

The Expert Advisory Group on Solutions to Child Poverty: Priority 3 – Micro Financing

We recommend that the government investigate and implement a public-private-partnership micro-financing model with the banking sector and community groups, with the aim of providing modest low-interest and zero-interest loans, as a mechanism to help low-income families access affordable credit and effectively manage debt.

The government has a role in supporting philanthropic social lending. Social lending organisations fit between banks (who will not lend to those with a bad credit rating or little ability to meet loan conditions), and predatory loan sharks who charge high interest rates. The government could support social lending through leadership, co-ordination, modest funding and technical assistance.

As well as the government, we encourage the financial sector to step up to this challenge.

Issues identified:

While, on its own, micro-financing provides a means for enabling individual families address problem debt, development of an over-arching National Strategy for Financial Literacy is required to increase financial nous and prudent practice across the community. Micro-financing is an essential aspect of such any such strategy.

The issue of problem debt and strategies to counter it are also interlinked with broader economic considerations regarding employment and income levels in New Zealand, with specific reference made to the concept of the 'living wage', recently.

“Micro-finance’ products should be developed to include a broad suite of low or no-interest financial instruments available to low-income families, including loans, mortgages, insurance and debt consolidation arrangements.

Delivery of micro-finance to the community should be co-ordinated through linked NGO and iwi social service providers to maximise visibility and coverage of the service.

Micro-financing services have been available in South Auckland since 2010, delivered by the Nga Tangata Trust (NTT). To date, uptake of the service in the community has been incremental. In order to increase uptake and dissemination of the service in the community, two main issues were identified:

The need to ensure that a wider group of suitable NGO providers are accredited to deliver or make referrals to the service

The need to ‘scale-up’ the administrative capacities of the NGO providers to a level where they are equipped to facilitate and process the service on a wider scale.

Action Statement from Workshop focus group:

Nga Tangata Trust will take steps to address the availability of micro-finance services to clients of non-federated budgeting services.

NTT will be engaging in discussions with MSD regarding whether resources are available to scale-up administrative capacity in order to increase service delivery levels.

In light of the EAG report, NTT would seek some support from the Office of the Children’s Commissioner and, as an initial step will provide the OCC with a copy of its evaluation report for this purpose.