



PROGRESS LOANS EVALUATION

2011

Vawser and Associates



Brotherhood of St Laurence
Working for an Australia free of poverty



FOREWORD

Many disadvantaged Australians lack the access to fair and affordable credit and financial services that others may take for granted. Simple purchases – such as replacing a refrigerator, buying a computer for educational purposes, or repairing a car necessary for travel to work – may lead to substantial hardship, force people to enter into contracts they don't fully understand, and may lead them to use fringe lenders and other options that may exacerbate their financial stress.

In 2006 the Brotherhood and ANZ launched the Progress Loans program to help address this problem and to respond to research that found that low-income earners are at risk of exclusion from mainstream financial services. The Progress Loan has a commercial interest rate and was established to provide a suitable alternative to more expensive forms of credit such as payday loans.



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This report shares the results of the second evaluation of the Progress Loans program, building on an earlier evaluation conducted in 2009, and its publication represents the Brotherhood and ANZ's commitment to independent analysis of the impact of their programs.

This evaluation finds that the program continues to help people on low incomes access affordable finance for their basic needs, while also helping to address financial exclusion by linking people on low incomes to the mainstream banking system. For participants, this in turn contributes to their social inclusion and supports their capacity to address a variety of issues arising in their lives.



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ACKNOWLEDGEMENTS

ANZ and the Brotherhood of St Laurence would like to thank a number of people for their assistance in producing this report: the Vawser and Associates team of Stuart Vawser, Dr Stephen Downes and Scott MacLean, the Loans Officers who recruited respondents for the qualitative face-to-face interviews, the MarketMetrics team who conducted the phone interviews and especially the Progress Loans customers who were so open in sharing their life situations and their experiences with the program.

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This report presents the second evaluation of the Progress Loans program, which provides small personal loans of \$500 to \$5,000 to people on lower incomes for the purchase of essential personal and household goods and services. The program was developed by the Brotherhood of St Laurence (**the Brotherhood**) and Australia and New Zealand Banking Group Limited (**ANZ**) in 2006 and is delivered through three Brotherhood sites in Victoria.

The central aim of the Progress Loans program is to enable low-income earners access to affordable and suitable mainstream finance to obtain essential goods and services. The Progress Loan program is designed for people who have a Centrelink Health Care Card or Pensioner Concession Card, have been at their current home for more than six months and are able to make regular payments. The target market is people who are managing their limited income well and can afford a loan, but are excluded from mainstream finance.

As at June 2011, 1,884 applications had been received, 1,409 loans had been approved (74.8%) and 1,259 loans had been drawn down by 1,254 individuals. The average loan value was \$2,952 and the default rate was approximately 2%.

This evaluation assesses the effectiveness of the Progress Loans program in meeting the financial needs of customers and the social impacts derived from the program, including impacts on personal financial capabilities and financial literacy. The methodology included a review of the social inclusion, service quality and financial capability measurement literature, exploring customer experiences in depth using qualitative face-to-face interviews and the measurement of program experiences and impacts using 300 structured telephone interviews.

Key findings

Provides access to essential household and personal items: The Progress Loans program is effective in helping customers address key financial needs. The loan assisted customers to fund basic household and personal needs including the purchase and repair of vehicles, purchase of household and personal goods, funding of medical services, funding of education and training, and funding of other personal requirements.

Facilitates social inclusion: Goods and services purchased with a Progress Loan helped improved personal living conditions and quality of life, facilitated greater interaction with family, friends and the community, improved health and wellbeing, improved personal life skills, facilitated employment, improved access to community and institutional resources, and improved material and economic resources. In addition, the program assisted customers to be more independent, improved customer self-confidence and self-esteem and helped reduce financial and emotional stress in the household.

These outcomes illustrate that the Progress Loans program directly contributes to greater social inclusion, helps address areas of deprivation for its customers and directly supports an individual's own capacity to address issues arising in their lives.

Provides a positive customer experience:

The majority of customers found the application process easy (83%), understood their obligations when signing the loan contract (97%), found the speed of approval fast (69%), thought the repayment method was suitable (97%) and found making repayments easy (86%). Most customers were satisfied or very satisfied (98%) with their service experience.

Improves financial capabilities: Between 39% and 68% of Progress Loans customers reported improved financial capabilities since taking out their Progress Loan, including having a better understanding of the process of taking out a loan (64%), loan contracts (54%), interest rates (47%) and bank loan statements (46%). In addition, some customers felt their Progress Loan enhanced their ability to manage loan repayments (44%) and their ability to budget or manage money (39%).

Facilitates financial inclusion: The program helps address financial exclusion by linking people on low incomes to the mainstream banking system and by providing affordable and suitable mainstream credit to those who are excluded from mainstream finance.

Results from the innovation pilots are indicative but positive: Customers serviced through the ANZ branch and telesales distribution channels (piloted for 6 and 12 months respectively) were borrowing money for the same types of purposes and reported similar social impacts, positive customer experiences and high customer satisfaction. Each channel appeared to service the needs of low-income customers while expanding the reach of the Progress Loans program. As these delivery channels were pilots and were developed during the research period, these results should be treated as indicative only.

Conclusions

Building on the 2009 evaluation, a number of conclusions were drawn from this evaluation:

- > The 2011 evaluation confirms that the majority of Progress Loans customers are vulnerable and financially excluded low-income Australians.
- > Progress Loans are effective at addressing key financial needs of people on low incomes because they enable people to pay for essential personal and household items they could not afford otherwise.
- > The program directly facilitates greater social inclusion, helps address areas of deprivation for its customers and directly supports an individual's capacity to address issues arising in their lives.
- > The program helps address financial exclusion by linking people on low incomes to the mainstream banking system and by providing affordable and appropriate mainstream finance.
- > The program provides a positive customer experience for most people helps improve financial capability and increases confidence, independence and self-esteem.
- > The ANZ distribution channels tested were effective in servicing the needs of low-income customers while providing the potential to significantly expand the reach of the program.

Financial and social exclusion remain significant barriers for low-income Australians. Based on the positive outcomes of this evaluation, the Brotherhood and ANZ may consider expanding the reach of the Progress Loans program through a variety of delivery channels. The implication for the finance industry, government and community services organisations is a continuing need to find ways of providing greater access to affordable and appropriate mainstream finance for low-income Australians.

1.1 BACKGROUND TO THE PROGRESS LOANS PROGRAM

Many Australians struggle to access appropriate and low-cost suitable credit from mainstream providers. Research has found that 6% of adults have minimal access to financial services and around 120,000 Australians could be considered financially excluded, with no ownership of financial products (Chant Link 2004, p.9).

Financial exclusion occurs when certain groups have limited access to credit, savings, insurance and other financial products. People on low incomes are more likely to experience financial exclusion. They either go without essential items or use 'fringe' financial services such as pawnbrokers, loan sharks and payday lenders (Wilson 2002; Burkett 2003).

There are many reasons for financial exclusion. These include risk-assessment policies and conditions attached to financial products that make them inaccessible to some people. Pricing can also mean that products are unaffordable for many people on low incomes. In addition, the marketing of financial products is often not designed to meet the needs of people on low incomes. Finally, many people exclude themselves as they decide there is little point applying for a financial product because they believe they would be refused (Kempson & Whyley 1999a, 1999b).

Drawing on both parties' earlier work in financial literacy and affordable credit, ANZ and the Brotherhood developed Progress Loans in 2006 to address these issues and promote access to suitable and affordable credit for those on low incomes. The model involved the Brotherhood marketing the program and, using its experience in working with people on low incomes, guiding customers through the loan application, approval and draw down processes. ANZ contributed expertise in credit analysis and assessment, loan product management, product infrastructure and marketing. ANZ also funded loan capital, defaults and Loan Officers' salaries.

Previous evaluation of the Progress Loans program

The first evaluation of Progress Loans, by Vawser and Associates, was published in 2009. This report, *Progress Loans: Towards affordable credit for low-income Australians*, showed that:

- > Progress Loans were effective at addressing key financial needs of people on low incomes because they enable people to pay for basic household items.
- > The program provided a positive customer experience and generated high levels of customer satisfaction.
- > The program helped address financial exclusion by linking people on low incomes to the mainstream banking system and providing appropriate and affordable credit.
- > The program generated a range of benefits for customers by providing cost efficiencies, fostering changed behaviours and skills and increasing self-confidence, independence and self-esteem.
- > The program directly contributed to greater social inclusion by helping customers deal with a personal crisis (including family breakdown, loss of employment and health crisis), connect with family, friends and the local community, and obtain or remain in employment.

The evaluation also showed that the program reached a relatively small group of people compared to the large number that were financially excluded and it was recommended that consideration be given as to how to reach a broader group.

