Employment and Education panel
C20 Summit

20 June 2014

Adam Mooney
Chief Executive Officer
We all aspire to the fullness of life
The importance of hope

Anna’s story
Scarcity of income affects behavior and choices

Number of Stressors for Poor vs. Non-poor Children


- We have very limited cognitive space and bandwidth
- When you focus heavily on one thing, there is just less mind to devote to other things (tunnelling)
Hope and resilience are interdependent
More than half the world’s poor don’t have bank accounts: Findex

### Key Indicators

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<tr>
<th>Category</th>
<th>Percentage</th>
<th>Year</th>
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<tbody>
<tr>
<td>Account at a formal financial institution (% age 15+)</td>
<td>50%</td>
<td>2011</td>
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<tr>
<td>Saved at a financial institution in the past year (% age 15+)</td>
<td>22%</td>
<td>2011</td>
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<tr>
<td>Loan from a financial institution in the past year (% age 15+)</td>
<td>9%</td>
<td>2011</td>
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<tr>
<td>Account at a formal financial institution, female (% age 15+)</td>
<td>47%</td>
<td>2011</td>
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<td>Account at a formal financial institution, income, bottom 40% (% age 15+)</td>
<td>41%</td>
<td>2011</td>
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<tr>
<td>Account at a formal financial institution, young adults (% ages 15-24)</td>
<td>37%</td>
<td>2011</td>
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Economic resilience - financial inclusion
East Asia and Pacific

East Asia & Pacific
(DEVELOPING ONLY, REGIONAL AVERAGES)

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<thead>
<tr>
<th>Parameter</th>
<th>Percentage</th>
<th>Year</th>
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<tr>
<td>Account at a formal financial institution (% age 15+)</td>
<td>55%</td>
<td>2011</td>
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<tr>
<td>Account at a formal financial institution, female (% age 15+)</td>
<td>52%</td>
<td>2011</td>
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<td>Account at a formal financial institution, income, bottom 40% (% age 15+)</td>
<td>39%</td>
<td>2011</td>
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<tr>
<td>Account used to receive wages (% age 15+)</td>
<td>17%</td>
<td>2011</td>
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<tr>
<td>Account used to receive government payments (% age 15+)</td>
<td>6%</td>
<td>2011</td>
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<tr>
<td>Account used to receive remittances (% age 15+)</td>
<td>9%</td>
<td>2011</td>
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<tr>
<td>Saved at a financial institution in the past year (% age 15+)</td>
<td>28%</td>
<td>2011</td>
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<tr>
<td>Saved using a savings club in the past year (% age 15+)</td>
<td>4%</td>
<td>2011</td>
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<tr>
<td>Loan from a financial institution in the past year (% age 15+)</td>
<td>9%</td>
<td>2011</td>
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<tr>
<td>Loan from family or friends in the past year (% age 15+)</td>
<td>27%</td>
<td>2011</td>
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<tr>
<td>Debit card (% age 15+)</td>
<td>35%</td>
<td>2011</td>
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<tr>
<td>Credit card (% age 15+)</td>
<td>7%</td>
<td>2011</td>
</tr>
</tbody>
</table>
Economic resilience - financial inclusion
East Asia and Pacific

Adults with an account at a formal financial institution:
by gender (% age 15+)

- Australia
- New Zealand
- Singapore
- Japan
- Korea, Rep.
- Hong Kong SAR, China
- Mongolia
- Thailand
- Malaysia
- China
- Lao PDR
- Vietnam
- Indonesia
- Philippines
- Cambodia

- Account at a formal financial institution, male
- Account at a formal financial institution, female

Adults who saved at a formal financial institution:
in the past 12 months (% age 15+)

- Australia
- New Zealand
- Singapore
- Japan
- Korea, Rep.
- Hong Kong SAR, China
- Thailand
- Malaysia
- China
- Mongolia
- Lao PDR
- Indonesia
- Philippines
- Vietnam
- Cambodia

- Saved at a financial institution in the past year
## Economic resilience - financial inclusion

### Australia

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
<th>Year</th>
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<tr>
<td>Account at a formal financial institution (% age 15+)</td>
<td>99%</td>
<td>2011</td>
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<tr>
<td>Account at a formal financial institution, female (% age 15+)</td>
<td>99%</td>
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<tr>
<td>Account at a formal financial institution, income, bottom 40% (% age 15+)</td>
<td>98%</td>
<td>2011</td>
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<tr>
<td>Account used to receive wages (% age 15+)</td>
<td>68%</td>
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<tr>
<td>Account used to receive government payments (% age 15+)</td>
<td>59%</td>
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<tr>
<td>Account used to receive remittances (% age 15+)</td>
<td>17%</td>
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<tr>
<td>Saved at a financial institution in the past year (% age 15+)</td>
<td>62%</td>
<td>2011</td>
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<tr>
<td>Saved using a savings club in the past year (% age 15+)</td>
<td>7%</td>
<td>2011</td>
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</tbody>
</table>

