CFSI Center for Financial Services Innovation

Beyond Financial Inclusion: Financial Health as a Global Framework

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This paper was written by CFSI with the Center for Financial Inclusion at Accion.

The Center for Financial Services Innovation (CFSI) is the nation's authority on consumer financial health. CFSI leads a network of financial services innovators committed to building a more robust financial services marketplace with higher quality products and services. Through its Compass Principles and a lineup of proprietary research, insights and events, CFSI informs, advises, and connects members of its network to seed the innovation that will transform the financial services landscape.

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Authors

Tanya Ladha, CFSI
Kaitlin Asrow, CFSI
Sarah Parker, CFSI
Elisabeth Rhyne, Center for Financial Inclusion at Accion
Sonja Kelly, Center for Financial Inclusion at Accion

Cover photo by Michael Mori, Dalberg's Design Impact Group.

The Center for Financial Inclusion at Accion (CFI) is an action-oriented think tank working toward full global financial inclusion. Constructing a financial inclusion sector that reaches everyone with quality services will require the combined efforts of many actors. CFI contributes to full inclusion by collaborating with sector participants to tackle challenges beyond the scope of any one actor, using tools that include research, convening, capacity building, and communications.

Attributions

This report was created by the Center for Financial Services Innovation, in partnership with the Center for Financial Inclusion at Accion, through the generous support of the Bill & Melinda Gates Foundation.

Guided by the belief that every life has equal value, the Bill & Melinda Gates Foundation works to help all people lead healthy, productive lives. In developing countries, it focuses on improving people's health and giving them the chance to lift themselves out of hunger and extreme poverty. In the United States, it seeks to ensure that all people—especially those with the fewest resources—have access to the opportunities they need to succeed in school and life. Based in Seattle, Washington, the foundation is led by CEO Dr. Susan Desmond-Hellmann and Co-chair William H. Gates Sr., under the direction of Bill and Melinda Gates and Warren Buffett.

All in-country community-based research, both qualitative and quantitative, was led by Dalberg and their findings informed the refinement of the financial health framework and development of the indicators for this report

Executive Summary

Individuals all around the world strive to improve their financial lives. They spend, save, borrow, and plan, working to grow their assets and protect their resources, in the pursuit of improved financial health. A relatively new term in the financial inclusion community, financial health is a model for assessing how well one's daily financial systems help build resilience from shocks and create opportunities to pursue one's dreams. Whether rural or urban, in countries both developed and developing, individuals share a common aspiration for financial health.

In 2015, the Center for Financial Services Innovation (CFSI) created the framework and definition of financial health, originally designed for use and applicability in the United States. Employing an outcomes based approach, CFSI created indicators to help consumers and providers measure and improve financial health. This framework created a definition of success beyond financial literacy or capability, and access or use of products. Having deep expertise in the global financial inclusion arena, the CFSI framework resonated with the Bill & Melinda Gates Foundation and the question was raised – Could an outcomes based financial health framework translate into a developing world context?

Over the course of 2016, CFSI, in collaboration with the Center for Financial Inclusion at Accion (CFI) and Dalberg's Design Impact Group (DIG), evaluated hypotheses, conducted research, convened thought-leaders, and tested assumptions, all for the purpose of determining the validity of financial health as a core concept internationally. Teams worked to understand the necessary adaptations such a model would require across borders, as well as the opportunities and use cases for such a framework.

This report presents results of these efforts, finding that the core financial health framework resonates with consumers, practitioners, providers, and funders both in the U.S. and in the developing world.

