



Microfinance: Development as Freedom

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Abstract:

Microfinance is an important strategy in alleviating poverty. Underpinning microfinance initiatives is the aim of providing greater financial choice to those who are marginalised. To further our understanding of how microfinance initiatives achieve this, it is worthwhile to view microfinance through the lens of Amartya Sen's "development as freedom" (1999) framework and the work of Michael Sherraden (1991) on asset-building policies. A range of examples of microfinance initiatives currently active in Australia will be discussed.

Introduction

Microfinance in Australia is growing in importance as a valuable developmental strategy. Hence, the application of developmental theory to the Australian microfinance arena is timely and adds to the understanding of the role and potential benefits of microfinance in helping to alleviate poverty. Development strategies are often thought of in the context of the developing nations but this paper will illustrate the value of development strategies in Australia in terms of creating paths towards increased levels of asset accumulation for all, and more importantly in providing greater levels of financial choice.

The term “microfinance” refers to a broad range of financial services and products. These range from small loans, no interest loans, savings facilities, access to financial services, insurance, and financial education. For services and products to be classified as “microfinance”, the essential ingredient required is that they must endow financial benefit to people on little to no income. Otero states, “For microfinance to continue its path towards becoming a successful development strategy, it must display these three dimensions: a relationship to the poor, a reliance on permanent institutions, and a connection with the financial system of a country” (1999, p. 10). The current microfinance arena in Australia has all three components.

Microfinance is an important strategy in alleviating poverty in developing, and developed countries. It has grown in prominence since Muhammad Yunus started the Grameen Bank Project in 1976. While the term “microfinance” may be relatively new, only being used *after* the Grameen Bank was established, as Seibel (2003) writes, microfinance is not a new concept. Seibel argues that every country currently considered to be “developed”, has some history of microfinance, and gives examples of Ireland and Germany (2003). Seibel writes that in Ireland loan funds providing interest free repayments started emerging in the 1720s as a result of large increases in poverty in the 16th century (Seibel, 2003). In the case of Germany, two different forms of microfinance emerged - community savings funds, and also cooperatives in the form of savings and credit (Seibel, 2003). According to Seibel, microfinance in Germany actually pushed some banks out of business (Seibel, 2003).

To gain a greater understanding of microfinance as a development strategy, it is useful to view it through the lens of developmental theory. Amartya Sen, in his work ‘Development as Freedom’ (1999) provides a relevant and valuable backdrop to microfinance and how these tools can work towards the alleviation of poverty.

Development as Freedom

Amartya Sen comes from a background in economics. He studied at Presidency College in Calcutta, India, and at Trinity College, Cambridge. He received a Nobel Prize in Economic Science in 1998, and is currently a professor of economics and philosophy at Lamont University.

Sen (1999) takes a grass roots perspective in discussions surrounding development and states that the main aim of development is to provide people with greater freedom and choice. Sen argues that poverty needs to be seen as the "deprivation of basic capabilities, rather than merely as a consequence of low income. Deprivation of elementary capabilities can be reflected in premature mortality, significant undernourishment (especially of children), persistent morbidity, widespread illiteracy and other failures" (p. 20). A shortage of income is a good starting point but not a good ending point for the study of poverty. Sen says "Development consists of the removal of various types of unfreedoms that leave people with little choice and little opportunity of exercising their reasoned agency" (p. xii).

Sen's capability perspective enhances

...the understanding of the nature and causes of poverty and deprivation by shifting primary attention away from *means* (and one particular means that is usually given exclusive attention, viz., income) to *ends* that people have reason to pursue, and, correspondingly, to the *freedoms* to be able to satisfy these ends. ... The deprivations are seen at a more fundamental level - one closer to the informational demands of social justice" (p. 90).

