



FINANCIAL HEALTH - A STRATEGY FOR INCLUSIVE AND SUSTAINABLE DEVELOPMENT

Acknowledgement

Financial health is emerging as an important area for policy makers and financial service providers globally. The concept builds upon financial inclusion and focuses on the impact of financial services on the lives of people. i3-Access has developed this policy note to highlight the need for adopting financial health as a critical policy area across developing countries. The policy note provides a set of good practices and recommendations to stakeholders for actioning the agenda on financial health.

We express our sincere gratitude to United Nations Capital Development Fund for taking up the agenda on financial health. Their efforts have contributed significantly to acceleration of dialogue in developing countries. We are grateful to Jaspreet Singh and Rakhi Sahay for conceptualisation of the policy note and for providing their support to its development. Their guidance has also been instrumental in the development of other initiatives such as Community of Practice on Financial Health, Financial Score Card, and the Digital Hub.

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i3-Access truly hopes that this policy note plays a role in accelerating dialogue and adoption of financial health in developing countries, and towards building a more joyful and resilient world for all.

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Setting the context: moving beyond financial inclusion

Financial inclusion, with its focus on access and usage of financial services, has been identified as a critical enabler to national developmental goals, particularly economic growth and poverty reduction. It has garnered significant policy focus of governments worldwide; focusing on *delivering the services responsibly and safely to the consumer and sustainably to the provider in a well-regulated environment*¹. The result of this focus is visible in the multi-fold increase in account ownership and usage. **More than 76 percent adults globally had an account at a bank or regulated institution in 2021**; marking a 25 percent increase in account ownership since 2011 (Global **Findex database**²). There is a 24% increase in account ownership by females in the past 10 years. This growth is propelled by the incremental penetration of mobile phones and internet services, particularly across developing countries. **Mobile money has become an important enabler** with significant increase in usage of mobile wallets and digital transactions post the pandemic. More than 60% adults use digital payments globally. **Government initiatives** in individual countries have played a critical role in increasing financial inclusion, such as **PM Jan Dhan Yojana by India** and support to microinsurance industry in Philippines.

However, despite this progress, account ownership and usage of financial services varies widely around the world. This variation is noted not only at the country level but also across individual-level characteristics such as household income and gender. Close to **one-third of adults – 1.7 billion – were still unbanked** in 2017 (Findex, 2021). **Over half of the unbanked people are women in economically**

1. Financial Inclusion and Inclusive Growth-A Review of Recent Empirical Evidence; Policy Research Working Paper; World Bank Group; April 2017

2. World Bank (2021), The Global Findex Database 2021. [Online] The Global Findex Database 2021 (worldbank.org) [Accessed May 2023]

poor households in rural areas or those out of the workforce. Further, access alone does not ensure usage of financial services. It is be noted that 72% of the population in middle-income countries holds bank accounts, but only around 25% saved at a formal financial institution. Similarly, only 1 in 4 people in middle-income countries can access emergency funds easily in 30 days. **Thus, increasing account ownership is not an adequate measure towards enhancing an individual's ability to manage finances comfortably and meet unforeseen emergencies.** Laying focus on just access and usage of financial services falls short in providing a comprehensive approach to guide towards poverty and household-debt reduction, especially in developing countries. Vulnerable and low-income customers face many difficulties in using financial services due to barriers such as lack of credit history, distance to financial facilities, and lack of savings. Hence, it is seen that almost a third of the world's adults struggle to get by without the financial tools they need to escape poverty and improve their lives (UNSGSA). For financial inclusion to support inclusive economic growth, policy focus needs to be on enabling effective usage of financial services for an individual's income growth and protection from risks.

It is widely understood that **financial literacy and financial confidence** are critical elements in creating beneficial usage of financial services. According to the **OECD International Survey of Adult Financial Literacy (2020)**, **financial literacy was found to be low across participating nations.** The survey highlighted that a **large section of citizens do not have the necessary financial literacy** to deal effectively with everyday monetary management. **Only 17% of surveyed adults said their financial knowledge was high³.** Further, financial stress in a common factor among 42% individuals across OECD countries⁴. As per the survey, a significant percentage of individuals reported **concerns on meeting everyday living expenses.** As per Findex 2021, post the pandemic, more than 80% adults across developing nations, worry about their financial situations and meeting long-term financial goals

Women scored lower than men on knowledge and usage of financial services. Globally, there is a 6% gender gap in bank account ownership⁵. **Gender disparities in financial literacy compound women's difficulties in securing their financial future.** Thus, despite high proliferation of financial inclusion globally, its appears

3. United Nations Secretary General's Special Advocate for Inclusive Finance for Development (2021). Financial Inclusion [Online] <https://www.unsgsa.org/> | United Nations | UNSGSA Queen Máxima [Accessed May 2023]

4. OECD (2020), OECD/INFE 2020 International Survey of Adult Financial Literacy [Online] www.oecd.org/financial/education/launchoftheoecdinfeglobalfinancialliteracysurveyreport.htm

5. World Bank (2021), The Global Findex Database 2021. [Online] The Global Findex Database 2021 (worldbank.org) [Accessed May 2023]

to fall short in building resilience and prosperity among individuals. This stress is noted to be higher among certain segments of the population, **namely the bottom-of-the-pyramid and vulnerable sections, who face additional challenges in capturing the basic benefits of the financial services.** Migrants and Gig workers, whose earning, and thereby savings, patterns are irregular and different from those of the traditional employment sectors, face concerns on having adequate options of financial services designed to meet their specific needs.

To support individuals, move out of poverty, meet their basic needs, and plan a secure future, there is a pressing need to not only ensure access to affordable financial services but also aid and encourage judicious usage of financial services.

Several developmental organisations are recognising this need to move beyond financial inclusion. Financial resilience has become a particularly important concept, especially with growing economic and environmental uncertainties in the world. World Bank Findex Database has collected data on **financial stress** of individuals. In 2021 Findex database, World Bank has also added metrics on **‘Coming up with Emergency Funds’ to understand financial resilience** of individuals across countries. This has been included in the **G20 Financial Inclusion Indicators**⁶. Other aspects of financial affairs of individuals have come into discourse. The Asian Development Bank (ADB) has been working on **financial literacy and economic empowerment. Organisation for Economic Development (OECD) has initiated discussions on wellbeing** in its *How’s life? 2020: Measuring well-being report*. Areas supporting financial services such as digital public infrastructure and data harmonisation are also being included in the financial inclusion discourses at G20 and other multilateral bodies.

A more comprehensive understanding of financial situation of the individual or households is needed in discourse and policymaking. **There is now a need for policymakers to re-define the vision of success with financial inclusion. The matrix of financial inclusion must move beyond access and usage of services and focus on understanding the true impact of these services on lives of people.** Aspects of financial lives such as progress towards financial goals and autonomy on making financial decisions are important considerations that merit attention of the financial sector. Thus, there is a need to move towards an outcome-based approach - **financial health.**

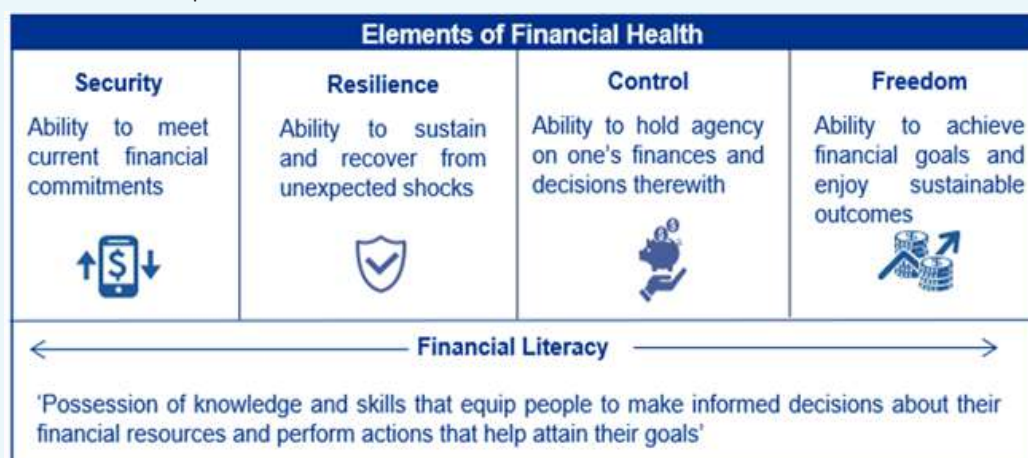
6. Global Partnership for Financial Inclusion (2021). G20 Financial Inclusion Indicators [Online] Glossary-010823. pdf (worldbank.org) [Accessed August 2023]

What is financial health?

