

The Allen Consulting Group

**Strategic review of ANZ's financial
inclusion and capability programs and
approach in Australia**

February 2012

A report to ANZ Banking Group

Executive summary

Background

This strategic review of ANZ's financial inclusion and capability programs and approach in Australia examines the effectiveness and relevance of ANZ's commitment to specific programs, analyses the impact of the programs on ANZ's wider stakeholder environment, and examines options for ANZ to maintain its leadership position.

Findings

This review confirms that ANZ in Australia and internationally commands a leading position in corporate financial inclusion and capability as a result of its evidence-based community investment in this area, embedded in its approach to corporate responsibility.

This position and the social impact it has delivered are in line with ANZ's initial objectives when it committed to its financial inclusion and capability strategy. Most of its strategic objectives are being realised, though there remains significant opportunity for ANZ to integrate insights from its community involvement in this area in its broader commercial operations.

Strategy

ANZ's strategy for financial inclusion and capability is sound and first-mover advantage in this area of community investment has not been seriously challenged nor bettered in Australia.

The challenge to strategy as ANZ deliberates on the future of its community investment in financial inclusion and capability, is whether the existing quantitative impact (the number of disadvantaged people able to have access to programs and benefit from them) is adequate; or if seeking more scale in programs such as MoneyMinded and Saver Plus in particular, should be a strategic objective in the future.

Though not germane to this review of ANZ's efforts in Australia, the best practice aspects of the Bank's financial inclusion and capability approach means considerable societal and reputational value could be generated by applying its programs in markets in which it does business offshore.

Leadership position

ANZ is acknowledged by many of its stakeholders, researchers and commentators internationally as a financial institution that is a pioneer and thought leader in financial inclusion and capability strategy, and program development and delivery. This review confirms this leadership position.

ANZ's approach to initially engage community partnerships to realise its strategy, and then when and where appropriate, engage and involve government to extend the scale of its efforts, is innovative.

All programs reviewed for this report are the manifestation of innovative corporate/NFP partnership activity, which ANZ and its NFP financial inclusion and capability partners identified as enhancing the performance of both partnership parties.

Though ANZ's competitors in the Australian market have developed their own approaches to financial inclusion and capability, ANZ maintains acknowledged broad leadership in this area. This is underpinned by the Bank's ongoing commitment, robust research and evaluation, and strong partnerships with non-government organisations (NGOs) and government to deliver programs.

In 2003, ANZ established three objectives around its commitment to and investment in financial inclusion and capability:

- update its research into financial literacy every two years;
- integrate findings and insights from research into its business operations; and
- invest in community partnerships to deliver adult learning programs to those people most in need, and able to benefit.

ANZ delivers well on objectives one and three. However, opportunity remains to integrate insights from its community investment in financial inclusion and capability into its business operations, including better engaging its employees with its investments and their impact on the lives of individuals and families.

ANZ's commitment to continue to conduct and apply research to assess and refresh its community investment with its partners in financial inclusion and capability is commendable, and is one component of ensuring that the focus of its investments, and the impact of its programs and partnerships, remain relevant.

Stakeholder engagement and partnerships

ANZ's corporate community investment in financial inclusion and capability is regarded by all of its external stakeholders participating in this review as aligned to its core business.

The strong view of external stakeholders, and most ANZ employees and senior executives participating in this review, is that ANZ's community investment in financial inclusion and capability is aligned with its core strategy and 'makes sense'.

External stakeholders perceive more strongly that this is the case than some internal stakeholders, especially employees.

Best practice corporate community investments and their related programs are most sustainable when the strategy underpinning them, and their progress, are well understood.

Sentiment from the employee focus groups conducted for this review highlights there is substantial opportunity to further engage and involve employees in ANZ's existing and future efforts.

ANZ's approach to partner with organisations to strengthen financial inclusion and capability of residents in disadvantaged groups in the community is best practice in Australia, and internationally.