1.2 AIM AND NATURE OF THE PROGRAM

The central aim of the Progress Loans program is to enable low-income people access to affordable and appropriate mainstream finance to obtain essential goods and services. Key features are shown in Table 1. Rather than being a low-interest loan, the Progress Loan is designed to be affordable. The interest rate is comparable to rates charged on many personal loans. The Progress Loans program is designed for people on low incomes who have a Centrelink Health Care Card or Pensioner Concession Card, have been at their current home for more than six months, who manage their money well and can afford to make regular repayments, but who would not normally qualify for mainstream loan finance.

TABLE 1:
Key features of the Progress Loan*

| | |
|-----------------------|--|
| Loan amount | \$500 to \$3,000 for household purchases and up to \$5,000 for vehicle purchase. |
| Loan term | 1 to 5 years |
| Eligibility | Over the age of 18 A permanent Australian resident Have a current Centrelink Health Care Card or Pensioner Concession Card Up to date with rent and bills Able to make regular repayments Has been in current home for more than six months Does not need to be an existing ANZ customer |
| Assessment | Specifically designed loan assessment criteria recognising typical spending patterns of people on low incomes (service delivery model provided by the Brotherhood) and assessment of the applicant's requirements and financial situation to determine whether or not a loan is suitable for the applicant |
| Interest rate | 13.95% p.a. (fixed) ** |
| Comparison rate | 14.29% p.a.** |
| Approval fee | \$40 |
| Purpose | To enable the purchase of essential household items and services, vehicles, education and self-development, medical and dental care |
| Repayment frequency | Repayments are fortnightly and are timed to match Centrelink payments |
| Additional repayments | Customers may increase their repayments at any time for no additional cost |

Program results

Table 2 provides key statistics about the Progress Loans program from May 2006 to June 2011. Since the program commenced in 2006, more than 1,400 loans have been approved. The default rate is approximately 2% and compares favourably with that of many mainstream personal loan portfolios, thereby supporting the notion that many low-income earners are capable of repaying small loans.

Innovation pilots to improve sustainability and scale

In 2009, the Australian Government (through the Department of Families, Housing, Community Services and Indigenous Affairs) granted the Brotherhood funding of \$1 million to explore ways of improving the program's sustainability and scale. The funding was used to implement a number of innovation pilots including:

- > undertaking research into the availability of appropriate insurance for Progress Loan borrowers
- > training community 'champions' to promote financial inclusion and increase awareness of Progress Loans within specific target groups
- > offering Progress Loans through selected ANZ branches in Victoria
- > the development of an ANZ telesales channel to service regional and interstate applications for Progress Loans.

TABLE 2:
Key statistics of the Progress Loan program (May 2006 to June 2011)

| | |
|-----------------------------|---------|
| Number of loan applications | 1,884 |
| Number of loans approved | 1,409 |
| Number of loans drawn down | 1,259 |
| Number of loan customers | 1,254 |
| Average loan value | \$2,952 |
| Loan default rate | 2% |

*Information current as at December 2011

**Rate current as at 1 December 2011

The Brotherhood and ANZ are committed to sharing information on the Progress Loans program as a way of contributing to the body of knowledge associated with microfinance in Australia.

The objectives of this evaluation were to:

- > identify the effectiveness of the Progress Loans program in meeting financial needs
- > identify the customers' experience of the Progress Loans program and identify ways to improve the program from a customer perspective
- > identify positive impacts derived from the Progress Loans program including social impacts and impacts on personal financial capabilities
- > explore the effectiveness and impacts of the program innovation pilots
- > compare and contrast outcomes with those seen in the 2009 Progress Loans evaluation.

In addition, the Brotherhood and ANZ are committed to sharing information on the Progress Loans program as a way of contributing to the body of knowledge associated with microfinance in Australia.

2.1 METHODOLOGY

The first stage of the evaluation involved a review of social inclusion, service quality and financial capabilities measurement literature to identify key measures to use during the evaluation.

The second stage involved 42 face-to-face in-depth interviews and seven telephone in-depth interviews designed to explore individual customer's situations and experiences. Twelve respondents were interviewed on two occasions, the first shortly after taking out their Progress Loan and the second four to six months later. Quotes and case studies detailed throughout this report are sourced from the in-depth interviews.

The third stage involved 300 structured 20 minute telephone interviews with customers selected at random from the Progress Loans database. The main purpose of this stage was to measure customers' attitudes and experiences and the impacts of the Progress Loans program, including social and financial capability impacts. Customer demographics were also collected for the purpose of analysis and comparison to the 2009 evaluation¹.

¹ Statistics in this report are based on the Stage 3 telephone interviews. The fieldwork was conducted in June 2011. The analysis was conducted at the 95% confidence level and the confidence interval associated with reported results is at worst $\pm 5.6\%$. This means, for example, if 50% of research participants agree with a statement, the result should be interpreted as somewhere between 44.4% and 55.6% of customers agreed with the statement.

2.0 EVALUATION OBJECTIVES AND APPROACH

2.2 ETHICS APPROVAL AND RESEARCH LIMITATIONS

The evaluation approach and materials complied with the Brotherhood's ethics guidelines.

A limitation of this research is that the results are based on customers' self-assessment of their experiences and the impacts of the program. For example, findings about the impact of the program on an individual's ability to understand loan contracts are based on the customer's self-assessment rather than an independent objective assessment.

A further limitation is a consequence of this study having been undertaken concurrently with the implementation of the innovation pilots, notably the ANZ distribution channel pilots. Few Progress Loans customers in the Stage 3 telephone interviews had been serviced through these channels, making statistical analysis problematic. Therefore, evaluation of these channels relied on a qualitative rather than quantitative assessment.

Respondents in this research fitted the definition of being financially excluded. That is, they were unable to access affordable and appropriate mainstream finance prior to receiving a Progress Loan.

2.3 PROFILE OF CUSTOMERS AND RESPONDENTS

Living arrangements, income and education levels, employment rates and levels of savings of Progress Loans customers all confirmed that the Progress Loans program is reaching people at risk of social and financial exclusion.

Table 3 shows that compared with the Australian population as a whole, Progress Loans customers were more likely to have received limited education, with 62% having attained only primary or secondary school education. Almost all (98%) received income support payments, compared with 24% of the Australian population. Approximately 16% were in the workforce, compared with 65% for all Australians aged over 15 years. Progress Loans customers were more likely to be in rental accommodation and public housing: 86% were in rental accommodation, compared with 26% of the Australian population and 53% rented from the government, compared with 5% of the Australian population.

More than three-quarters of Progress Loans customers had little or no savings at the time of the research: 77% did not have \$500 in savings in case of an emergency.

Access to financial services

Respondents in this research fitted the definition of being financially excluded. That is, they were unable to access affordable and appropriate mainstream finance prior to receiving a Progress Loan. This was because they did not meet lending criteria set by mainstream credit providers due to factors such as low income (98% received income support), a lack of assets or security, and not being in paid work (84%). They were generally aware that their options were limited:

'The fact that you are on a pension, you know they are not going to look at you.'

Many respondents in the face-to-face interviews emphasised the difficulty they would have in saving the amount of money they were seeking through their loans. For many it would take some years to save, and for most, their needs were more immediate. The lack of savings illustrated the importance of access to an affordable source of credit for low-income people:

'I couldn't get a loan as a single parent and I can't save. So I would have had to go without a car.'

'It's great for a pensioner who can't afford to get things otherwise. I'm not a saver. I'm a payer not a saver, so it works well for me.'

