



# Putting good practice at the heart of NILS

December 2013



Good Shepherd  
Microfinance

synergisti<sup>q</sup>



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# Foreword

It gives me great pleasure to introduce *Putting Good Practice at the Heart of NILS*. This report was borne out of the need to ensure precious loan capital was repaid and recycled to as many people as possible and appropriately met clients' needs.

We wanted to find out what we do well so we can do more of this.

*Putting Good Practice at the Heart of NILS* embraces Good Shepherd Microfinance's strategic priorities:

- Being community-led and client-driven
- Strengthening our programs through collaborative research partnerships
- Informing our programs through shared learning and
- Increasing the impact of NILS.

Over 32 years, some 125,000 Australians on low incomes have accessed Good Shepherd Microfinance's safe, fair and affordable loan programs to purchase essential household items.

Our research shows that good practice is more than a one-size-fits-all approach. It relates to practices where staff are engaged, proactive and responsive to a client's needs and changing circumstances.

NILS providers identified the most effective and important practices as:

- Being respectful and open-minded towards the client's needs
- Providing clear and accurate information about NILS
- Assessing the client's eligibility as quickly as possible
- Explaining 'circular credit' to clients
- Completing a realistic budget assessment
- Ensuring that the Loans Assessment Committee has enough information and
- Keeping the loan management database up-to-date.

Organisational practice and financial data of NILS providers were matched to determine which of those practices above were strongly associated with low levels of write-offs and arrears.

Practices closely associated with low rates of arrears were:

- Using a casual and relaxed approach with clients
- Being flexible and responsive to client's changing circumstances during the life of a loan and
- Having a good relationship with local service providers and retailers.

Practices closely associated with low rates of write-offs include:

- Providing material and housing support, and financial counselling tailored to clients
- Varying the conditions and scheduling of the loan if a client's circumstances change and
- Having strong governance structures around their NILS program.

With such a diverse network, we expected to find variations with good practice. This turns out to be our core strength as a network. Our results show that while NILS service provision is mostly consistent across providers, flexibility in policies and procedures, made in consultation with Good Shepherd Microfinance, allow the best possible outcomes for clients.

Improving NILS service delivery does not mean a dramatic shift in focus. Instead, it requires strengthening existing practice. *Putting good practice at the heart of NILS* now provides Good Shepherd Microfinance and its partner organisations with evidence of the community-led wisdom of frontline practitioners and managers, in addition to solid portfolio performance data from programs.

Together with our partners, this report will help us to reach more people on low incomes and achieve a positive impact through increased economic mobility. It is in all our interests for people on low incomes to realise economic wellbeing and inclusion. This is a key element in all people achieving the fullness of life and living in connected resilient communities.



Adam Mooney, CEO  
Good Shepherd Microfinance

# Executive Summary

## Background

The No Interest Loan Scheme (NILS) is one of the three main financial services provided by Good Shepherd Microfinance. The NILS program offers people on low incomes the opportunity to access safe and affordable credit of up to \$1,200 to purchase essential household items.

## Objective

This research sought to identify elements of good practice in NILS that were closely associated with low arrears and write-offs. Findings provide Good Shepherd Microfinance with evidence to better inform the quality assurance of its NILS programs.

## Methodology

Data was obtained in three ways:

- Workshops with seven providers reporting strong financial results (e.g. high rates of loan completion, low arrears and write-offs), which involved detailed discussion about learning, development and pathways through the loan process
- Financial data for individual organisations relating to loan arrears and write-offs
- A survey targeting all NILS providers, to which just under half (110 of 260 providers) responded.

This data was then analysed and triangulated to identify themes and develop recommendations.

## Results

The results of this project show that while the broad structure of NILS service provision is mostly consistent across Australia, there is some variation in how particular processes are undertaken, for example the monitoring of loans or how organisations attract potential clients.

The project also highlights that definitions of good practice vary. We explored practices that:

- Are used frequently by NILS providers
- NILS providers believe to be beneficial for reducing arrears and write-offs

- Are correlated with low rates of arrears and write-offs.

When asked which practices providers used, the most common practices were being respectful and open-minded, providing clear and accurate information, and assessing the client's eligibility as quickly as possible. When asked which practices were most important, providers emphasised explaining to a client the concept of circular credit, completing a realistic budget assessment, ensuring that the loans approval committee had enough information, and keeping the loan management database up to date.

Organisational practice and financial data were matched to determine which practices were most closely associated with low levels of write-offs and arrears. The practices most closely correlated with low rates of arrears were found to be: using a casual approach with clients, being flexible, and having a good relationship with local retailers. The practices more closely correlated with low rates of write-offs were the provision of material supports (e.g. food, clothing, etc. to clients who need it either through the NILS agency or a referral), varying the conditions of the loan if a client's circumstances changed, and having strong governance structures around the program.

## Discussion and conclusions

This project showed that good practice is more than specified protocols, and relates to an approach where staff are engaged, proactive and responsive to individual need. Overall, most NILS providers have low rates of arrears and write-offs, and many of the processes and behaviours identified as good practice are already undertaken by providers or embedded in organisational practice.

Improving practice in NILS service delivery does not require a shift in focus. Instead, it requires a strengthening of existing practice. The elements that make up good practice are already consistent with the values of Good Shepherd Microfinance and of NILS providers themselves. These include treating clients with respect, considering the clients' needs and making decisions that are best for the community.

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# Project Background

Good Shepherd Microfinance (GSM) coordinates a range of microfinance services across Australia, both directly and through contracted services, in partnership with the National Australia Bank (NAB) and the Department of Social Services (DSS).

The three main services provided are:

- **NILS** (No Interest Loan Scheme) offers people on low incomes the opportunity to access safe and affordable credit of up to \$1,200 to purchase essential household items
- **StepUP** offers low interest loans in partnership with the NAB and can be used for many purposes, including cars, car repairs, white goods and other necessities. StepUP was intentionally designed to offer a step up from NILS to a more mainstream banking product and offers loans from \$800 - \$3,000 at 3.99 per cent fixed interest for the term of the loan
- **AddsUP** is a matched savings program also run in conjunction with the NAB. Clients are eligible for an AddsUP account if they have successfully paid off or are paying off a NILS or StepUP loan and hold a health care card or are on a low income. Money can be paid into a separate savings account, where the NAB will match savings up to \$500 for people who have saved more than \$300.

These programs have been operating for varying lengths of time but have all seen substantial growth during their operation. There are approximately 257 microfinance providers in Australia working across more than 650 locations. There is variation in providers in terms of both size and the model of delivery. Some only provide microfinance services while others provide a variety of services in concert with microfinance. Some have specialist microfinance workers while others are largely staffed by volunteers.

NILS operates on a model of circular community credit. Capital is made available for loans and as individual loans are repaid, loan capital is again available for new NILS loans. This means that when loans are not paid consistently or are written off, the amount of available loan capital for a local community is reduced.

GSM recognises that NILS clients can face a number of challenging circumstances, which can make regular loan repayments difficult. GSM also recognises that some NILS providers appear better able to manage overall rates of arrears and write-offs. NAB has worked closely with a number of providers with high rates of arrears and write-offs, and undertook a root cause analysis regarding arrears and write-offs. This consisted of a full review of client files, and an assessment of internal processes against work instructions and the NILS practice manual.

This has been a useful process to address high rates of arrears and write-offs, however, GSM also wanted to understand good practice in loan management, and how to promote this good practice more broadly.

This project was established to explore and identify:

- Loan book good practice and its key elements of success, and
- The extent to which different elements of this practice are in place across the NILS network.

A second focus of the project was to explore how good practice in loan management is currently disseminated across the NILS network, and where opportunities exist to further strengthen learning and development across the network.

# Methodology

## Data collection and analysis

In undertaking this project, we took an appreciative approach to exploring practice amongst NILS providers to identify existing best practice. This project primarily used three data sources.

Firstly, workshops were undertaken with seven NILS providers across Victoria, New South Wales and Queensland. These workshops involved a detailed discussion of the pathway through a loan, including processes and techniques, and broader discussion about learning and improvement. The providers were selected on the basis of their loan management outcomes, as they all had low rates of arrears and defaults in the 2011-12 year. Providers were also selected to cover a mix of client demographics and service provider types, for example, a mix of metropolitan and regional providers, and those with higher and lower loan volumes.

Secondly, financial data was provided by GSM. This data comprised the number of active loans issued by NILS providers, the number of loans for which the client was currently not paying (in arrears), the number of loans that were considered write-offs, and the value of these write-offs.

Thirdly, a survey was sent to all NILS providers. GSM provided email addresses of service providers and each provider was sent an email containing a link to an online survey. The content of the survey was informed by data collected during the workshops. Specifically, the survey asked about the use and perceived importance of a range of practices that were identified as good practice through analysis of workshop transcripts. Feedback from GSM staff and NILS providers was offered on the survey draft to ensure that the appropriate language was used.

In addition to good practice elements identified through the workshops, a number of additional practices were included in the survey that were the converse or an alternative to one of the good practice items listed.

These were included for two reasons. Firstly they created a “control” to reduce the risk of survey respondents agreeing with each statement rather than reading and considering them fully, or identifying any respondents who did so. Secondly, these items were included as acknowledgement that valued practice or innovative practice within a high-performing organisation cannot necessarily be considered good practice until there is evidence that the practice leads to improved outcomes. Including converse pairs of actions (for example, using a friendly or stern manner in making an initial follow-up about a late payment) allows us to determine which option is more helpful in keeping arrears and write-offs low. The full survey is included as Appendix 4.

Following the closure of the survey, responses were paired with financial data for each NILS provider. This allowed for analysis of the correlation between organisational practice and loan management performance. Details of the statistical analysis are included in the Results section of this report to explain the results presented.

Analysis of the qualitative and quantitative data sources were undertaken separately, then results were triangulated to gain a more complete understanding of good practice and information sharing across the NILS network. This analysis led to the development of recommendations, which are listed at the conclusion of this report.

“  
*We tell them at the start that it's okay to ask for help.*  
”

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### Limits and caveats

The scope of this project led to a greater emphasis on states that mostly used the decentralised model of service provision than states using a centralised model. Specifically, all workshops were undertaken in states using mostly the decentralised model, and respondents from these states were over-represented in the survey. Hence, while most of the findings in this report will be relevant for NILS providers across Australia, there may be some findings that are not relevant to all states, and similarly there may be practices, strengths and challenges that are specific to the centralised model which are not captured in this report.

There may also be elements of good practice that were not used or articulated by the providers visited during the workshops, and hence have not been explored in this review. It is also important to note that correlation does not equal causation and hence where some practices are linked to low rates of arrears and write-offs, this may be due to a confounding variable. This risk is mitigated by using multiple definitions of “good practice” which are discussed in the results and analysis sections.

“

*When they finish we give them a certificate and some of them have told us that they frame it. I had one client who said that before he got on the NILS, he was a no-hoper. He insisted he was. I said he wasn't but he said: 'We were, we were, but now when we walk out on our street, we walk tall, because we have new things like everyone else.'*

”



# Results

## Consultation

Workshops were held with seven providers across Victoria, Queensland and New South Wales. Discussions revealed broad similarities in the stages of NILS, but variations in day-to-day practice.

## LOAN MANAGEMENT PRACTICE

A key focus of the consultation was for providers to describe the pathway through a loan, from commencement to completion. While service providers referred to the Information Resource Kit for NILS providers, they had different ways of describing the process.

The pathway typically consisted of about seven key phases, summarised in Table 1.

Table 1: Phases of loan management

Phase	Description of phase
Awareness	This phase focused on promotion and awareness, both for potential clients and referring agencies.
First contact	This phase responds to the initial contact and inquiry, with a focus on initial assessment of eligibility (and referral to other services if people aren't eligible) and building rapport.
Application	This phase included a detailed interview and budget assessment, with the aim of ensuring all documentation is complete for the assessment.
Assessment	This phase included the confidential assessment of applications through a Loans Assessment Committee.
Loan processing	This phase consisted of notifying clients about their loan outcome, as well as contract preparation, a contract meeting and organising payment.
Monitoring	This phase had a number of activities, including data entry and monitoring as well as using systems and processes for client contact.
Completion	The loan was completed on the final repayment. Some but not all providers had a system of interim acknowledgement, and provided specific acknowledgement on completion, such as a certificate.