It is evident that ANZ's partnerships with the Australian Government in Saver Plus, MoneyMinded and MoneyBusiness strengthen the programs' sustainability.

Program performance

MoneyMinded, MoneyBusiness and Saver Plus have performed well against ANZ's financial inclusion and capability strategy, and the agreed objectives of each program.

The Progress Loans program has generated mixed results.

In our analysis of these programs – and of ANZ's general approach with its partners – we have examined, as an option, the feasibility of expanding the number of adults being able to participate in the programs, within the cohort defined in ANZ's strategy, and in program eligibility guidelines.

MoneyMinded

MoneyMinded is the most widely used financial inclusion and capability program in Australia, reaching more than 125,000 people since its inception in 2005 with 30,000 participating in the last year.

Evaluations of MoneyMinded have concluded participants report an increase in skills, knowledge and confidence and some positive behaviour change in regards to saving, budgeting and financial goal setting.

There is considerable potential – and broad stakeholder support – for MoneyMinded to operate on a larger scale if ANZ deems it desirable that even greater numbers of people residing in Australia, and in the targeted cohort, be more financially capable and have more opportunity to fully participate in the community.

Expanding the reach and community impact of the programs to more adults in the targeted cohorts would be in line with ANZ's initial intentions and strategy.

Increasing the scale of MoneyMinded would require negotiation with existing program partners, as well as considering building new coalitions to deliver a program that is more overtly (but conservatively) ANZ branded in workplaces, some tertiary education institutions, and to older Australians in some demographics.

MoneyBusiness

In 2010, MoneyBusiness was delivered to 167 communities across Western Australia, the Northern Territory and Queensland. More than 3,000 Indigenous people have benefited from education sessions and personal coaching. Our research suggests 160 local Indigenous people have been trained to deliver the program.

A key strength of MoneyBusiness is its flexibility and capacity to be tailored to the needs of local communities; and it has been modified over time based on the experience and learnings of the people delivering it, as well as participants.

Stakeholders interviewed for this review report that MoneyBusiness is well regarded and well received, and is making a positive impact in the communities where it is delivered.

This is reinforced by the fact that it has been developed in partnership with FaHCSIA, and is approved for use in a number of government programs.

The strategic alignment and performance of MoneyBusiness is sound to date, but additional research (that builds on the baseline research for this program) is required to inform its further development, and to place it on the same rigorous performance research platform as MoneyMinded, Saver Plus and Progress Loans.

Saver Plus

Saver Plus has involved more than 13,000 participants in matched-savings and financial literacy since 2004, with 7,500 participants involved in the most recent phase.

Evaluations of the program have been continuously positive, with the most recent finding that 87 per cent of participants were still saving at the same or increased levels as they did when part of the program.

Independent research, stakeholders, and our own analysis indicates that Saver Plus is a highly successful financial inclusion and capability program, and internationally innovative.

There is considerable stakeholder support for ANZ, if it deems it desirable, to expand Saver Plus so it can reach more people in Australia who are eligible to participate.

Scaling up the reach and impact of Saver Plus could in part be financed via supplementary funding models. This could include matched workplace giving from ANZ employees, and investigating securing funding from individual Australians and philanthropic foundations. Such investigation would necessitate examination of governance and legal structures, as well as taxation issues.

Progress Loans

Progress Loans provides people on low incomes with access to loans of between \$500 and \$3,000 to pay for essential household items. It is jointly supported by ANZ and the Brotherhood of St Laurence, and piloted through three shopfronts in Victoria.

The most recent evaluation of Progress Loans (Vawser and Associates 2011) found that since the introduction of Progress Loans in 2006, 1,409 loans have been approved to 1,259 customers, primarily to purchase household goods and vehicles. Progress Loans have an average default rate of two per cent.

The market environment in which the Progress Loans program was developed in 2006, is very different to the environment in 2011.

The wider availability of loan finance to low-income people (75 per cent of loan customer respondents in independent research reported they had previously used a Centrelink advance; and low-income focused loan programs operated by other finance providers - for instance National Australia Bank) means there are lower-cost options than Progress Loans.