> **A growing number of thought leaders are using "financial health" to orient work in the developing world. This report explains why this framework resonates with consumers, practitioners, providers, and funders.**

While the core financial health framework translates across borders, there are important distinctions and constraints that influenced the creation of the indicators. Within a developing world context, there are factors exogenous to one's own behaviors that have critical impact on one's financial life. While exogenous factors are important in the U.S., we found them to be uniquely important in the developing world. The global financial health framework consists of six primary indicators, used to measure consumer financial health, as well as four contextual factors that are important to consider in the developing world:

Financial Health Indicators for the Developing World

A consumer in the developing world is financially healthy when he or she:

1. **Balances income and expenses**
2. **Builds and maintains reserves**
3. **Manages existing debts and has access to potential resources**
4. **Plans and prioritizes**
5. **Manages and recovers from financial shocks**
6. **Uses an effective range of financial tools**

Four Key Factors in Understanding Financial Health In the Developing World

A consumer's financial health is significantly influenced by his or her:

1. **Absolute income level**
2. **Income and expense volatility**
3. **Social network**
4. **Financial role**

Financial health as a concept has garnered traction within the U.S., and is gaining momentum globally. Such a framework can push the financial inclusion conversation forward, helping shape policy, direct donor and government resources, and contribute to the high-quality design of financial services. More work must be done to create instruments for accurate measurement. There is a role for researchers, financial services providers, and policymakers in supporting the creation of more nuanced infrastructure from which to build out a more tactical and actionable framework. However, preliminary research suggests a powerful and profound parallel between the financial lives of consumers in the U.S. and abroad.

Introduction

In the United States, the field of financial inclusion has evolved significantly in recent decades, transitioning from an emphasis on financial literacy and education to a focus on encouraging behavior change by improving consumers' financial capabilities. In 2015, the Center for Financial Services Innovation (CFSI) introduced a framework of financial health, pushing the conversation even further; beyond knowledge and behavior towards improved and long term consumer outcomes.

Financial health, as defined by CFSI, is achieved when an individual's daily systems help build the financial resilience to weather shocks, and the ability to pursue financial goals. Use of the financial health framework has enabled CFSI to build tangible measures of consumer financial success, outline specific behaviors associated with those outcomes, and create pathways for the financial services industry to help encourage consumer financial health.

In parallel, the global financial inclusion sector has been pursuing access to and usage of financial services – especially digital ones – as a means of poverty alleviation and economic development. Financial inclusion has become a powerful organizing force for those addressing consumer financial services and other economic challenges in the developing world. However, much as CFSI experienced a need to frame its vision of financial health around consumer outcomes, the global financial inclusion movement has begun thinking about ways to examine and highlight the causal links between access, usage and improved development results. These similar evolutionary journeys begged the question of whether an outcomes based financial health framework designed for a U.S. population could translate to a developing world context?

Using this simple query as a mobilizing force, CFSI, with generous support from The Bill & Melinda Gates Foundation, collaborated with key partners, The Center for Financial Inclusion at Accion (CFI), and Dalberg's Design Impact Group (DIG), to explore the idea of a global financial health framework, and whether such a framework could be useful to the international development community more broadly.

Beyond simply exporting a U.S. model into markets and cultures that operate in fundamentally different ways, this exploration sought to leverage the outcomes based approach of CFSI's financial health framework to move beyond metrics of access and usage, and focus on the ultimate financial success of individuals around the world. The effort aimed to test the validity of financial health as a core concept in an international setting, understand the necessary adaptations to make a global consumer financial health framework useful and additive, and identify potential pathways and use cases for such a framework. Armed with ambitious and inquisitive objectives, the team commissioned quantitative and qualitative research in India and Kenya to explore whether this query had the potential to push the global financial inclusion conversation forward.

The research resulted in a fresh body of knowledge that highlights the striking parallels, as well as important differences, between the experiences of consumers in the United States and the developing world. CFSI's U.S. framework is intended to provide a holistic view into a consumer's financial life, and incorporates eight financial health indicators which cover a spectrum of financial behaviors and outcomes. In similar fashion, this project has developed a set of indicators designed to measure the financial health of consumers in the developing world.