Financial health¹ is a state in which an individual can meet current needs, absorb financial shocks, and pursue financial goals². *Ability to spend, save, borrow, and plan in a manner that enables resilience and pursuit of opportunities are important dimensions of financial health.* (Financial Health Network)³. Financial health is measured through data on various aspects of individual finances such as income and savings, financial stressors, and investments. These aspects together provide a picture on financial need-based themes such as daily commitments, financial resilience, income growth.

Financial health encompasses four important aspects of an individual's financial life: financial security, financial resilience, financial control, and financial freedom. These are directly related to an individual's overall financial literacy. Financial literacy can be defined as 'the possession of knowledge and skills that equip people to make informed decisions about their financial resources and perform actions that help attain their goals⁴.

Exhibit 1: Core components of financial health

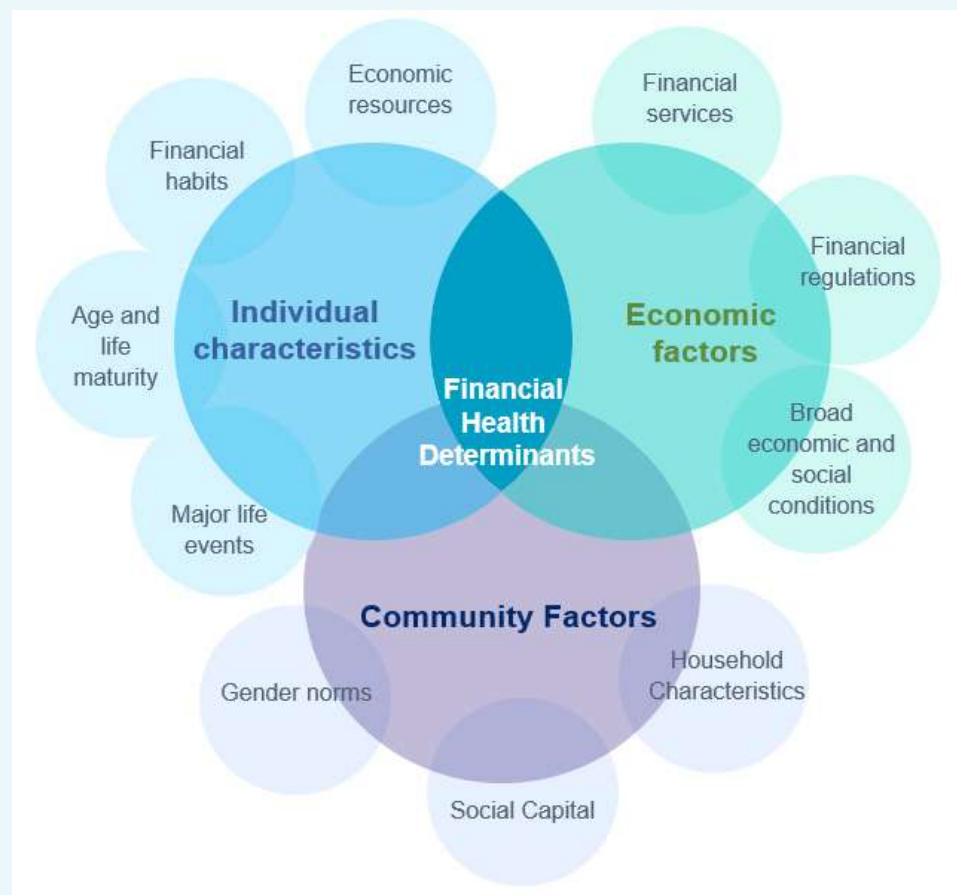


1. The terms Financial Wellbeing is being used for synonymously with Financial Health in policy discourse. This has also been mentioned by UNSGSA at [Online] Financial Health: An Introduction for Financial Sector Policy-makers | United Nations | UNSGSA Queen Máxima [Accessed May 2023]
2. United Nations Capital Development Fund (2022). Delivering Financial Health Globally. [Online] Delivering Financial Health Globally: A collection of insights, approaches and recommendations - UN Capital Development Fund (UNCDF) [Accessed May 2023]
3. Financial Health Network (2022). What is Financial Health? — Financial Health Network [Online] What is Financial Health? — Financial Health Network (finhealthnetwork.org) [Accessed May 2023]
4. Financial Literacy and Education Commission (2020), US National Strategy for Financial Literacy [Online] Available from: U.S. National Strategy for Financial Literacy 2020 (treasury.gov) [Accessed 2020]

Determinants of financial health

It is important to note that the financial health of an individual is determined by a variety of factors, an overview of the key determinants of Financial Health provided in **Exhibit 2. Individual characteristics such as financial behaviour and employment profile to environmental factors such as socio-behavioural norms, public infrastructure, and the prevailing macro-economic situation affect financial health of individuals and households.**

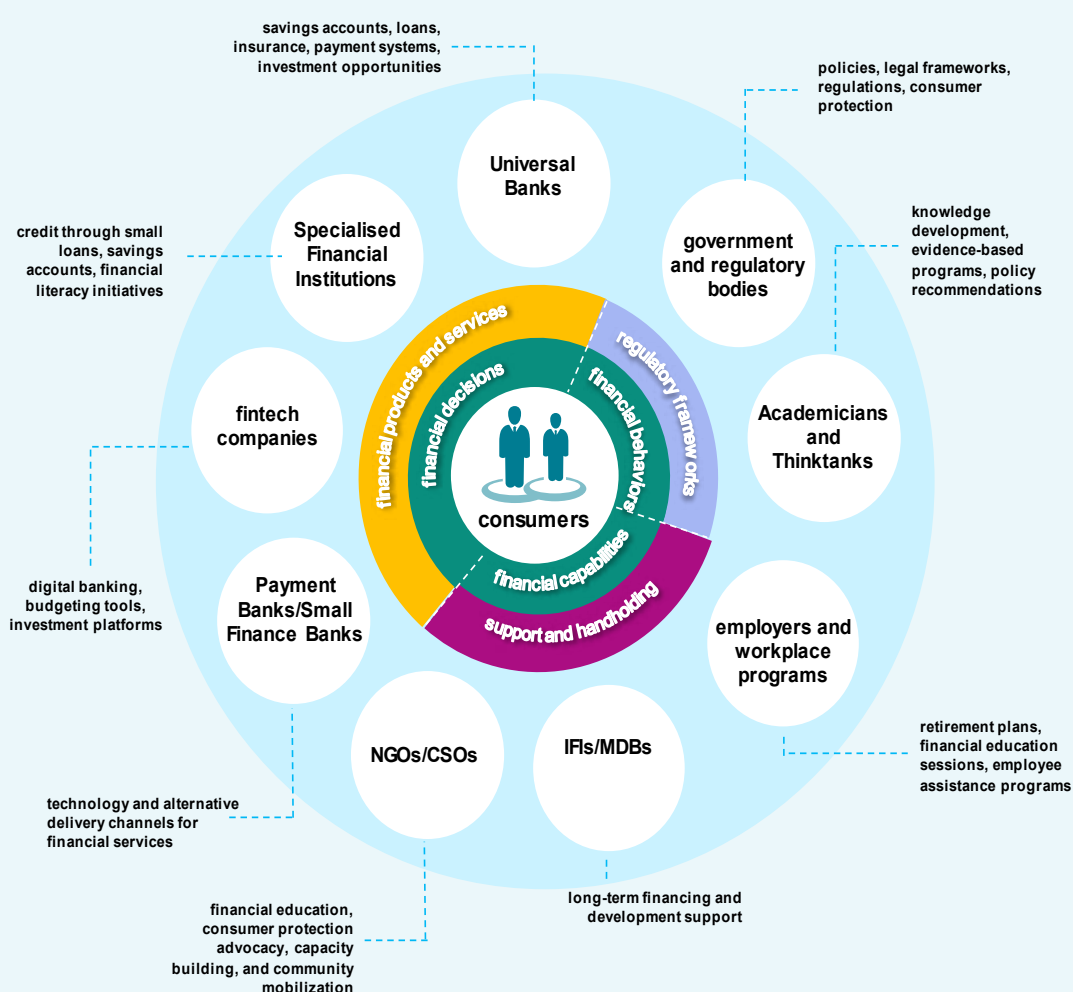
Exhibit 2: Key determinants of financial health



Key stakeholders of financial health

With several influencing factors at play for determining financial health, stakeholders of the financial health ecosystem span across financial sector policymakers, financial service providers, individuals, developmental organizations, and so on, with significant role of each in improving the financial health of people. Exhibit 3 below presents an illustrative representation of the key stakeholders that influence financial health of an individuals.