Sen identifies two different types of freedom - *constitutive freedom* and *instrumental freedom* (1999). Sen describes *constitutive freedom* as the "primary end" of development, and outlines factors that would increase some of the basic necessities of life, such as freedom from starvation and premature death, freedom of speech, and also the opportunity for political participation (1999). *Instrumental freedom* on the other hand is described as the "principal means" of development, where one of the most distinctive features is that different instrumental freedoms complement each other, and where the development of one interrelates with others (Sen, 1999). Microfinance falls under the category of instrumental freedom. It is a means to further develop the lives of those living in poverty by providing them greater financial choice. The benefits of microfinance are not constrained to merely economic development, but also tie into other aspects of life such as encouraging greater social inclusion.

Poverty is not *only* about the income levels of individuals, but about their ability to make informed choices. Utilising Sen's broader framework in Australia allows us to incorporate development strategies such as microfinance and asset accumulation as a means, along with income transfers, to help address systemic poverty.

Development as freedom provides a complementary framework to asset-building policies developed by Michael Sherraden (1991). Sherraden believes that the accumulation of assets assists in the development of the capabilities required for freedom. He points out that while welfare policies play a large part in some economies (this includes Australia), they do not always solve the issues surrounding development (Sherraden, 2005). The welfare system is about income generation. This is important, but it is also essential to start looking at asset building amongst the poor. Welfare alone has not enabled those on low-income to build assets.

Asset-building policies are based on the principle that the accumulation of assets has a number of positive effects on individuals' lives and on the community in which they live (Lombe and Sherraden, 2005). Assets provide a sense of security for families, a buffer in times of financial hardship, and more importantly, provide to individuals choice and opportunities. In the USA where asset-based social policies have been in place since the 1990s, there is growing evidence and agreement that higher levels of wealth and other assets are associated with better health and living conditions, higher levels of education, increased levels of economic household stability, higher levels of civic involvement, and greater intergenerational wealth transfers (Scanlon and Page-Adams; Lombe and Sherraden, 2005; Bynner, 2001; Paxton, 2001). However, the newness of these policies and their long-term focus call for continual and longitudinal research into asset-effects.

The implementation of asset-based policies will be of particular benefit to the future of today's children. The accumulation of assets is inherently a long-term process and if the habit of saving and accumulating assets is embraced by the family, it will encourage a greater focus on the future and help alleviate intergenerational poverty (Sherraden, 2002). In Australia there is an alarming decrease in wealth held by younger people in society (Harding, King and Kelly, 2002), which will have severe consequences for their retirement and for the

levels of intergenerational wealth. This decline is exacerbated by the current culture of consumerism, “nowism”, and high tolerance of debt, particularly that induced by credit card misuse.

The widening gap between the rich and the poor is one of the drivers for the development of asset-based social policies. While this issue is well researched in regard to the developing world, the research on inequality in the developed world has focused more upon income rather than assets. Currently in Australia, the top 20% of the population hold over 60% of the wealth (Kelly, 2002) while the bottom 20% hold none (Latham, 2002). Unfortunately, wealth inequality is predicted to rise over the next 30 years (Kelly, 2002). Taxation systems are supposed to address inequality by redistributing wealth from those who have more to those who have less. The widening gap in wealth inequality in Australia would suggest that taxation alone is no longer adequate and new ways of addressing the problem are needed.

How does society encourage asset building? Sherraden (1991) suggests that four institutional variables are required to encourage saving and asset accumulation. These are:

1. Access to purposefully developed saving opportunities
2. Financial education
3. Appropriate incentives
4. mechanisms geared towards facilitating savings

Financial literacy also contributes to building the capabilities of those on little to no income. Financial literacy refers to: “the ability to make informed judgements and to take effective decisions regarding the use and management of money” (Roy Morgan Research, 2003, p. 2). This includes informed and effective choices about budgeting, spending, saving and use of financial products and services including borrowing, investing and planning for the future (Roy Morgan Research, 2003, p.1). Recent research confirms that financial literacy is lowest for low-income earners, unemployed, those aged 18 – 24, those over age 70, and those from non-English speaking backgrounds (Worthington, 2005; Roy Morgan Research, 2003).