2.0 EVALUATION OBJECTIVES AND APPROACH

TABLE 3:
Customer and respondent profile

| CHARACTERISTIC | DATA SOURCE | | | | |
|---|--------------------------|--|--------------------------|--|--|
| | 2009 research sample (%) | 2006–2008 Progress Loans database (%) ² | 2011 research sample (%) | 2008–2011 Progress Loans database (%) ³ | Australian population (%) ⁴ |
| Gender | | | | | |
| Male | 34% | 34% | 34% | 36% | 50% |
| Female | 66% | 66% | 66% | 64% | 50% |
| Country of birth | | | | | |
| Australia | 63% | N/A | 65% | N/A | 77% |
| Overseas | 37% | N/A | 35% | N/A | 23% |
| Age | | | | | |
| 18 to 34 | 12% | 16% | 22% | 30% | 23% |
| 35 to 44 | 21% | 23% | 22% | 22% | 15% |
| 45 to 54 | 22% | 25% | 20% | 18% | 14% |
| 55 to 64 | 26% | 19% | 24% | 18% | 11% |
| 65+ | 20% | 17% | 12% | 11% | 13% |
| Living arrangements | | | | | |
| Renting privately | 19% | 24% | 33% | N/A | 21% |
| Renting from government | 75% | 70% | 53% | N/A | 5% |
| Own or purchasing a home | 3% | 2% | 7% | N/A | 70% |
| Other or refused | 3% | 4% | 6% | N/A | 4% |
| Income and employment | | | | | |
| Receive income support | 100% | 100% | 98% | N/A | 24% |
| In workforce | 12% | 14% | 16% | N/A | 65% |
| Centrelink income type | | | | | |
| Parenting payment | 25% | 27% | 20% | N/A | N/A |
| Family tax benefit | 40% | 37% | 12% | N/A | N/A |
| Disability pension | 19% | 16% | 41% | N/A | N/A |
| Age pension | 7% | 11% | 16% | N/A | N/A |
| Newstart | 9% | 9% | 9% | N/A | N/A |
| Carer payment | N/A | N/A | 8% | N/A | N/A |
| Other | N/A | N/A | 4% | N/A | N/A |
| Highest education level | | | | | |
| Primary/secondary school | 68% | N/A | 62% | N/A | |
| Other qualification (certificate, degree, apprenticeship) | 32% | N/A | 38% | N/A | |
| Number of Progress Loans | | | | | |
| One loan | 92% | 93% | 81% | 85% | N/A |
| Two or more loans | 8% | 7% | 19% | 15% | N/A |
| Household structure | | | | | |
| Live alone | 41% | N/A | 38% | N/A | N/A |
| Live with parents/guardian | 3% | N/A | 6% | N/A | N/A |
| Live with partner and no children | 7% | N/A | 6% | N/A | N/A |
| Live with partner and children | 13% | N/A | 15% | N/A | N/A |
| Live alone with children | 32% | N/A | 29% | N/A | N/A |
| Live with other singles | 4% | N/A | 5% | N/A | N/A |
| Other | 1% | N/A | 5% | N/A | N/A |

² Based on approved customer records from May 2006 to September 2008 (as reported in 2009 evaluation)

³ Based on approved customer records from October 2008 to June 2011

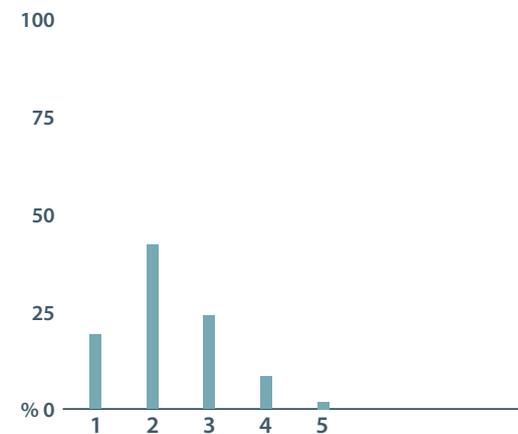
⁴ Australian population data sourced from Australian Bureau of Statistics

Respondent profile: Financial situation, financial product ownership, vehicle ownership and internet access

FIGURE 1:

Stated financial situation

HOW WELL WOULD YOU SAY YOU YOURSELF ARE MANAGING FINANCIALLY THESE DAYS? WOULD YOU SAY YOU ARE ...



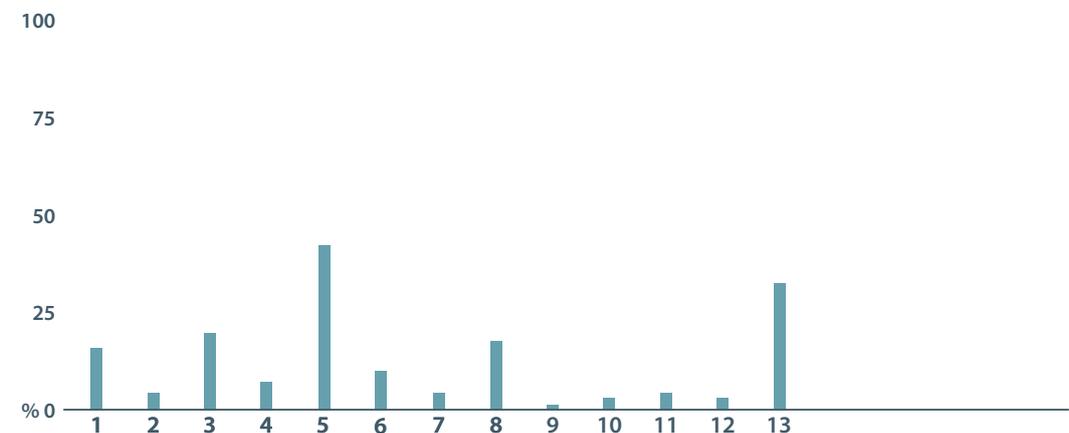
RESPONSE

- | | |
|--------------------------|-------------------------------|
| 1. Living comfortably | 4. Finding it quite difficult |
| 2. Doing alright | 5. Finding it very difficult |
| 3. Just about getting by | |

FIGURE 2:

Ownership of financial products

WHICH OF THE FOLLOWING FINANCIAL PRODUCTS AND SERVICES DO YOU HAVE AT PRESENT?



RESPONSE

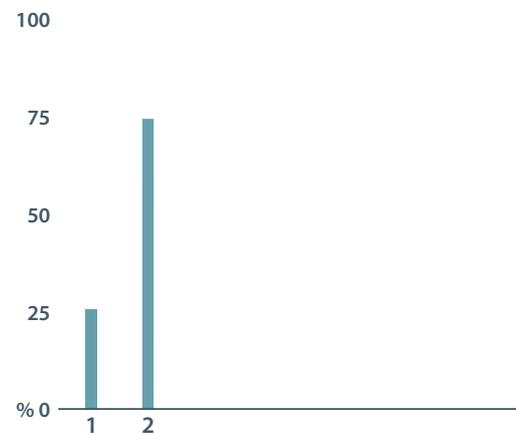
- | | | | |
|----------------------------|-----------------------------|---|---------------------------------------|
| 1. Credit card | 5. Vehicle insurance | 9. Managed or direct investments | 12. Loans (other than Progress Loans) |
| 2. Store/finance card | 6. Life insurance | 10. Home mortgage | 13. None of the above |
| 3. Home contents insurance | 7. Private health insurance | 11. Goods on hire purchase, lease or rental | |
| 4. Home insurance | 8. Superannuation/rollover | | |

2.0 EVALUATION OBJECTIVES AND APPROACH

FIGURE 3:

Savings for emergencies

DO YOU HAVE \$500 IN SAVINGS IN THE BANK IN CASE OF AN EMERGENCY?



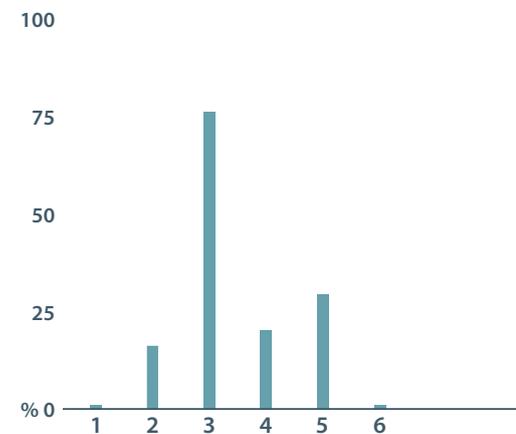
RESPONSE

- 1. Yes
- 2. No

FIGURE 5:

Types of loans held (excluding Progress Loans)

YOU HAVE ANSWERED 'YES' TO HAVING EVER HAD A LOAN, WHAT TYPES OF LOAN HAVE YOU HAD?



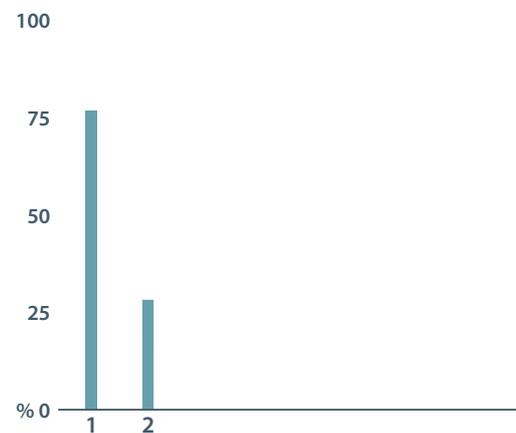
RESPONSE

- 1. Business loan
- 2. Mortgage
- 3. Centrelink advance
- 4. Car loans
- 5. Personal loan
- 6. Other

FIGURE 4:

Previous Loans held (excluding Progress Loans)

OTHER THAN PROGRESS LOANS, HAVE YOU EVER HAD ANY OTHER TYPE OF LOAN?