Exhibit 3: Illustrative representation of the key stakeholders influencing financial health



Select characteristics of key stakeholder groups are as follows:

- **Policymakers** for financial health comprise of government bodies and regulatory institutions. Governments and regulatory bodies establish policies, regulations, consumer protection measures and legal frameworks to ensure the fair and transparent functioning of financial markets. They also implement financial inclusion policies, financial literacy programs, social protection programs, and other initiatives that promote financial health.
- **Financial Service Providers (FSPs)** comprise of variety of entities, such as traditional banks, specialized financial institutions, and fintech companies. Financial institutions are key in mobilizing and channelling financial resources. Financial health is a framework for FSPs to increase and diversify client base and product portfolio and increase customer loyalties.¹
 - **Traditional banks** typically offer a diverse suite of services across physical and digital channels, often with mandates on serving rural areas and vulnerable segments.
 - **Specialized financial institutions** comprise of institutions such as microfinance institutions (MFIs), payment banks, and Small Finance Banks (SFBs). They are often allowed to offer only limited services such as credit, savings, or to a specific region only. Microfinance institutions are important organizations to enhance credit and entrepreneurship among low-income-segments.
 - **Payment banks** have been instrumental in raising digital transactions and small savings. **Fintech** provides people and businesses with access to traditional financial services in innovative ways and can be start-ups or large institutions.
- **Development organisations** are composed of non-government institutions (NGOs), International Finance Institutions (IFIs), Multilateral Development Banks (MDBs), and think tanks. They provide critical support in knowledge creation and advocacy, collaborations, and in developmental programmes for financial health. They often prioritize funding for projects and initiatives that target underserved populations, such as affordable housing, agriculture, micro-enterprises, and social enterprises.

1. UN environment Programme Finance Initiative (2022). Guidance for Banks Financial Inclusion and Financial Health Target Setting [Online] PRB-Guidance-Financial-Inclusion-2.pdf (unepfi.org) [Accessed August 2023]

How financial health can strengthen stakeholders' outcomes?

Measurement of financial inclusion is often done on a binary approach, focusing only on the availability and usage of financial services. **Financial health components are outcome-driven and more closely aligned to income growth and resilience of individuals.** These are important goals of financial inclusion. For example, outcomes such as adequacy of savings and ability to borrow sustainably are very closely aligned to individuals being able to increase incomes and not fall into poverty. Kenya provides an interesting example in this regard¹, as shown in **Emerging area of policy and regulatory focus for financial health**. With further usage of adoption of financial health, more such instances may demonstrate how financial health can help improve impact of financial inclusion towards poverty reduction.

Financial health frameworks also bring objectivity to behavioural and psychological aspects of wellbeing, contributing to evidence generation in areas that were previously not understood well. The 10-point Financial Wellbeing Scale of Consumer Financial Protection Bureau (CFPB) collects data on savings left at the end of the month and outlook on meeting financial goals². The 9-point Multidimensional Financial Health Scale (MHI) of FSD Kenya collects data on regularly of savings and usage for productive investments such as housing³. **These are important steps towards evidence generation on savings and investments in families, especially important for understanding financial resilience and financial empowerment of individuals and families.**

Sustainable Development Goals (SDGs) have served in designing key monitoring tool for governments to measure and benchmark progress towards inclusive and

1. Financial Sector Deepening Kenya. The state of financial health in Kenya: Trends, drivers, and implications. [On-line] <https://www.fsdkenya.org/wp-content/uploads/2022/10/FSDK-Financial-health-report.pdf> [Accessed May 2023]
2. Consumer Financial Protection Bureau (2017). CFPB Financial Well-Being Scale [Online] Microsoft Word - 201705_cfpb_financial-well-being-scale-technical-report (consumerfinance.gov) [Accessed August 2023]
3. Financial Sector Deepening Kenya. The state of financial health in Kenya: Trends, drivers, and implications. [On-line] <https://www.fsdkenya.org/wp-content/uploads/2022/10/FSDK-Financial-health-report.pdf> [Accessed May 2023]

sustainable development. **Adopting the discourse on Financial health can further support strengthen the frameworks particularly towards mapping progress towards Zero Poverty (SDG 1) and Reduced Inequalities (SDG 10).** The outcome-oriented approach of financial health helps understand and improve the impact of financial inclusion. The understanding of adequacy of savings and investments provided in financial health frameworks are important intermediate goals towards Zero Poverty. Financial health also helps in **identifying the interventions required at the country and community levels to achieve the SDGs.** For example, in Brazil, the finding of rising indebtedness in a financial health survey indicated the need for a debt-relief component to be added to *Bolsia* welfare program⁴. This is a key step to support financial situation of beneficiaries. **Financial health offers a more comprehensive perspective to measure and enhance impact of interventions towards poverty reduction and economic welfare.** The approach of financial health can support development community to support a consumer-impact driven focus to programmes. It would also support organizations to assess and improve results of their programmes. Financial health offers a **new holistic and impact-oriented perspective** to understand the socio-economic wellbeing of individual.

Financial Service Providers are increasingly being held accountable for their impact on employees, communities, consumers, and the planet. Adopting financial health as a goal for customers can create positive outcomes for financial lives of consumers. It serves to create shared values with customers based on customer's needs and improve business models.⁵ Realising this, select FSPs have instituted financial health assessments and tailored programs towards improving financial health of customers, as detailed in *Emerging approaches towards financial health*. The importance of financial health stands to increase with the rise of Artificial Intelligence and Big Data. Companies hold a large amount of data on a consumer, from savings and investment trends to level of digital literacy. Financial health has brought into focus new dimensions of customer's financial life, such financial confidence and financial resilience. Thus, FSPs can use financial health to analyse consumer data and develop outcome-focused financial products.

4. Consultations with UNSGSA Functionaries

5. PRB-Guidance-Financial-Inclusion-2.pdf (unepfi.org)

Emerging approaches towards financial health

Some preliminary steps have been taken by policymakers, development community, and financial service providers (FSPs) in enhancing the financial health of people. These have been across 5 key areas, as shown in Exhibit 4. Some key initiatives have been taken towards explicitly driving *financial health* or *financial wellbeing* in a country's objectives. Other initiatives adopted the lens of financial health in existing programmes on financial inclusion, financial literacy, and social protection.

Exhibit 4: Illustrative representation of the emerging areas of focus supporting financial health



Emerging area of policy and regulatory focus for financial health

Financial health has been adopted in diverse ways, which can be considered for replication, adaption, and scaling up. Several governments and regulatory bodies are working towards enhancing financial health of people. Countries such as Australia, U.K, Mexico, and Brazil have taken important initiatives in this regard. A few key steps are listed below:

The following section presents emerging areas of focus and select good practices under three key categories:

1. Emerging area of policy and regulatory focus for financial health
2. Emerging area of developmental focus for financial health
3. Emerging strategies being adopted by Financial Service Providers (FSPs) supporting financial health

Key highlights of initiatives to advance financial health

- Financial health assessments to support **evidence-generation for policymaking**.
- Unification of financial data to advance financial health.
- **A participative approach** is adopted to create robust strategies on financial health.
- **Touch+Tech approach adopted:** Physical centres/ presence are provided for handholding support to digital financial services.
- **Welfare programs are leveraged to increase adoption of digital financial services** and to strengthen financial inclusion.