Financial literacy can be likened to the foundations of a house. If the foundation is not adequate, not only does it make it difficult to build the house, but the strength of the house will be compromised. In the same way, if people do not have adequate financial literacy skills, then it will be difficult for them to grow their assets. Sound levels of financial literacy allow for greater choice.

Financial Inclusion

In the United Kingdom and United States, issues of poverty have increasingly been seen as issues of social and financial exclusion. These issues go to the heart of being a member of a society. In the United Kingdom and the United States, financial exclusion is most prominently illustrated by the relatively large percentage of people who do not have a bank account.

In Australia, access to low cost credit looms large in debates on financial exclusion. Unlike Great Britain where eight per cent of households have no access to any kind of bank account (HM Treasury, 2004), in Australia 0.8 per cent of Australia's adult population, or over 120,000 people, do not own any financial products (Community, research into financial exclusion, 2005). This is because since the 1980s, welfare benefits have been directly credited to people's account. Therefore, the Australian debate is not so much about the unbanked but the underbanked.

Financial exclusion is an important dimension of social exclusion. Financial exclusion "can be a broad concept related to a lack of access to a range of financial services or a narrow concept reflecting particular circumstances such as: geographical exclusion; exclusion on the grounds that charges and prices are prohibitively high; or exclusion from marketing efforts" (HM Treasury 2004, p. 2).

A recent report into financial exclusion in Australia by Chant Link and Associates in 2004 defined financial exclusion as "... the lack of access by certain consumers to appropriate low cost, fair and safe financial products and services from mainstream providers" (Chant Link and Associates, 2004, p. 61).

Geographical financial exclusion, where people lack financial services and products due to their geographical location, is particularly relevant in the Australian context, due to banks in the 1990s closing many branches in rural and remote areas. The Australian Indigenous communities are particularly disadvantaged (Renouf, 2002). This type of financial exclusion means that people are excluded from financial products and services based on their geographical location.

Microfinance

The growing problems associated with financial exclusion have prompted a growth in microfinance initiatives in the developing and the developed worlds. Identifying the ways in which microfinance initiatives contribute to providing greater freedoms for people, allows for a more grass roots understanding of the scope of financial inclusion in Australia. In the developmental and microfinance arenas, Sen argues that the main aim of development is to develop the freedoms of those who are disadvantaged (1999). The following section will attempt to explore some of the types of initiatives in Australia, and how they can develop the choices and capabilities of Australia's low-income population.

The microfinance initiatives discussed in this paper are:

- No-interest or low-interest loans
- Savings programs
- Financial education
- Enterprise development

Insurance also falls into the category of microfinance, however the authors at the time of writing this paper, are unaware of any substantial low cost insurance programs running in Australia. Sheehan and Renouf (2006) recently published a research report on "Risk and Reality: Access to general insurance for people on low incomes". The research examined reasons for the low levels of insurance taken up by people of low income in Australia (Sheehan and Renouf, 2006). The report outlines both reasons for low insurance take up rates amongst lower income groups, as well as recommendations to improve these.

No-interest and low-interest loans

There are currently a number of service providers of no-interest loans, and also low- interest loans in Australia.

Good Shepherd Youth and Family Services celebrated the 25th Anniversary of NILS (No Interest Loans Scheme) in 2005. The aim of this program is to provide fair and equitable credit to those with little or no income (McInerney, 2005). There are currently over 232 NILS programs around Australia. In the last twelve months the total amount loaned was AUS\$3.5 million, interest free, with the average loan usually being \$800 - \$1000 (Ayres-Wearne and Palafox, 2005). Approximately 61% of loans have been for the purchase of white goods, and 51% of applicants are sole female parents (McInerney, 2005).