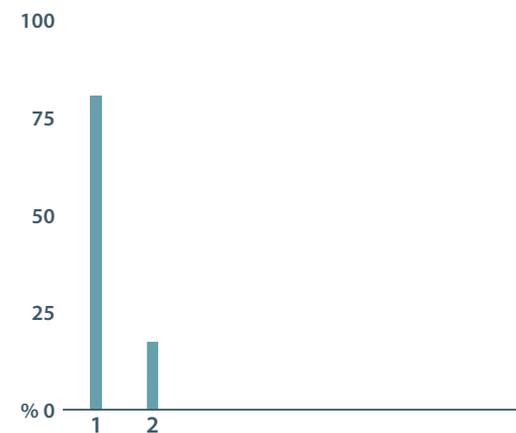
RESPONSE

- 1. Yes
- 2. No

FIGURE 6:

Ownership of a car or motorbike

DO YOU OWN A MOTORCAR OR MOTORBIKE?

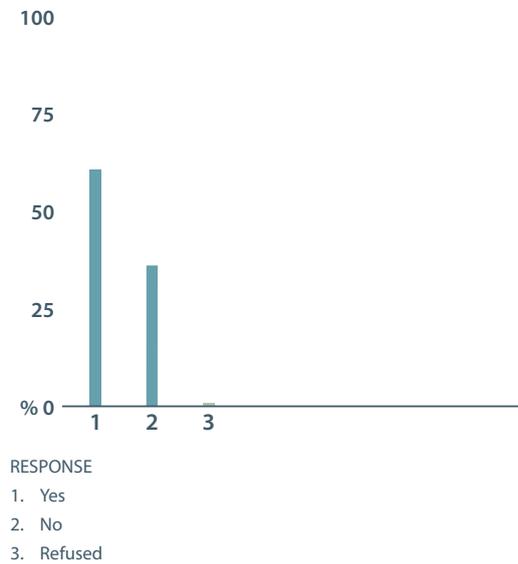


RESPONSE

- 1. Yes
- 2. No

FIGURE 7:
Internet access at home

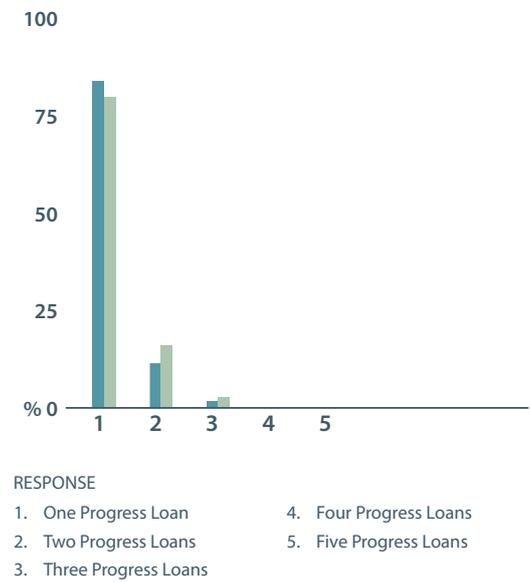
DO YOU HAVE INTERNET ACCESS AT HOME?



Respondent profile: Progress Loans profile

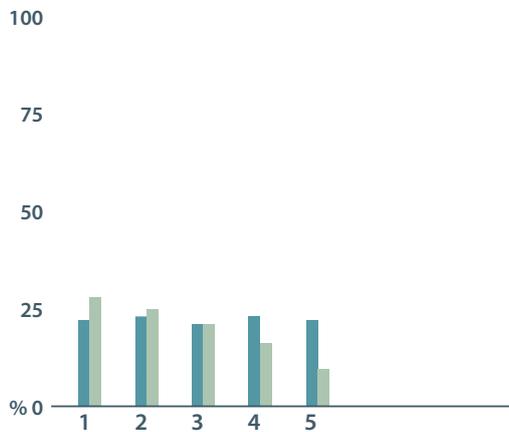
A comparison of the Progress Loans customer database (2008-2011) and the 2011 quantitative research sample shows a very similar customer profile indicating the quantitative research sample was a good representation of Progress Loan customers.

FIGURE 8:
Number of Progress Loans held
IN TOTAL, HOW MANY PROGRESS LOANS HAVE YOU HAD?



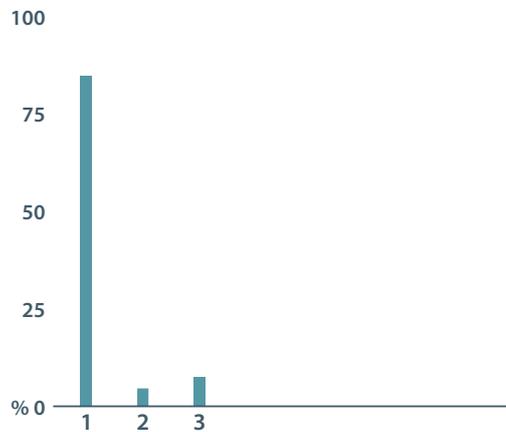
2.0 EVALUATION OBJECTIVES AND APPROACH

FIGURE 9:
Months since loan drawn down



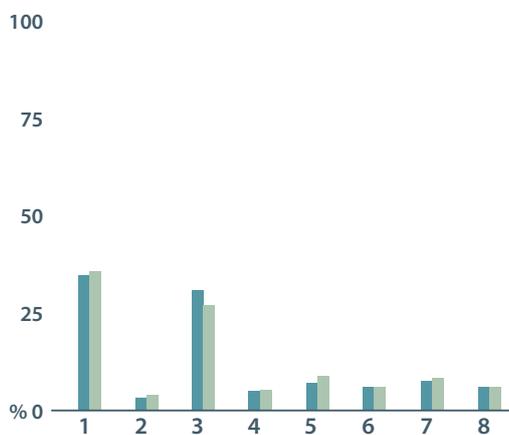
- RESPONSE
- 1. 6 or less months
 - 2. 7 to 12 months
 - 3. 13 to 18 months
 - 4. 19 to 24 months
 - 5. 25 or more months

FIGURE 11:
Progress Loan status
HAVE YOU PAID OFF YOUR PROGRESS LOAN OR ARE YOU STILL PAYING IT OFF?



- RESPONSE
- 1. Am still paying off the loan (current loan)
 - 2. Have paid off one or more loans and have a current loan
 - 3. Have paid off the loan (past loan)

FIGURE 10:
Progress Loan value



- RESPONSE
- 1. \$5,000
 - 2. \$4,000 - \$4,999
 - 3. \$3,000 - \$3,999
 - 4. \$2,500 - \$2,999
 - 5. \$2,000 - \$2,499
 - 6. \$1,500 - \$1,999
 - 7. \$1,000 - \$1,499
 - 8. \$500 - \$999

Note: The 2009 evaluation was based on Progress Loan customers who received a loan between May 2006 and September 2008. The 2011 evaluation was based on customers who received a Progress Loan between October 2008 and May 2011. Therefore, a different sample of Progress Loan customers was used in each of the evaluations.

- 2008-2011 Progress Loans database (n=960)
- 2011 sample (n=300)

Both the 2009 and 2011 program evaluations showed that the Progress Loans program is effective in helping customers address key financial needs.

3.1 EFFECTIVENESS OF THE PROGRAM IN ADDRESSING KEY FINANCIAL NEEDS

Both the 2009 and 2011 program evaluations showed that the Progress Loans program is effective in helping customers address key financial needs.

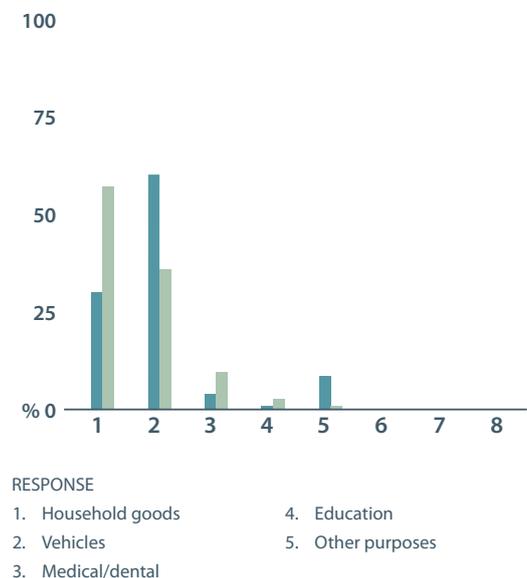
Helped fund essential household and personal items: Progress Loans were used to fund mobility, household and personal needs. Customers considered these needs to be absolutely essential (63%) or very important (35%) for themselves and their households.