The research revealed a number of essential considerations in the developing world context that were not explicitly included in the U.S. framework, such as instances of absolute poverty and the limited availability of formal financial services, formal safety nets, or formal employment. In order to fully incorporate these external factors, the global financial health framework consists of six primary indicators that are expansive and globally relevant, as well as four contextual factors which are targeted to a developing world context and serve to highlight the unique differences brought to light through this work. The primary indicators are used to measure one's financial health, while the contextual factors point to important exogenous and explanatory factors that are particularly salient in developing countries.

Despite these variations, there is clear evidence that the three core elements of CFSI's definition of financial health – day-to-day financial management, resilience, and the ability to pursue opportunities – both resonate and translate outside of the U.S.

The indicators and factors presented below remain high-level and conceptual. Further work is necessary to create an accurate and refined measurement instrument, adapting to local contexts and environments. There is a role for researchers, financial services providers, and policymakers in supporting the creation of more nuanced infrastructure from which to build out a more tactical and actionable framework.

Research Methodology and Indicator Considerations

Dalberg's Design Impact Group conducted qualitative and quantitative research in Kenya and India to validate and refine selected financial health indicators in June and July 2016. These countries were selected because they possess existing financial inclusion work that could be built upon and represent diverse contexts. Eighty-nine qualitative interviews were conducted across 18 urban and rural communities throughout the two countries, and more than 1,000 responses were collected to a 55 question quantitative survey. In addition to Dalberg's in-country research, more than 20 interviews were conducted with key industry experts, and two in-person working sessions were held with development practitioners and academics to review and refine the global financial health framework. A portion of our research findings is presented in the appendix of this report.

While remaining mindful of variations between domestic and international settings, we agreed upon specific language all parties can use to standardize key financial concepts and activities that are globally relevant. For example, in the United States a credit score indicates a consumer's ability to access debt. However, much of the developing world lacks this indicator, necessitating substitutes that can identify and capture the more informal means used to determine creditworthiness in this context. These sorts of adaptations enable the framework to function and add value in an international setting irrespective of the systems of government or financial infrastructure, and across a wide range of cultures and countries.

Financial Health Indicators for the Developing World

The indicators presented below provide a framework for thinking about consumer financial health in the developing world. The six primary indicators are closely tied to the core definition of financial health and are in many cases closely intertwined with one another. The indicators are articulated at the individual level, though household financial health is very closely related to that of the individual.