A report launched at the national NILS conference in 2005 stated 'obtaining a NILS loan can develop a person's self-esteem, strengthen their confidence in managing household finances, enhance their consumer knowledge and skills and develop a greater sense of belonging in their local community.' (Ayres-Wearne and Palafox, 2005, p. ii). The report states that a NILS loan helps build and develop self-esteem as people feel a real sense of achievement when they pay off a NILS loan (Ayres-Wearne and Palafox, 2005). It strengthens money management skills as during the loan approval process recipients are encouraged to look at current household spending, and are provided with information and money management strategies (Ayres-Wearne and Palafox, 2005). The loans help to make the daily life of participants easier, thus reducing stress and anxiety in the home setting, and allowing people to feel more comfortable having visitors in their home (Ayres-Wearne and Palafox, 2005). Over time, this allows people to be more active in their community networks (Ayres-Wearne and Palafox, 2005).

Good Shepherd Youth and Family Services in conjunction with National Australia Bank, have piloted another program called the "Step Up" loan. These are personal loans between AUS\$800-AUS\$3000, at a discounted interest rate (Step Up Low Interest Loans, 2005). The aim of this program is to provide credit access to people on low incomes, while simultaneously helping them develop a credit rating (Good Shepherd and the National launch unique low-interest loan, 2005). People approach Good Shepherd Youth and Family Services for a loan, but all the paperwork is finalised at the National Australia Bank (Step Up Low Interest Loans, 2005). Those wishing to take out a loan must fulfil certain criteria - for example, they must have been living in the same residence for the last six months, and must hold a Centrelink health care card (Good Shepherd and the National launch unique low-interest loan, 2005).

There is regular communication between the Good Shepherd social worker and the borrower, ensuring that continuous support is provided. This "Step Up" loan allows people who would otherwise be rejected for a loan by a mainstream bank to have contact with, and develop a relationship with a mainstream financial provider, and work towards greater financial inclusion. This scheme is currently on trial in certain locations in

greater Melbourne. This initiative reflects Sen's development as freedom framework, as it provides a choice that was previously not available to these particular consumers.

Brotherhood of St Laurence and Bendigo Bank through its subsidiary Community Sector Bank, started a pilot program two years ago that also provides small personal loans to people on little to no income (Sheehan and Cavanagh, 2005). The purpose of the Community Sector Bank is to provide a loans program to people on low incomes through cost effective and sustainable means (Sheehan and Cavanagh, 2005). This initiative has grown since it first started from one site, to include three more sites (Sheehan and Cavanagh, 2005).

As with the Good Shepherd Step-Up Low Interest Loans, the Brotherhood is the first point of contact. They interview people, and provide recommendations to the bank (Sheehan and Cavanagh, 2005). Bendigo Bank, the majority owner of Community Sector Bank, then do the credit checks, approvals, and management of payments for the loans (Sheehan and Cavanagh, 2005, p. 44). Sheehan and Cavanagh (2005) discuss the challenges of designing a suitable product for people on low incomes. This Program assists people on low incomes to feel comfortable in gaining access to mainstream banking products and services.

The Fitzroy and Carlton Community Credit Co-op is located in one of the poorest public housing estates in Melbourne. It appears to be one of the few initiatives that provide insurance facilities for people on low income. The Co-op's transaction accounts have no fees or charges and the organisation provides emergency loans up to \$400, which can be used for a variety of purposes, including outstanding bills, and family emergencies (Fisher, 2005). They are soon to open up an internet banking facility (Fisher, 2005). This is also an illustration of efforts towards greater financial inclusion. While not a mainstream bank, it provides low-income people access to financial services that they would otherwise not have.

The Traditional Credit Union (TCU) has been operating in Australia since December 1994. The aim of the program is to provide people within the Indigenous community, access to financial products and services (Carter, 2005). The Credit Union provides a range of different services, such as clan or family accounts, savings accounts, budget accounts, personal loans and BPAY (Carter, 2005). The TCU has loaned nearly \$3 million to members since the Credit Union first began and many people have increased their standard of living through this process (Carter, 2005). The TCU operates mainly in remote areas, and with the exception of their head office, all branches are on Aboriginal Land (Carter, 2005).