'You need a car to do everyday things. If your kids are sick you can take them to the hospital. If you are shopping, it is easy to put it in the car.'

'If it weren't for this furniture, we'd all be sitting on the floor – it wouldn't be comfortable or relaxed.'

FIGURE 12:
Summary of loan purpose

WHAT WAS THE MAIN PURPOSE OF YOUR PROGRESS LOAN? WHAT DID YOU PURCHASE OR PAY FOR WITH YOUR PROGRESS LOAN?



2009 sample (n=200)

2011 sample (n=300)

CASE STUDY 1: GRAHAM

Graham lives on a disability pension in central Victoria. He used his loan to purchase a second-hand car after his old vehicle 'blew up' twelve months ago.

'I wasn't getting out to see my friends, I couldn't help out with the horses ... it was stressing me out being cooped up like that. Without a car, I may as well have been in jail!'

Graham and his sister called ANZ and went through the application process almost entirely by telephone.

'I'm not very bright in terms of paperwork, but my sister called ANZ and she set everything up. I was there answering questions ... I just had to give the final say.'

Graham is now looking forward to rediscovering the missing parts of his life.

'It had never crossed my mind that I would be able to borrow money – I hadn't even tried my own bank. It's a big thing for me and it has come at a very important time. I was getting really frustrated. Getting out of here will help my health, for sure!'

Program changes since 2009: Based on customer feedback provided in the 2009 evaluation, the Brotherhood and ANZ increased the maximum loan size from \$3,000 to \$5,000 to meet demand for vehicle purchases. Being responsive to this customer need has resulted in a significantly higher uptake of vehicle loans since the 2009 evaluation; these now account for 62% of all Progress Loans.

Vehicles, an everyday need: For some customers, vehicles were considered to be essential for everyday living: taking children to and from school, shopping, visiting friends and family, attending medical facilities, attending community activities (for example church, community groups, sporting clubs), attending education and training, and going on day trips and holidays.

Vehicles were said to be particularly important in the outer suburbs and in regional areas where public transport was limited and somewhat impractical, as was the case for Graham (see case study 1).

'We use it for everything: a day at the beach, to see friends, school, shopping, going to church. And it saves on taxis and public transport.'

'Public transport is very sketchy and the timetable is really only a suggestion ... General peace of mind, just knowing it is there in case of an emergency or when I go stir crazy.'

CASE STUDY 2: SALIM

Salim brought his wife and three children to Australia from Iraq seven years ago. While working as a truck driver he injured his back and is now reliant on a disability pension.

Salim was concerned about the reliability of his old car, which he used for volunteer work, transporting older and incapacitated members of the Iraqi community to medical appointments, shopping and community events.

Salim's wife discovered Progress Loans through an Iraqi women's forum. Representatives from the Brotherhood and ANZ had explained the loan.

'[She] speaks our language, she is well-respected in the Iraqi community and she works at the Brotherhood...this trust is very important to us.'

Salim purchased a more reliable vehicle that was cheaper to run and offered much greater passenger safety and comfort. Salim applauds the Progress Loans program for enabling him to do this.

'So I need to thank ANZ for Progress Loans. They are the first bank in Australia to give this service to people who cannot get personal loans from other banks. Other banks don't listen to us if we have a healthcare card. It's a noble service to our Australian community.'

Greater access to employment and increased social inclusion: Vehicles were considered essential to gain employment and to maintain existing employment. A vehicle created better access to employment opportunities as the respondent could travel further to work and get to places not easily accessible by public transport. Not having a car was perceived as a barrier to employment.

'Without a car you can't do anything, family things, taking the kids to school and [looking] for work. Here, no car means no work.'

'Now I don't have to worry as much. It feels a lot better than the old car, a lot safer. And for my job, it's more reliable.'

A vehicle saved time, was practical and convenient, and created independence. It directly facilitated greater social inclusion, as is illustrated in Salim's feedback (see case study 2).

'Because the car is reliable we can get out more. We can go further away too, like Bendigo and Ballarat. Now our friends don't have to come to us all the time. Now we can go and see them. It's so much better.'

CASE STUDY 3: DORIS

Doris is an aged pensioner living alone in a public housing flat. When she originally moved into her flat she lacked basic furniture and had second-hand white goods. Over a period of years and multiple Progress Loans she has replaced her old fridge and purchased lounge chairs, new blinds and an outdoor setting.

Doris has had no trouble making repayments except on a couple of occasions when she had unexpected medical expenses.

'A couple of times I couldn't make the payments. I had some specialist fees so had to make a double payment the next time, which was hard. I rang ANZ and told them. The local manager said that was fine. I think because I rang them and explained, they were okay. They could have charged me but they didn't.'

Doris is very proud of what she has achieved on her own without assistance. Getting a Progress Loan has helped her be more independent and has improved her self-esteem.

'It gives you a sense of self-esteem, having something nice and not second hand junk all the time. I have more now than when I first got married, like a new fridge.'

'Knowing you have access to money. It's great for pensioners. I can get things. I can choose my own things, which make you feel good about yourself.'

Essential household and personal items:

Approximately one-third of Progress Loans customers used their loan to purchase essential household and personal items such as furniture, refrigerators, freezers, washing machines, televisions, air conditioners and computers. In some cases, customers were replacing goods that didn't function properly; in other cases, they were purchasing new items for the first time.

'The table was necessary. We had nothing to eat off. I could have got something from the hard rubbish but it is nice to set up properly for the kids.'

'The old fridge had a gas leak and hardly worked. I got it second hand. The new one is frost free, so no cleaning and the door closes properly.'

The face-to-face interviews included customers moving into public housing for the first time, setting up after marriage breakdowns, purchasing goods to assist with medical conditions and aged pensioners improving their personal living conditions, as was the case with Doris (see case study 3).

CASE STUDY 4: PAM

Pam is an older single woman on a disability pension living alone in public housing. She suffers from a number of medical conditions, uses a walking frame and was reliant on other people and taxis to get around. Pam purchased a scooter with her Progress Loan, which has improved her mobility and independence.

'There have been times when I couldn't go to the letter box. I can now go to Chelsea on the train by myself on the scooter. We did Moorabbin just recently.'

Pam never thought she would get a loan and was surprised to be approved.

'The fact that they will look at a person on a pension and say, "We trust you". No other bank does that for me.'

The scooter has had a huge and positive impact on her quality of life, independence, self-confidence and self-esteem. She loves her scooter and really looks forward to going out.

'It has changed my life totally ... it has given me a lot of confidence that I didn't have before. It's helped my agoraphobia because I can get around easier. I don't feel archaic. I know when I am walking on the walker – it's groan, moan, that sort of thing. When I'm on the scooter I am zipping there. I look forward to going out rather than [it] being a chore to go out.'

Computers purchased with a Progress Loan were used for communication with family and friends, to assist in education and training, to apply for jobs, for entertainment and to gain information via the internet.

'It has a huge impact on my wellbeing. I'm not cut off, I don't feel scared. I have some bed-ridden friends so I ring them and then we go online ... It's not a luxury. It's an absolute necessity.'

'We have a PC at home, but obviously you can't take that to classes! So hopefully the laptop and the course will lead to a job eventually.'

Progress Loans were used for other purposes including dental and medical services, medical equipment including mobility aids for people with disabilities (see case study 4), education and training expenses, debt consolidation and refinancing and setting up a small business (see case study 5).

Consistent with the 2009 evaluation, the 2011 evaluation showed that the Progress Loans program helped improve personal living conditions and quality of life, facilitated greater interaction with family, friends and the general community, improved health and wellbeing, personal life skills and social resources, facilitated employment and improved access to community and institutional resources, material and economic resources and banks.

The Progress Loans program contributes to greater social inclusion, helps address areas of deprivation and supports the capacity of individuals to address issues arising in their lives.

CASE STUDY 5: ANITA

Anita is a middle-aged woman from a disadvantaged background who left her husband because of domestic violence. She took out a Progress Loan to help start a home-based business.

'I was a bit nervous at the time because I had never had a loan before. I wasn't exactly sure how it all worked and I didn't think they would lend money to a person [who was] unemployed.'

Anita's business was very successful and she paid off her loan in six months. She took out a second Progress Loan to make further changes to her premises. She is proud of her independence and what she has achieved.

'The minute I started, it took off. It's great because I am truly independent. I used to get \$470 per fortnight from Centrelink and now I earn \$1,200 per week. Plus having to work is fantastic. I look forward to getting up every day.'