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There were considerable variations in practice, even among the small number of providers involved in the consultation. For example, some of the providers had a strong focus on local and targeted communication, while others reported they did little to promote their service and relied on word-of-mouth promotion.

Providers also varied in how they responded to first contact. In some cases, the providers sent out information and made an appointment once all information was complete, while in other cases, there was a first interview explaining the process and all the information needed.

There was variation in the approach to completing the application. In some cases, clients were provided considerable support to complete the application, while in others, people were supported to understand the application but expected to complete it themselves.

*“A big shift was that we moved responsibility to the applicants, we explain information but get them to read and understand, and then set up appointments to facilitate the application. We spend time working with applicants to understand what they need to – and can – do, rather than filling it out ‘for’ them. This was an efficiency push, but it’s also more enabling and shifts clients towards self-empowerment, with NLS workers as facilitators.” - Participant, workshop*

Through the consultation, there was a strong focus on monitoring, with a consistent view that early contact after a late payment was critical. Participants also talked about how this follow-up should occur, as well as when.

In some cases, there were quite different approaches to monitoring and managing loans. One provider reported monitoring court summaries to identify whether clients had been sentenced to prison. Another provider flagged the practice of withdrawing access to other services they delivered if NLS loan obligations were not met.

In addition to the key phases of loan management activity, providers discussed broader organisational issues such as governance, volunteer training, internally reviewing practices, and relationships with other services such as Centrelink.

From the consultation, themes were identified, and notes from each workshop and interview were coded to identify the key factors influencing effective loan management. These are summarised in full in Appendix 1. The five factors that were mentioned most consistently across the consultation were:

- The completion of a detailed and realistic budget assessment
- Loan applications proceeding to the Loans Assessment Committee once complete (with all documentation)
- Being respectful and building rapport with clients
- Using a friendly and supportive manner to follow up late repayments
- Promoting the community benefit of circular credit.

## LEARNING AND DEVELOPMENT

The consultation explored how workers and providers currently learnt about loan management good practice. This showed that workers typically feel stretched for time, and rely primarily on other staff in their organisation for information and to discuss practice. In some cases, other NILS providers were a source of information and advice. Participants valued the State NILS networks, however reported that they often did not attend regional network meetings, primarily due to time pressures. Similarly, in some cases, workers reported that people working on NILS may not be on site on the same days, and team meetings were not common.

*“Really, we are making do rather than being strategic, we need more resources to deal with demand, and more time to connect within the organisation, and at the moment I don’t make it to many of the internal meetings.” - Participant, workshop*

Workers who had attended NILS conferences found them valuable, particularly networking with other providers.

Internal reviews were another source of learning highlighted by workers.

*“The internal review was the big thing. Write-offs were high so we looked at our processes, and dedicated a few people to interviews. Before, it was ad hoc with variable consistency, which the committee noticed, and also case workers were like client advocates, so we simplified it, and also kept the NILS interview a bit separate. We’ve now got two people doing the applications and they understand the expectations of the committee. Also the committee and the NILS workers give clear feedback about what is needed in the applications.” - Participant, workshop*

Workers often stated that the NILS coordinator played an important role in sharing information and ensuring quality. This included overseeing processes and observing practice. The NILS coordinator was particularly valued in creating a sense of team when people were not working on the same day.

## Financial data

Financial data was provided to Synergistiq by GSM. It included loan management outcomes for NILS providers in two half-year periods during 2012. Details of how this data was analysed is provided in Appendix 2.

There was much variation in the number and value of arrears and write-offs across providers, though this was quite closely correlated to the number of loans provided by the organisation.

Of 260 providers,<sup>1</sup> 41 did not have any clients in arrears. Forty providers reported less than five per cent of clients currently in arrears, and 89 had between five and nine per cent of clients currently in arrears (Figure 1). A smaller number of organisations had high proportions of clients in arrears.

1. In this context, “providers” are defined as listed in the financial data spreadsheet provided by Good Shepherd Microfinance.

Figure 1: Number of providers by proportion of loans that are in arrears

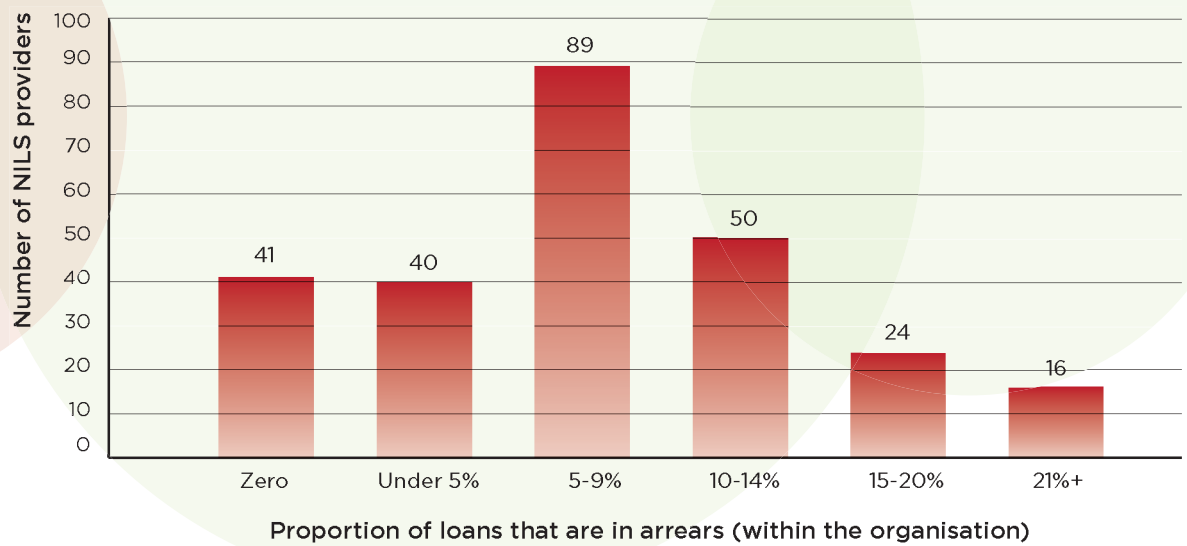
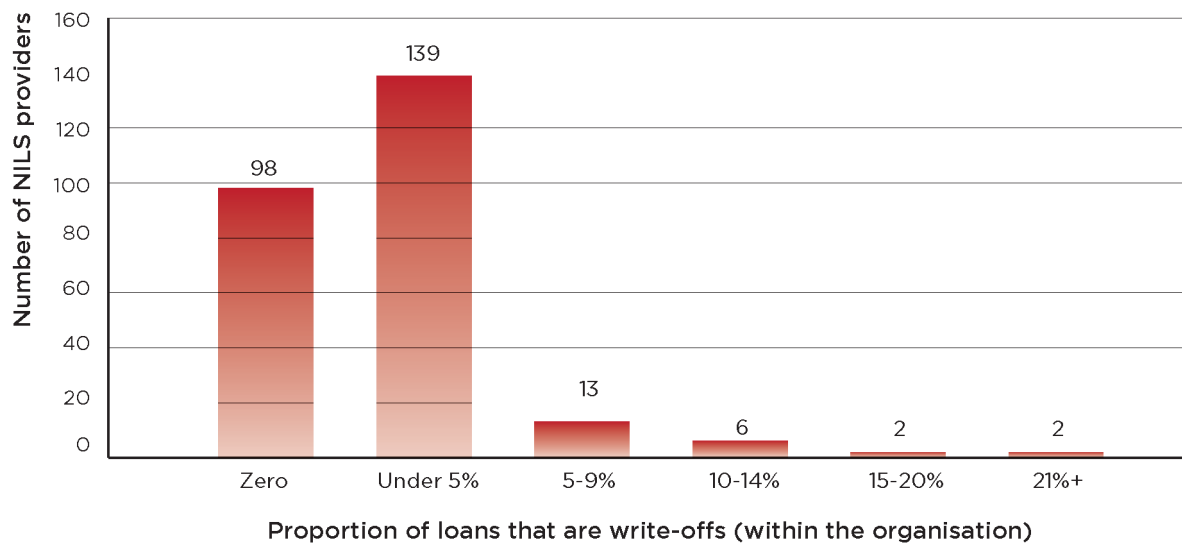


Figure 2: Number of providers by proportion of loans that are write-offs



The number of write-offs was much smaller. Over a third (38 per cent) of providers reported no write-offs and less than one in ten providers had recorded more than five per cent of their loans as write-offs (Figure 2).

The value of the write-offs was variable, which seemed to represent both clients who did not pay off any of their loan and those who had almost paid off their loan before the loan was written off (Figure 3).

It was rare for providers to have more than \$2,000 in write-offs in a half-year period (Figure 4). One organisation had very high defaults and arrears but this was considered an outlier.

Further details of arrears and write-offs are outlined in Appendix 2. The relationship between financial performance and demographic variables is detailed in Appendix 3.

Figure 3: Distribution of the average value of write-offs

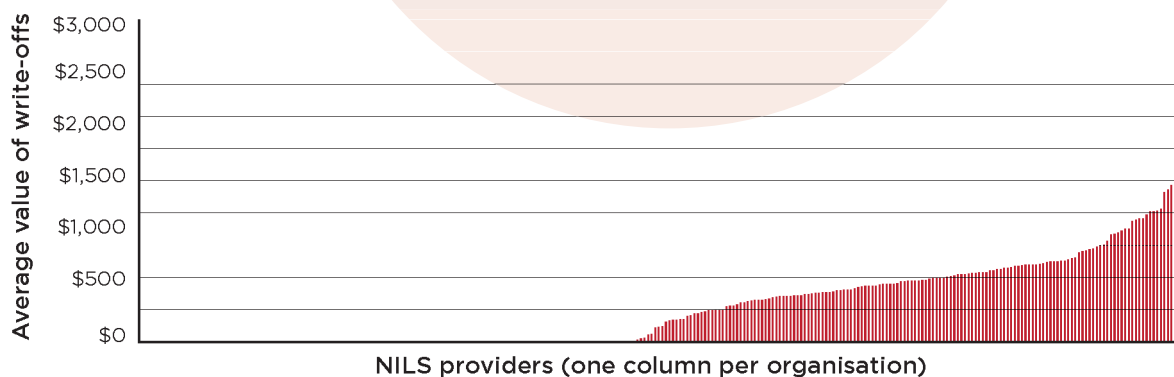
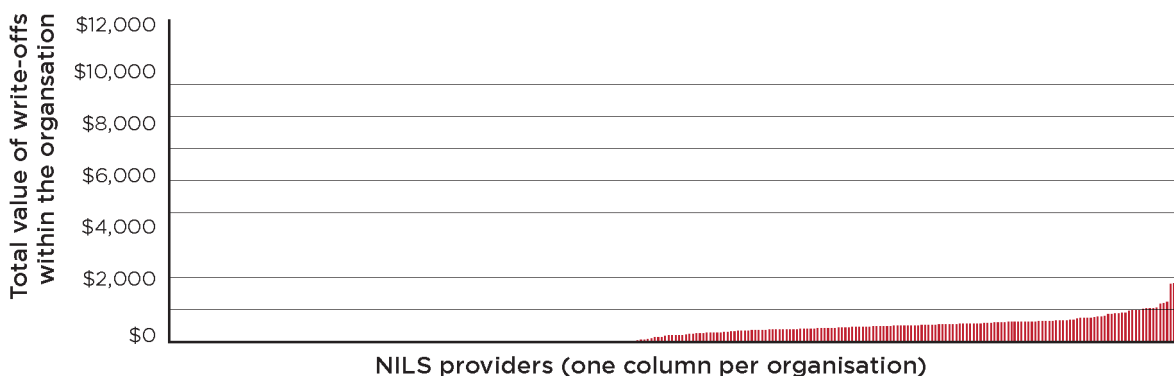


Figure 4: Distribution of the total value of write-offs per organisation



## Perceptions of good practice

Of the 260 NILS providers invited to participate in the survey, 110 responses were received, representing a strong response rate of 42 per cent. Of these 110 survey responses, 105 could be matched to providers for which write-offs and arrears information was available.<sup>2</sup>

The survey asked respondents to consider processes and practices at four stages (a simplified version of the seven stage process outlined above), in addition to considering practice in their organisation overall. These stages were:

- Stage 1: Making contact with the client
- Stage 2: Developing the loan application
- Stage 3: Assessment
- Stage 4: Monitoring and loan completion.