Savings

Developing a savings habit is a crucial pathway to accumulating assets. Asset-building policies in the USA have been successfully implemented through Individual Development Accounts (IDAs). Michael Sherraden conceived the IDAs as matched savings programs that encourage low-income people to save and build assets. Matched savings programs are widespread in the USA and have also been implemented in other countries such as the UK (Saving Gateway) and Canada (Learn\$ave). These programs have all been evaluated and have demonstrated that given appropriate institutional frameworks, those on low incomes can succeed in saving and increase their financial capabilities (Schreiner, Clancy and Sherraden, 2002; Kempson, McKay and Collard, 2005).

While matched savings programs may differ in structure, eligibility criteria, spending criteria, duration and sponsorship, the core component is the incentive i.e. the matching of the individual's savings efforts. In the range of programs available internationally, matched rates vary from \$0.50:1 to \$7:1, although most programs seem to have a \$1:1 matched ratio. Programs should ideally also offer a financial education component. Most programs provide the opportunity for education, either as a compulsory requirement of participation while others offer the service on a voluntary participation basis.

Saver Plus is Australia's first matched savings program aimed at assisting families on low incomes to improve their financial knowledge, build a long-term savings habit, and save for their children's education. The program has been developed through a partnership between one of Australia's major financial groups the ANZ Banking Corporation and the Brotherhood of St Laurence. The program is implemented across Victoria, New South Wales and Queensland through subsequent partnerships with other community organisations such as Berry Street Victoria, located in Shepparton, a rural town in Victoria; The Benevolent Society, an outer region of the New South Wales state capital city, Sydney; The Smith Family in Brisbane, capital city of Queensland and in Frankston a suburb of Melbourne through the Brotherhood of St Laurence. The first savings period of the pilot was from July 2003 to December 2004 with the second savings period running from October 2004 – December 2005. The program for 2006 – 2008 has now been scaled-up to include 18 sites across New South Wales, Queensland and Victoria.

The Saver Plus program consists of three components: matched savings, financial education and coaching. The savings are matched at a ratio of \$1:1 (capped at a maximum matched amount of \$1000)¹. Every participant has the opportunity to receive \$1000 to "match" his or her \$1000 saved. It should be noted that each participant can save more than \$1000 over the course of the program but matching is capped at the \$1000 balance. In order to receive the maximum benefit from the matched savings, participants need to demonstrate that they have saved regularly. The participants are directed to save towards their child/children's or their own education.

Participants of Saver Plus are supported and encouraged throughout the program by a Relationship Manager. There is a Relationship Manager for each location and they are responsible for the recruitment of participants, administration and maintenance of participant files, the delivery of the financial education and disbursement of the matched funds.

The third element of the program is financial education. The MoneyMinded financial education program is delivered to participants as a compulsory part of the program and provides them with the "tools" needed to help their saving efforts. The program includes five modules of approximately two hours each. Classes are held in small group settings. They are interactive and participant centred. Module topics include:

1. Planning and budgeting
2. Getting started
3. Understanding paperwork
4. Credit Providers
5. Dealing with debt
6. Rights and responsibilities

¹ : the pilot had a matched rate of \$2:1

The Saver Plus pilot has been highly successful with 92% of participants achieving their savings goal in the 2004 savings period and 95% of participants meeting or exceeding their savings goal in the 2005 period. Apart from developing a savings habit, the participants reported other benefits from the savings program such as:

- A greater emphasis on planning for the future
- A more positive outlook on life
- A greater level of confidence
- Increased self-esteem
- A sense of achievement in reaching a goal
- Reduced stress levels

The saving programs provide increased financial freedoms for those who have not saved before. These programs provide the means through which people can focus on the future and build a buffer zone for times of unplanned financial hardship. Being categorised under Sen's theory of instrumental freedom, the benefits of the program are not limited to an increase in participants' asset base. The benefits flow through to the children, who become more engaged with their schooling and who also have an increased opportunity to learn the skills of saving for the future. Being able to save also enables people to be more included in society, as the saved money increases their choice for obtaining goods and services and taking part in normal societal activities.