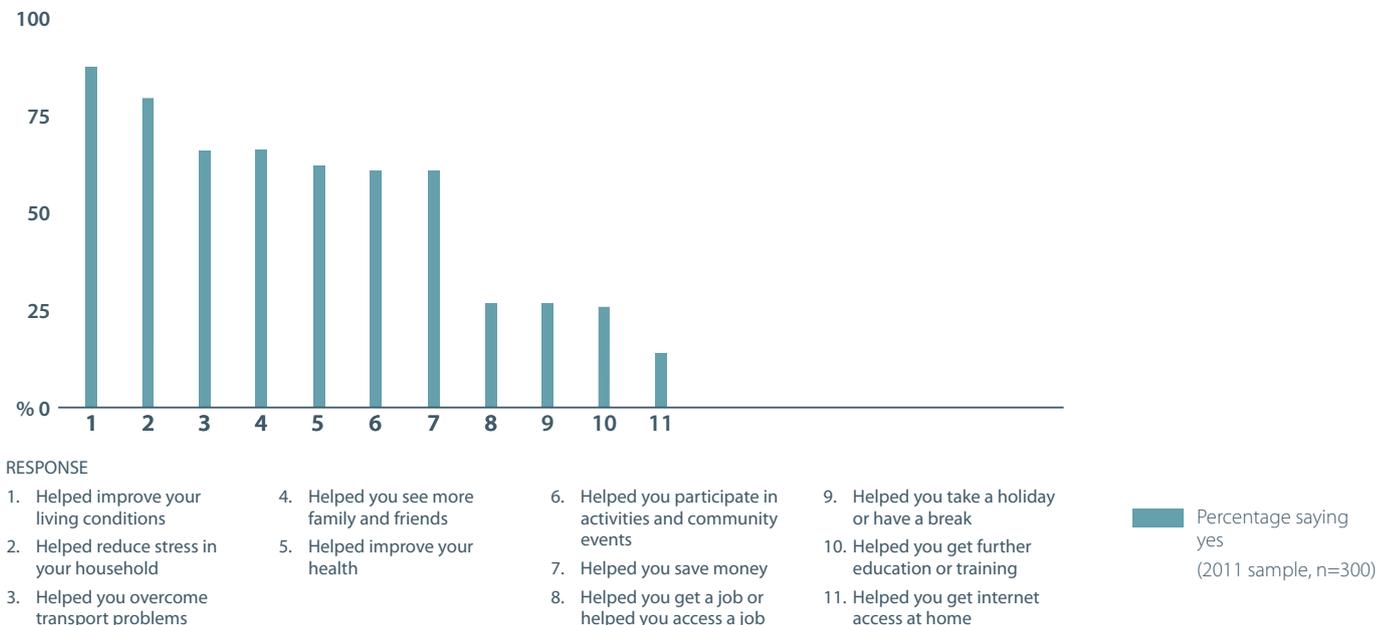
'It's a great feeling. I feel so much better about myself. I have a new aim in life and it has boosted my confidence as well.'

'The sense of achievement – I worked hard to pay off the first loan and it feels great. My health has improved too. I have so much more energy and [am] 1000% happier than I was six months ago.'

FIGURE 13:

Stated impact of the Progress Loan

COULD YOU TELL ME IF YOUR PROGRESS LOAN HAS ... ?



3.2 CUSTOMER EXPERIENCE OF THE PROGRAM

Positive loan experience: The majority of Progress Loans customers found the loan application process easy or very easy (83%), the speed of approval reasonable or fast (94%) and the loan repayment process suitable (97%).

'They filled out the forms. It was very clear. They explained everything. There were no questions they couldn't answer. They fully explained the process. They really made sure we understood everything. I was very happy with the process.'

'We went through all of the income and outgoings. There was nothing hard about it, very straightforward.'

'It was approved in 24 hours. They called the next day so it was pretty fast really.'

'Five days. They sent a letter saying it was approved and to start to look for a car. They said get the dealer to fax through the details and we will send the cheque within five days. And they did. So it was very smooth and easy.'

Understood the loan contract: Most Progress Loans customers (97%) said they understood what they were agreeing to when they signed the Progress Loans contract. The explanation provided by the Loans Officers was said to be a key reason for their understanding.

'They sent out the contract and it was exactly what he had said. I read everything and understood it. It was in plain English and very simple.'

Repayments were easy to make: The majority of customers (86%) said making their loan repayments was easy or very easy, as was the case for Shelly (see case study 6). Key reasons offered during the face-to-face interviews included the small repayment amounts, the affordable size of repayments, that payments were fixed for the life of the loan (predictable and didn't change) and that repayments were mainly through direct debit (80%) or Centrepay (19%), and timed to follow the receipt of Centrelink payments.

'It's \$22.80 per fortnight and I don't miss it. I am going to pay off more so I can finish it faster.'

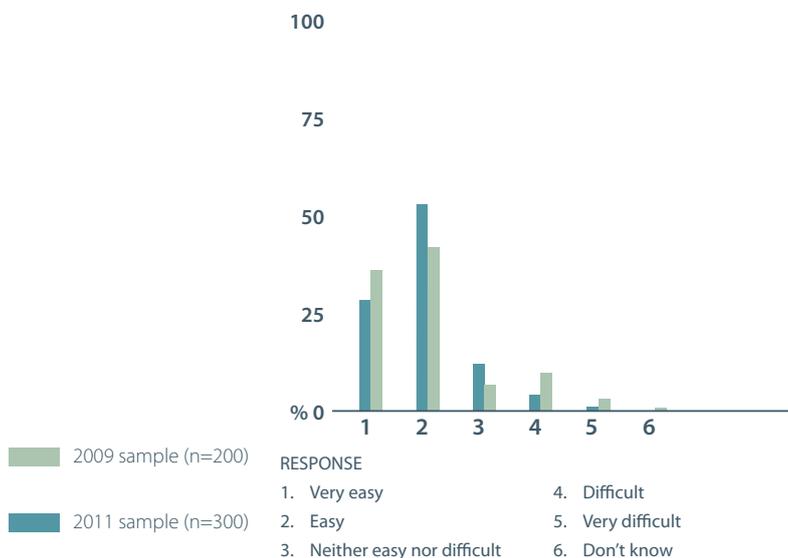
'It's great for me now because my income is so low. The \$45 a month is manageable without ending up under pressure.'

'It is coordinated with my pension day and it works well. It takes the worry out of it, [I] don't have to think about it and I know what is left is mine.'

FIGURE 14:

Ease of application

HOW EASY OR DIFFICULT WAS IT TO FILL OUT THE APPLICATION FORM FOR THE PROGRESS LOAN?



3.0 KEY FINDINGS

CASE STUDY 6: SHELLY

Shelly is a 29-year-old single mother with four children. After separating from her husband she found she couldn't afford the repayments on her car loan. She sold her original car and used her Progress Loan to purchase a cheaper second-hand car.

'I was trying to get out of debt. Bills were overdue and I was on the verge of being disconnected.'

Shelly found the Loan Officer really helpful and her loan easy to manage. She is far better off financially because the repayments are so much lower.

'She helped me fill-out the forms. We worked out a budget together and she was really nice. She included costs for birthday presents and everything.'

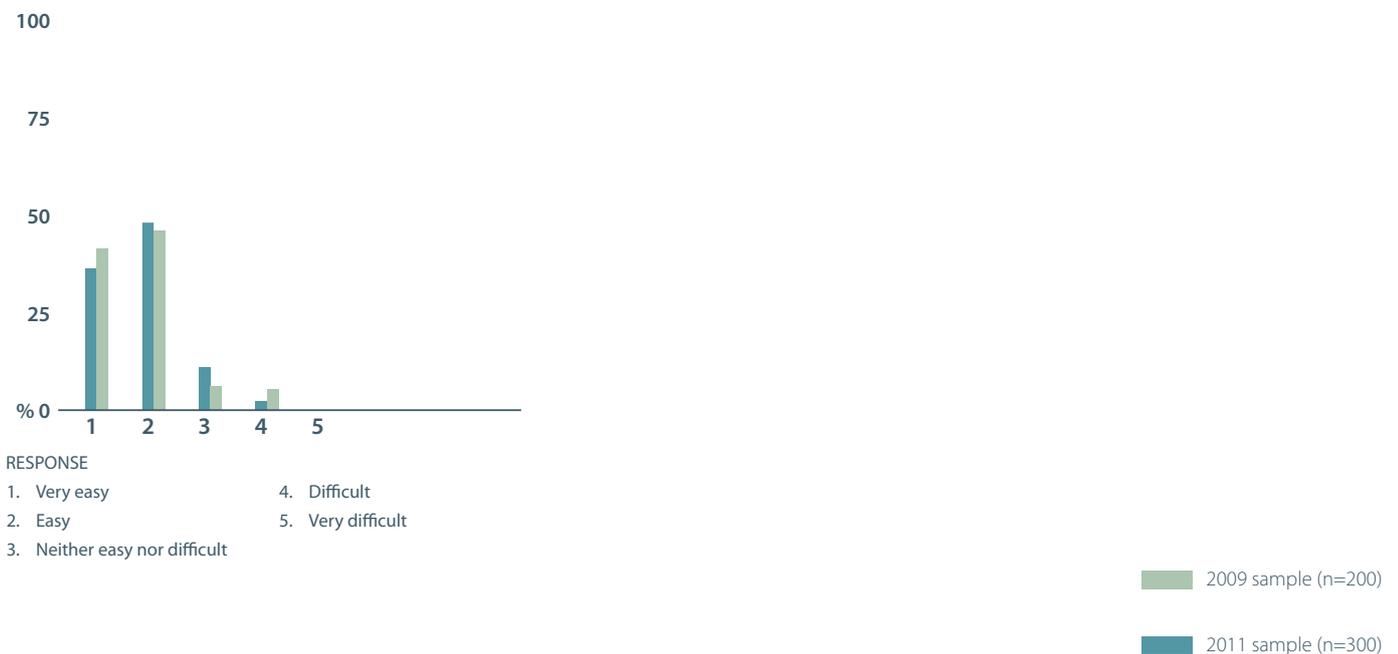
'No trouble with the repayments. They are half of what I had to pay before and petrol costs are less because it runs on gas. So, very comfortable.'