### Loan from financial institution in the past year (% age 15+)

- 17% in 2011

### Loan from family or friends in the past year (% age 15+)

- 13% in 2011

### Debit card (% age 15+)

- 79% in 2011

### Credit card (% age 15+)

- 64% in 2011

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ADFHS WITH AN ACCOUNT AT A FORMAL FINANCIAL INSTITUTION (in %)
Our microfinance programs are offered in 650 locations by 257 local community providers.
Financial inclusion - The process of delivering affordable financial services to people that are financially excluded.

Financial exclusion - A person is considered financially excluded when he/she has either no access to some or all the services offered by mainstream financial institutions in his/her country of residence or does not make any use of these services.

Economic mobility - Movement along stages of a financial inclusion continuum.

Financial inclusion continuum - Where a person moves from financial crisis to resilience and inclusion, through observable steps and using services, with clear outcomes. Typical stages along a continuum include: crisis, financial hardship, hardship transition, stable, income generation, growth and consolidation, wealth creation, independence and resilience.
Human need for financial resilience

Resilience enablers:
- Make connections and good relationships
- Avoid seeing crises as insurmountable problems
- Accept that change is a part of living
- Move toward your goals
- Take decisive actions
- Look for opportunities for self-discovery
- Nurture a positive view of yourself
- Keep things in perspective
- Maintain a hopeful outlook
- Take care of yourself

Source: Road to resilience, American Psychological Association
Economic mobility through microfinance

<table>
<thead>
<tr>
<th>Key Phase</th>
<th>Crisis/ hardship</th>
<th>Stability</th>
<th>Income generation</th>
<th>Resilience</th>
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<tbody>
<tr>
<td>Individual wellbeing</td>
<td>Low control Dependent Isolated</td>
<td>Some control More included</td>
<td>Participation Valued included Contributor Dignity</td>
<td>Strong Confident Adaptable</td>
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<tr>
<td>Economic contribution</td>
<td>Cost intensive High welfare Many services</td>
<td>Fewer services Self manage</td>
<td>Self sustaining Paying taxes Minimal Government services</td>
<td>Creating wealth Net investor</td>
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</tbody>
</table>

Economic mobility

Source: Good Shepherd Microfinance
Economic case for financial resilience (Australia)

People in the first five segments of the 10-stage financial inclusion continuum prepared by Daymark on behalf of Good Shepherd in October 2012 experience a great to limited level of financial exclusion and have potential to benefit from moving up the continuum.

<table>
<thead>
<tr>
<th>Financial Crisis</th>
<th>Hardship</th>
<th>Transition</th>
<th>Stable, asset building</th>
<th>Stable wellbeing</th>
<th>Income generation</th>
<th>Growth consolidation</th>
<th>Wealth creation</th>
<th>Financial independence</th>
<th>Wealth Distribution</th>
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<td>Payday loans</td>
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<td>Self-managed super</td>
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Target segments

Source: SPP analysis, GSM Financial Inclusion Continuum (2012)
Financial inclusion is associated with benefits at the household level – measured by a net increase in household wealth. This has flow-on benefits which are realised in the form of an overall macroeconomic benefit (GDP) as well as a reduction in government spending in certain areas.

Source: SPP analysis
Women are most effective investors in areas that count
Who are the main actors?

Client to realise own vision of economic wellbeing
Is the G20 taking action?

G20:
Argentina
Australia
Brazil
Canada
China
France
Germany
India
Indonesia
Italy
Japan
Republic of Korea
Mexico
Russia
Saudi Arabia
South Africa
Turkey
United Kingdom
USA
European Union

G20 Leaders Welcome Progress on Financial Inclusion

Leaders of the G20 welcomed progress made by the Global Partnership for Financial Inclusion (GPFI) on advancing financial inclusion. In their declaration released at the end of the Summit in St. Petersburg on September 6, 2013, the G20 Leaders endorsed the following recommendations of the GPFI Report and committed to continue these efforts under the Australian G20 Presidency:

- to analyse the work which already has been done and develop further priorities for 2014 and beyond with an updated Financial Inclusion Action Plan which sets the stage in particular to: increase private sector involvement; harness innovative mechanisms such as mobile instruments and technology, especially in remittances areas; identify how to tackle the bottleneck in uptake by increasing incentives to the poor to take up financial services and to improve financial literacy and financial consumer protection of the vulnerable groups such as women, migrants and youth.

