Building a bridge between Financial Education and Financial Health

Desk Review – Draft Version

FINANCIAL HEALTH					
Definition	**Drivers of the concept/ Proposed Indicators**	**Pros**	**Cons**	**Relationship with FE**	**Institution/Source***
Focus: Financial Health Index by Financial Health Network 'FH is a way of gauging the outcome of consumers' use of financial services and the success of the financial sector in meeting a populations' financial needs' Key Elements: - Smooth short-term finances, such as the ability to meet ongoing financial obligations and consumption needs. - Preparedness to meet and recover from financial shocks - Long term perspective of meeting goals, maintaining or improving wellbeing. - Achievement that implies feelings of confidence and wellbeing.	**Indicators:** 1. Pays bills on time 2. Spend less than income 3. Have sufficient liquid savings 4. Have sufficient long-term savings 5. Have manageable debt 6. Have a prime credit score 7. Have appropriate insurance 8. Plan ahead financially	Easy to use Focuses on actual financial condition More objective - obtains some of the data from a person's financial a/c & transactional data	Does not factor external/ environmental factors beyond the consumer's control e.g. economic context, access to products, social & cultural factors, sales context (Bowman, 2017, pg.12)	Financial Literacy is what you know, Financial Health is what you achieve (CENFRI) FH is used to examine financial capability & the success of financial education.	Financial health network CENFRI

Focus: Financial Health of workers in low-wage jobs (USA)
 	
Financial health is a composite framework that considers the totality of people's financial lives: whether they are
- spending,
- saving,
- borrowing, and
- planning in ways that will enable them to be:
  - resilient and
  - pursue opportunities.
 	
People who are considered Financially Healthy are spending, saving, borrowing, and planning in a way that will allow them to be resilient and pursue opportunities over time.
	Indicators used in the survey:
	- Spend is less than or equal to income
	- Pay all bills on time
	- At least 3 months of liquid savings
	- Are confident they are on track to meet long-term financial goals
	- Manageable amount of debt or no debt
	- Prime credit score
	- Are confident their insurance policies will cover them in an emergency
	- Agree with the statement: "My household plans ahead financially"
	
	Sources of financial stress survey
	- Insufficient savings
	- High cost of health insurance
		Calculates a Finhealth score based on survey Questions align with indicators of financial health (spend, save, borrow and plan). Each of these has two questions resulting in 8 indicators.	Other complex factors not included in the indicators affect workers' economic mobility e.g. occupational segregation, gender and racial discrimination, unpaid care work, low-wage work which has erratic scheduling and low pay.		FHN (Brockland & Ladha, 2022)
					
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Focus: Financial Health Index by Consumer Financial Protection Bureau CFPB developed its index in the context of financial literacy and capability programming. As such, it focuses more on perceptions.	**Indicators:** 1. I could handle a major unexpected expense 2. I am securing my financial future 3. Because of my money situation, I feel like i will never have the things I want in life 4. I can enjoy life because of the way I am managing my money 5. I am just getting by financially	Easy to use Index developed in the context of financial literacy and capability programming.	Perception centered index of financial wellbeing - risks of bias		CFPB

	6. I am concerned that the money I have or save won't last 7. Giving a gift for a wedding, birthday or other occasion would put a strain on my finances for the month 8. I have money left over at the end of the month 9. I am behind with my finances 10. My finances control my life				

Focus: Financial health-centric insurance for catalyzing customer wellbeing and business growth
 	
Financial health (also referred to as financial wellbeing) consists of the following outcomes put together:
- Sufficient liquidity to manage short-term expenses (i.e. financial security),
- Protection against unforeseen risks (i.e. financial resilience),
- Balancing assets and liabilities (i.e. financial control), and;
- Accumulating cash for financing future goals (i.e. financial freedom).
 	
Outcomes (as per the paper)
 	
- Financial security - ability to meet ongoing financial obligations.
	Indicators (from the paper)
	
	- ***Sufficient liquid savings*** - how many weeks of living expenses can your liquid savings cover?
	- ***Balance earning and spending*** - in the last 12 months, how often do you have money left over after covering regular expenses and food?
	- ***Planning for financial freedom***
	    - how often do you pursue choices that allow you to enjoy life, e.g. eating out, holiday e.t.c
	    - With your current financial goals, how confident are you that you'll meet your long-term financial goals?
	- ***Meeting financial obligations*** - in the last 12 months, how often have you been unable to pay bills or loans at the appropriate time?
		Promoting financial literacy listed as one of the low-hanging fruits of creating customer-centric financial health solutions. In addition to insurance linked savings products, simplifying product descriptions and providing digital tools for budgeting and financial planning.		Financial education/ literacy indirectly impacts financial health in addition to the direct drivers listed (money use behaviours, financial confidence and control and social economic environment)	(Jain & Garg, 2022)
					
					UNCDF paper

- Financial resilience - ability to cope with income and expense shocks. - Financial control - confidence and control over one's finances. - Financial freedom - ability to meet long-term financial goals and desires.	- ***Have manageable or no debt*** - how often have you missed or delayed loan repayments? - ***Planning for financial freedom*** - incase your income stops, how long can you sustain yourself without needing to borrow (emergency funds)				
Focus: Delivering financial health globally. FH is a state in which an individual can: - meet current needs, - absorb financial shocks, and - pursue financial goals - Financially healthy individuals also feel secure about their finances. Financial health encompasses four important aspects of an individual's financial life: financial security, financial resilience, financial control and financial freedom. *From a financial inclusion perspective to a financial health perspective.*	**Indicators:** Financial security and resilience ● Are they able to successfully manage their financial commitments on a day-to-day basis? ● Are they prepared to handle both small emergencies and large shocks? ● Are they able to recover from a shock and reorient their lives after the shock? Financial control ● Are they confident about their financial situation, presently and looking to the future?	Acknowledges that most measurement approaches are outcome focused (CFPB, Gallup, CBA, IPA) and only Financial Health Network's measure includes determinants (tests for respondents spending, saving, borrowing and planning behaviour) Questions what provides a more relevant and reliable measure of financial health, is it financial behaviours			(UNCDF, 2021) NAP