'It really helped me get out of the jam I was in. I do have extra money to pay the bills and to survive. So compared to before, I am much better off.'

FIGURE 15:

Ease of making repayments

HOW EASY OR DIFFICULT HAS IT BEEN FOR YOU TO MAKE THE REPAYMENTS ON YOUR PROGRESS LOAN?



High satisfaction with the loan process:

The majority of Progress Loans customers (98%) said they were satisfied or very satisfied with the service they received during the Progress Loan application and fulfilment processes, irrespective of the channel they used to obtain their loan.

Respectful treatment and well-explained, clear, simple process:

A key reason for high customer satisfaction was the polite and courteous way they were treated during the application and approval processes. The processes were seen to be simple and clear, with assistance available where required. The explanations were detailed and in language customers could understand.

‘Very smooth. The bank manager was perfect. It was all good. It was nice to get the respect, which is a little different to the way elderly people are normally treated.’

‘Everyone made me feel like I meant something. Quite often you do get the feeling that no one cares about you. You are only on a pension anyway. That feeling didn’t come across. I was treated like any normal customer.’

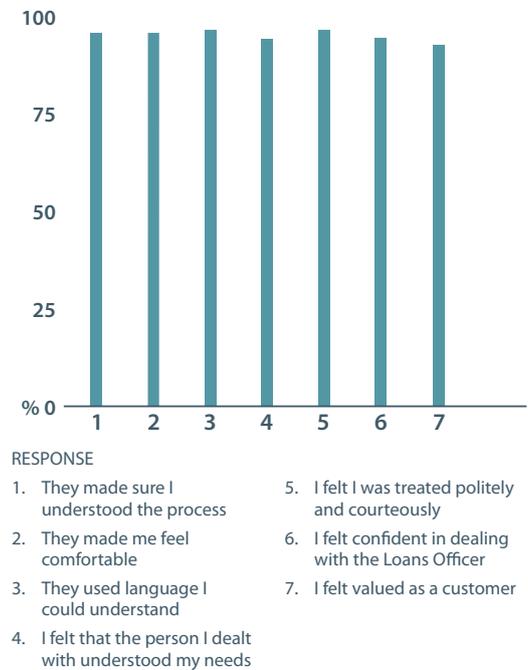
‘She didn’t talk all that bank jargon, which I don’t understand anyway. Often people will baffle you with jargon, but I could understand.’

‘[The Loans Officer] was a lovely person. She understood. She didn’t judge you like the other banks do. She was lovely so my attitude has probably improved because of that experience.’

FIGURE 16:

Service quality statements

PERCENTAGE OF CUSTOMERS WHO AGREE OR STRONGLY AGREE WITH EACH STATEMENT



The 2009 and 2011 evaluations showed that the experience for the majority of Progress Loans customers was positive and generated high levels of satisfaction.

Loan approval: A major driver of satisfaction was the fact that customers had been approved by ANZ for a loan, which enabled them to fund their loan purpose. This was within the context of most customers having previously believed they could not get finance from a mainstream financial institution (based on direct experience for many). Receiving a Progress Loan meant being given a chance to prove themselves and/or showed that ANZ and the Brotherhood placed trust in them to manage the loan successfully. In addition, receiving a Progress Loan gave customers an opportunity to develop a positive track record with a mainstream financial institution.

'The fact that they will look at a person on a pension and say "we trust you". They are trusting someone on a pension ... No other bank does that for me.'

'I never thought I would be able to have any sort of relationship with a bank at all apart from getting my cheque out.'

'Because it helped me do something I couldn't do otherwise. It was an easy, comfortable process and the whole thing was really well done.'

'And I see this as possibly the first step to other things in the future. Once I get this paid off then I [will] start to develop a credit history and that could be useful.'

The 2009 and 2011 evaluations showed that the experience for the majority of Progress Loans customers was positive and generated high levels of satisfaction. Comments from customers in both evaluations also suggest the program promotes financial inclusion by providing access to affordable and appropriate mainstream credit that may not be otherwise be available to the majority of Progress Loan customers.

3.3 SOCIAL IMPACTS OF THE PROGRAM

Both the 2009 and 2011 evaluations suggest that the Progress Loans program contributes to social inclusion by building personal financial capability, connecting low-income Australians with mainstream finance, increasing confidence to deal with mainstream financial institutions and building personal capabilities and resilience.

Positive changes in financial capability:

Progress Loan customers reported improved financial capabilities since taking out their Progress Loan. These improvements were similar to those found in the 2009 evaluation.

Almost two-thirds of Progress Loans customers (64%) thought their understanding of the process of taking out a loan improved after receiving a Progress Loan.

'Probably better because I have gone through it. Now I know how to do it, what's required and why they require it.'

'I have never had a loan in my life. Now I understand. I have never looked at it before so it's just the exposure.'

Around half of Progress Loans customers reported an increased understanding of loan contracts (54%), interest rates (47%) and loan statements (46%).

'Yes, I understand more about interest rates. I have never had a loan before so it helps you know about it.'

'Better because they are not as scary as I thought. It wasn't as complex or confusing as I thought. So I learned something.'

'I haven't seen other loan contracts. It was very simple and you do understand. I learned from the experience.'

A proportion of customers reported an enhanced ability to manage loan repayments (44%) and ability to budget or manage money (39%).

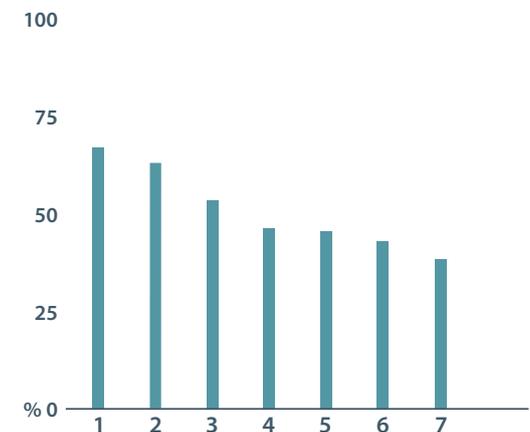
'Just the discipline of making sure the repayment is there, not spending it, thinking about it, being aware I have to manage my money.'

'Having been through this twice, it is certainly better than before my first loan.'

FIGURE 17:

Positive changes in financial capability and confidence

PERCENTAGE OF CUSTOMERS WHO, IN RESPONSE TO EACH STATEMENT, STATE THEIR CONFIDENCE/ ABILITY TO BE BETTER THAN BEFORE APPLYING FOR A PROGRESS LOAN



RESPONSE

1. Confidence to apply for another loan from ANZ
2. Ability to understand the process of taking out a loan
3. Ability to understand loan contracts
4. Ability to understand interest rates
5. Ability to understand loan statements
6. Ability to manage loan repayments
7. Ability to manage your budget or manage your

3.0 KEY FINDINGS

More confident to deal with a mainstream financial institution: More than two-thirds of Progress Loans customers (69%) said they felt more confident to apply for a loan from ANZ after receiving a Progress Loan. Customers in the face-to-face interviews assumed that if they developed a good track record through the course of their Progress Loan, ANZ would be more likely to approve finance in the future.

‘Before it wasn’t easy. Now it is getting easier. Now I know about banks and their processes. I’m more confident than before.’