For practices associated with a stage, respondents were asked how often they undertook each practice or the extent to which it was applicable to their organisation.

### FREQUENCY OF USE OF PRACTICE

Respondents were then asked how frequently they used a range of processes or practices, and which they believed were most important. Eight processes or practices were rated very highly by respondents, and are listed below. The number in brackets is the percentage of respondents who reported using this process or practice all or almost all of the time in their organisation.

- When we meet a client, we are respectful and open-minded (97 per cent)
- We provide clear and accurate information to the client (96 per cent)
- We assess a client's eligibility as early as possible (96 per cent)
- We make sure that the loan application is as complete as possible before sending it to the loans assessment committee (95 per cent)

- When we first follow up a missed payment, we use a friendly and supportive manner (94 per cent)
- We complete (or ask the client to complete) a detailed and realistic budget assessment before proceeding with the application (94 per cent)
- We keep our loan management database up to date (94 per cent)
- We process loan applications as quickly as we can (93 per cent).

The highest ranking practices in each of the four stages are below. The number in brackets is the percentage of respondents who reported using this process or practice all or almost all of the time in their organisation, except for the final dot-point which refers to the percentage of respondents who strongly agreed with the statement.

- Stage 1: When we meet a client, we are respectful and open-minded (97 per cent)
- Stage 2: We make sure that the loan application is as complete as possible before sending it to the loans assessment committee (90 per cent)
- Stage 3: The interviewers and Loans Assessment Committee are independent from each other (81 per cent)
- Stage 4: When we first follow up a missed payment, we use a friendly and supportive manner (71 per cent)
- Organisational practice: We recruit staff and/or volunteers with the right personality and skills to work in the NILS program (68 per cent).

### RESPONDENTS' RANKING OF IMPORTANCE

Respondents were asked to identify which practices were considered the most important in each stage; these are summarised in Table 2. Note that only rankings are provided, as the number of listed practices vary in each stage, so cannot be compared between stages.

<sup>2</sup>. Of the five excluded, two were duplicates (where two responses were given from the same organisation), two were cases where respondents entered their organisation as "anonymous" and "xyz" respectively, and one was an organisation that could not be identified. These anonymous, unidentifiable and duplicate entries were included in the analysis of demographics and survey questions that were not linked to write-offs and arrears data, but are excluded from the results that follow.

Table 2: Most important practices by stage

Stage 1	<ol style="list-style-type: none"> <li>1. When we first meet with a client, we explain circular credit or emphasise their responsibility to the community to repay the loan</li> <li>2. We assess a client's eligibility as early as possible</li> <li>3. We provide clear and accurate information to the client</li> </ol>
Stage 2	<ol style="list-style-type: none"> <li>1. We complete (or ask the client to complete) a detailed and realistic budget assessment before proceeding with the application</li> <li>2. We make sure that the loan application is as complete as possible before sending it to the loans assessment committee</li> <li>3. When speaking to a client, we promote opportunities for them if they successfully complete the loan (eg. a future loan, AddsUP, etc.)</li> </ol>
Stage 3	<ol style="list-style-type: none"> <li>1. Our Loans Assessment Committee asks for additional information if they need it</li> <li>2. We use the eligibility requirements described in the NILS Accredited Policies and Procedures</li> <li>3. The interviewers and Loans Assessment Committee are independent from each other</li> </ol>
Stage 4	<ol style="list-style-type: none"> <li>1. We keep our loan management database up to date</li> <li>2. We monitor loan repayments at least every week</li> <li>3. When we first follow up a missed payment, we use a friendly and supportive manner</li> </ol>
Organisational practice	<ol style="list-style-type: none"> <li>1. We recruit staff and/or volunteers with the right personality and skills to work in the NILS program</li> <li>2. We have good data management systems</li> <li>3. Staff/volunteers receive good training and/or mentoring (internal or external)</li> </ol>

“

*It's good leadership. It feels like a family. We're willing to help and have different expertise. There's empathy and values.*

”

## Linking practice and outcomes

Each of the practices used by a provider was correlated with the proportion of loans in arrears, and the proportion of loans which were write-offs. To use the maximum possible sample size, providers were split into two groups of approximately equal size for each variable: a 'higher arrears' group (8 per cent or over) and 'lower arrears' group (7 per cent or under) for analysis of arrears, and a 'higher write-offs' (2 per cent or over) group and 'lower write-offs' (zero or one per cent) group for analysis of write-offs. The proportion of arrears and write-offs were correlated, but inclusion in the 'higher arrears' group, for example, did not necessarily mean that an organisation was in the 'higher write-offs' group. These groups were cross-tabulated against the (self-reported) frequency with which they used each practice. This cross-tabulation was used to create a ratio which was then used to assess the correlation between the practice and rates of arrears or write-offs.<sup>3</sup>

As this project focuses on arrears and write-offs, results do not identify good practice that may have other benefits, such as improved self-esteem for the client or a positive work environment.



*Always make it known that the loans are communal, flexible and it is in their interest to pay. Create a professional environment, one that doesn't imply 'this is a handout'. Rapport couldn't be more important.*



## ARREARS

Using the method described above, the five practices that were most strongly correlated to lower arrears are as follows. The number in brackets is the lower arrears good practice ratio.

1. We use a casual approach (manner, appearance, etc.) (1.7)
2. We use eligibility requirements that are more flexible than those in the NILS Accredited Policies and Procedures (1.4)
3. If a client wants a loan over \$1200, we still approve it (1.3)
4. The loans approval committee meets out of session when a client needs a loan urgently (1.3)
5. We have good relationships with local retailers (1.3).

The two practices most strongly correlated to lower arrears are graphed below (Figures 5 and 6). Note that the comparatively small differences between the two arrears categories demonstrates the high level of consistency across organisations. For practices 2 & 3 above, changes to standard policies and procedures by a program were approved in consultation with Good Shepherd Microfinance.

3. The equation for arrears was: (Lower arrears & high use) + (Higher arrears & low use) / (Higher arrears & high use) + (Lower arrears & high use). This was repeated for write-off values. The higher the value, the stronger the evidence that this practice contributes to keeping arrears low. The lower the value, the stronger the evidence that this practice is more prevalent amongst providers with higher rates of arrears. A value of 1.0 suggests that there is little correlation between the use of the practice and proportion of clients in arrears.



Figure 5: Extent to which organisations agree that they use a casual approach (by arrears category)

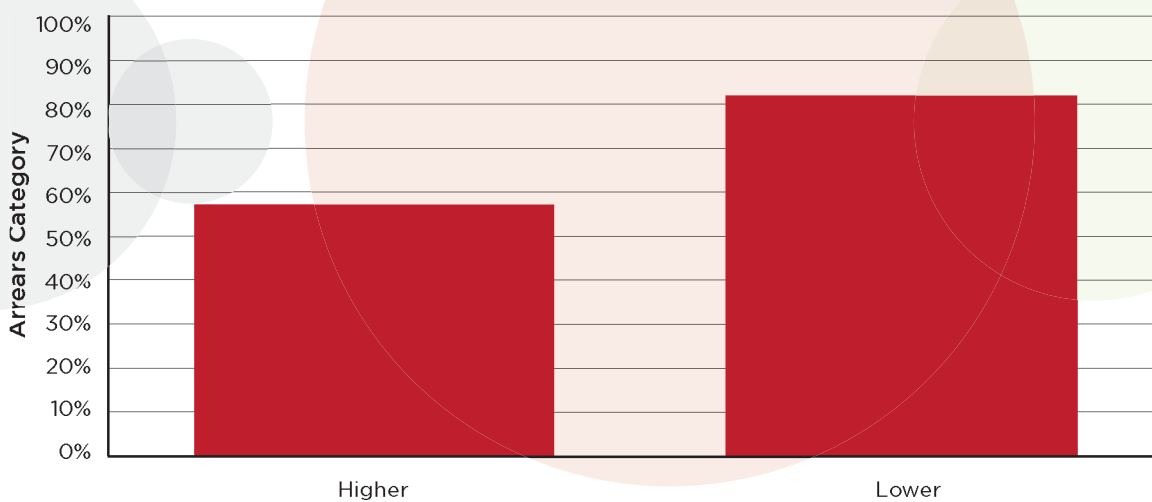


Figure 6: Frequency of organisations using eligibility requirements that are more flexible than those in the NILS Accredited Policies and Procedures (by arrears category)

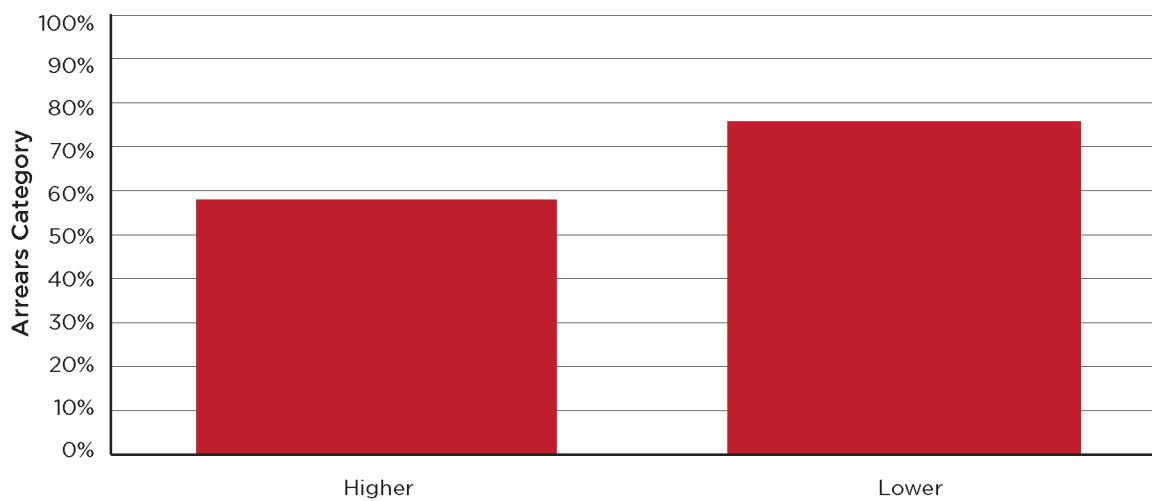
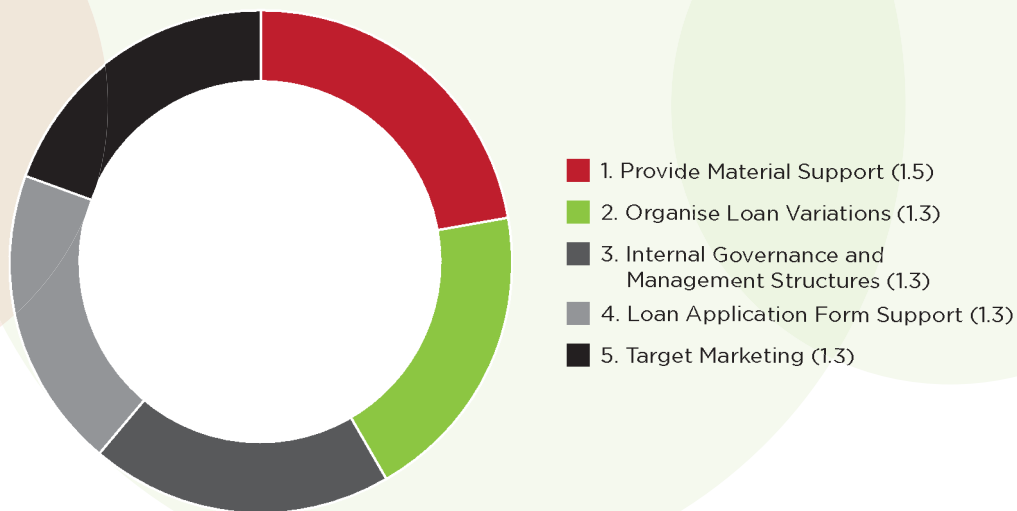


Figure 7: The five practices most strongly correlated with lower rates and write-offs



### WRITE-OFFS

The same process was used for correlating practices with write-offs. The five practices that were most strongly correlated with low rates of write-offs are as follows, and the number in brackets is the lower write-offs good practice ratio.