Payday lending regulatory reform flagged by the Federal Government will expand further the access that low-income Australians have to more affordable loan finance.

These developments mean that the Progress Loans program does not enjoy the unique or competitive positioning of MoneyMinded, MoneyBusiness or Saver Plus, or the positioning in the market it enjoyed in 2006.

Unlike MoneyMinded, MoneyBusiness and Saver Plus, there is no strong rationale to expand or extend Progress Loans, which independent research has concluded has achieved mixed results in building the financial capability of loan recipients (though notes also that the loans themselves have been life-changing for many participants).

While Progress Loan customers reported participation in the program strengthened many financial capability attributes, only 39 per cent reported that securing and managing a Progress Loan enhanced their ability to budget or manage money.

We note that after five years following it being piloted, the Progress Loans program remains primarily and deliberately Melbourne-based, and does not operate nationally in the same manner as ANZ's three other financial inclusion and capability investments.

Of ANZ's four financial inclusion and capability programs, we note also that Progress Loans, because of its very nature, requires the largest allocation of funding per program participant (customer).

We advise that ANZ can best strengthen financial inclusion and capability in Australia via its corporate community investment by focusing on the saving, educative and innovative delivery sphere, rather than on the lending sphere.

Maintaining a leadership position, and the next wave

Despite ANZ's commitment and work, and the efforts of scores of NGO, government and other corporate entities, there is unmet demand in Australia for improving the financial capability of the nation's vulnerable and disadvantaged adults, and the dependents they may have.

We recommend ANZ and its partners continue to focus on the financial inclusion of the cohort on which it now focuses, and consider the option of reaching many more adults in this cohort by considering how to reach and include more of them in the three flagship partnership programs we recommended be continued.

Our research identified a significant unmet need for financial inclusion and capability amongst older Australians, which may increase as the population ages. Many public policy makers, including the Federal Treasury, have factored into their deliberations that fewer Australians will be able to live comfortably on the aged pension post-retirement.

Tertiary students in some demographics are another group that may benefit particularly from better financial inclusion and capability given their life stage and increasing financial commitments, but may fall outside ANZ's focus on vulnerable and disadvantaged people.

Mobile telephones, smartphones and rapid adoption of peer-to-peer social networks in Australia are creating new opportunities to build financial capability utilising games, online applications (apps) and peer-to-peer networks.

These developments may offer opportunities to extend and enhance ANZ's financial inclusion and capability programs to vulnerable groups, depending on their access to these technologies, place of residence or work, or English language capability.

This is an area where there is an absence of corporate leadership and thinking in Australia and internationally, of corporate community partnership investigation internationally, and of case studies of emerging and good practice that could be of benefit to the cause of financial literacy in Australia and globally.

ANZ, its programs, program partners and other entities committed to financial inclusion and capability, could benefit also from further research into emerging and good practice, and thought leadership, into delivery of adult financial literacy training and engagement via online and mobile communication channels.

Funding

ANZ's monetary investment in financial inclusion and capability in Australia is not significant relative to the investment of peer and competitor corporations in signature corporate community programs or segments – including over the entire life of its commitment to date.

The Bank should consider increasing its funding commitment to financial inclusion and capability if it determines it will increase the scale of programs so they can reach a larger pool of people in Australia who are financially disadvantaged or vulnerable.

Recommendations

Strategy

It is recommended ANZ maintain its strategy of focusing on financial inclusion in the adult population as a signature community investment. This strategy has developed a global leadership position for the Bank for developing innovative approaches to strengthen adult financial inclusion and capability.

Financial inclusion and capability leadership position

It is recommended that for ANZ to maintain its leadership position internationally in partnership approaches to strengthen financial inclusion and capability, it retain its commitment to an evidence-based assessment of its existing programs via robust, independent research.