‘I guess in a way, just going through a positive experience with a financial institution and being taken seriously, you feel better about dealing with other institutions in the future.’

‘Better because I have been through the process. Although it was daunting it wasn’t as daunting as I thought. Knowing you can get a loan and make the repayment gives you more confidence. It makes a big difference.’

Connecting to mainstream finance: The 2009 and 2011 evaluations illustrate that the Progress Loans program promotes financial inclusion by connecting people on low incomes, who may not have been able to access safe and affordable credit, to a mainstream credit provider.

‘It’s not a lack of confidence. It’s about knowing I won’t get a loan and my experience shows exactly that. I know they won’t give me a loan.’

‘I tried, but as a single mum on a Centrelink income they say you can’t afford it.’

‘I enquired about a car loan with my bank. They asked about my details and then said [I] don’t meet the loan criteria. They said I couldn’t afford the repayments.’

Progress Loans customers in both evaluations placed high value on dealing with one of Australia’s ‘big four’ mainstream retail banks. Almost all customers in both evaluations said they would be proud of their achievement after paying off their loan (98%) and placed great value on establishing a good track record with a major bank (96%).

‘Definitely. Self-satisfaction, a sense of pride [that] we have done it. Anything you do yourself and pay off is an achievement.’

‘That makes me feel good. It kind of gives me an inner belief in myself. I know I am able to repay it.’

‘Of terrific value. A good credit rating. It proves you can pay it off so they would have to take notice of that.’

Consistent with the 2009 evaluation, many Progress Loans customers agreed that their Progress Loan led to an improved quality of life.

Improved resilience: Consistent with the 2009 evaluation, many Progress Loans customers agreed that their Progress Loan led to an improved quality of life (89%), greater independence (86%), reduced stress in their household (89%) and improved self-confidence and self-esteem (85%).

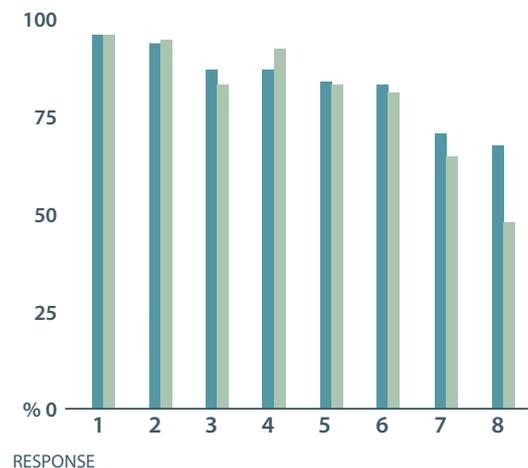
'Life has changed. We can do a lot of stuff now we couldn't do before. It's a nice thing. First, the children, we can take them to school. Now we visit friends. We couldn't do that before. Second, looking for work. There is more chance of getting a job now with the car. Third is shopping [and] getting to the doctor when we are sick. It's much easier now.'

'We don't have to ask friends to help us. We can do it ourselves, so we are more independent.'

'You feel good. It helps [you] get a job. You get a good record. You feel happier in yourself. You know you can achieve it if you follow the route. I know I can do it.'

FIGURE 18:
Agreement with statements

PERCENTAGE OF CUSTOMERS WHO AGREE OR STRONGLY AGREE WITH STATEMENT



- RESPONSE
1. I will be proud of my achievement when I pay off my Progress Loan
 2. Establishing a good track record with a major bank is of great value to me
 3. Getting a Progress Loan helped reduce stress in my household
 4. Getting a Progress Loan has helped improve my quality of life
 5. My Progress Loan has helped me be more independent
 6. Getting a Progress Loan has improved my confidence and self-esteem
 7. Getting a Progress Loan has helped improve my health situation
 8. Getting a Progress Loan has helped me get out more to see family and friends

2009 sample (n=200)

2011 sample (n=300)

3.4 KEY PROGRAM FEATURES FOR LOW-INCOME PEOPLE

The 2009 evaluation identified a number of program features that make Progress Loans particularly suited to low-income Australians. The 2011 evaluation confirmed these features. They include:

- > a sensitive, respectful customer service model that allows for the provision of intensive assistance
- > an application and assessment process that works with the loan applicant to establish realistic and affordable repayment rates
- > an affordable repayment rate that does not change over the term of the loan
- > an automatic repayment system that is coordinated with the timing of income streams through direct debit and Centrepay
- > a positive relationship with a mainstream financial institution.

The 2011 evaluation showed that the majority of Progress Loans customers gained the benefits associated with the loan purpose while being able to service their Progress Loan without financial difficulty. The program features listed above are central reasons for this outcome.

3.5 PROGRAM INNOVATION PILOTS

The 2009 evaluation recommended that the Brotherhood and ANZ consider ways to make the Progress Loans program more widely available to low-income Australians.

With the provision of federal government funding, a number of innovation pilots were introduced. These included the training of community 'champions' to service targeted communities in Victoria (13-month pilot), offering Progress Loans through selected ANZ branches in Victoria (6-month pilot) and offering Progress Loans through an ANZ telesales channel to service interstate and regional communities (12-month pilot).

These innovation pilots were established during the evaluation period and had limited scale. Therefore, the following conclusions are indicative only.

Similar loan purposes, impacts and customer experience: Across each channel, customers borrowed money for similar purposes. They reported similar social impacts as well as similar positive customer experiences and high satisfaction. Therefore, each channel appeared to serve the needs of low-income customers.

Innovation pilots expanded the reach of the program: The pilots demonstrated that alternative distribution channels can increase the reach of the program: the community champions pilot generated program awareness and provided direct access for culturally and linguistically diverse communities; the ANZ branch pilot serviced new customers within the Melbourne metropolitan area and demonstrated the potential for the product to be offered across the branch network; and the ANZ telesales pilot provided access for people in areas outside Melbourne, including interstate locations.

The 2011 evaluation confirmed that, by providing access to affordable and appropriate finance, the Progress Loans program is effective in helping low-income Australians address essential household and personal needs they could not otherwise easily address.

A number of challenges: If the Brotherhood and ANZ were to pursue an ANZ distribution model for Progress Loans, one of the challenges would be to make potential loan applicants aware that this type of loan is available through ANZ.

An opportunity: While this is only a preliminary conclusion, the 2011 evaluation suggests that the innovation pilots have the potential to help make Progress Loans more widely available to low-income Australians.

Both the 2009 and 2011 evaluations suggest that a proportion of low-income Australians are unlikely to approach ANZ directly because they don't believe a mainstream financial institution will be willing to provide finance to people on low incomes.

In addition, feedback from staff involved in the pilots suggests a need for specialised training for staff who offer the Progress Loan. The loan eligibility requirements and application processes are significantly different to the mainstream personal loan requirements and processes, and special care and consideration is required when dealing with socially vulnerable, low-income customers.

4.0 CONCLUSIONS

Building on the outcomes of the 2009 Progress Loans evaluation, the 2011 evaluation confirmed that the majority of Progress Loans customers are vulnerable, financially excluded, low-income Australians.

The 2011 evaluation confirmed that, by providing access to affordable and appropriate finance, the Progress Loans program is effective in helping low-income Australians address essential household and personal needs they could not otherwise easily address.

Through more targeted and expanded measurement, the 2011 evaluation confirmed that the Progress Loans program directly contributes to social inclusion, helps address areas of deprivation for its customers and directly supports the capacity of individuals to address issues arising in their lives. Key indicators include improved personal living conditions and quality of life, greater interaction with family, friends and the general community, improved health and wellbeing, improved personal life skills, improved social resources, improved access to employment, improved access to community and institutional resources, improved material and economic resources and improved access to mainstream finance.

In addition, the Progress Loans program provides a positive customer experience, helps improve financial capability, assists customers to be more independent, improves customer self-confidence and self-esteem and helps reduce financial and emotional stress in the household.

The 2011 evaluation also confirms that the program helps address financial exclusion by linking people on low incomes to the mainstream banking system and by providing affordable and suitable mainstream finance.

The preliminary assessment of the innovation pilots indicates that ANZ distribution channels have the potential to provide similar social impacts and benefits to those achieved through the current Brotherhood channel. In addition, ANZ channels have the potential to improve the availability of the program and the community champions model has the potential to facilitate greater access for culturally diverse and non-English speaking communities. Therefore, these innovation pilots have the potential to make Progress Loans more widely available to for low-income Australians.

Based on the positive outcomes of this evaluation, the Brotherhood and ANZ might consider expanding the reach of the Progress Loans program through a variety of distribution channels.

Financial and social exclusion remain significant barriers for low-income Australians. This evaluation illustrates the financial and social benefits gained by customers of the Progress Loans program. The program directly contributes to financial and social inclusion.

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