Financial Education Programs

Over the last few years there has been heightened concern about the low levels of financial literacy in the community. This has prompted a number of initiatives from government, corporates and community organisations. Following are some examples of the financial education programs currently operating in Australia.

ANZ has developed a financial literacy initiative called "MoneyMinded". This is a program aimed at building people's financial knowledge, and helps financial counsellors and community educators provide financial training to people, particularly those on low incomes (Community: MoneyMinded, 2005).

The evaluation of this program shows that it is highly successful in improving financial capabilities of the participants (Russell, Brooks and Nair, 2005).

MoneyBusiness is an initiative designed to assist Indigenous people to be more financially included (Community: Money Business, 2006). ANZ Bank is working with The Department of Family and Community Services and Indigenous Affairs (FaCSIA) to pilot this program. MoneyBusiness is:

designed to build the money management skills and confidence of Indigenous people and their families, whilst at the same time establishing a stronger savings culture in Indigenous communities. (Community: Money Business, 2006).

The program has been piloted in Western Australia, and the Northern Territory in six sites (Media Release, 2006). MoneyBusiness is an adaptation and tailoring of ANZ's MoneyMinded program for Indigenous people (Media Release, 2006). ANZ is also hoping to incorporate Saver Plus, a matched savings program to a selected number of sites (Media Release, 2006).

Westpac has been running Indigenous programs in Cape York since 2004. They have had a financial literacy program known as "Financial Steps First" (Andrikonis, 2005). This workshop is being piloted in Cape York and is specifically designed to support Indigenous communities (Andrikonis, 2005).

The Financial Literacy Foundation is a Commonwealth Government initiative that was formed in June 2005. Their focus is to set a national benchmark for financial literacy in Australia. They are also working on an awareness campaign for the community to understand the benefits of financial literacy (Understanding money pays off- About us, 2006).

The Commonwealth Bank has a number of initiatives aimed at improving financial literacy in the community. The Commonwealth Bank Foundation currently has 100 grants on offer for high schools looking to develop financial literacy within their schools (Commonwealth Bank Foundation, 2006).

The Commonwealth Bank also run different programs such as providing a website with financial management advice for teenagers, free student banking to encourage savings, and they also have an online learning centre for older Australians (Financial literacy for life, 2006). For their general customers, they have tips online, as well as a two-hour workshop on investments provided by Commonwealth Securities (Financial literacy for life, 2006).

Financial education, as with savings programs, are a means through which development takes place, hence falling under the scope of instrumental freedom. They provide greater understanding of how the financial services sector operates, along with providing participants the opportunity to make informed choices when managing their money. There are many overlapping benefits that this has on other aspects of development as a means towards greater freedom. It develops an individual's confidence in using the financial system through a greater understanding of their rights as a consumer and knowledge about the financial products they choose. Higher levels of financial literacy amongst adults in the community have the potential to alleviate intergenerational poverty. These programs also allow people to reflect on their priorities, so that they can use money as a means of achieving these priorities. Better financial management within the family will have flow-on effects to the consumers of tomorrow.

Enterprise development

Westpac piloted the Indigenous Capital Assistance Scheme. It is, a Government initiative designed to promote lending specifically to Indigenous businesses. In this program Westpac employees assist in the establishment of Indigenous enterprises (Case Study: Indigenous Issues, 2005). Through these Indigenous business projects, Westpac aims to open up possibilities within the Cape York community (Case Study: Indigenous Issues, 2005).