Determinants of financial health: - Environmental (Socio-economic factors and household characteristics) - Human (Factors common to all humans such as biases of time-inconsistency or procrastination or stages of life such as ageing). - Individual (Factors particular to an individual such as behaviour, income, age, etc) **Outcomes of financial health**: - Freedom (The ability to meet one's financial goals and enjoy life on one's terms) - Control (A feeling of self-efficacy and ease in regards to one's finances) - Security and resilience (The ability to meet financial commitments and cope with and recover from shocks)	• Do they believe they have the ability to make changes to their financial lives for the better? Financial freedom • Are they able to stay on track to meet their financial goals, and pursue opportunities? • Are they able to secure their financial future or demonstrate a forward-looking attitude in regards to their finances? • After paying off essential expenses and earmarking savings, is sufficient money left over for doing the things they enjoy?	(determinants) or the outcomes of those behaviours? Other factors considered: - Financial health must be rooted in context - Combining transactional data (supply side) with demand-side surveys is better - Availability and usage of financial products should be considered when measuring financial health.			
Focus: Financial health according to UNCDF's global centre of financial health	**Indicators:** **Financial Security Indicators** - Is an individual able to manage his/her financial commitments on a day-to-day basis?	- Separates the outcomes of financial health from the drivers of financial health.			(UNCDF, 2022) NAP

Financial health encompasses three dimensions: financial security, financial freedom and financial control. Financial health is arguably a more customer-centric approach, one that offers principles to define impact more holistically, measure it systematically and create it in a sustained and meaningful manner. **Outcomes:** Financial security – ability to meet current and ongoing commitments Financial control – one feels incharge of their finances and a belief of self-efficacy in case of financial stress Financial freedom – subjective (individual goals and things one values)	- Can they secure their financial future or do they demonstrate a forward-looking attitude in regards to their financial lives? - Are they able to handle small and large financial shocks? **Financial Freedom Indicators** - Can an individual stay on track to meet his/her financial goals? - After paying off essential expenses and earmarking savings, is sufficient money left over for doing things one enjoys? **Financial Control Indicators** - Do I feel confident about my financial situation, now and for the future? - Do I believe I have the ability to make changes to my financial life for the better? - Do I feel in charge of my finances/ Am I confident that I can tide over my financial worries or stress?	- Considers both objective financial conditions to subjective perceptions			
Focus: Defining financial health Financial health is the dynamic relationship of one's financial and economic resources as they are applied to or impact the state of physical, mental and social well-being.					(FHI, 2022)

There is a tendency to put our finances into one silo, our health into another. Yet, your personal finances and all of your financial decisions impact so many other areas of your life and we want to begin to draw attention to these intersections. We want to help people focus on "Financial Health" and examine more closely how a person, family or organization uses their finances and economic resources and ultimately how their decisions, behaviours, routines and habits impact their overall well-being.					
Focus: Enhancing financial health of micro-entrepreneurs FHN classifies a small business (mainly US based) as healthy when "its daily systems help it build resilience and pursue opportunities over time."	**Indicators** that determine financial health of a business Managing your finance, which includes: 1. Meeting financial obligations; 2. Maintaining sufficient cash reserves; and, 3. Maintaining a comprehensive financial management system. Planning your future and finance, which includes: 1. Planning (or foreseeing) for significant business risks;				(Bauwin & Ada, 2020) NAP

	2. Planning for cash flow variability; and, 3. Possessing appropriate insurance. Building up your Capital by: 1. Having access to affordable, timely (trade) credit; 2. Having a sustainable debt load; and, 3. Having access to investment capital				
Focus: Financial access (households survey in Kenya) FH provides information on the outcome of financial inclusion in terms of the resilience of the population and its potential for growth. It goes beyond the financial sector as people's resilience and growth also depends on wider economic conditions as well as access to services e.g. social protection, health and education. Financial health survey constructed from a composite index of 3 main life goals (equally weighted - a financially healthy person achieved at least 60% score against the 9 sub-indices)	**Indicators:** **Ability to manage day-to-day** - No trouble making money last - Has a plan for how to spend money - Did not go without food in the last 12 months **Ability to cope with risks** - Never went without medicine - Could raise a lumpsum in three days - Kept money aside in case of future emergencies **Ability to invest in livelihoods and the future**	Goes beyond financial sector compared to previously when they only measured financial inclusion		Defines financial literacy as a combination of awareness, knowledge, skill and attitude necessary to make sound financial decisions.	Finaccess 2021