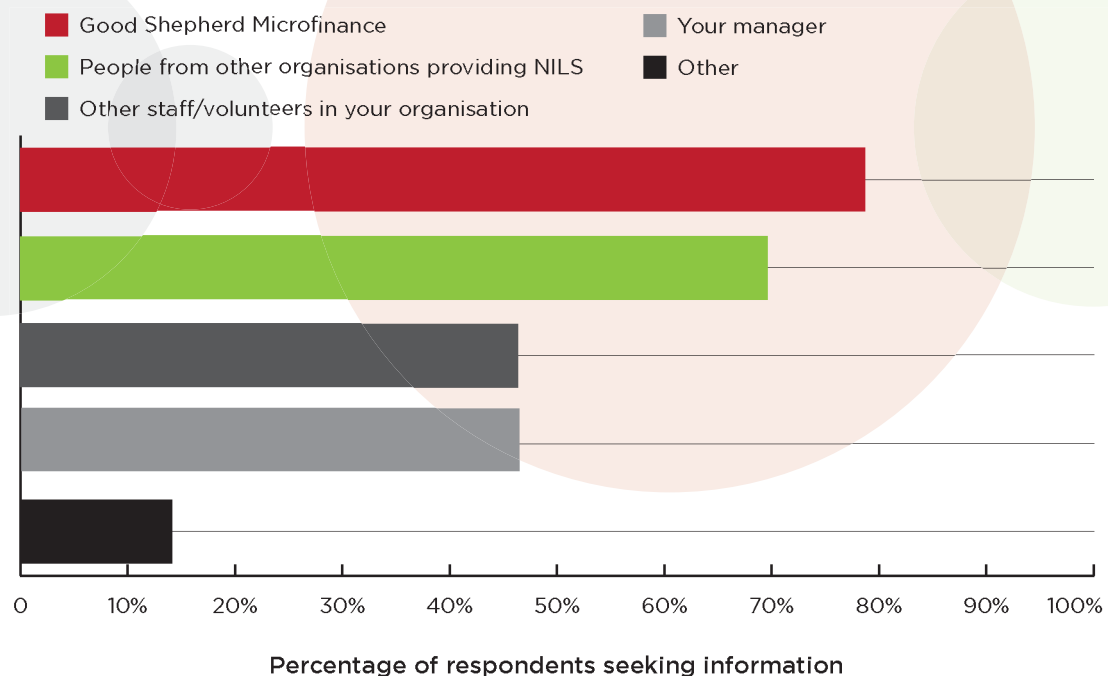
1. We provide material supports (e.g. food, clothing, etc.) to clients who need it (either through our agency or a referral) (1.5)
2. If a client's circumstances change, we organise a loan variation (1.3)
3. Our organisation has clear governance and management structures (1.3)
4. We fill in the loan application forms with clients (e.g. sitting together to complete the form) (1.3)
5. We use marketing tactics that specifically target potential clients in our community (1.3).

Again, the comparatively small differences between the two arrears categories demonstrates the high level of consistency across organisations.

### SHARING INFORMATION

Respondents were asked who they were likely to approach for information or advice about improving loan management outcomes. The majority of respondents are most likely to approach Good Shepherd Microfinance (78 per cent) or staff from other NLS organisations (69 per cent). Around half (46 per cent) reported that they would ask other staff or volunteers in their own organisation and the same proportion reported that they would ask their manager.

Figure 8: Sources of information for improving loan management outcomes



### Further comments

Forty-one respondents provided additional comments at the conclusion of the survey. Of these, twelve were comments reinforcing the importance of practices listed in the survey. Two of these were positive comments about the NILS program and thirteen were suggestions of how the NILS program could be improved by GSM. Two were commentary on how internal practice could be improved by individual organisations and one was a query about the survey itself.

Eleven comments were suggestions of other practices that were helpful in reducing arrears and/or write-offs. These suggestions were:

- Follow up arrears immediately (with an emphasis on speed, not just consistency or manner)
- Try to remain objective during the interview to determine the client's capacity to repay the loan, and not be "distracted by client stories"
- Substantiate budget information as much as possible with bank statements, utility accounts, etc.
- Be upfront and honest so as not to create unrealistic expectations
- Keep the process simple
- Document information to reduce the impact of staff turnover
- Use intuition
- Consider the option of seeking advice from another NILS provider for challenging applications.

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# Analysis

One of the key findings from the data sources is that definitions of good practice vary. Through this project, we define good practice in three ways:

- Practices that are used frequently by NILS providers
- Practices that NILS providers report are beneficial for reducing arrears and write-offs
- Practices that are correlated with low rates of arrears and write-offs.

The results show that these three categories include different practices. This does not mean that one is correct and the others are incorrect; instead, it means that there are a range of good practice methods, some of which are more common than others, or are prioritised more highly within some organisations than others. Each of these definitions has strengths and limitations, and hence using the three definitions together creates a more complete picture than using one in isolation.

There are clear trends arising from the data collected but the results are not entirely conclusive. This may suggest that some good practices are yet to be identified or that good practice is partly intangible, and its full extent cannot be captured in concrete ways.

In considering this analysis, it is important to note that Western Australian and Tasmanian providers were not captured within the datasets and hence it is not possible to include discussion regarding parallels and differences between centralised and decentralised models.

## Loan management practice

### CONSISTENCY AND VARIATION

While loan management practice varies across organisations, there are clear points of consistency. One is the sequence of processes from initial contact through to loan completion. Though language varied, most organisations followed a similar path of client awareness, first

contact, applying for the loan, the loan assessment, loan processing, monitoring and loan completion. Workshops were conducted with organisations who were identified as high performers, though staff within these organisations did not necessarily see themselves as such, instead viewing their practice as “doing the best they can” or “just the way things are done”. A commitment to good practice was nonetheless evident, with both workshop participants and survey respondents emphasising areas that they could improve. Usually this related to strengthening existing processes; for example, updating data management systems rather than large systemic or attitudinal changes.

Another point of consistency is the emphasis on respect and building rapport with clients. Points of variation were generally practices that may not be considered “core” practices. For example, some organisations used targeted marketing though others did not see this as an essential practice and instead recruited clients through word of mouth; some organisations had mechanisms to assist in anticipating late payments while most organisations monitored missed payments, with one staff member commenting that trying to anticipate late payments was impossible.

In monitoring and assessing activities, 75 per cent of organisations reported that they had done a practice and process review of some kind and used this to make improvements, 68 per cent reported that their board reports included details of write-offs and the number of clients not paying, 90 per cent of organisations reported that they have good data management systems, and 74 per cent of organisations reported that they always or almost always monitor payments.

### COMMON PRACTICES

One measure of good practice is that NILS providers report that they undertake the practice all the time or almost all the time. While there may be (or is likely to be) poor practice that is also common practice, this is less likely to be reported so openly in a survey and would be less likely to be discussed in the workshop, from which the original list of practices originated.

The most common practices identified across organisations are unsurprising, as they are consistent with the values of GSM and the community-oriented staff who work in NILS service provision: treating clients with respect; providing clear and accurate information to clients; assessing eligibility as early as possible; and ensuring that a loan application has the best possible chance of success before progressing it. Discussions with NILS providers suggest that many do not consider this to be “good practice” but simply consider it necessary practice.

The practices that were reported as being used least frequently are the converse of the practices above: being inflexible; considering the withdrawal of other supports; taking a stern approach; and using eligibility criteria that is narrower than recommended by GSM.

### PRACTICES OF PERCEIVED USEFULNESS

In responding to the question of what is most useful, service providers appeared to consider two things. The reported practices reflected what was perceived to have the greatest impact and also appeared to be influenced by what respondents considered to be “good practice” as opposed to just the way that things were done. The same emphasis on information provision and rapid eligibility assessment emerged, but two of the highest ranking practices were explaining to clients about circular credit, and ensuring that a detailed budget is completed. Both of these are practices which are commonly undertaken, with over 90 per cent of organisations reporting that these practices are undertaken all or almost all of the time.

### Supporting effective loan management

#### PRACTICES CORRELATED WITH LOWER ARREARS AND WRITE-OFFS

The practices correlated with lower arrears and write-offs suggest that the organisations with the best practice are those that are most engaged. The correlation between lower arrears and a casual approach is likely to be partly a product of this approach itself and partly a product of other factors such as focus on making the client feel respected, and successfully building rapport. Similarly, the correlation between lower arrears and approving loans above \$1200, does not mean that agencies who give out larger loans will have lower rates of arrears per se. Changes to policies in relation to loan values were approved by Good Shepherd Microfinance. The flexibility of loan values is indicative of an organisation that does not apply a “one size fits all” approach, but considers the needs and circumstances of each client on an individual basis.

This flexibility also correlates with reports from organisations – and observations from workshops – that having staff and/or volunteers with the right personality and skills is one of the key indicators of success.

The practices that were correlated with low levels of write-offs indicate that as well as being flexible and responsive, an element of pragmatism and practicality is also valuable. Specifically, the practices that most highly correlated with low rates of write-offs were the provision of material supports and varying the loan when a client’s circumstances change. These practices address the specific needs of a client, recognising that write-offs are not merely a result of a lack of commitment by the client, but a reflection of significant financial strain and/or instability in the client’s life. Clear governance and management structures also ranked highly, suggesting the value of support from the top, but perhaps also a positive relationship between staff and managers, which again links with good recruitment.

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In considering these findings, it must be noted that links between practices and lower arrears or write-offs can most easily be identified where practice varies. Specifically, if a practice is used by almost all organisations (for example, ensuring that clients complete a detailed budget before submitting their loan application), this will not be ranked as highly correlated to lower arrears and write-offs because it is a practice undertaken by both high-performing and lower-performing organisations. This does not mean that ensuring clients complete a detailed budget is not useful. In fact, the high prevalence of this practice suggests that it is very useful and the removal of this practice is likely to increase arrears and write-offs. It is for this reason that multiple interpretations of “good practice” are presented in this report and should be considered in concert.

#### UNDERUTILISED AND UNDERVALUED PRACTICES

By comparing the frequency with which practices were used with the practices identified as most useful, we can identify which practices were valued but underutilised. These are practices that NLS providers appear to be working towards or would invest more time into if more time was available. These practices are:

- Using a clear and consistent system of following up missed payments
- Explaining to clients about circular credit and their responsibility to the community to repay the loan
- Referring clients to other community or health services if needed
- Sharing information about good practice with other NLS providers.

These practices are all valuable in good service provision and have already been recognised by the community as such. They are therefore a strong starting point for improving practice.

From the data, we can also identify practices that were correlated with low rates of arrears but

were not ranked as highly with regard to frequency of use or importance. Practices in this category could be promoted as good practice, as their value may not currently be fully understood. These practices include:

- Using a casual approach in manner and appearance
- Decision-making based on a combination of individual need and protocols
- Organising a loan variation if the client's circumstances change
- Undertaking a practice review and using this to make improvements
- Using processes to anticipate write-offs before they occur, where possible.

Similarly, we can identify practices that are correlated with low numbers of write-offs but were not ranked highly with regard to frequency of use or importance. These practices include:

- Providing material supports to clients who need it
- Organising a loan variation if the client's circumstances change
- Having clear governance and management structures
- Using marketing tactics that specifically target potential clients in the community
- Using a practice or process review to make improvements.