It is recommended that to create social value, and to maintain its leadership position in financial inclusion and capability, ANZ conduct research into new channels and vehicles to deliver financial inclusion and capability programs and tools to disadvantaged groups in the community, including via mobile telephony and online platforms.

It is recommended that any ANZ commitment to investigating innovative communication and online delivery of financial inclusion and capability programs and skills seek to carve out a leadership position internationally, which may create value that can be applied to the Bank's reputation internationally. This includes mobile telephone, smartphone delivery and games delivery channels.

It is recommended ANZ conduct stakeholder attributes and issues research to quantify the impact of its financial inclusion and capability community investment on its corporate reputation, primarily as a means to inform future stakeholder engagement and communication around its investment.

MoneyMinded

It is recommended that given the positive impact and strong stakeholder support for MoneyMinded, that ANZ consider scaling up the program so that is available to many more Australians living at a disadvantage, or facing financial exclusion without good financial capability.

It is recommended that if MoneyMinded is expanded, that its delivery to specific demographics be considered within the cohort that the program targets, including older Australians, tertiary students, or employees in specific industry sectors (for instance mining, agribusiness, energy, textiles, manufacturing, retail, hospitality, building and construction).

It is recommended that if the Bank decides to increase the scale and reach of MoneyMinded, it consider delivering the program via a coalition of partners, including other enterprises (for instance ANZ customers or suppliers).

It is recommended that MoneyMinded be more clearly, but conservatively, branded as an ANZ program. There is business rationale and stakeholder license to more actively brand MoneyMinded. More active branding may strengthen the Bank's engagement of employees with the program.

MoneyBusiness

It is recommended ANZ maintain its commitment to MoneyBusiness, and continue to work with Indigenous stakeholders, the Bank's community partners, stakeholders and the Australian Government to deliver the program.

It is recommended that independent research be conducted into the impact of MoneyBusiness, as an input to inform the program's operation.

It is recommended that should ANZ seek to take a leadership position in examining online and mobile vehicles and channels to more broadly deliver financial inclusion and capability programs and tools, that the delivery of MoneyBusiness to Indigenous Australians in more remote areas, including young Indigenous people, be considered for piloting and testing.

Saver Plus

It is recommended that ANZ consider expanding the reach and scale of Saver Plus within the targeted cohort, so that the program is available to more disadvantaged people in Australia.

It is recommended that should ANZ resolve to expand the footprint of Saver Plus, that this would require additional commitment and resources from ANZ's program partners, and that the Bank consider also broadening the funding base of the program via including philanthropic vehicles, such as foundations, and ANZ employee matched workplace giving.

Progress Loans

It is recommended that ANZ withdraw from the Progress Loans program, given it has achieved mixed results in building financial capability skills among loan recipients, and the growing availability of low-interest loan products for people on low-incomes.

It is recommended that ANZ financial allocations to Progress Loans be reallocated to expand the MoneyMinded, MoneyBusiness or Saver Plus programs, or to efforts to identify and promote innovative financial inclusion and capability delivery channels and vehicles to more people.

Stakeholder engagement and reputational impact

It is recommended ANZ continue its partnership approach to developing and delivering approaches and programs to address financial inclusion and capability in Australia. This will contribute to ensuring the Bank generates and captures value in program and business innovation, stakeholder relationships and corporate reputation.

It is recommended ANZ strengthen employee engagement with its investment and innovation in financial inclusion and capability programs via strategic employee communications, especially communications from the Bank's most senior executives.

Future investment opportunities

It is recommended that ANZ continue to work with Australian Government agencies (including FaHCSIA) to secure ongoing funding and support of its programs (excluding Progress Loans), but that it seek also to broaden the funding base by considering how funds and commitment can be secured also from other corporations, philanthropic entities and individual giving.

It is recommended that commensurate with any efforts to deliver financial inclusion and capability programs to more people within target cohorts – including investigating and piloting innovative delivery vehicles and channels – ANZ consider increasing funding for financial inclusion and capability.