1. Ability to manage day-to-day needs 2. Ability to cope with shocks 3. Ability to invest in future goals	- Set money aside for a specific future purpose - Used savings or credit to invest in productive assets - Saving for old age/ retirement				
Focus: Measuring financial health across the globe (IPA) **Financial health is the ability to access funds quickly and affordably**. This definition also captures related intermediate inputs, including access to financial products and their usage, and prudent financial behaviours such as building reserves and planning ahead. These intermediate inputs are thus quite important as well and are where most of the existing constructs of financial health have focused.	Financial health survey instrument divided into: **Access-to-Funds** 1. Source of money in case of an emergency (savings, social networks, borrowing, extra job, selling assets?) 2. How difficult would it be to come up with (1/20th of GNI per capita in local currency) within a month? 3. How difficult would it be to come up with (1/20th of GNI per capita in local currency) within seven days? **Access-to-Finance** 1. If they have an account with an MNO or a formal financial institution? 2. If their employer offers a savings check-off? 3. If yes, do they use the automatic savings plan? 4. If no account, survey participants are presented with a set of barriers to access to pick one that applies to them. 5. Channels used for sending or receiving money		Too long - many questions that might prime a respondent & cause spillovers. Order of questions - e.g. Financial behaviour questions are asked after questions on access-to-funds and access-to-finance. Wouldn't this influence participants' responses on financial behaviours? Or anchor them?		(Brune et al., 2018) NAP

	6. Reasons why participants have not used formal financial institutions or mobile phone or money transfer services to send or receive money 7. Requirements for borrowing (1/20th of GNI per capita in local currency) from either MFI, SACCO, an informal local money lender and common local lending institutions. Questions posed - is it possible for each option - is it possible, do you need a guarantor, do you need collateral? 8. Knowledge about life insurance - do you know what life insurance is, do you have one? 9. Do you know what health insurance is? Are you covered by either private or public health insurance? **Financial Behaviour** 1. Household's income and spending: a. Is spending less/ more or equal to income? b. Did it include a large purchase (costing more than the household's monthly income)? c. Household's income and spending less large purchases d. How do you make up for financial deficits (14 options to choose from)				

	2. Six questions to indicate borrowing behaviour - is it premeditated, is it a good decision, any misuse upon reflection? do you repay on time, do you borrow to repay existing loans? 3. Savings behaviour - do you set a part of your income for the future? 4. Financial planning behaviours(on income, expenses and savings to achieve short-term and long-term goals) Plans listed - weekly plans, monthly, 3 months, next 12 months, next 5 years, retirement. Participants indicate if they have such plans or not using a 4-point likert scale. 5. Three questions on household's spending behaviour - managing recurring bill payments, impulse purchases and financial freedom/ control. **Context questions:** - Age, gender, highest level of education, marital status - Income sources - options include; small scale farming, self employment, salaried, casual wage, pension payments, assistance from family and friends, government transfers - safety nets, or others. - Household income changes each month. - Income predictability.				

Focus: Impact of financial distress on workplace performance.
 	
Financial wellness is seen as a complex, multidimensional construct with the following common elements:
- Objective financial status
- Subjective financial status
- Financial attitudes and knowledge
- Financial behaviour
 	
The four elements are mediated/ moderated by age, gender, education, marital status, personality traits and financial literacy.
 	
Financial wellness can be defined as the objective and subjective reflection of one's financial situation.
	Indicators:
	- Financial wellbeing scale to measure subjective financial status.
	- Common measures to determine objective status
	  - Income
	  - Debt
	  - Assets
				Providing financial education is seen as a remedy to improve financial wellness by improving financial literacy.	CIPD/ CEBMa (2021)

Focus: Relationship between financial literacy, financial wellbeing and financial concerns.
 	
Financial wellbeing as financial adequacy and safety of individual or family that protects the person against economic risks such as unemployment, illness, bankruptcy, poverty and destitution in retirement.
	Indicators:
	
	1. Objective measures - The scale uses quantitative indicators visible from a financial status to determine the level of financial wellbeing. For example:
	  a. consumption of goods,
	  b. net worth,
	  c. saving,
				Higher financial literacy and financial wellbeing leads to less financial concerns.	(Taft et al., 2013)

	d. socioeconomic status, e. income, number of children and f. home ownership are accounted for the physical aspects of financial well-being. 2. Subjective measures - an individual's internal assessment of their financial situation.				
Focus: From inclusion to financial health (Kenya). People are financially healthy when they are able to use financial tools and strategies to effectively meet their basic needs, remain resilient in the face of financial shocks, and cultivate financial and economic opportunities. They believe that products designed to strengthen people's financial health are more salient and valuable to customers, expand markets and maximize customer lifetime value for providers, and drive the human development outcomes we seek.	Financial health framework - 3 dimensional: Demographics (social economic characteristics of users - age, gender, education, household context, asset ownership, sources and amount of income) Behaviour - how do users act? - How individuals plan and prioritize their finances, shape income and expenses, build reserves, and cultivate receivables Psychology - why do users act as they do? - People's sense of control, self-efficacy, openness, trust, optimism, conscientiousness, and dependability. Financial behaviour indicators in the study: - 66% exhibit high **income volatility**			**Relationship with financial inclusion:** Goes beyond financial inclusion and factors in context and strategies people use in their financial lives in emerging economies.	Dalberg (2018)

	- 5.3 **unpaid expenses** types in past 6 months - 50% are not confident in their ability to **pay bills** on time - 51% have a **plan** to manage their expenses - 75% **save** monthly or more (primarily with mobile wallets) - 67% **borrow** quarterly or more (primarily from family) - 56% primarily rely on social sources of **money in emergencies** - 92% own **mobile wallets** - 36% are members of **informal financial groups** - 30% own **formal financial accounts** - 30% personally own **smartphones, 72%** personally own feature phones - 16% use **internet** and 20% use **social media** weekly or more				
Focus: Understanding financial wellbeing in times of insecurity (Australia) Most definitions tend to highlight a sense of control - having adequate resources and knowhow, and the capacity to make choices and absorb financial shocks now and in the future - while recognizing that external factors	- Knowledge and skills - Attitudes, motivations and biases Lead to (indicators) - Behaviours All within various social and economic contexts lead to a person's financial wellbeing.	Argues that financial wellbeing policy design should start with concepts that centre on the social as the primary unit of analysis, within which individual characteristics are then		Financial literacy + consumer protection + fair and efficient markets + financial inclusion + personal & contextual factors	BSL (Bowman, 2017)

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<td>also have an impact on financial wellbeing.