Similarly, practices in this category could be promoted as good practice, as their value may not yet be fully understood.

#### SHARING GOOD PRACTICE

Staff and managers receive information from a range of people, with most survey respondents reporting that they received information from multiple sources. This is a strength as it allows good practice to be spread both across and within organisations. The most common source of information was from GSM itself, which is consistent with the commonality of practice across the state and suggests that GSM is well

positioned to implement positive change. Both the workshop and survey data also included positive references to the NILS conference, with suggestions that this was a good source of information and support, and an opportunity to share good practice.

### Overall themes

Good practice for a NILS provider is not just about keeping arrears and write-offs low. It is also about providing good customer service, strengthening the credit histories of clients, empowering and building confidence, and giving clients access to items they otherwise would not have access to. The results of this project show that the financial goals – keeping arrears and write-offs low – and the capacity building or customer service goals are not at odds with each other. In fact, many of the practices that make clients feel welcome, supported and understood are the same practices that reduce arrears and write-offs.

A key strength is that good practice is already embedded within many organisations, and that organisations are continuing to strive towards improved practice. We identified a number of themes from the data regarding how good practice could be further strengthened.

#### RESPECT

The first theme is that organisations already recognise the importance of treating clients respectfully and building rapport, and that this good work should continue and be promoted. Following up write-offs in a friendly and supportive way was more common and more effective than immediately taking a hard-lined stance to late payments. Several survey respondents evidently felt very strongly about this as they not only ranked these practices as important but also added further comments stressing that building a positive relationship was the key to success.

#### RESPONSIVENESS

The second theme relates to existing practice that should continue to be reinforced: considering the specific needs and circumstances of each individual client and being flexible and responsive to these needs or circumstances. This means that there cannot be a “one size fits all” approach, but tailored responses that require a greater level of intuition and engagement from providers. Many organisations that offer NILS also offer other community services including financial counselling, material support and housing support. This is a strength in that clients can be referred to other services within the same organisation – increasing the probability of a successful referral.

#### INFORMATION PROVISION

The third theme is around provision of clear information. Survey respondents emphasised the importance of providing clear and accurate information to clients, obtaining as much information as possible when developing a budget, and ensuring that committees sought additional information if necessary before approving or rejecting a loan application. The issue of clarity of information was also raised with regard to eligibility. NILS providers emphasised that eligibility should be determined as early as possible. They also explained that clients who were ineligible should be provided with a clear explanation of why they are ineligible and if necessary provided with options of other services for which they may be eligible. For example, an organisation may consider a person without a fixed address to be ineligible but provide a referral to a housing support or homelessness organisation.

### TIMELY PROCESSES

The fourth theme was about timely processes. This included determining eligibility, processing applications, and following up late payments. Providers emphasised that timely processes were a sign of respect for the client and an acknowledgement of the impact that loan would have for the person. Other providers explained that it was important to follow up late repayments immediately to maximise the chance of clients making the repayment quickly.

### RECRUITMENT

Getting the right balance between flexibility and consistency, and between empathy and pragmatism, is challenging. Both workshop participants and survey respondents emphasised that while training was important, getting the right people in the roles was critical. Making use of existing skills of listening, building rapport and using intuitive judgement are important and more difficult to learn than specific processes. Current practice suggests that many organisations already have skilled staff supporting the NILS program, and the value of these people on an individual and collective level is critical. Strong governance structures were also correlated with low rates of write-offs, suggesting that strong management is also of great value.

### CONSIDERING CONTEXT

The final key theme was around considering context. Organisations with low rates of write-offs were those that provided material supports when needed and were willing to amend the conditions of the loan if a client's situation changed. This suggests that these providers are not just looking at the loan in isolation, but the loan within the context of the client's life and the factors that impact on a client's capacity to repay the loan. Pragmatism was also raised concerning the assessment process, with some providers explaining that where it appeared unlikely that a client could repay a loan, it was preferable to initially provide other forms of support – such as material support, financial counselling or housing support – and suggest that the client reapply for a NILS loan once their life and finances had stabilised.





## Conclusions

When it comes to identifying good practice, there is no single answer. Understandings of good practice are varied, and what one organisation sees as crucial, another may perceive to be less important. Even when performance is framed explicitly in terms of keeping arrears and write-offs low, it is not possible to conclusively determine which NILS providers are performing the “best” because the context of each organisation varies with regard to location, client group and the other services provided by an organisation.

Most providers treat their clients in a respectful way and are interested in improving practice. The results of this project also show that many of the processes and behaviours identified as good practice are already undertaken by providers or embedded in organisational practice. Another strength of the NILS network is that providers identify their own areas of improvement and 75 per cent have undertaken some format of review with the intent to improve practice. Providers obtain information from a range of sources and most are interested in sharing learning. Over two-thirds of providers identified other NILS providers as a key source of information, and over three-quarters looked to GSM for direction on NILS service provision.

Improving practice in NILS service delivery does not require a shift in focus. Instead it requires a strengthening of existing practice. The elements that make up good practice are already consistent with the values of GSM and of the service providers themselves: treating clients with respect, considering the clients’ needs, and making decisions that are best for the community.

The recommendations below hence emphasise a strengthening and sharing of good practice in a way that is accessible for motivated and compassionate but time-poor NILS service providers.

“

*This program is not a handout: it is building assets. Once I had that idea, I stopped freaking out. Now I am inspired by the stories. It is the hope. We are part of a movement. I am in a team, doing something really good for Australia. I watch the people. I watch the pride.*

”

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# Recommendations

Analysis of the data collected through this project leads to the following recommendations.

1. **The community-oriented approach is one of the strongest elements** of the NILS program and is linked to low rates of arrears and write-offs. This approach includes using a combination of protocol and individualised approaches, and taking a holistic approach that accounts for the client's needs and life context, for example through providing material supports or making referrals to other community services if necessary.

**Action:** Continue to support and promote a community-oriented approach to NILS service provision.

2. **Staff, managers and volunteers with strong skills and values** are one of the keys to success, yet there is the risk of workers feeling overwhelmed or overworked. It is therefore valuable to invest in good staff so that good practice and organisational knowledge can be maintained. This may include support, professional development or organisational practices that facilitate healthy working environments, but will vary depending on the individual personal, emotional and professional needs of staff in each organisation.

**Action:** Support staff and volunteers who provide NILS through providing professional development opportunities, managing workloads, and ensuring that staff and volunteers feel valued and that their work is recognised.

3. **The NILS network would benefit from increased sharing of knowledge, ideas and practice.** Given that NILS providers report being time-poor and having limited time for professional development and information sharing, it is valuable to consider mechanisms for sharing good practice that require a low time commitment or can be accessed in a flexible way. This may include a combination of peer-learning and centralised information distribution through GSM.

**Action:** Consider mechanisms for improved sharing of good practice between NILS providers. Some suggestions include the following:

- **High-performing organisations being paired with lower-performing organisations in the same geographical area** or with a similar client group in a mentoring or "buddy" relationship to optimise NILS programs<sup>5</sup>
- **NILS providers (including loans assessment committees) could seek advice from other NILS providers** regarding to challenging applications or other points of concern. This could be undertaken as an 'opt in' network using a range of models, such as:
  - A peer-support model whereby individuals are paired with another organisation in their time-zone who they can call for support
  - A networked model whereby organisations can opt-in to both seek advice and offer advice on request, for example, through the distribution of a contact list for all organisations that chose to opt in
  - A regional mentor model whereby individuals from high-performing organisations could be nominated or nominate themselves as regional mentors (in a volunteer capacity, for a small amount of additional funding, or in exchange for another incentive) and provide advice to other organisations upon request
- Strengthening the use of online tools for information sharing
- Distribution of information through State Coordinators.

5. Note that this may be challenging where the two organisations are directly competing for funds.

“

*We are successful in the Aboriginal community because of our poster.*

*We used to use the standard poster that was multicultural.*

*But we are not a very multicultural town. We redid the artwork using Aboriginal art and referrals from Aboriginal people doubled.*

”

4. **To assist in minimising arrears and write-offs, certain practices could be strengthened across the NILS network.** The results of this project show that there are some practices that are valued by NILS providers but not used as frequently as they could be, and practices that are correlated with low rates of arrears or defaults but are currently underutilised.

**Action:** Make the key findings of this report available to NILS providers and encourage an increased uptake of practices that are currently underutilised or may be undervalued. These practices include:

- Always explaining to clients about circular credit and their responsibility to the community to repay the loan
- Organising a loan variation if the client's circumstances change
- Undertaking a practice review and using this to make improvements
- Providing material supports or referring clients to other community services if needed
- Using a casual approach in manner and appearance.

5. **Further research** would allow for a more nuanced exploration of how identified variables interact with other variables within the NILS network such as service model, number of staff, specialist as compared to generalist service provision, and centralised as compared to decentralised models of service delivery.

**Action:** Consider further research into NILS good practice to more thoroughly explore how variation between providers interacts with good practice and financial performance, particularly with regard to centralised as compared to decentralised models of service delivery.

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## *Appendix 1. Workshop themes: Factors identified as good practice*

### FIRST CONTACT

- We use marketing tactics that target potential clients in our community
- We assess the eligibility as early in the process as possible
- When we first meet with a client, we explain circular credit or emphasise their responsibility to the community to repay the loan
- We provide clear and accurate information to the client
- When we meet a client, we are respectful and open-minded.

### LOAN APPLICATION

- We complete (or ask the client to complete) a detailed and realistic budget assessment before proceeding with the application
- We make sure that the loan application is as complete as possible before sending it to the Loans Assessment Committee
- We have good relationships with the retailers our clients use most often
- We process applications as quickly as we can
- We provide material supports to clients who need it (either through our agency or a referral).

### ASSESSMENT

- We keep the interview process and loan approval process separate
- Our loans approval committee asks for extra information if they need it
- We refer clients to other organisations for other services or supports if they have additional needs
- The loans approval committee sometimes meets out of session if a client needs a loan urgently.

“  
All NILS loan recipients are given a big blue portable expandable file. They love this. I want to take photos of them. They feel special. This gives them hope their finances will change, even just a little bit.

”

### MONITORING

- We acknowledge or provide positive feedback on progress or repayment completion (e.g. sending a certificate or report to clients)
- We keep our databases/spreadsheets up to date
- We closely monitor loan repayments
- We have a clear and consistent system for follow up of late payments
- We withdraw other supports (i.e. other than NILS) if repayments are not made
- We maintain a positive relationship with Centrelink
- We have processes to anticipate defaults before they occur.

### ORGANISATIONAL PRACTICE

- We recruit staff and/or volunteers with the right personality and skills
- We share information or good practice with other NILS providers (e.g. talking to nearby providers, attending NILS conferences)
- We have done a practice and process review and used this to make improvements
- Staff/volunteers receive good training and/or mentoring (internal or external)
- Our board reports include details of arrears and defaults
- Our organisation has clear governance and management structures
- Staff/volunteers in our organisation communicate well with each other
- We have good data management systems.

### ALTERNATE PRACTICES

#### *Formality of approach*

- We use a casual approach (manner, appearance, etc.)
- We use a formal approach (manner, appearance, etc.).

#### *Eligibility requirements*

- We use the eligibility requirements described in the NILS Information Resource Kit
- We use eligibility requirements that are more flexible than those in the NILS Information Resource Kit
- We use eligibility requirements more specific than those in the NILS Information Resource Kit.

#### *Assistance with applications*

- We fill in the loan application forms with clients (e.g. sitting together to complete the forms)
- We empower clients to complete the loan application independently (e.g. by providing information or advice).

#### *Maximum loan value*

- If clients want a loan over \$1200, we still approve it
- We only approve loans under \$1200.

#### *Manner when following up payments*

- When we first follow up a late payment, we use a friendly and supportive manner
- When we first follow up a late payment, we use a serious and stern manner.

#### *Renegotiating loans*

- We renegotiate loan conditions with clients if circumstances change
- We make sure clients stick to the original loan conditions under all circumstances.

