

**The Hon Paul Fletcher MP**  
**Minister for Families and Social Services**  
**Good Shepherd Microfinance Conference**  
**Thursday 1 November 2018**

## **Introduction**

I am very pleased to join you at this Good Shepherd Microfinance Conference.

The Commonwealth Government is a substantial supporter of Good Shepherd Microfinance.

I want to start today by speaking about the key reasons why we support your work.

Next I want to touch briefly on exactly how we support your work.

Lastly I will speak about some of the other initiatives our Liberal National Government is pursuing in the areas of microfinance and financial literacy

## **Why We Support Your Work**

But let me turn firstly to the reasons why we support Good Shepherd Microfinance.

Our first reason is that microfinance products are a way to support the three million Australians who are excluded from the mainstream financial system.

The products offered by Good Shepherd and similar providers are affordable to people on low incomes who are excluded from mainstream banking and

financial services. Good Shepherd reports that its no income loans scheme has helped 529,821 people in Australia and New Zealand since 1981.

These products are much safer for vulnerable Australians than going to high-cost pay-day lenders.

They also help provide a pathway to fuller inclusion in the financial system. This brings substantial benefits, as a 2014 analysis of Good Shepherd's initiatives by consultancy firm Strategic Project Partners (SPP) showed.

SPP found that financial inclusion is associated with an improvement in a household's capacity to generate income and build assets – and with improvements in employment, crime rate, education, health and welfare. SPP argued that greater financial inclusion had the potential to reduce government spending on welfare, health and the criminal justice system.

A second clear benefit of supporting microfinance products is helping to build financial skills and literacy.

There is a strong link between poverty and lack of financial literacy. This is well illustrated in a scene from the recent best selling book about poverty in the Appalachian Mountains of Kentucky in the US, *Hillbilly Elegy*.

The author, JD Vance, writes of joining the Marine Corps - a step he credits in the book with helping him escape the poverty which trapped the rest of his family.

And he tells the story of going to buy a car. The sergeant who commanded his platoon came along with him to assist him in the transaction.

To his amazement, when the dealer offered finance – at a very high interest rate – his sergeant rejected it. Vance writes that had he been left to his own devices, he would simply have assumed that he had no choice but to take the finance.

Microfinance products help to build financial confidence and literacy. Good Shepherd's No Interest Loan Scheme (or NILS) is a good example. Loan recipients report that it gives them greater confidence to handle their own financial affairs.

Another reason we support microfinance services is because the provision of such loans is a way of providing support to those who take responsibility. This aligns with the thinking of the Sisters of the Good Shepherd when they set up the loans scheme in Collingwood in Melbourne in 1981.

They observed that a lack of access to ready cash for simple things like a fridge or a bed was having an adverse impact on people trying to improve their lives. They wanted to create a system which offered people loans for which they could take responsibility - rather than charity.

And it is interesting how well people respond to the opportunity to take responsibility for their own lives. Good Shepherd reports that 92 to 97 per cent of NILS loans are fully repaid and 80 per cent of NILS clients who have previously been using fringe credit stop doing so after their NILS experience.

That brings me to a fourth reason we support this scheme. Targeted loans like this can be critical in helping families or individuals respond to a crisis.

As everyone here would know all too well, financial issues are among the most significant causes of family and relationship breakdown. They can also be a fast-track to poverty.

On the other hand, a well targeted and timely intervention which helps people stabilise their finances at a critical time can head off the risk of a family or an

individual spiralling into a much worse outcome. If people can stabilise their finances, it has positive spin-offs into other areas of their lives.

Lastly, we like Good Shepherd's microfinance products because they are delivered by an independent, community based organisation – not by government. In this way taxpayers' dollars are leveraging the contributions made by your organisation and by your many other supporters and sponsors – including the Good Guys and National Australia Bank, both of which I would like to acknowledge.

And Good Shepherd brings expertise, and a knowledge of the people it serves, which government could not match.

### **How We Support Your Work**

For all these reasons Our Liberal National Government has been a consistent supporter of Good Shepherd Microfinance. Let me mention briefly the various ways in which that support is provided.

The first is a commitment of \$33 million to support Good Shepherd's NILS and StepUP programs over five years to 2020. This really your business as usual – and the evidence is pretty clear that what you are doing works.

A second way we are working with Good Shepherd is through our 'Try Test Learn' fund – established with the intention of trying out new and different ways of delivering better outcomes for vulnerable Australians.

So far we have invested more than \$23 million in 14 trial projects. Among them is the provision of \$800,000 for Good Shepherd to run a 27-month trial in Melbourne with a consortium including Carers Australia to help young carers

learn skills to earn a living through small business.

More than 60 per cent of young carers do not study beyond high school because of their caring duties. Young carers are a group at very high risk of spending their lives disengaged from the workforce, and living on income support. So the aim of this project is to help young carers learn to create and run micro businesses that can fit in with their caring duties.

Thirdly, our government recently awarded \$2.2 million in funding to Good Shepherd Microfinance to deliver financial counselling and capability services in Melbourne.

### **Other Microfinance Initiatives**

Finally, let me make the point that our Liberal National Government is supporting a wide range of programs and initiatives to give low-income Australians access to low cost loans, along with the skills to better manage their money and build their financial capabilities for the longer term.

Recently I announced funding for the Financial Wellbeing and Capability grants to support these services, including up to \$21 million for a number of microfinance initiatives.

As well as Good Shepherd, this includes \$4.6 million to Many Rivers to continue its work in Community Development Financial Institutions (CDFIs). This initiative creates employment opportunities through microbusinesses for people excluded from mainstream finance.

And \$7.9 million will go to Brotherhood of St Laurence to deliver its Saver Plus

program, helping people to manage manage their social welfare payment and finances.

## **Conclusion**

Let me conclude by quoting the Prime Minister, Scott Morrison. As Minister for Social Services, he addressed the National No Interest Loan Scheme Conference, and said: “You are in the freedom business. You are in the independence business.”

This of course is the ethos that underscores the work of Good Shepherd, and many of you in this room here today. You empower people to have respect for themselves - by giving them a small loan to help them get to work, fix their car or provide for their children.

You make people feel respected and trusted.

And so I thank you for the work you do in the sector.

I congratulate you on what you have achieved - and I look forward to working with you as you continue to support low income Australians, giving them more choice, more financial capability and more opportunities to take control of their lives.