A. Understanding the current state of financial health at the national level:

Financial health assessments have been adopted by number of countries. Surveys of financial health have provided policymakers an initial understanding of the financial situation and identifying focus areas of policy. Select countries are conducting baseline assessments in this direction. Canada¹², Ireland, Norway, Australia, Brazil³, and New Zealand are some countries that conducted assessments of selected populations, allowing broad comparisons as well. It is seen that regulatory agencies such as Central Banks and Consumer Protection Regulators have been leading assessments on financial health, supporting unification of data. Strategies have primarily been formulated by government departments.

1. Survey results of financial well-being in Canada by Financial Consumer Agency of Canada at financial-well-being-survey-results (2).pdf
2. Backgrounder: Preliminary findings from Canada's Financial Well-Being Survey from Financial Consumer Agency of Canada at Backgrounder: Preliminary findings from Canada's Financial Well-Being Survey - Canada.ca
3. Por Estevão Taiar (2021). Brazilians' financial health on the edge, survey says. [Online] Brazilians' financial health on the edge, survey says | Economy | valorinternational (globo.com) [Accessed May 2023]

There are various methods to conducting and reporting the assessments. While select countries like Australia, and Kenya have conducted surveys and presented findings across key thematic areas⁴, some have incorporated questions on financial health in existing national surveys. FSD Kenya's Multidimensional Financial Health Index (MHFI) would be suited for a developing country context as the survey primarily tracks financial necessities.

Financial well-being survey in Canada finds active savings behaviors to be a crucial factor in financial wellbeing

Financial Consumer Agency of Canada (FCAC) **conducted an online financial well-being survey of nearly 2000 Canadian residents in 2018**. The survey measured three areas, namely, *meeting commitments, feeling financially comfortable, and planning resilience for the future*.

FCAC results were compared with the well-being scores of Australia, New Zealand, and Norway across six key areas and an overall financial wellbeing score.

The survey found that Canadians who actively save have higher levels of financial well-being than those with similar incomes who don't save actively. The survey provided recommendations on establishing **automatic savings mechanisms**, providing financial education to the Canadians in the *Struggling a Lot group*.

Sources: (1) Backgrounder: Preliminary findings from Canada's Financial Well-Being Survey from Financial Consumer Agency of Canada at Backgrounder: Preliminary findings from Canada's Financial Well-Being Survey - Canada.ca; (2) Survey results of financial well-being in Canada by Financial Consumer Agency of Canada at financial-well-being-survey-results (2).pdf



Findings of financial health index supports design of welfare programmes in Brazil

Central Bank of Brazil and Brazilian Federation of Banks conducted a survey on financial health in 2021. The survey covered citizens who were aged 18 years and above and had some relationship with the formal financial system. Questions covered topics such as *ability to recognize a sound investment, manage large and unexpected expenses and to accomplish long term commitments*. **The survey findings raised the issue of a debt-renegotiation meeting among the monetary authority and financial institutions.** (Valor International 2023).

The survey pointed to considerable indebtedness among select sections of the population, **strengthening the case for a debt-relief component in a key welfare program**. The survey data has been consolidated into a single numerical score on Financial Health Index (I-SFB), for easier understanding and trend analysis.

Sources: Por Estevão Taiar (2021). Brazilians' financial health on the edge, survey says. [Online] Brazilians' financial health on the edge, survey says | Economy | valorinternational (globo.com); Consultations with UNSGSA functionaries



4. Financial Sector Deepening Kenya. The state of financial health in Kenya: Trends, drivers, and implications. [Online] <https://www.fsdkenya.org/wp-content/uploads/2022/10/FSDK-Financial-health-report.pdf> [Accessed May 2023]

Some good practices towards conducting financial health surveys are:

Findings of financial health survey support identification of focus areas of consumer protection regulations in Kenya

FSD Kenya, along with the **Central Bank of Kenya** and other organizations, has undertaken FinAccess surveys every 3 years since 2006. Financial health has been measured in 2019 and 2021. A **9-point multidimensional financial health index (MHFI)** has been formulated to present findings across themes of *ability to manage day-to-day finances, ability to cope with risk, and ability to invest in livelihoods and the future*. The survey has placed great **emphasis on objectivity** with questions such as *'In the last year, never went without enough food to eat*. The survey has disaggregated the data by customer segments such as rural and urban populations, wealth, and age. **The surveys have identified rising indebtedness as a critical issue for the financial health of Kenyans. The organization has indicated that consumer protection regulations need to address the risks emerging from mobile money.**

Sources: Financial Sector Deepening Kenya. The state of financial health in Kenya: Trends, drivers, and implications. [Online] <https://www.fsdkenya.org/wp-content/uploads/2022/10/FSDK-Financial-health-report.pdf> [Accessed May 2023]



Unification of financial data to obtain a clearer picture of financial health of individuals in Singapore

SGFinDex is a public digital infrastructure that uses national digital identity (SingPass) to enable individuals to access their financial information held across government agencies and FSPs. This will help individuals and governments **to better understand individual financial health and take steps accordingly for financial planning.**

Developed in 2020 by the public sector in collaboration with The Association of Banks in Singapore and banks. The Monetary Authority of Singapore and the Smart Nation and Digital Government Group (SNDGG) are the key public sector organizations in this initiative. **The SGFinDex includes financial information such as deposits, credit cards, loans, insurance policies, and investments.** Government, insurers, banks, and Central Depository Participants (CDPs) are the key participants in this initiative.

Sources: Association of Bank Singapore (2020). Digital Infrastructure to Enable More Effective Financial Planning by Singaporeans [Online] [digital-infrastructure-to-enable-more-effective-financial-planning-by-singaporean.pdf](https://www.asb.sg/digital-infrastructure-to-enable-more-effective-financial-planning-by-singaporean.pdf) (abs.org.sg) [Accessed May 2023]



Unification of databases have been adopted across select countries for measuring financial health. Some preliminary steps for unification of databases have also been taken, helping form a picture of the financial situation at the individual level. This supports identification of vulnerabilities for vulnerable segments. Brazil is working towards unification of social

protection database through the Cadastro Único⁵ while Singapore has initiated a portal for consolidation of financial information of its citizens known as SGFinDex⁶. **Open banking is also an important step in this direction, with several countries such as Colombia and Nigeria taking such initiatives.**⁷

B. Incorporation of financial health in the national strategies:

A financial health strategy is necessary for any country to drive it effectively as an agenda. Select countries have taken preliminary steps in this regard, such as Mexico, UK, and Australia. A key distinguishing feature of these strategies is their **collaborative focus and monitoring of the consumer outcomes**. **Baseline assessments support delineation of focus areas of financial health and wellbeing agenda**. UK has developed a strategy on

Mexico adopts the goal of financial health to enhance its National Financial Inclusion Strategy

Mexico's National Financial Inclusion Strategy 2020-24 states financial inclusion to be a goal for financial health, which would lead to population welfare. **The strategy outlines a baseline picture of financial health, with eight indicators picked from the 2018 National Survey of Financial Inclusion** conducted by the National Banking and Securities Commission and National Institute of Statistics and Geography in 2018. The 8 indicators are across 4 themes of liquidity management, ability to face emergencies, goals and financial planning, and financial control. **The indicators primarily focus on percentage of people who conduct of positive financial behaviors such as paying bills on time and voluntary contribution to retirement savings**. One indicator focuses on satisfaction with finances, measuring percentage of people for whom income was sufficient to expenses on a monthly basis.



The financial health objective adopted in 2020 has led to addition of objectives on financial literacy and strengthening access to information tools and financial protection mechanisms.

The strategy adopts a comprehensive approach to financial inclusion, with **quantitative targets for enablers such as leveraging social protection systems and consumer protection regulations**.