## Appendix 2. Variation in arrears and write-offs

Data relating to arrears and write-offs was provided by GSM. Data provided comprised of:

- Active loans: Number of loans for which clients are currently paying
- Arrears: Number of loans for which clients are currently not paying
- Write-offs: Number of loans for which the organisation does not expect current or future repayment
- Value of write-offs: Total monetary value of the write-offs for that organisation.

These values were used to calculate the percentage of loans for which the client was not paying, percentage of loans which were write-offs and the average value of each write-off for an organisation.

Data was provided across two half-year periods. For some organisations, data was provided for both half-year periods and for others data was only available for one half-year period. Where data was provided for two half-year periods, values were similar between the two time-periods for some organisations and very different for other organisations.

The values below refer to organisations for a half-year period. Where there was only information available for one half-year period for an organisation, these values were used. Where information was available for both periods, an average value was used. Sum values were not used, partly because a distinction could not be made between missing data and an absence of involvement in NILS, and partly because a sum value would falsely inflate the number of loans as there would be a considerable number of double-counts.

There was much variation in the number and value of arrears and write-offs across organisations, though this was quite closely correlated to the number of loans provided by the organisation. Of 260 organisations, 41 organisations did not have any clients who were in arrears. Forty organisations had less than five per cent of clients currently in arrears, 89 had between five and nine per cent of clients currently in arrears (Figure 1). A smaller number of clients had high proportions of clients in arrears (Figure 2).

Figure 1: Number of providers by proportion of loans that are in arrears

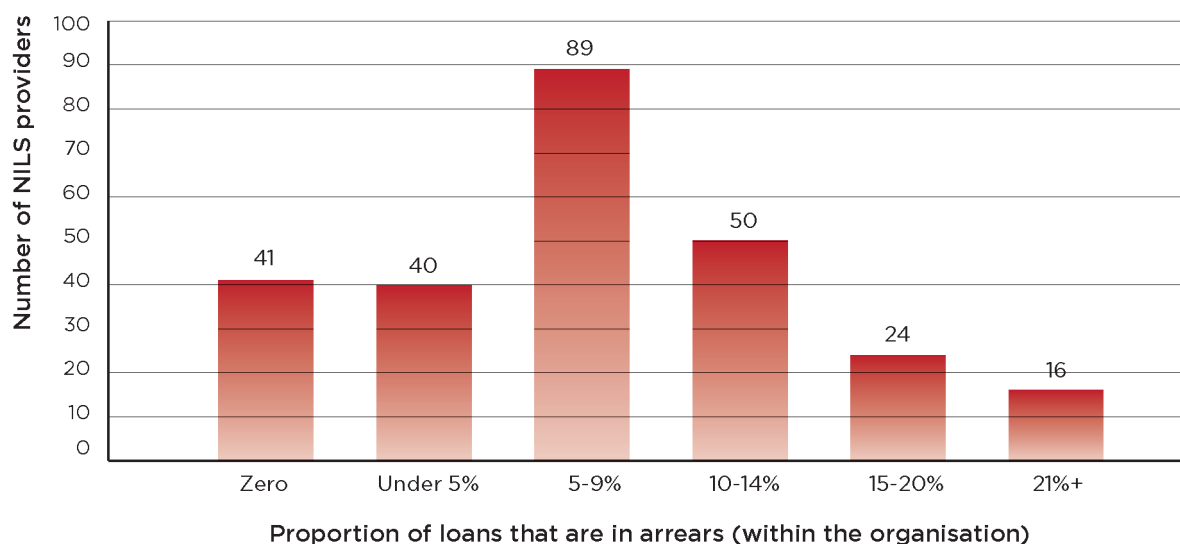
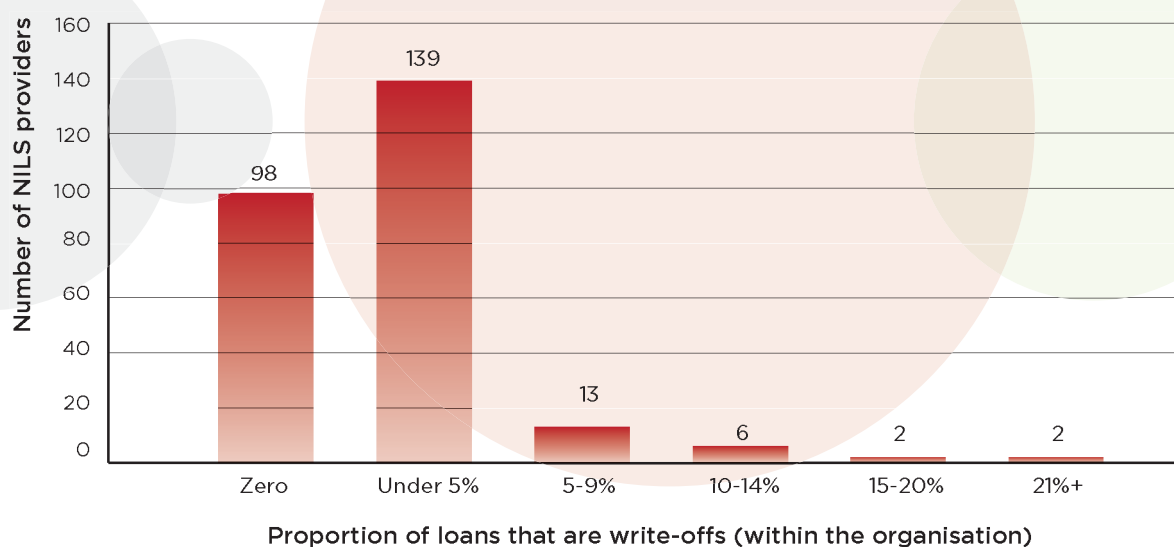


Figure 2: Number of providers by proportion of loans that are write-offs



The number of write-offs was smaller. Over a third (38 per cent) of organisations reported no write-offs and less than one in ten organisations had recorded more than five per cent of their loans as write-offs (Figures 3 and 4). Even when the number of write-offs and clients not paying are combined, these loans comprise less than 10 per cent of loans for each organisation (Figure 5).

Figure 3: Distribution of the average value of write-offs

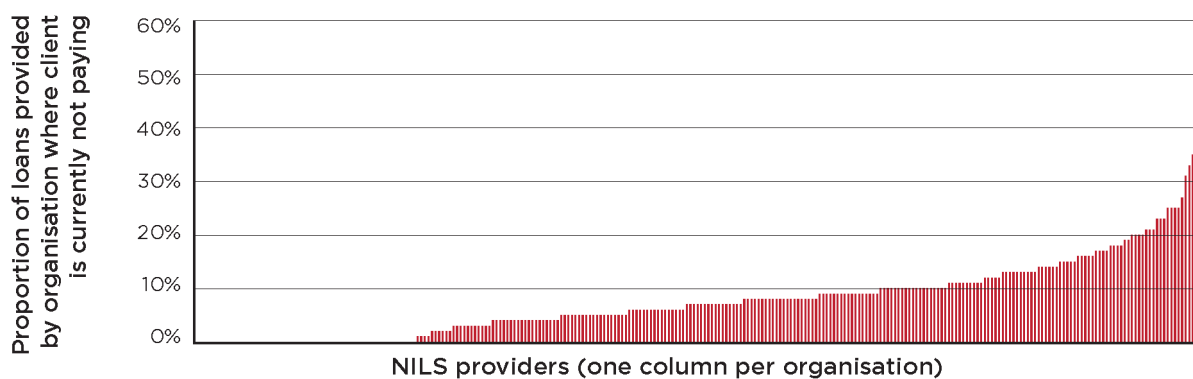


Figure 4: Distribution of the total value of write-offs per organisation

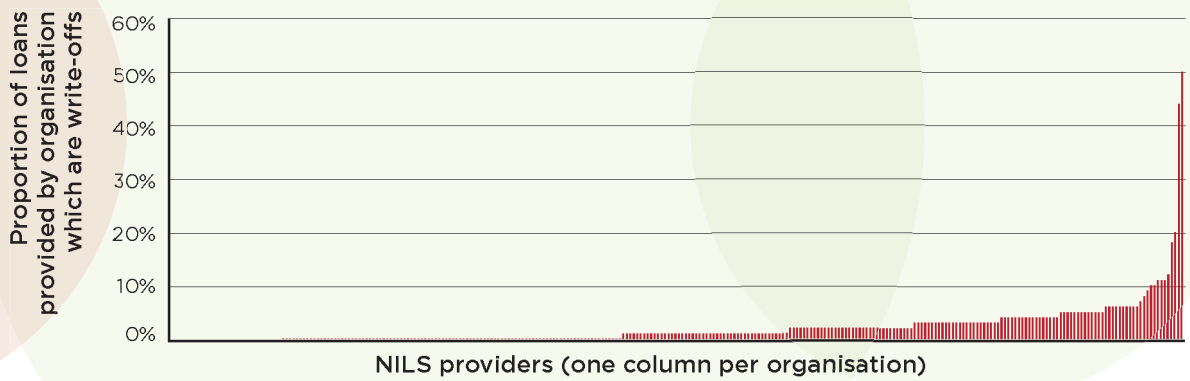
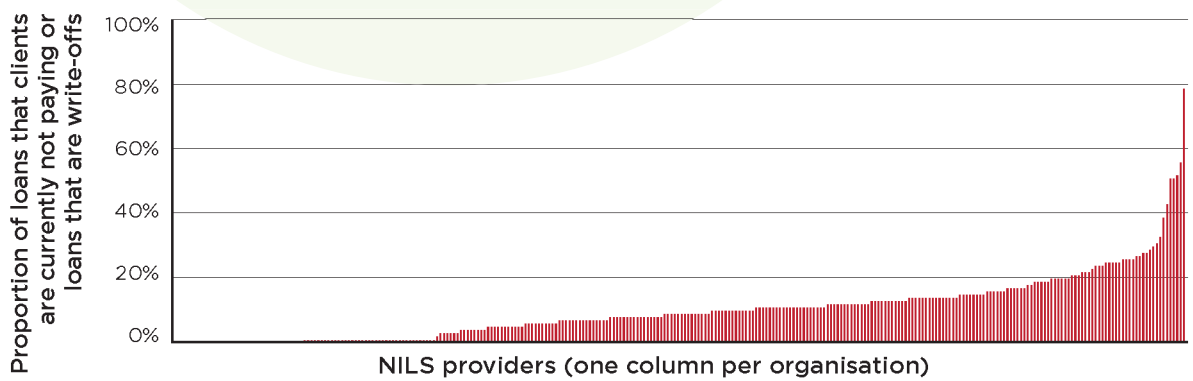


Figure 5: Distribution of the proportion of loans that are write-offs or clients are currently not paying (combined)





The value of the write-offs was variable, which seemed to represent both clients who did not pay off any of their loan and those who had almost paid off their loan before the loan was written off (Figure 6). It was uncommon for organisations to have more than \$2,000 in write-offs in a half-year period (Figure 7).