Kempson (2016) suggests that financial wellbeing is characterised by ‘the capacity to meet current commitments, with money left over and the resilience to ensure that [they] can continue to do so in the future’. She recognises that it ‘is not only determined by behaviours of individuals but also a range of environmental factors beyond their control’. Kempson conceives of these social and environmental factors as affecting people’s attitudes, motivations and biases and behaviours, which in turn impact on their personal financial wellbeing.

Consumer Financial Protection Bureau (US) sees financial wellbeing as influenced by:

- the social and economic environment,
- personality and attitudes,
- the context in which decisions are made, and
- The determinants of financial wellbeing knowledge and skills (CFPB 2015).</td>
<td>Differentiates between financial literacy and financial capability
- Financial literacy → Financial knowledge and skills
- Financial capability → Financial knowledge and skills, attitudes, emotions, confidence and psychological features within the economic, social and cultural context.</td>
<td>analysed and policies proposed.

Concern that narrow understanding of financial wellbeing is risky as it could focus solely on individuals and divert attention from systemic and structural issues.

Highlights the importance of domains that affect financial wellbeing but also of the processes, systems and structures that enable or constrain it.</td>
<td></td>
<td>all contribute to financial wellbeing.

Australia’s national financial literacy strategy also recognizes the interplay of personal and contextual factors such as:

- Personal knowledge and skill
- Life stage and past experiences
- Emotional impulses and cognitive biases
- Psychological, social and cultural factors</td>
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Bureau of Statistics in Australia understands the components of 'economic wellbeing' as resources (income and wealth) and consumption (basic needs and discretionary expenditure) (ABS 2013)				- The 'framing' of informatio n - Other external environme ntal factors.	
Financial health encompasses four important aspects of an individual's financial life: - financial security, - financial resilience, - financial control and - financial freedom. It is a state in which an individual can: - meet current needs, - absorb financial shocks, and - pursue financial goals.	**Outcomes** •Financial security is the ability to meet short-term commitments. •Financial resilience is the ability to cope with unexpected or adverse events. •Financial control is being confident of one's finances, now and in the future. •Financial freedom is the ability to meet long-term financial goals and desires.				UNCDF (2022) Singh, Jaspreet; Dermish, Ahmed; Duijnhouwer, Anne& Misquith, Audrey.
MaPS (UK) define financial wellbeing as simply having a good relationship with your money. And as a synonym for financial literacy, wellness, confidence, or resilience. Broken down into 5 key areas:	**Indicators:** - Savings (over 11.5M people had less than £100 saved incase of an emergency/ financial shock)	- Recognizes the effect of financial wellbeing on overall wellbeing of an individual		Synonyms? They also list financial education as one of the key areas that define financial wellbeing.	(MaPS, 2022)

- Receiving meaningful financial education - Saving regularly - Using credit for everyday essentials - Accessing debt advice - Planning for and in later life.	- Consumer debt (over 9M people borrowed to pay bills or buy food before the pandemic) - Most people (22M) acknowledge they don't know enough to plan for their retirement - Lack of meaningful financial education (5.3M kids didn't get financial education)	- Recognizes that a financially healthy nation is beneficial for individuals, communities, businesses and the economy.			
Financial health is understood as one's ability to manage expenses, prepare for and recover from financial shocks, have minimal debt, and ability to build wealth, underlies all facets of daily living such as securing food and paying for housing	**Indicators:** - Can handle financial shocks - Has minimum debt - Has ability to build wealth				(Weida et al., 2020)
According to a survey conducted by Gallup and funded by MetLife Foundation described financial health as an "umbrella" term encompassing financial inclusion, financial literacy and financial control	Financial inclusion Financial control Financial literacy				(Bauwin & Ada, 2020)
Accion sees financial health as directly related to the capacity of an individual to balance daily finance/systems, to weather financial shocks and to pursue important life goals	**Indicators:** - Balance daily budgets based on income - Weather financial shocks				(Bauwin & Ada, 2020)

	- Pursue life goals				
According to MFC microfinance, financial health is defined as the "condition in which a household: - effectively manages its income and expenses, - is resilient to financial shocks and - plans its financial future with the long-term perspective	**Indicators:** - Manage income & expenses - Resilient to financial shocks - Plans for the future with a long-term perspective				(Bauwin & Ada, 2020)
According to financial health network, it envisions a future where all people, especially those who are most vulnerable, have the day-to-day financial systems they need to be resilient and thrive					(Bauwin & Ada, 2020)
In CGAP's conception, financial health appears as the ultimate goal while financial access, financial literacy and financial inclusion all contribute to its achievement	Contributors: Financial access (pre-conditional infrastructure for effective financial inclusion). Financial literacy Financial inclusion			It's just one aspect of what is needed to achieve financial health	(Bauwin & Ada, 2020)