Sources:

- Riecke, Jeffrey (2016). Mexico Launches Comprehensive Financial Inclusion Strategy [Online] Mexico Launches Comprehensive Financial Inclusion Strategy | Center for Financial Inclusion [Accessed August 2023]

5. World Bank (2020). Strengthening Conditional Cash Transfers and the Single Registry in Brazil: A Second-Generation Platform for Service Delivery for the Poor [Online] <https://www.worldbank.org/en/results/2020/04/22/strengthening-conditional-cash-transfers-and-the-single-registry-in-brazil> [Accessed August 2023]

6. Association of Bank Singapore (2020). Digital Infrastructure to Enable More Effective Financial Planning by Singaporeans [Online] [digital-infrastructure-to-enable-more-effective-financial-planning-by-singaporean.pdf](https://abs.org.sg/digital-infrastructure-to-enable-more-effective-financial-planning-by-singaporean.pdf) (abs.org.sg) [Accessed May 2023]

7. Sehrish, Alikhan (2022). Open Banking 2023: A global review [Online] Open Banking 2023: A global review (finextra.com) [Accessed August 2023]

financial health for 10 years, focusing on financial counselling and financial education. Australia has developed a Financial Capability Strategy focusing on vulnerable segments, and many organizations in the country are working on financial literacy and wellbeing. Australia has developed a Financial Capability Strategy focusing on vulnerable segments, and many organizations in the country are working on financial literacy and wellbeing. A snapshot of key strategies have been provided below.

Multi-Stakeholder Approach to Financial Wellbeing in Australia

The Australian government is among the early adopters of financial wellbeing in policymaking. Multiple organizations within the Australian government have incorporated financial wellbeing in their agendas. FSPs and universities have also adopted financial wellbeing as part of their objectives. These measures have set Australia **on evidence-based, collaborative, and inclusive strategy towards financial wellbeing of its people.**

- **Programmes to support financial wellbeing:** Australia's Department of Social Services (DSS) has instituted a *Financial Wellbeing and Capability Activity*. Under this program, the DSS partners with community organizations to provide financial support to people in financial distress. Key support areas of the program include monetary support in case of calamities, unemployment, and other adverse events. Along with these monetary support, personalized financial counselling and literacy is provided on financial planning and debt management. **The financial resilience program provides financially vulnerable people with no-interest loans, microenterprise development loans, and matched savings products. The program builds focus on the indigenous communities of Australia, who are particularly vulnerable on financial resilience and wellbeing.**

- **Measuring financial wellbeing and identifying priorities:** The Government of Australia conducted the first biennial National Financial Capability Survey in 2021. The Treasury of the Australian Government has subsequently released the 2022 **National Financial Capability Strategy**. As a part of this strategy, the government has also charted out **action areas targeted at improving financial capabilities of Young Australians, Women, People in or near retirement, and Aboriginal and Torres Strait Islander peoples.**

Sources:

- Financial Wellbeing and Capability Activity | Department of Social Services, Australian Government (dss.gov.au)
- National Financial Capability Survey 2021 - a Snapshot | Financial capability



The collaborative and outcome-focused approach of the U.K's Strategy for Financial Wellbeing for 2030

In 2020, Money and Pensions Service (MaPS) of the UK came up with U.K's Strategy for Financial Wellbeing. The strategy aims to promote better personal finances, charting out a role for regulations, products, services and culture to enable individual financial empowerment. It lays out a vision and activities for key customer segments and phases of life, along with quantitative targets for 2030. The **quantitative targets are on increasing financial education, increasing regulation of savings, reducing usage of credit for food and bills, increasing people accessing debt advice, and on increasing financial planning by 2030.**

The strategy is based on insights from more than 10 data sources. **The sources comprise of primarily data collected by government.** UK Adult Financial Capability Survey, The Financial Lives survey, and the British Cohort Survey Analysis are some key documents reviewed for the strategy. Interactions were held with more than 1000 stakeholders for mapping vulnerabilities and interventions for financial wellbeing.

MaPS has taken forward the strategy by building thematic challenge groups to examine and make recommendations on cross-cutting themes such as gender, inclusion, vulnerabilities, and mental health. MaPS is actioning the strategy **by creating delivery plans for major geographies** of the UK and consulting with stakeholders on how they can take forward the agenda of financial wellbeing.

Sources:

- UK-Strategy-for-Financial-Wellbeing-2020-2030-Money-and-Pensions-Service.pdf (moneyandpensionsservice.org.uk)



Several interesting steps are being taken in ancillary areas impacting financial wellbeing also. A number of steps have been taken on strengthening financial inclusion and financial literacy all over the world. For this paper, a few key approaches to holistic and innovative approaches to strengthening financial inclusion have been considered below.

C. Providing handholding support to citizens for usage of digital public services:

Governments have realised the need to support vulnerable customers in accessing digital financial services. One such strategy is to provide service centres in rural locations, as done by State Government of West Bengal in India⁸.

D. Leveraging social protection programs for increasing financial health:

Since social protection programs reach nearly half of the world's population (as of 2020)⁹,

8. WELCOME TO BANGLA SAHAYATA KENDRA (wb.gov.in)

9. International Labour Office. World Social Protection Report 2020–22: Social Protection at the Crossroads – in Pursuit of a Better Future. Geneva: ILO, 2021.

India takes steps to provide handholding support for increasing access and usage of digital services, supporting financial health

The State Government of West Bengal in India launched Bangla Sahayata Kendras (BSKs) in 2021 to provide **free government services in online mode at grassroots level**. The scheme aims to bridge the **digital divide and provide multiple government services from under one roof nearer home**. The BSKs are **strategically located in the offices of local government bodies, health centers, and libraries**. BSK network consists of more than 3000 centers, supporting easy access to these facilities. The BSKs offer more than 200 public services, including transaction services, eWallet services and information services, from 40 departments. **Services such as microfinance loans, term loans, and identity services were provided**. The scheme has seen good response with e-transactions of more than 15 Mn US Dollars since November 2021*.

*As of August 13th, 2023

Source: WELCOME TO BANGLA SAHAYATA KENDRA (wb.gov.in)



they serve as important platforms through which access and usage of financial services can be increased. Mexico¹⁰¹¹¹² and India¹³ have taken significant steps towards using welfare programs for advancing digital financial inclusion.

India's Jan Dhan Yojana leverages Digital ID to build universal account coverage and leverages welfare programs for increasing digitization

• India's Pradhan Mantri Jan Dhan Yojana (PMJDY), launched in 2014, enabled around 500 million Indians to **access universal basic bank accounts** and foster financial management. PMJDY uses **Aadhar, the national digital ID**, for biometric identification. 99% of India's population possess Aadhar, easing access to PMJDY accounts. India's **Direct-Benefit-Transfer program** is a significant addition to PMJDY, wherein several government scheme benefits are paid to bank accounts, enhancing their usage and reducing leakages.

Sources:

- Pradhan Mantri Jan-Dhan Yojana | Department of Financial Services | Ministry of Finance (pmjdy.gov.in)
- Asit Manohar (2021). Big boost for UIDAI. Today 99% of Indian adult population holds Aadhaar card | Mint (livemint.com) [Accessed May 2023]



10. Piloting Changes in Uptake and Use Among PROSPERA Recipients by Women's World Banking at CaseStudy-Mexico (womensworldbanking.org)

11. Riecke, Jeffrey (2016). Mexico Launches Comprehensive Financial Inclusion Strategy [Online] Mexico Launches Comprehensive Financial Inclusion Strategy | Center for Financial Inclusion [Accessed August 2023]

12. What are Social Safety Nets, What do they Achieve and Where do they fit into Competing Demand on a Government's Finances at For Protection and Promotion: The Design and Implementation of Effective Safety Nets (worldbank.org)

13. PM Street Vendor's AtmaNirbhar Nidhi (PM SVANidhi) | National Portal of India

India has also undertaken initiatives on strengthening livelihoods of women as part of its collaborative program for backward areas.

India's Aspirational District Programs aims at women empowerment through skill building

- In Aspirational District of Kondagaon, as part of its **focus on financial inclusion**, Asha centres have been formed to **provide skill trainings and employment to empower women**. More than 3000 women were enrolled in the program, learning handloom weaving, LED bulb repair, and other such activities. **It is integrated with national skill building initiatives** on Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and Mukhya Mantri Kaushal Vikas Yojana. It also **provides awareness on government schemes**.