The Fitzroy and Carlton Community Credit Co-op also have a small asset development program (Fisher, G, 2005). The Co-op provides micro-business loans, where people with a business plan can borrow on average, around \$5000 (Fisher, G, 2005). This is also run in conjunction with the Brotherhood of St Laurence (Fisher, G, 2005).

Women's Health in the North provides a number of different activities and services to women who are located in the northern region of Victoria. These services include natural therapies, mental health, lifestyle and wellbeing to name a few. They also have an "Enterprising Women" program, run in partnership with the Northern Migrant Resource Centre (Women's Health in the North: Programs and Services, 2006). This is a three year project aimed at providing training and support for women of culturally diverse backgrounds in establishing micro-businesses (Women's Health in the North: Programs and Services, 2006). As part of this program, they also provide financial literacy training, as well as no-interest loans for women to be able to complete their training (Women's Health in the North: Programs and Services, 2006).

There is a strong link between enterprise development and instrumental freedom. It is a means by which people can further develop their capabilities and build upon their assets. It not only increases their financial opportunities through income generation, but also increases levels of social inclusion. In establishing a micro-business, people are forced to engage and interact with the wider community. This is particularly beneficial for those from different cultural backgrounds.

Conclusion

Amartya Sen's framework of viewing development as freedom, and Sherraden's work on asset accumulation provide valuable perspectives for the emerging microfinance arena in Australia. The list of microfinance programs provided is by no means exhaustive, but is a representation of the different products and services available in Australia today.

Sen's framework provides us with a grass root perspective on poverty alleviation. Not only does his theory highlight the importance of poverty alleviation, he reinforces the need to achieve this through enhancing people's freedom and choices. Microfinance in Australia is showing promise as an effective vehicle to do this.

With at least four different categories of microfinance services identified in the Australian arena, each provide for different yet necessary factors that help in the fight against poverty in Australia. Each program provides some means by which the "freedom" of those using the facility is enhanced. For example, with the NILS program, research found that as a result of a no interest loan, people felt greater self esteem, as they were able to pay off the loan, and were more engaged in the community (Ayres-Wearne and Palafox, 2005). Financial literacy programs in Australia enable participants to make better informed decisions in relation to their financial situation. This often also results in the decrease on generational poverty, as these skills are passed down to children from parents.

Sherraden's work on asset accumulation is an extension on Sen's framework. Asset accumulation plays an important role in the development of freedom. The implementation of asset-building social policies in Australia would help to reduce intergenerational poverty by allowing all to have a chance to accumulate assets – not only the rich. In Australia, the two categories of poverty alleviation initiatives that particularly enhance peoples asset base are savings initiatives and enterprise development programs. Savings programs enhance people's asset base through two primary avenues: firstly, the development of a savings habit, as savings helps, in the very least, to provide a buffer in times of financial hardship and encourages planning for the future. Secondly, the financial education component gives long lasting benefits in allowing for more informed financial decisions, greater confidence in dealing with financial issues and overall better financial management. Enterprise development programs such as "Enterprising Women" often provide people with skills and training on how to establish a business in Australia. They enhance a person's asset base, with the supposition that once a participants business is established, they will have a greater earning capacity, and greater assets.

The range of microfinance initiatives currently operating in Australia are effective in improving levels of financial capabilities, especially those of low-income people. The initiatives are effective because they provide greater freedoms and informed choices. It is important that poverty alleviation initiatives go beyond income to focus on asset-accumulation and the development of individual capabilities.

The future of development in Australia is difficult to predict, particularly in the arena of microfinance. There is currently a lot of innovation taking place by both the corporate sector, and not-for-profit organisations to provide products and service for those in poverty. With such innovation and experimentation, it is difficult to foresee which avenues will work best to address poverty issues. More research needs to be conducted in relation to poverty alleviation in Australia, in order to keep abreast of the latest programs. Our recommendation is that in conjunction with the experimentation, organisations remain connected with the purpose of development, and poverty alleviation.

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