Focus: UNCDF's work & shift from financial inclusion to Financial Health By definition, financial health encompasses three important aspects of an individual's financial life: **financial security and resilience, financial control and financial freedom**. 1. The ability to meet one's ongoing commitments, now and in the future, and under adverse circumstances (**financial security**). The ability to meet one's commitments during adverse conditions, sustain oneself through it, and reorient one's financial life once those conditions cease is termed as **financial resilience**; 2. A feeling of control of one's finances (**financial control**); and	Indicators: - Objective & subjective measures - Transactional indicators - Perceptive indicators - e.g. ability to come up with liquid funds - Individual characteristics (income, assets) - Environmental factors (e.g. social capital & public infrastructure)			Relationship with financial inclusion: Studies show a negative correlation between financial inclusion and financial health.	(UNCDF, 2022b)

3. The ability to meet one's financial goals and enjoy things one values (**financial freedom**).					
Focus: Measuring financial health - what policy makers need to know. A person's financial health is the result of the interaction of a wide range of factors, including their own endowments and choices as well as their economic status - especially income - and numerous contextual factors, such as access to financial services and social safety nets. Most prominent researchers define financial health around these key elements: - Smooth short-term finances, including the ability to meet ongoing financial obligations and consumption needs - Preparedness to meet and recover from financial shocks - A longer term perspective that involves meeting goals and maintaining or improving well-being	**Indicators (Sample financial health index):** **Day-to-day** 1. Ability to balance income and spending 2. Ability to meet obligations in full and on time 3. Manageable debt service **Resilience** 4. Ability to obtain a lump sum for emergency 5. Adequacy of liquid savings **Secure future** 6. Saving toward long-term goals 7. Ability to access resources **Perception** 8. Feeling in control of one's finances Also considers resilience only approach as a valid alternative for policy makers that want			Financial literacy (as a proxy of Financial Education) Financial literacy is an input while financial health is an outcome of financial inclusion, it is produced by financial capabilities which means behaviour to the knowledge, skills and attitudes that make up financial literacy.	CENFRI (2020) Measuring financial health, Report , May 2020, What policymakers need to know Report. https://cenfri.org/wp-content/uploads/Measuring-Financial-Health.pdf (NAP)

- A level of achievement beyond the bare minimum that implies feelings of confidence and well-being The FH concept refers to the state of being and not the behaviours that lead to it. Financial literacy is what you know, financial capability is what you do, and financial health is what you achieve.	the leanest possible approach. Resilience indicators in this case: Day-to-day 1. Ability to obtain a lump sum for emergency 2. Method for obtaining the lump sum 3. Adequacy of liquid savings				
Focus: Financial health - Introduction for financial sector policy makers Financial health or wellbeing is the extent to which a person or family can smoothly manage their current financial obligations and have confidence in their financial future. Financial health is both an individual and societal responsibility. Individual decisions contribute directly to FH but systemic factors beyond the individual's control are an important consideration. **Elements:** - Day-to-day - smooth short-term finances. Can meet financial obligations and consumption	**Indicators (FHN Finhealth score framework):** 1. Spend less than income 2. Pay bills on time 3. Have sufficient liquid savings 4. Have sufficient long-term savings 5. Have manageable debt 6. Have a prime credit score 7. Have appropriate insurance 8. Plan ahead financially **Insights expected from a financial health monitoring tool:** - Early warnings of rising debt burdens, possibly before portfolio quality deteriorates - Preparedness to meet financial shocks and adequacy of emergency savings	Allows companies to compare their customers to national benchmarks. Transparency, accessibility and straightforward/ simple methodology. Public visibility and cross learning opportunities through the Financial Health Leaders.		Financial education and capability - building efforts seek to assist people to create healthier habits and avoid costly errors in decisions.	(UNSGSA, 2021)

- Resilience - capacity to absorb financial shocks - Goals - on track to reach future goals - Confidence - feeling secure and in control of finances - freedom from financial stress. **Financially healthy habits:** - regular small savings - spending control - debt management - prudent investing - seeking sound advice about protection from predatory practices and fraud.	- Gaps in short-term money management that an lead to larger problems - Identifying financial status by segment: gender, income, location, use of financial services, e.t.c - Changes in sentiment regarding financial wellbeing.				
Focus: Improving the financial wellbeing of Australians Financial wellbeing is defined as the extent to which people both perceive and have: - Financial outcomes in which they meet their financial obligations - Financial freedom to make choices that allow them to enjoy life. - Control of their finances	**Indicators:** - Financial outcomes in which they meet their financial obligations - Financial freedom to make choices that allow them to enjoy life. - Control of their finances - Financial security - now, in the future and under possible advance circumstances. **Components of financial wellbeing:**	CBA-MI developed a **conceptual model of the determinants of financial wellbeing outcomes** as follows: Household characteristics + External conditions + Financial behaviour determine financial wellbeing outcomes.			CBA-MI financial wellbeing scale, 2019

- Financial security - now, in the future and under possible advance circumstances.
 	
Financial wellbeing is defined as a state that is best described in degrees or extents, rather than with absolute values or as an 'either/ or' condition.
 	
Financial wellbeing increases with income, however, **Financial behaviours** are the strongest correlates with financial wellbeing outcomes, even more than the association with income.
 	
Specifically, spending, saving and borrowing habits, willingness to sacrifice, and plan are most strongly correlated with reported and observed financial wellbeing outcomes. These characteristics can each be changed in positive directions to improve people's financial wellbeing, regardless of levels of income and wealth.
	- **'Every day'** financial situations - how well people are meeting their immediate needs such as mortgage or rent and utilities payments.
	- **'Rainy day'** financial situations - how well prepared people are to deal with unexpected, adverse events such as illness or job loss.
	- **'One day'** financial situations - how well people can achieve long term goals such as buying an auto-home or a comfortable retirement.
	