Sources:

- Best-Practices-from-Aspirational-Districts-Volume-1.pdf (niti.gov.in), Page 54



Mexico leverages key welfare programs to increase adoption of financial services

- Financial education and financial inclusion are a key component of the conditional cash transfer program in Mexico, Prospera. It promotes beneficiaries' access to higher education and formal employment. It involves transfers of a monthly cash grant to unemployed mothers in poor households who have limited educational attainment. **Programme Integral de Inclusión Financiera (PROIIF) was incorporated in Prospera to promote financial service delivery to Prospera beneficiaries** through a Public Sector Bank, BANSEFI. The bank provides **account-linked payments** on a bi-monthly basis. It also **offers financial education programs** to Prospera beneficiaries, **through group workshops**. The Financial Capability Building Practices in Mexico says that the Prospera program. **The strategy also involved distribution of debit cards, however, several challenges persisted on their usage by beneficiaries**. A leading Non-Profits organization, engaged in women empowerment through financial inclusion, **conducted a consumer research study to support positive financial behaviors of the beneficiaries of Prospera**.

- **Life and other types of micro-insurances are also being introduced to the beneficiaries of welfare programs**, as done in the Mexico Pro Campo Program (World Bank), to build financial resilience on risks affecting the population.

Sources:

- Piloting Changes in Uptake and Use Among PROSPERA Recipients by Women's World Banking at CaseStudy-Mexico (womensworldbanking.org)



Emerging area of developmental focus for financial health

Developmental Community has played an instrumental role in supporting these efforts by advocating for financial wellbeing to be included in policymaking, creating knowledge on enhancing impact of financial services, and so on.

Key highlights of initiatives to advance financial health and wellbeing

- **Knowledge and implementation tools** created by think tanks and NGOs to support policymakers and financial institutions in adopting financial health.
- **Collaborations with NGOs** in areas such as financial literacy, to strengthen livelihoods and community linkages with financial services
- Financial and technical support by IFIs is important for banks and governments to drive initiatives for financial health.

A. Advocacy and knowledge creation around financial health and wellbeing:

Several NGOs, think tanks, and MDBs are working on financial wellbeing frameworks and their applicability in different contexts, such as for gig workers, developing countries, etc. **A leading NGO in the United States is working on developing a platform where behavioural insights for financial health can be developed, to support banks, fintech, and financial institutions.** Financial health measurement tools have been built by organizations such as FSD Kenya, Consumer Financial Protection Bureau, and Financial Health Network (FHN). FSD Kenya helped Central Bank of Kenya to conduct financial health assessments. **FHN's FinHealth Score Toolkit has supported financial institutions measure customers' financial health.**¹

B. Handholding support for usage of financial facilities:

There is a pressing need to address factors that prevent people from usage of financial services such as lack of awareness of beneficial financial behaviours, and the lack of trust in formal financial sector. Some preliminary steps have been taken in this regard by NGOs and MDBs².

1. Employer FinHealth Toolkit — Financial Health Network (finhealthnetwork.org)

2. Asian Development Bank (2022). In India, Financial Literacy Programs Are Lifting Families Out of Debt and Fueling New Prosperity [Online] <https://www.adb.org/results/india-financial-literacy-programs-lifting-families-out-debt-fueling-new-prosperity> [Accessed March 2022]

Industry Body Leading Assessments on Consumer Impact

An association of microfinance institutions in India conducted large surveys on the impact of financial services on customers, aiding microfinance players to identify actions to improve impact outcomes, such as handholding economically poor sections, and providing entrepreneurship trainings to improve use of credit.

ADB supports a private sector bank to enhance financial literacy of low-income customers

- Asian Development Bank's (ADB) private sector department **provided financial support to a private sector bank's financial inclusion project in India.** In this project, the bank **supported its low-income borrowers to make beneficial use of their loans** and increase savings. The **bank focused on financial education for rural women** using traditional and tele-calling facilities. The bank provided financial education to more than 300 thousand people across five states of India by end of 2021. The bank has also **tied up a key mobile banking and money management app meant for low-income customer segments.**

Sources:

- Asian Development Bank (2022). In India, Financial Literacy Programs Are Lifting Families Out of Debt and Fueling New Prosperity [Online] <https://www.adb.org/results/india-financial-literacy-programs-lifting-families-out-debt-fueling-new-prosperity> [Accessed March 2022]



Collaborations between NGOs and Reserve Bank of India on Financial Literacy

The Centre for Financial Literacy project has been developed as an innovative and community-based approach to financial education. Every centre covers a specific region, with trainers working closely with the **community and local institutions.** **Women are a key focus group. Financial and digital literacy training is provided with handholding support using digital financial services provided by banks.** It relies on **local trainers, digital tools, and tailored curriculums** to make the training program useful for the recipients. A key component of the program includes the maintaining close relationships with community and banks. The program provides customized training needs based on regional contexts, **offers digital content for trainers, and conducts post training support.** The program has achieved **successful results on number of participants, usage of app, and product linkages.**

Sources:

- MoneyWise Centers for Financial Literacy (CFL) at swadhaar.org/swadhaar-cfl-network.php
- National Strategy for Financial Education: 2020-2025 at Reserve Bank of India - Reports (rbi.org.in)



C. Expand financial literacy programs and interventions to complement the efforts of financial inclusion and socio-behavioural changes:

The individual financial behaviour is a key factor for financial wellbeing of an individual. It affects people's ability to access and use financial products, thus, has larger socio-economic implications. Thus, governments have begun placing a strong emphasis on complementing financial inclusion efforts with tailored financial literacy programs. The Centre for Financial Literacy Project by Reserve Bank of India on financial literacy, collaborates with NGOs to deliver region and beneficiary-contextualized questions to women in rural areas.

A Customer-Journey and Lifecycle-Based Approach to Financial Health

A developmental NGO in India, in collaboration with a leading bank, focuses on lifecycle and customer-journey based approach to financial inclusion and financial health. Critical roadblocks for low-income segments in availing credit from banks is the lack of stable incomes to support creditworthiness, lack of credit history, and cumbersome documentation processes. **The NGO launched a program to support livestock rearers to use formal financial services by strengthening their livelihoods and providing personalized handholding support.** The project aims to address the issues like volatile income of the rural poor, with proper service delivery model, technology adoption and better market linkages.



The program's first step is to enhance incomes and capabilities of livestock rearers. **The livestock rearers are supported to form producer groups, to be further collected into block-level federations.** The NGO offers advisory on vet care, support on entrepreneurship, and increases availability of cash for needs of beneficiaries. **The bank provides the beneficiaries with financial products tailored to the customers' needs such as agriculture, entrepreneurship, etc. This step-by-step integration** into the formal financial system ensures uptake of financial products by customers.

Emerging strategies being adopted by Financial Service Providers (FSPs) supporting financial health

Several banks have begun assessing financial health, for identifying areas of concern and business opportunities. They are also offering personalized financial products for increasing uptake of financial products and services.

Key Highlights

- Adoption of financial health assessments by banks to develop consumer-focused products
- Personalized financial products for needs of gig workers, women, and elderly is an important strategy to advance their financial health
- Fintech is offering innovative ways to offer personalized products to customers and overcome barriers such as literacy and lack of credit history.

- **Impact assessment of financial services on customer's lives:**

A few banks have begun assessing financial health, for assessing and improving consumer outcomes. A leading bank of Australia has been conducting such assessments regularly, identifying diverse needs of customer segments. For example, the survey found relatively low confidence over financial knowledge among young adults. **It also sets and tracks progress on targets in its Environmental-Social-Governance (ESG) reporting.** Innovative programs have been implemented to encourage positive financial behaviours for its customers.

- **Recommending financial products based on financial health of customers:**

This is a nascent strategy in the financial sector currently. **A leading bank in Ireland offers contextualized financial products bases on a quick financial health questionnaire.** The questionnaire calculates a financial health score based on 8 questions across financial security, adequacy of savings, financial confidence, debt management, insurance, and financial planning.