Figure 6: Distributions of the average value of write-offs

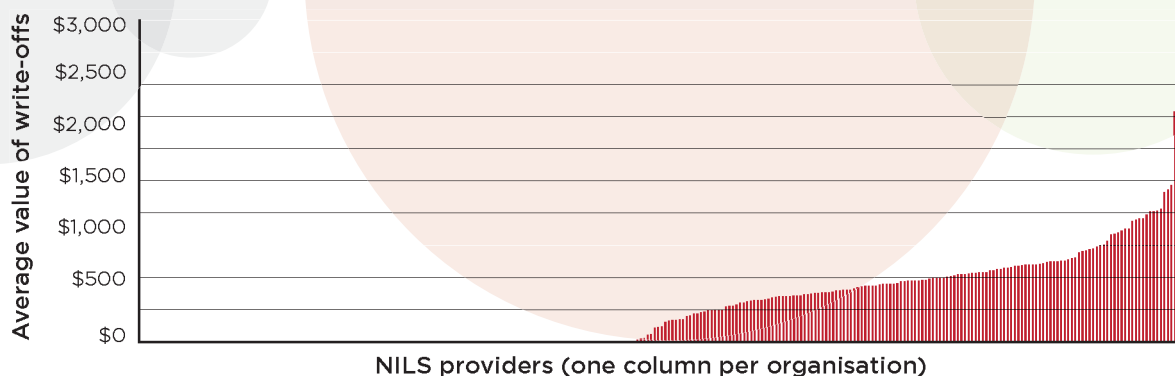
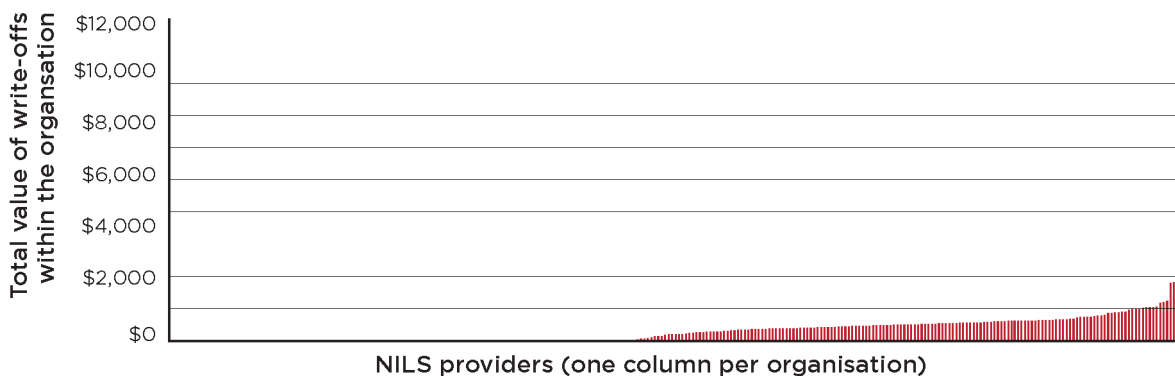


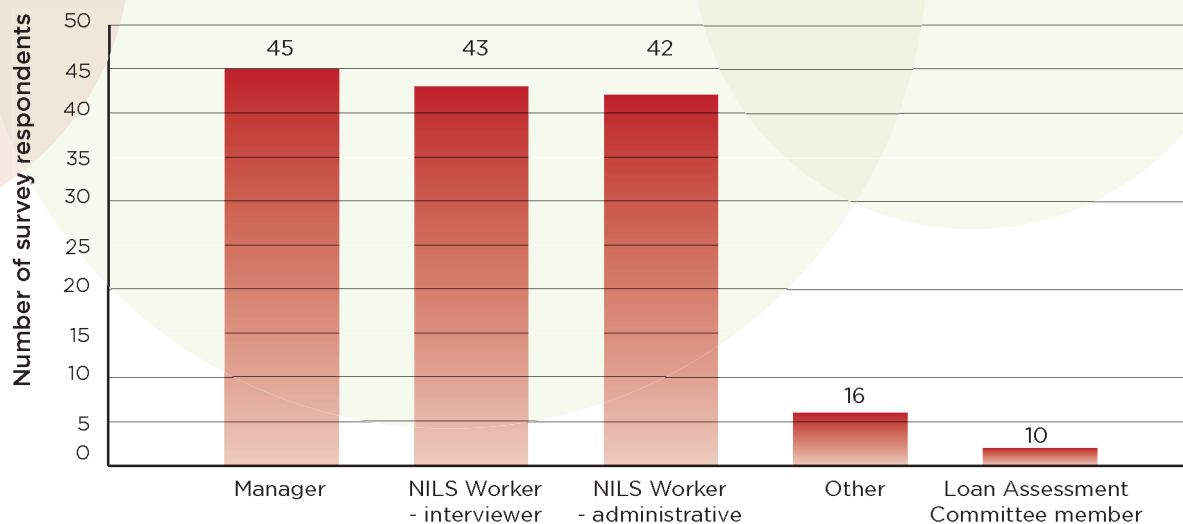
Figure 7: Distribution of the total value of write-offs per organisation



## Appendix 3. Demographics of survey respondents

Survey respondents mostly comprised of managers and NILS workers. Around one third of respondents (35 per cent) reported that they held multiple roles. As shown in Figure 1, the most common roles undertaken by survey respondents were manager (45 out of 102 respondents) and interviewer (43 out of 102 respondents). Note that the total number of responses is greater than the number of respondents because of the multiple roles undertaken by many staff.

Figure 1: Survey respondents' roles



As illustrated in Figure 2, the majority of survey respondents were from Victoria (33 organisations), New South Wales (32 organisations) and Queensland (28 organisations), with smaller numbers in South Australia, the Northern Territory and the Australian Capital Territory. The number of respondents from regional and metropolitan locations was equal (both 50 per cent of the total). The uneven distribution of responses amongst states reflects the decentralised models used in Victoria, New South Wales and Queensland compared to centrally-managed NILS provision in Western Australia and Tasmania.

Figure 2: Location of organisations by state

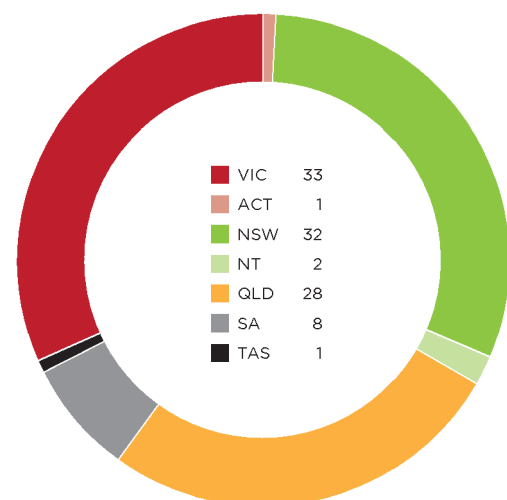
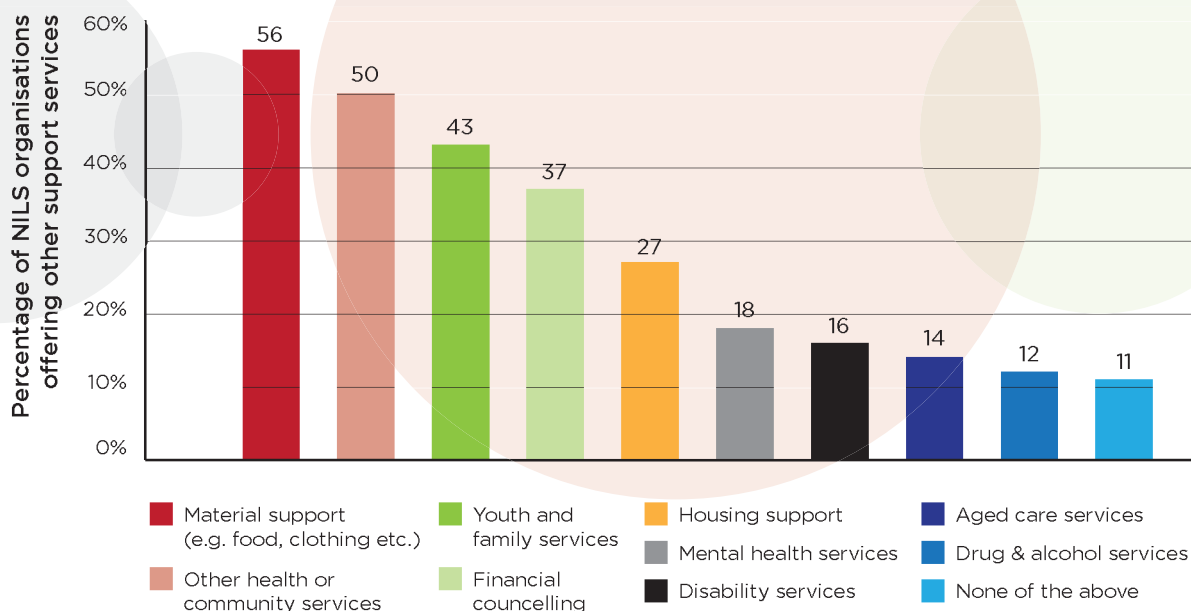


Figure 3: Types of services offered by NILS organisations



When asked what other services their organisation offers, respondents most commonly reported that their organisation also provided material supports (56 per cent), youth and family services (43 per cent) and financial counselling (37 per cent). Smaller proportions of organisations reported providing housing support, mental health services, disability services, aged care services, and drug and alcohol services. Eleven per cent of respondents reported that their organisations did not provide health or community services beyond NILS.

### Variation by demographics

There was little correlation between arrears and the providers' state or territory. South Australia providers had the lowest rates of arrears and New South Wales had slightly higher rates of arrears though numbers were too small to attribute meaning to these differences. The

proportion of write-offs were slightly higher in New South Wales and lower in Queensland and Victoria, with little variation between other states. Similarly, there was no great difference between rates of arrears or write-offs in metropolitan as compared to regional areas.

There was little difference in rates of arrears by providers according to the length of time delivering NILS, however rates of arrears for providers delivering NILS from between five to ten years were slightly higher than providers in other brackets. Organisations delivering NILS for less than two years have all experienced lower levels of write-offs while providers in the five to ten year and ten to 20 year brackets have recorded slightly higher write-off rates than their counterparts.

# Appendix 4. Survey

## Good Shepherd Microfinance NILS loan management survey

### ORGANISATION

1. Which NILS organisation do you work for? (open text box)
2. What is your program ID? (open text box)

### UNDERSTANDING YOUR PROCESSES: STAGE 1 – MAKING CONTACT

We would like to understand what practices and processes your organisation uses with your clients and in managing NILS loans. The next four sections relate to broad stages of NILS loan management:

- Making contact with clients – promotion and first contact;
- Developing the loan application;
- Loan application assessment; and
- Monitoring loans.

For each of these stages, please tell us how often you and your colleagues use the following practices and processes.

3. When making contact with clients, how frequently does your organisation use these practices and processes? If any are not applicable in your workplace, please select “NA”.
  - a. We use marketing tactics that specifically target potential clients in our community
  - b. We assess a client’s eligibility as early as possible
  - c. When we first meet with a client, we explain circular credit or emphasise their responsibility to the community to repay the loan
  - d. We provide clear and accurate information to the client
  - e. When we meet a client, we are respectful and open-minded.

Options:

- Never/almost never
- Sometimes
- All/almost all of the time
- NA.

4. When making contact with clients, which practices and processes do you think most help to reduce the number of write-offs and clients currently not paying (arrears)? Please choose up to three.
  - a. We use marketing tactics that specifically target potential clients in our community
  - b. We assess a client’s eligibility as early as possible
  - c. When we first meet with a client, we explain circular credit or emphasise their responsibility to the community to repay the loan
  - d. We provide clear and accurate information to the client
  - e. When we meet a client, we are respectful and open-minded.

### UNDERSTANDING YOUR PROCESSES: STAGE 2 – DEVELOPING THE LOAN APPLICATION

5. During the loan application stage, how frequently does your organisation use these practices and processes? If any are not applicable in your workplace, please select “NA”.
  - a. We complete (or ask the client to complete) a detailed and realistic budget assessment before proceeding with the application
  - b. We make sure that the loan application is as complete as possible before sending it to the loans assessment committee
  - c. We have good relationships with local retailers
  - d. When speaking to a client, we promote opportunities for them if they successfully complete the loan (e.g. a future loan, AddsUP, etc.)

- e. We process loan applications as quickly as we can
- f. We fill in the loan application forms with clients (e.g. sitting together to complete the forms)
- g. We empower clients to complete the loan application forms independently (e.g. by providing information or advice)
- h. We provide material supports (e.g. food, clothing, etc.) to clients who need it (either through our agency or a referral).

Options:

- Never/almost never
- Sometimes
- All/almost all of the time
- NA.