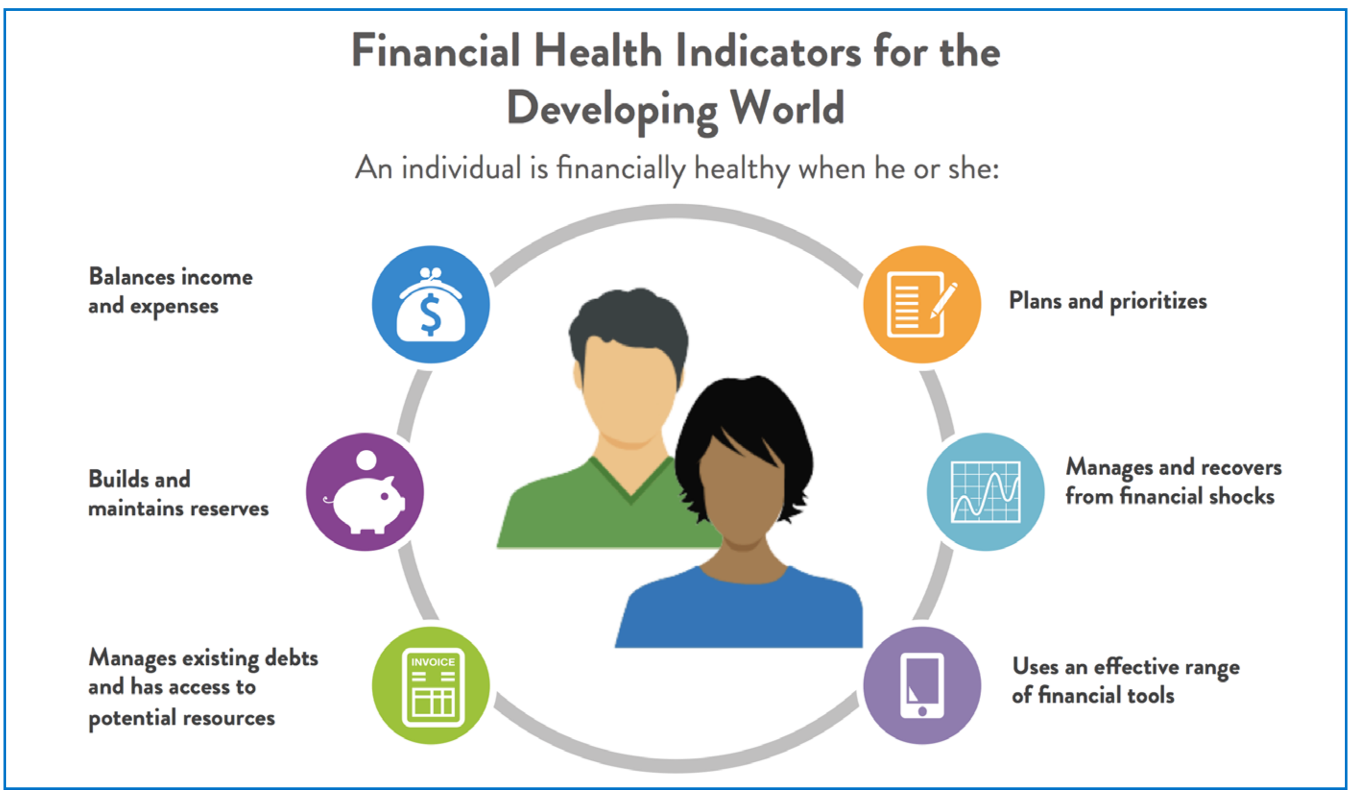
1. **Balance income and expenses** – success in shaping income and expenditure in order to meet daily needs and financial obligations.

This indicator describes an individual's day-to-day financial management, for both short and long term needs. Individuals use financial strategies to shape their expenses in response to income, and vice versa, even when income is volatile or unpredictable. Strategies commonly used include saving excess cash, deferring major purchases for the sake of immediate needs, or borrowing when there is an income gap. Those that can successfully balance their income and expenses are better able to meet their daily needs and financial obligations.

Financially healthy consumers can shape their finances sufficiently to allow them to smooth consumption. Since a simple survey cannot reconstruct a balance sheet, measurement of this indicator relies on subjective assessments. For example, the research asked individuals to respond to a series of statements ranging from "we cannot meet our basic needs" to "we can afford to buy expensive items." One quarter of respondents in Kenya and one third in India reported struggling to meet their basic needs. The responses varied by income, indicating that higher incomes make it easier to balance income and expenses.

2. **Build and maintain reserves** – steady saving and savings replenishment behavior, and the magnitude and liquidity of current reserves, including "economic value" in any form (cash, in-kind, assets, etc.).

This indicator captures the behavior of intentionally or habitually putting away assets, as well as the magnitude of assets immediately available. People save in many forms, both in money (cash and accounts) and in tangible items that can store value for a later date, such as land, gold, or livestock. Most individuals have a diverse portfolio of assets to satisfy different liquidity needs: cash in a bank or mobile account is ready for immediate emergencies, while commitment savings plans or livestock store value for longer term purposes.



Beyond the ability to convert reserves when the need arises, maintaining a savings habit correlates with the ability to procure additional funds. The quantitative data collected in both Kenya and India found that those who put assets away regularly and over a longer period of time estimated that they could raise more money in times of need (raising money included the use of savings, selling of assets, and borrowing from friends or family). In India for example, those who reported saving for more than six months estimated that they could raise an average of US$1,100, as compared to US$219 for those who saved for fewer than six months. The act of maintaining and accessing reserves typically involves medium to long term time horizons. Measurement questions must be able to aggregate information about different types of assets into a more complete understanding of reserves.