- **Personalizing for financial needs of the vulnerable customers such as gig workers and elderly customers:**

Developing and offering personalized financial products is essential for increasing demand and customer satisfaction. This meets financial needs in an enhanced manner, supporting improvement in financial health. The elderly segment faces challenges on familiarity with digital services. A bank in China introduced easy-to-use graphics, more physical interactions, and voice calling facilities for elderly customers, in conjunction with their efforts in digitizing customer's journeys.¹

Gig workers often have unpredictable incomes. In India, private banks are rolling out insurance schemes for gig workers with features such as daily to weekly insurance covers.²

- **Developing micro-insurance products for supporting financial resilience of the low-income customers:**

Micro-insurance is coming up in a big way to cater to low-income customers' needs on affordability. VimoSEWA is cooperative bank in India providing microinsurance tailored to financial needs of low-income women.³ Government's role is crucial in supporting the microfinance industry. Philippines provides an example of a supportive regulatory environment for microinsurance industry to grow⁴⁵.

Life-Cycle Sensitive Financial Services for Low-Income Customers:

A microfinance institution in India, operating with one of lowest cost structures of the microfinance industry, has introduced several measures for low-income customers such as doorstep delivery and collection, and customer-friendly timing of loan disbursement and collection. They align the customer interactions with the customer's schedules to ease operations. They have products aligned to the life cycle needs such as home improvement, emergencies, etc.



1. UN Capital Development Fund (2022). Financial Health and the Elderly: Lessons from China - UN Capital Development Fund (UNCDF). [Online] [Accessed May 2023]
2. engupta Devin (2022, March 25). India's gig economy is setting the agenda on insurance tech. Livemint. [Online] <https://www.livemint.com/insurance/indias-gig-economy-is-setting-the-agenda-in-insurance-tech-11648149602373.html> [Accessed August 2023]
3. Chatterjee Mirai, Agarwal Ruchi (2023) Overview of India's Microinsurance Sector and Vimosewas women-led model of microinsurance enterprise [Online]/<https://www.sewainsurance.org/overview-of-indias-microinsurance-sector-and-vimosewas-women-led-model-of-microinsurance-enterprise/> [Accessed August 2023]
4. Asian Development Bank (2017). Assessment of microinsurance as emerging microfinance for the poor the case of the Philippines. Metro Manila: Creative Commons Attribution 3.0 <https://www.adb.org/sites/default/files/publication/226171/assessment-microinsurance-service.pdf> Creative Commons — Attribution 3.0 IGO — CC BY 3.0 IGO
5. IC: Record-high 53.7 million Filipinos covered by microinsurance in 2021 | Inquirer Business

Fintech for Personalized Financial Wellness

Founded in 2017, Wizely offers digital banking experience for financial wellness of customers. Using technologies based on **AI and ML, the app has an adaptive learning platform that encourages people to save.**

Sources: Growing Across The Credit Spectrum With GreenState Credit Union (zest.ai); Examples of AI in Finance 2023 | Built In



- **Fintech developing digital products for low-income and vulnerable customers:**

Fintech, or the use of digital technology in financial services, is creating innovative ways to reach financially underserved or unserved customers⁶. **Overcoming lack of credit history is critical issue towards which fintech offers promising options.** ZestAI, based in the United States, creates solutions that help companies lend to borrowers

Micro-Insurance for Low-Income Women

VimoSEWA, established in 1992, is full service multi-state cooperative promoted by SEWA (Self Employed Women's Association) working to provide social protection to informal sector women workers and their families. VimoSEWA provides **health insurance and life insurance for the women, her husband, and children** (with the primary member being the women). Customising products to meet women needs has been a key strategy for VimoSEWA. It **introduced coverage of gynecologically illnesses** in its insurance products, a feature does not present in the insurance products it was previously offering. It has also introduced **coverage of work-related accidents of husbands, wage loss compensation, and floater hospicare policies to meet diverse risk mitigation needs of its customers.** The distribution network of VimoSEWA is carried out by **local women leaders called Aagewans**, benefitting from their strong **community linkages**. Women sales force are understood to better understand needs of female customers. **Building capacities of Aagewans** or insurance promoters and facilitating their livelihoods has been a key aspect of its operations.

Sources: Chatterjee Mirai, Agarwal Ruchi (2023). Overview of India's Microinsurance Sector and Vimosewas women-led model of microinsurance enterprise [Online]/<https://www.sewainurance.org/overview-of-indias-microinsurance-sector-and-vimosewas-women-led-model-of-microinsurance-enterprise/>[Accessed August 2023]



with low or no credit history⁷⁸. ZestAI uses additional data points of customers finances to arrive at credit decisions for low-income customers. **Another fintech company use percentage of savings as margins to avail credit, helping build a credit history for customers.** Some fintech companies, such as Wizely, use **behavioural insights for helping customers reach their financial goals.** For banks striving to reach the unserved

6. Fintech partnerships are a key consideration in Axis Bank's digital strategy, ET CIO (indiatimes.com)

7. Examples of AI in Finance 2023 | Built In

8. Growing Across The Credit Spectrum With GreenState Credit Union (zest.ai)

segments in cost-effective manner, **tie-ups with Fintech has been a key strategy**. It combines the digital and consumer-behaviour-based market strategies adopted by Fintech with the finances and physical reach provided by banks. While much is being done in financial health and wellbeing, much more remains to be achieved, especially for vulnerable sections and bottom-of-the-pyramid sections. Driving financial health and wellbeing as a coherent strategy requires examining the key determinants from an individual financial wellbeing perspective and realigning them towards enhancing financial health and wellbeing of people.

Some good practices in microfinance industry are present below:

Support to micro-insurance industry by Philippines by government and development organizations

In 2015, Philippines adopted the Republic Act 10693: An Act Strengthening Nongovernment Organizations Engaged in Microfinance Operations for the Poor, encompassing a number of steps to support microinsurance-NGO players. The government provides **operational and capacity building grants, low-interest loans, guarantee funds, and preferential tax treatment for microfinance players**. The act also had provisions for MFI-NGOs to **establish linkages between clients and donors**. Several other steps have also been taken by the government for microinsurance such as the 2014 **Alternative Dispute Resolution Framework (ADReM)**. ADReM is also conducting supportive **activities on financial literacy, implementation of performance indicators and standards for microinsurance providers, and so on**. The government has established a **maximum limit for installments and premiums, maximum period of 10 days for claims settlement, simpler contracts, and simple documentary requirements**.

ADB also supported the government to develop the 2015 **Agriculture Microinsurance Framework** to promote agriculture microinsurance products. The distinguishing feature of the framework is **that Insurance Commission will consider regulatory relief measures in case of catastrophic events such as typhoons**.

Micro Pre-Need Products: In 2015, the Insurance Commission released a 2015 Micro Pre-Need Regulatory Framework. The aim of the framework is to create an enabling environment for micro pre-need products. These are **essentially a savings vehicle to fund guaranteed delivery of future services or monetary benefits. Pre-needs could be future education, life or memorial services, or pension for the poor**.

These steps have been critical to the growth of micro-insurance in Philippines, with more than 53 million Filipinos covered by microinsurance in 2021.

Sources:

- IC: Record-high 53.7 million Filipinos covered by microinsurance in 2021 | Inquirer Business
- Asian Development Bank (2017). Assessment of microinsurance as emerging microfinance for the poor the case of the Philippines. Metro Manila: Creative Commons Attribution 3.0 <https://www.adb.org/sites/default/files/publication/226171/assessment-microinsurance-service.pdf>Creative Commons — Attribution 3.0 IGO — CC BY 3.0 IGO



Considerations towards adopting Financial Health

Select considerations for Policymakers

1. Adopt a national financial health agenda, policy objective and measurement index:

Financial health should be a stated objective in financial policymaking. Clearly defining financial health as a stated objective in policymaking can build momentum for key stakeholders to adopt the agenda. It can be included in their national financial inclusion strategies, as done in Mexico.

A critical step for financial sector policy makers would be to **routinely measure financial health of its population**. Financial health measurement can reveal whether and how people are benefitting from their relationship to the financial system. It provides insights beyond traditional socioeconomic indicators and completes the picture begun by data on access and usage of financial services. The information gleaned from documenting financial health can offer insights into aspects of financial lives that need support or offer opportunities for financial services. The information will also support early identification of gaps and trends that can impact financial stability. It can aid discussion among policy makers operating across the welfare concerns that affect financial lives of people. It can support convergences across key departments such as employment, healthcare, pensions, migration, and social welfare. Thus, financial health can be adopted by policy makers as a critical signal pointing toward areas where more attention and rigorous research is needed.