- to call upon relevant SSBs: (i) to continue their progress to integrate consideration of financial inclusion in their work, consistent with their respective mandates; (ii) participate in relevant activities of the GPFI and engage GPFI representation in relevant activities of the SSBs; and (iii) give attention to emerging issues in financial inclusion of relevance to multiple SSBs.

- as the SME finance gap in the global economy remains large, to call upon the IFIs/OECDs to further support country efforts and find innovative approaches and tools to address the SMEs' finance challenges and constraints, and to call upon governments to continue especially to strengthen the financial markets infrastructure to lower costs of serving SMEs responsibly.

- to call upon relevant government agencies and development partners to assess the current state of the financial inclusion in countries in order to sustainably improve the situation and to monitor the effects of the policy interventions, particularly using the G20 Set of the Financial Inclusion Indicators.
Microfinance is just one activity
Economic mobility requires a range of products

- Microcredit - small scale lending initially within peer groups, whereby shared accountability for loan repayment replaces the need for regular security (collateral) traditionally requested by financial institutions.
- Customers are generally able to migrate to less onerous borrowing such as individual loans, lines of credit, etc. once a reliable credit record has been established through the initial group loan.
- Recognised as a potentially effective application to sustainably reduce poverty in a dignified and empowering manner
- In many cases has enabled women to improve gender equality and reduce vulnerability
What drives success? The evidence
Role play - G20 leaders briefing

ACTIVITY

1. Form into groups of 3

2. Choose a country and a role:
   a) Prime Minister
   b) Prime Minister’s adviser
   c) Voter

3. Take 3 minutes to consider what should be included in a financial inclusion action plan

4. Adviser presents idea to Prime Minister (2 mins)

5. Prime Minister announces to Parliament (2 mins)

6. Voter reflects on policy and announcement (2 mins)

7. Share observations with rest of room
   a) What was compelling?
   b) What needs more work?
   c) Do you support the action plan?
Majority world leads in innovation

Launch Proposition

Send pesa by phone

m-PESA is the new, easy and affordable way to send money home.
* Please see following advertisement for a list of Authorized m-PESA Agents.

Prize-linked Savings connection

Presented by D2D Fund

NOLS
No Interest Loan Scheme
Good Shepherd Microfinance

A community focused initiative of
Hundreds Of Suicides In India Linked To Microfinance organisations

MUMBAI, India (AP) — First they were stripped of their utensils, furniture, mobile phones, televisions, ration cards and heirloom gold jewelry. Then, some of them drank pesticide. One woman threw herself in a pond. Another jumped into a well with her children.
Client first - protection and advocacy

Vision:
• Put the interests of clients first
• Provide transparent, respectful services
• Distinguish microfinance industry as leader in responsible finance
• Facilitate implementation of the client protection principles

Principles:
• Avoidance of over-indebtedness
• Transparent pricing
• Appropriate collections practices
• Ethical staff behaviour
• Mechanisms for redress of grievances
• Privacy of client data

What is the Smart Campaign for Client Protection in Microfinance?

A special presentation for YOUR INSTITUTION made possible by the Smart Campaign
www.smartcampaign.org

http://smartcampaign.org/
Pricing - the Achilles heel of microfinance

Social commodity price optimisation framework: Good Shepherd Microfinance
Evidence: Impact measurement

“What did you want to happen?”
“What also happened?”

MSC: most significant change methodology
Final thoughts: Importance of hope

Marisol’s story
Final thoughts: Fullness of life

FINCA story
We have enabled more than 140,000 people to take control of their finances and their lives.

Our goal is to reach one million Australians experiencing financial exclusion by 2018 through our products and services:

No Interest Loan Scheme (NILS) is a community based program providing access to fair and safe credit (up to $1,200).

StepUp provides low interest loans for personal or household purposes to people on low incomes (from $800 to $3,000).

Good Money is a pilot program delivering financial services through three community finance stores in Victoria.

AddsUP helps people on low incomes develop financial independence through a matched savings incentive ($500).

Energy Inclusion is achieved through collaboration with Federal/State Governments, Retail Traders and Utility Companies. We seek to provide information and resources focused on a reduction in energy use and costs.