Form for Persons Participating In Research Projects Involving Interviews, Questionnaires, Focus Groups or Disclosure of Personal Information

FACULTY OF
DEPARTMENT OF
Name of participant:
Project Title:
The Social Impacts of Microfinance

Name(s) of investigators:  (1)  Mrs Anuja Cabraal  Phone:  9925 1516

1. I have received a statement explaining the interview/questionnaire involved in this project.
2. I consent to participate in the above project, the particulars of which - including details of the interviews or questionnaires - have been explained to me.
3. I authorise the investigator or his or her assistant to interview me or administer a questionnaire.
4. I give my permission to be audio taped: ☒ Yes ☐ No
5. I give my permission for my name or identity to be used: ☐ Yes ☒ No
6. I acknowledge that:
   (a) Having read the Plain Language Statement, I agree to the general purpose, methods and demands of the study.
   (b) I have been informed that I am free to withdraw from the project at any time and to withdraw any unprocessed data previously supplied.
   (c) The project is for the purpose of research and/or teaching. It may not be of direct benefit to me.
   (d) The privacy of the information I provide will be safeguarded. However should information of a private nature need to be disclosed for moral, clinical or legal reasons, I will be given an opportunity to negotiate the terms of this disclosure.
   (e) The security of the research data is assured during and after completion of the study. The data collected during the study may be published, and a report of the project outcomes will be provided to RMIT University, and Good Shepherd Youth and Family Services, and I can request a summary of the research findings. Any information which may be used to identify me will not be used unless I have given my permission (see point 5).

Participant's Consent

Name:  (Participant)  Date:

Name:  (Witness to signature)  Date:

Participants should be given a photocopy of this consent form after it has been signed.

Any complaints about your participation in this project may be initially directed to the National Microfinance Manager, 117 Johnston St Collingwood Ph: 03 9419 5477. Or, failing this, the Chair, Portfolio Human Research Ethics Sub-Committee, Business Portfolio, GPO Box 2476V, Melbourne, 3001. The telephone number is (03) 9925 5594 or email address rdu@rmit.edu.au. Details of the complaints procedure are available from: www.rmit.edu.au/council/hre