Financial Health Index can be adopted as a key tool for measurement. An index consisting of a short list of questions that combine into a single financial health score is an easy-to-use assessment tool and powerful communications device. In the U.S., the Financial Health Network and the CFPB developed such indexes and are applying them in annual surveys. They have also published toolkits to enable other organizations or researchers to use the indexes with their own populations. (for example, CFPB, 2017 Financial Well-Being Scale: Scale development technical report). **Detailed surveys and assessments** may also be adopted. Central banks, which hold connections with both FSPs and government bodies, can be held accountable for conducting financial health assessments. The resulting data can support identification of vulnerabilities and provide insights for course correction. Assessment is an essential aspect of strategies adopted by UK towards financial wellbeing. **Unification of financial data** held across FSPs and government bodies. This also support financially planning by people. As has been done in Singapore, unification of financial data can be initiated by monetary sector regulators. A gradual approach to unification of data can be adopted, with eventual linkages with welfare program data.

Based on the evidence and the priorities, a coherent financial health national strategy can be adopted. Strategies need to consider key concerns of financial health in their countries. For example, UK Strategy for Financial Wellbeing realised the importance of financial education and is expanding the reach of financial literacy campaigns to schools. Australia's strategy on financial wellbeing is focusing on needs on vulnerable sections and developed action plans accordingly.

2. Develop regulatory frameworks to support financial ecosystem, with focus on emerging digital services:

To strengthen financial inclusion and financial resilience of vulnerable and low-income segments, government need to create **a favourable environment for microinsurance products, as done in Philippines**. Financial assistance simplified regulatory framework, a strong consumer protection environment, and support by MDBs are important steps to support micro-insurance products.

Financial sector regulators and industry bodies can encourage periodic reporting of financial wellbeing of bank's customer base. This would serve to bring attention of stakeholders on the issue. Provisions for customer-segment disaggregated data in these reports would help identify areas of concern among vulnerable sections. For banks, promoting reporting of customer financial health data in ESG frameworks can be considered. Development agencies can support through creation of financial health frameworks and reporting formats and by facilitating trainings to FSPs. Recognitions and awards can be considered for banks that report on financial health of its consumer base and supports in improving the same.

Further, given growing digital financial services, **ministries responsible for finance and digital technologies need to strengthen consultative mechanisms**. Regulations for consumer protection need to adopt a **dynamic approach**, recognising emerging priorities of over-lending by mobile money lenders, data theft and frauds, and digital financial literacy.

Select considerations for Financial Service Providers

1. Adopt the lens of financial health to develop financial services and products:

Financial health can be useful for FSPs to strengthen customer orientation and stakeholder outcomes. To adopt financial health, **banks can institute mechanisms wherein impact on financial health would be a key assessment metric when designing and monitoring financial products**.

Banks and other FSPs can look at leveraging behavioural insights to personalise products for customer's financial needs. Data on financial behaviour, supported by AI, can enhance personalisation of savings, investments, and financial planning products. **This data can be**

drawn from financial health assessments of customer base. For low-income-segments, products that meet life-cycle needs can support their financial health. This approach has been adopted by select microfinance players.

2. Use tech+touch approach to advance financial literacy in engaging ways:

Digital technologies offer many innovative ways for financial education and financial planning. **Gamification of savings and investments, graphic interfaces, and linkages with social media can be used to create better learning experiences.** These strategies can also be used to **encourage positive financial behaviours, especially among youth, supporting their financial health.**

To support beneficial financial behaviours and practices by vulnerable sections, it is essential to provide handholding support through a personalised approach. Banks can consider increasing touch points through expansion of branch network, increase in agent network, or choose to partner with on-ground organisations. NGOs can support in strengthening financial knowledge and digital literacy through physical modes. Reserve Bank of India has adopted such a participatory approach in the Centre for Financial Literacy, involving NGOs to impart financial literacy at the grassroots level.

3. Lenders and investors need to incorporate financial health in their business models:

With emerging focus on financiers on ensuring **positive outcomes for all stakeholders, financial health could a key strategy.** Measurements and reporting on financial health would help **organisations evaluate and demonstrate their impact on borrowers, vulnerable sections, and larger society.** Lenders and investors can incorporate criteria on impact on financial health as part of its lending strategy.

Select considerations for Development Organisations

1. Strengthen advocacy and research around financial health, with community-level efforts for socio-behavioural changes:

Development organisations have been at the forefront of developing the concept and frameworks for financial health. They play a critical role in supporting national governments in designing systems and policies to adopt the goal of financial health. They can also make efforts towards building an evidence base on how financial health can support banks and other FSPs to enhance outcomes for stakeholders.

MDBs can also aid governments in supporting innovations in financial services for low-income and vulnerable sections is also a critical measure. Regulatory sandboxes can be considered to boost innovations. **Multilateral development organisations need to**

support governments in developing these programs, especially on program design and partnerships. Encouraging banks to tie-up with FinTech could aid testing of products at large scale¹². Universities working on financial health would also be a key partner here as banks can use research on consumer behaviour to design products.

Further, gender-responsiveness and inclusion need to be driven as essential aspects of programmes towards financial health and wellbeing. These considerations need to be driven as part of the policy frameworks and capacity building of stakeholders. **At the community level, information-education-communication (IEC) activities can be conducted raise awareness of the gender gap. Advocacy by popular female role models** can be considered to inspire women to raise participation in financial services. A similar approach was adopted in the sanitation and hygiene programs in India.

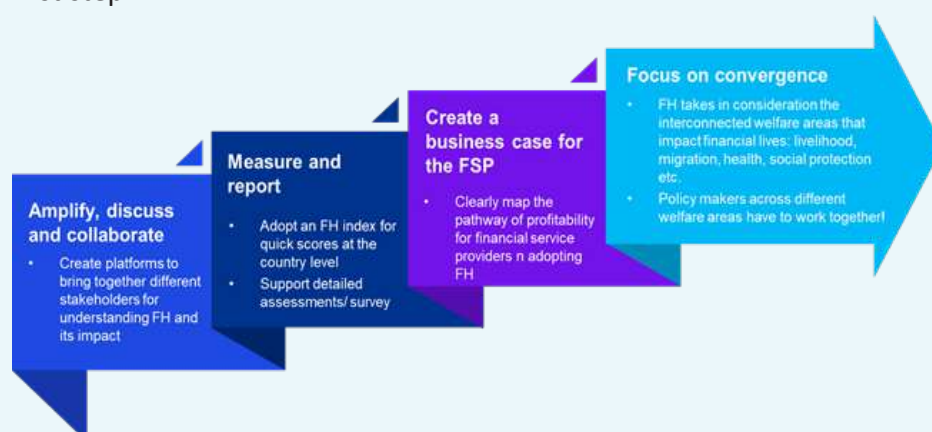
2. Drive platforms for dialogue and collaborations:

For advancing financial health in policymaking and financial services, collaborations between key stakeholders are essential. There is a need for governments, development organisations, and financial service providers to work together for advancing financial health. **Connections with community organisations need to be strengthened to serve vulnerable and bottom-of-the-pyramid customers, as being done by Australia's Financial Wellbeing and Capability Activity. Formation of a multi-sectoral coordination body and mechanism can support this agenda.**

1. Regulatory Sandboxes: A Practical Guide for Policy Makers: Objective Slide (cgap.org)

Way Forward

Several steps are being taken on financial health and wellbeing around the world, often at the initiative of individual organisations. Governments now need to develop concerted strategies to adopt the lens of financial health in policymaking. Assessing financial health of people would be a first step.



The support of global platform would aid policymaking in a streamlined manner by national governments. **With emerging focus of G20 on adopting a holistic view of financial inclusion, the platform is well-suited to drive financial health in policymaking. In its upcoming communiques, G20 can consider adopting financial health and wellbeing as an objective to accelerate progress towards its goals. The platform can also consider development of taskforce on financial health. G20, with considerable influence on national policymaking, stands in an advantageous position to sensitize governments on role of financial health for advancing national goals.**



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