	Determinants of financial health:
	
	- **Household characteristics:**
	    - Economic and material resources
	    - Personal capabilities
	    - Household needs
	    - Preferences
	    - Attitudes
	- **External conditions:**
	    - Economic conditions
	    - Access to financial products/ services
	    - Social support & social capital
	    - Social norms
	    - Public programs & social insurance
	- **Financial behaviour**
	    - Financial management
	    - Spending habits
		Financial behaviours are influenced by household characteristics and external conditions.
		
		Reported and **Observed** are **positively correlated** but **distinct**.
		
		The way people perceive their own financial outcomes can be very different from the way an outsider might observe them based on objective financial data.			

	- Savings habits - Borrowing habits - Financial discipline - Planning and budgeting				
Focus: Financial Health in Mexico - A new tool for measuring Financial health index must reflect four aspects of financial health: 1. Day-to-day - shows success in aligning income and expenditure 2. Opportunities - has specific plans to achieve future financial plans 3. Resilience - has certain assets and services in place in case of shocks. 4. Agency - is confident and in control of their financial affairs.	***Indicators:*** ***1. Budgeting*** - When I think about the money I need during a typical day, I usually have enough to cover essentials - Usually, I can make my money last until the next time I receive Income - I have a budget or a plan that I use to guide monthly spending ***2. Attaining financial goals*** - Currently, I am on track to accomplish my financial goals - Currently, I have set aside money to meet large, irregular expenses such as an emergency - My debt is manageable - I am able to pay off what I owe when it is due. ***3. Resilience***	- Questions phrased in simple and intuitive language designed to be understood by cooperative members.			BFA Global (Mazotta, 2021)

	- I owe more that what all my assets are worth - If I lost all my income and had to survive on what I have put aside, I would be able to pay for essentials for four weeks, without borrowing money or selling something - In the last year, there has been at least one time when I went without medicine or medical treatment because I did not have money for it. - I have insurance that is enough to protect my home, my belongings and my family ***4. Agency*** - I have a large degree of control over my current financial situation and expect to have the same in the future - In the last one year, my financial situation has caused me stress.				

FINANCIAL EDUCATION					
Definition	**Drivers of the concept/ indicators candidates**			**Relationship with FH**	**Institution /Source***
Focus: Supporting Financial literacy in Malaysia (supply side mapping - sought to represent the breadth of financial literacy initiatives provided by the government, private sector and social sector) Financial literacy is the level of: - awareness, - knowledge and skills of an individual to manage their finances and guide sound financial behaviour. The concept of financial literacy was considered in terms of the standard metrics used to measure it by Klapper (2016): - Knowledge of interest rates - Interest compounding - Inflation - Risk diversification Financial education is used to define the process of creating financial literacy.	**Financial literacy concepts covered in FL initiatives across the country:** 1. Knowledge of basic financial concepts 2. Ability to live within means 3. Management of expected and unexpected expenses 4. Being vigilant to avoid financial scams 5. Ability to assess the risks and benefits of financial products and services. Experts surveyed agreed on the following barriers/ challenges to individuals accessing information despite the numerous financial education programs. **Challenges faced in improving financial literacy in Malaysia at the population level:** 1. Information asymmetry - some segments of the population do not have access to information due to education levels, income levels and the digital literacy divide. 2. Knowledge seeking behaviour - is inconsistent and lacks critical analysis. 3. Detrimental attitudes - a culture of short-term thinking and not using the	Acknowledges population level and delivery level barriers to financial literacy. E.g. short-term bias (present bias), consumerism culture and information asymmetry.	Focused on supply side only hence not subjective.		PIDM (2020)

	tools and resources provided hindering constructive financial behaviours. 4. Widespread consumerism culture and unrealistic expectations about ROI leading to suboptimal financial behaviours and susceptibility to scams. **Delivery level challenges:** 1. Technical and product driven approaches are not tailored to drive behavioural change. 2. The efficacy of the interventions is usually not measured 3. There is a lack of coordination between suppliers. **Proposed recommendations:** 1. Design tailored and targeted solutions - Focus on behaviour change communication models - Take a life-cycle approach that is continuous, repetitive and targets key stages - Leverage cross sector best practices, materials and resources 2. Ensure access and usage - Utilize existing establishments with high scalability e.g. school curriculums, workplace - Support community based outreach - use of local branches, bank staff, agents etc.				

	- Vary delivery mediums - sms, social media, radio, print media etc. 3. Support a co-ordinating body - Create a platform to consolidate and filter information, tools and resources - Choreograph multi-stakeholder and multi-sector collaboration - Drive the implementation of all aspects of the national strategy.				
Focus: Adult financial literacy FE is a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing. Financial literacy score measures a set of basic financial skills, behaviours and attitudes.	**Indicators:** **Financial Knowledge** - Basic understanding of inflation, simple interest, compound interest, risk. **Financial Behaviour** - Revealing prudence in saving, long-term planning, keeping track of cash flow, making considered purchases. **Financial Attitude** - Demonstrating long-term attitude to money and affinity towards saving.	Takes into account different needs of various groups e.g. youth, vulnerable groups - e.g. men consistently and significantly outperform women.		Financial well-being is the ultimate objective of financial literacy. Financial resilience and financial wellbeing are outcomes of financial education.	OECD/ INFE 2020
Focus: National financial education strategies toolkit Financial literacy is the awareness and knowledge of financial concepts and	**Key performance indicators:** **Money management** - Can answer all numeracy questions correctly	Recognizes that the **process** of behavioural change as a result of		Financial education is an input (the implemented activity)	AFI 2021