6. During the interview and loan application stage, which practices and processes do you think most help to reduce the number of write offs and clients currently not paying? Please choose up to three.
- a. We complete (or ask the client to complete) a detailed and realistic budget assessment before proceeding with the application
  - b. We make sure that the loan application is as complete as possible before sending it to the loans assessment committee
  - c. We have good relationships with local retailers
  - d. When speaking to a client, we promote opportunities for them if they successfully complete the loan (e.g. a future loan, AddsUP, etc)
  - e. We process loan applications as quickly as we can
  - f. We fill in the loan application forms with clients (e.g. sitting together to complete the form)
  - g. We empower clients to complete the loan application forms independently (e.g. by providing information or advice)

- h. We provide material supports (e.g. food, clothing, etc.) to clients who need it (either through our agency or a referral).

Options:

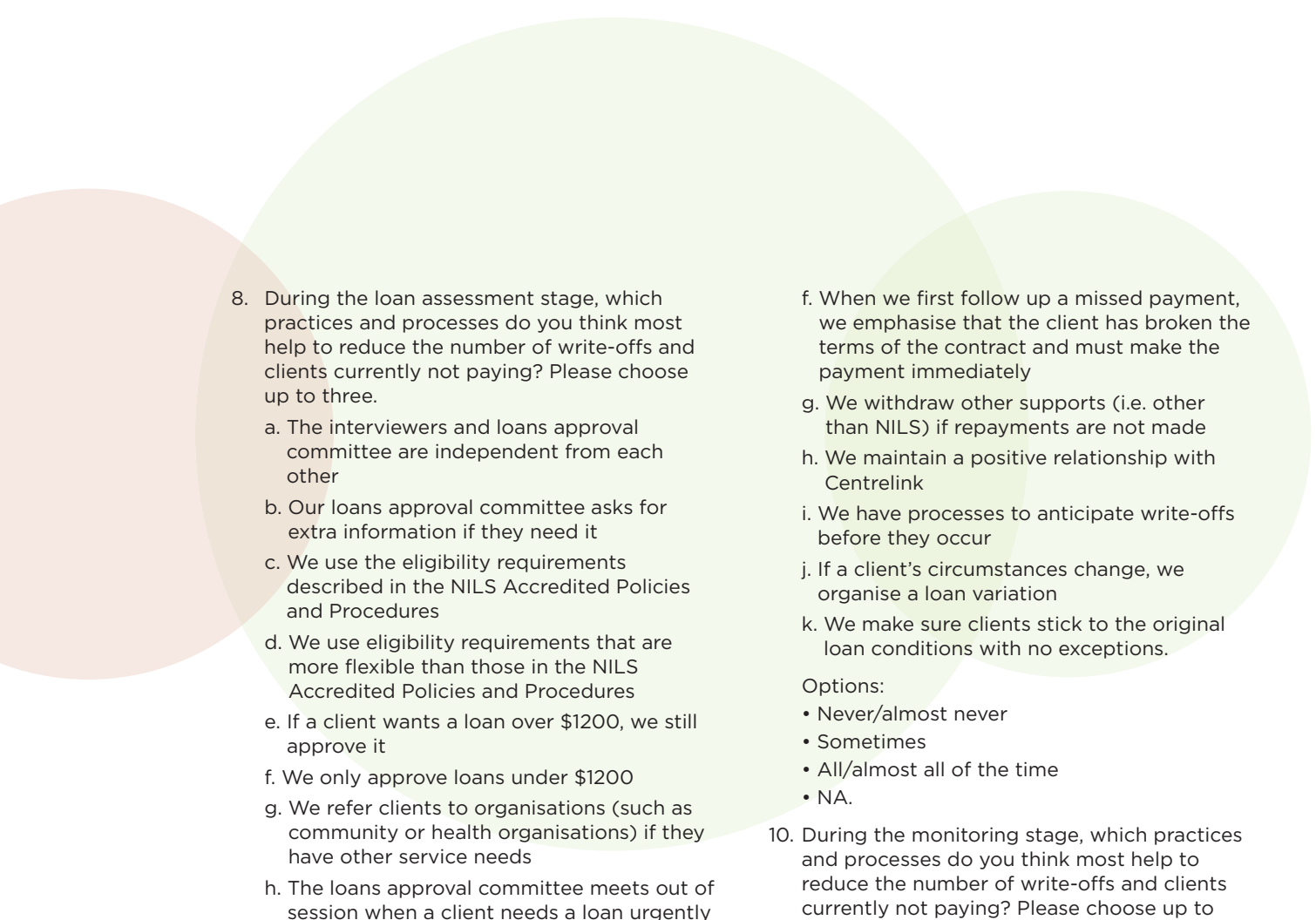
- Never/almost never
- Sometimes
- All/almost all of the time
- NA.

#### UNDERSTANDING YOUR PROCESSES: STAGE 3 - ASSESSMENT

7. During the loan assessment stage, how frequently does your organisation use these practices and processes? If any are not applicable in your workplace, please select "NA".
- a. The interviewers and loans approval committee are independent from each other
  - b. Our loans approval committee asks for extra information if they need it
  - c. We use the eligibility requirements described in the NILS Accredited Policies and Procedures
  - d. We use eligibility requirements that are more flexible than those in the NILS Accredited Policies and Procedures
  - e. We use eligibility requirements more specific than those in the NILS Accredited Policies and Procedures
  - f. If a client wants a loan over \$1200, we still approve it
  - g. We only approve loans under \$1200
  - h. We refer clients to organisations (such as community or health organisations) if they have other service needs
  - i. The loans approval committee meets out of session when a client needs a loan urgently.

Options:

- Never/almost never
- Sometimes
- All/almost all of the time
- NA.

- 
- 
8. During the loan assessment stage, which practices and processes do you think most help to reduce the number of write-offs and clients currently not paying? Please choose up to three.
- The interviewers and loans approval committee are independent from each other
  - Our loans approval committee asks for extra information if they need it
  - We use the eligibility requirements described in the NILS Accredited Policies and Procedures
  - We use eligibility requirements that are more flexible than those in the NILS Accredited Policies and Procedures
  - If a client wants a loan over \$1200, we still approve it
  - We only approve loans under \$1200
  - We refer clients to organisations (such as community or health organisations) if they have other service needs
  - The loans approval committee meets out of session when a client needs a loan urgently

#### UNDERSTANDING YOUR PROCESSES: STAGE 4 - MONITORING AND LOAN COMPLETION

9. During the monitoring stage, how frequently does your organisation use these practices and processes? If any are not applicable in your workplace, please select "NA".
- We provide positive feedback on progress or repayment completion (e.g. sending a certificate or reports to clients)
  - We keep our loan management database up to date
  - We monitor loan repayments at least every week
  - We have a clear and consistent system for follow up of missed payments
  - When we first follow up a missed payment, we use a friendly and supportive manner

- When we first follow up a missed payment, we emphasise that the client has broken the terms of the contract and must make the payment immediately
- We withdraw other supports (i.e. other than NILS) if repayments are not made
- We maintain a positive relationship with Centrelink
- We have processes to anticipate write-offs before they occur
- If a client's circumstances change, we organise a loan variation
- We make sure clients stick to the original loan conditions with no exceptions.

#### Options:

- Never/almost never
- Sometimes
- All/almost all of the time
- NA.

10. During the monitoring stage, which practices and processes do you think most help to reduce the number of write-offs and clients currently not paying? Please choose up to three.
- We provide positive feedback on progress or repayment completion (e.g. sending a certificate or reports to clients)
  - We keep our loan management database up to date
  - We have a clear and consistent system for follow up of missed payments
  - When we first follow up a missed payment, we use a friendly and supportive manner
  - When we first follow up a missed payment, we emphasise that the client has broken the terms of the contract and must make the payment immediately
  - We withdraw other supports (i.e. other than NILS) if repayments are not made
  - We maintain a positive relationship with Centrelink

- h. We have processes to anticipate write-offs before they occur
- i. If a client's circumstances change, we organise a loan variation
- j. We make sure clients stick to the original loan conditions with no exceptions.

#### ORGANISATIONAL PRACTICE

We are also interested in the structures and protocols in your organisation. For each of the following statements, please tell us to what extent you agree it applies to your organisation.

11. To what extent do you agree that each statement applies to your organisation? If any are not applicable in your workplace, please select "NA".
- a. We recruit staff and/or volunteers with the right personality and skills to work in the NILS program
  - b. We share information or good practice with other NILS providers (e.g. talking to nearby providers, attending NILS conference)
  - c. We have done a practice and process review and used this to make improvements
  - d. Staff/volunteers receive good training and/or mentoring (internal or external)
  - e. We use a casual approach (manner, appearance, etc.)
  - f. We use a formal approach (manner, appearance, etc.)
  - g. Our board reports include details of write-offs and the number of clients currently not paying
  - h. Our organisation has clear governance and management structures
  - i. Staff/volunteers in our organisation communicate well with each other
  - j. We have good data management systems.

Options:

- Strongly disagree
- Disagree
- Agree
- Strongly agree
- Neutral
- NA.

12. Which of these structures and protocols do you think most help to reduce the number of write-offs and clients currently not paying? Please choose up to three.
- a. We recruit staff and/or volunteers with the right personality and skills to work in the NILS program
  - b. We share information or good practice with other NILS providers (e.g. talking to nearby providers, attending NILS conference)
  - c. We have done a practice and process review and used this to make improvements
  - d. Staff/volunteers receive good training and/or mentoring (internal or external)
  - e. We use a casual approach (manner, appearance, etc.)
  - f. We use a formal approach (manner, appearance, etc.)
  - g. Our board reports include details of write-offs and the number of clients currently not paying
  - h. Our organisation has clear governance and management structures
  - i. Staff/volunteers in our organisation communicate well with each other
  - j. We have good data management systems.

### LEARNING AND INFORMATION SHARING

We would like to understand processes currently in place to share learning.

13. Who are you most likely to approach for information or advice to improve loan management outcomes? Tick as many as apply.
- a. Other staff/volunteers in your organisation
  - b. Your manager
  - c. People from other organisations providing NILS
  - d. Good Shepherd Microfinance
  - e. No one
  - f. Other
  - g. If other, please specify.

### DEMOGRAPHICS

To understand the mix of services participating in the survey, these questions are about your role and your organisation.

14. What is your role?
- a. Manager
  - b. NILS Worker - Administrative
  - c. NILS Worker - Interviewer
  - d. Loans Assessment Committee
  - e. Other
  - f. If other, please specify.
15. Is your organisation in a metropolitan or regional area?
- a. Metropolitan
  - b. Regional.

16. Which state or territory is your organisation in?

- a. Australian Capital Territory
- b. New South Wales
- c. Northern Territory
- d. Queensland
- e. South Australia
- f. Tasmania
- g. Victoria
- h. Western Australia.

17. What kind of services do your organisation provide? Tick as many as are relevant.

- a. Financial counselling
- b. Material supports (e.g. food, clothing, etc.)
- c. Housing support
- d. Youth and family services
- e. Drug and alcohol services
- f. Maternal health services
- g. Disability services
- h. Aged care services
- i. Other health or community services
- j. None of the above.

18. How long has your organisation been delivering NILS?

- a. 10 - 20 years
- b. 5 - 10 years
- c. 2 - 5 years
- d. 1 - 2 years
- e. Less than a year.

### OTHER VIEWS ON GOOD PRACTICE

19. Is there anything else you would like to say about good practice in NILS loan management?



“

*I always believe it is up to the interview; it can make or break the program. They [the clients] need to understand the budget and the likely costs, and all the debts and costs people have, like their cars, what they spend on cigarettes.*

”

“

*The program provides support, interaction, budgeting, and dignity in a respectful way. The retailers we have built a relationship with do all of this.*

”



Good Shepherd  
Microfinance





## Good Shepherd Microfinance

Good Shepherd Microfinance  
Ground Floor, 192 – 198 High Street  
Northcote Vic 3070

E [info@gsmicrofinance.org.au](mailto:info@gsmicrofinance.org.au)  
T +61 3 9495 9600 F +61 3 9495 9699  
[goodshepherdmicrofinance.org.au](http://goodshepherdmicrofinance.org.au)