products required for managing personal finances, taking into account one's economic and social circumstances. Financial education is seen as a tool to increase financial literacy. FE is a process of providing people with knowledge, skills, attitude and exposure through access to relevant objective information and training to enable them make informed financial decisions and take actions appropriate to their circumstances. FE provides a pathway for improving skills through information, instruction and unbiased information.	- Has a budget - Does not need to borrow to cover regular expenses **Planning ahead** - Has savings goals - Has a savings plan - Has a plan for unexpected expenses **Financial services** - Has knowledge of financial services - Has a savings account - Shops around to compare options **Consumer protection** - Takes steps to protect identity and account - Knows where and how to file a complaint - Knows what to do before signing a contract	financial education is often **slow and incremental** involving several stages before getting the desired outcome. It's not linear and low income households may start at different places along a financial education continuum (money management → planning for future → building resilience → using and evaluating financial services → digital financial services → consumer protection Factors in consumer protection.		Financial literacy is the intermediate output (behaviours and practices). Financial wellbeing is a long term outcome (results): - Increased savings - Better debt management - Effective use of banking services - Successful financial negotiations - Forward financial planning.	

Focus: National strategy for Financial Education in India Uses OECD 2012 definition of FL - combination of financial awareness, knowledge, skills, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being Financial Education, on the other hand is defined as the **process** by which financial consumers/investors improve their understanding of - financial products, - concepts and risks and through: - information, - instruction and/or - objective advice, Develop skills and confidence to: - become more aware of financial risks and opportunities, - to make informed choices,	**Indicators (FE & FI)** **Financial literacy** 1. Financial attitude 2. Financial behaviour 3. Financial knowledge **Financial inclusion** 1. Banking products and services 2. Non- banking products and services **Components of financial literacy** **Financial attitude** - Towards spending money - Towards saving money - Towards planning money **Financial behaviour** - Preparation and involvement of household budget and finance management - Ability towards meeting monthly expenses and managing gap (credit taken or not) - Towards evaluation of options for selection of financial products/ services	Customized using the following dimensions: - Life stage of target audience - Geography with focus on vulnerable social groups - Sector specific focus e.g. agriculture, informal sector, skilled/ unskilled labourers/ artisans e.t.c.		People achieve financial literacy through the process of financial education which in turn empowers users to make sound financial decisions which result in financial wellbeing of the individual. Financial wellbeing depends on how well the following factors/ forces are integrated and the extent to which they work in cohesion: **Supply side** - Inclusive financial products and services	NSFE (2020)(India's 2020-2025 FE strategy) NSFE-FLIS 2019 survey, india

- to know where to go for help and - to take other effective actions to improve their financial well-being" (OECD, 2005) FE creates demand side response to the initiatives of the supply side interventions (financial inclusion) FE initiatives help people achieve financial wellbeing by accessing appropriate financial products and services through regulated entities.	- Gathering information before purchase of financial products/ services - Towards saving money (active or passive) - Setting long term goals and striving to achieve them - Keeping watch on personal financial affairs - Towards bills payments - Towards affordability **Financial knowledge** - Division - Time value of money - Interest paid on loan - Simple interest calculation - Compound interest calculation - Inflation - Risk-return relationship - Diversification			**Demand side** - Financial education **Other enabling factors** - Supporting macro-economic, social and environmental factors	
Focus: Are students (15 yrs) smart about money? Financial education is defined as the process by which financial consumers and investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of					OECD PISA 2018

financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being. **Key elements of FE definition** - Understanding - Confidence - Skills - Effective action (notion of applying understanding and skills). Financial literacy is the knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial wellbeing of individuals and society, and to enable participation in economic life.					
Focus: Promoting financial inclusion through financial education The process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or	**Indicators:** - Awareness of financial risks and opportunities. - Do they make informed choices? - Do they seek help? Do they know where to seek help?			Doesn't seem to include external (environmental factors) beyond the individuals' control	(Atkinson & Messy, 2013) NAP

objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being (OECD, 2005). Financial education is intended to facilitate access and, where appropriate, encourage widening use of relevant financial products and services for the benefit of individuals.	- Are they empowered enough to take actions to improve financial health? E.g long-term financial planning The skills and behaviours addressed: **day-to-day financial management, credit and debt management, long-term financial planning** and **how to use financial services and products**. Attitudes towards saving and borrowing are also frequently covered. **Financial education for financial inclusion appears to focus on the use of financial products** rather than information seeking and decision-making about financial products in general Candidates: Financially excluded			that may affect financial health.	
Focus: National financial education strategies toolkit by AFI Financial education is a process of providing people with the knowledge, skills, attitude, and exposure through access to relevant objective information, and training to enable them to make informed financial decisions and take actions appropriate to their circumstances." It provides a pathway for improving skills through information, instruction, and unbiased information.	**Indicators:** - Are an individual's choices aligned with their financial goals and life stage? - Can they confidently interact with FSP's based on knowledge & trust? Candidates: Low income households				(AFI, 2021) NAP

Considered as a tool to increase financial literacy					
Focus: Financial education for secondary schools in the UK Financial education is any activity that helps young people develop the knowledge, skills and attitudes they need to manage money well, make informed financial decisions and achieve their goals. It can cover a wide range of topics, responding to the needs of young people, from payslips, budget management and mortgages, to understanding the impact of money on relationships, the difference between needs and wants and how to manage risk	**Indicators:** - Budget management - Do they know the difference between needs and wants? And can they prioritise? - Do they know how to manage risks? - Do they understand payslips? Statutory contributions? Outcomes: The skills, knowledge, attitudes and behaviours that help people to manage money and achieve good financial wellbeing			In this case, financial health is the outcome variable.	(MaPS, 2021) NAP
Focus: OECD/ INFE 2020 International Survey of Adult Financial Literacy Financial literacy - A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being. Goal of financial education is to boost financial literacy which enables individuals to enhance their financial capabilities.	**Indicators:** ● Financial knowledge (Time value of money, Simple and compound interest, risk and return, inflation and risk diversification) ● Financial behaviour (saving, long-term planning, managing one's expenses, avoiding indebtedness, shopping around for products) ● Financial attitudes – attitudes to longer term financial planning.				(OECD, 2020) NAP

Focus: Financial literacy for young people (PISA - OECD) *Financial Education* - The process by which financial consumers/investors improve their understanding of financial products, concepts and risks and, through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being. *Financial Literacy* - knowledge and understanding of financial concepts and risks, as well as the skills and attitudes to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life. Financial literacy is concerned with the way individuals understand, manage and plan their own and their households' financial affairs.	**Indicators (FE):** Skills and confidence to recognize: - Financial risks and opportunities - Make informed choices - Know where to seek advice - Improve their financial wellbeing. **Indicators FL:** - Making effective financial decisions - Improve financial wellbeing - Participate confidently in economic life			Financial education improves consumers' financial wellbeing.	OECD [PISA 2019]

(FL) Ability to understand and apply different financial skills effectively	Indicators: - Comprehending risk, - insuring, - investing, - Knows go-to information sources, - consuming, - earning, - saving, - borrowing			Financial literacy is also correlated with planning for the future (FH), as the financially literate are more likely to save and plan for retirement (FH).	(Lusardi et al., 2020)
Financial education is designed to enhance human capital specific to personal finance (i.e. financial literacy). Financial literacy (specific human capital) is an input within a multi-stage continuous process to produce financial health.	Indicators: - Internal individual factors e.g. time inconsistencies/ competing intertemporal goals - External factors - e.g. market conditions, regulations, product & service access, socio-economic status) factors.			Financial health status is an output variation explained by a production process where financial education is one of the inputs hence there's no direct link between financial education and financial health status. It suggests that FE is not the only factor that produces FH, it also depends on awareness and habituation.	(Huston, 2015) Journal of Financial Counseling and Planning 26(1):102-104
Financial literacy means the ability to understand and analyze financial	Indicators: - Able to balance finances/ accounts - Budget preparation			Positively correlated	(Taft et al., 2013)

options, planning for the future, and responding appropriately to the events. Research has shown that financial literacy ability among the people of the world, especially in developing and underdeveloped countries is not perfect and barriers such as: - the complexity of financial life, - the existence of many options when making decisions and - not having enough time and money to learn about personal finance issues, caused low financial literacy of people in these communities.	- Saving for the future - Can effectively manage debt. Barriers to Financial literacy: - Complexity of financial life - Too many choices/ choice overload - Bounded rationality				
(FE) The process by which financial consumers/investors improve their understanding of the products, concepts and risks of financial activity and, with information, instruction or objective advice, acquire the skills and confidence to be more aware of financial risks and opportunities, make informed decisions, know where to go for help, and take any effective action to improve their financial well-being.	**Indicators:** - Financial risks and opportunities awareness - Can make informed decisions - Knows where to seek help - Effectively works towards improving financial wellbeing.				OECD (2005), “Improving Financial Literacy: Analysis of Issues and Policies”, Financial Market Trends, vol. 2.

The terms financial literacy, financial knowledge and financial education often are used interchangeably in the literature and popular media.	• Money basics (including time value of money, purchasing power, personal financial accounting concepts). Intertemporal transfers of resources between time periods, including both • Borrowing (i.e., bringing future resources into the present through the use of credit cards, consumer loans or mortgages) and • Investing (i.e., saving present resources for future use through the use of saving accounts, stocks, bonds or mutual funds). • Protecting resources (either through insurance products or other risk management techniques).			Financial literacy (or financial knowledge) is typically an input to model the need for financial education and explain variation in financial outcomes.	(Huston, 2010) Journal of Consumer Affairs, 44 (2) 296-316.

Focus: Financial access of households in Kenya
Financial literacy is a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions.
	Indicators:
	- Sources of financial advice for individuals - indicative of attitude and trust in an institution(s) or person(s).
	- Consumer protection elements:
	  - Knowledge of basic financial terms
	  - Ability to identify transactional costs related to a financial service and cost of borrowing
	- Personal financial planning and budgeting.
		Factored in emerging issues such as:
		- Perceptions on betting as a source of income
		- Extent of default on existing loans
					Finaccess 2021

		- Challenges in the use of financial products - Transparency in costs of financial products - incidencies of unexpected and unclear charges - Money loss risks and fraud incidencies - Channels respondents use to resolve challenges. - Reliability of financial systems (system downtimes)			
Focus: Effectiveness and Efficiency of financial education					(CEPR, 2022) -

Paper analyses 76 RCTs evaluating the causal impact of FE around the world to show that the claim that - FE has mixed evidence on effectiveness is misleading. **Result/ Conclusion -** FE is effective in improving both knowledge and behaviour and those improvements come at relatively low costs. Personal finance education is as effective as education in other domains. 'The debate about financial education programmes is sometimes hindered by the argument that the evidence about their effectiveness is 'mixed'. This stems from focusing on randomised controlled trials which generally appear to report smaller estimates of statistical effect than impact-evaluation designs with lower degrees of internal validity (Fernandes et al. 2014, Kaiser and Menkhoff 2017)'					(Kaiser et al., 2022)