3. **Manage existing debts and has access to potential resources** – how manageable current formal and informal debt is, and what resources a person can call upon through formal and informal sources.

This indicator measures an individual's existing debt obligations alongside the potential additional resources they can generate from calling on external sources in times of need. The ability to borrow from others – in effect financial and social lines of credit – can help smooth volatile incomes, raise lump sums for investment or aspirational goals, or cover immediate shortfalls in income. Leveraging resources from social networks is often used to help weather a shock, both for individuals who use formal financial products and those that do not. Social capital that can be converted into resources when needed is important in most places, but especially in those with less responsive financial institutions.

This indicator also encompasses debt load and repayment behavior. A manageable debt load is one in which the individual is able to keep up with associated debt obligations without experiencing significant stress. Our research indicates that these behaviors affect how easily individuals can raise funds in times of need. While the amount of resources someone could potentially call upon may be difficult to quantify, our research suggests that a person's income, reserves, social network, and access to formal financial services are influential determinants of this potential.

4. **Plan and prioritize** – time horizon for planning, types of goals, action steps towards goals, and confidence in one's financial future.

Improving and maintaining financial health requires active and intentional engagement, including activities such as planning and prioritization. In both India and Kenya, respondents' goals and aspirations revolved around improving economic well-being whether through starting a business, improving shelter, or stabilizing basic resources. These goals require purposeful management of financial resources and reflect both financial circumstances and personality. Prioritization strategies that were observed in both Kenya and India include investing in financial security by "pushing money" into the future and "treading water", when someone prioritizes earning income while struggling to make ends meet.

Our research found a correlation between active financial management, including the length of one's planning horizon, and better financial outcomes, such as savings behavior and ability to raise funds in an emergency. Respondents in India who plan for six months or more were twice as likely to save regularly, and those in both India and Kenya who do so said they could raise emergency funds nearly twice as often as those who do not. Similarly, we found a correlation between income and planning time horizons: the majority of respondents who prioritized immediate needs, such as food and shelter, were on the lowest end of the income spectrum. Measurement of this indicator will, by definition, be subjective and should be examined alongside other indicator data for a complete understanding.

5. Manage and recover from financial shocks – how well a person can leverage financial resources to weather and recover from an economic shock.

Beyond an ability to meet day-to-day needs, a financially healthy individual is prepared for the unexpected. This indicator assesses how well equipped someone is to manage, as well as recover from, a financial shock or emergency. Among lower-income individuals, and those in economies lacking formal safety nets, financial emergencies can have serious long term consequences, derailing otherwise steady financial management. Our research revealed very few respondents in either India or Kenya that possessed formal insurance to protect themselves from unexpected financial expenses and instead relied on their own reserves and their social networks to manage the situation. Of those surveyed, 52% of Indians and 62% of Kenyans said they would find it difficult to come up with a lump sum (measured as 5% of per capita Gross National Income) to meet an emergency. In India, respondents preferred that the source of these funds be savings while in Kenya they more readily borrowed from family or friends.

6. Use an effective range of financial tools – the suite of financial tools respondents use, whether formal or informal, to manage their financial lives.

People use various formal and informal financial tools to execute their financial strategies. This indicator assesses how well an individual can access and use those tools to acquire, move, and store funds as well as and grow their assets. Variety in the types and sources of tools indicates active management of both liquidity and risk. Sources may be formal institutions (banks, microfinance institutions, and mobile money operators), community-based (employers, savings groups, and community credit unions), or individuals (money lenders, savings guards, local merchants, and family and friends). To adequately assess this indicator, surveys should include a context-specific list of sources and tools, both formal and informal.

Four Key Factors in Understanding Financial Health In the Developing World

Our research revealed several external factors that significantly impact financial health in the context of the developing world. To capture and account for them we have added four contextual factors that are specifically for use in a global setting. These contextual factors are intended to interrelate with each other and the primary financial health indicators above, enabling more informed and comprehensive understanding and intervention design.

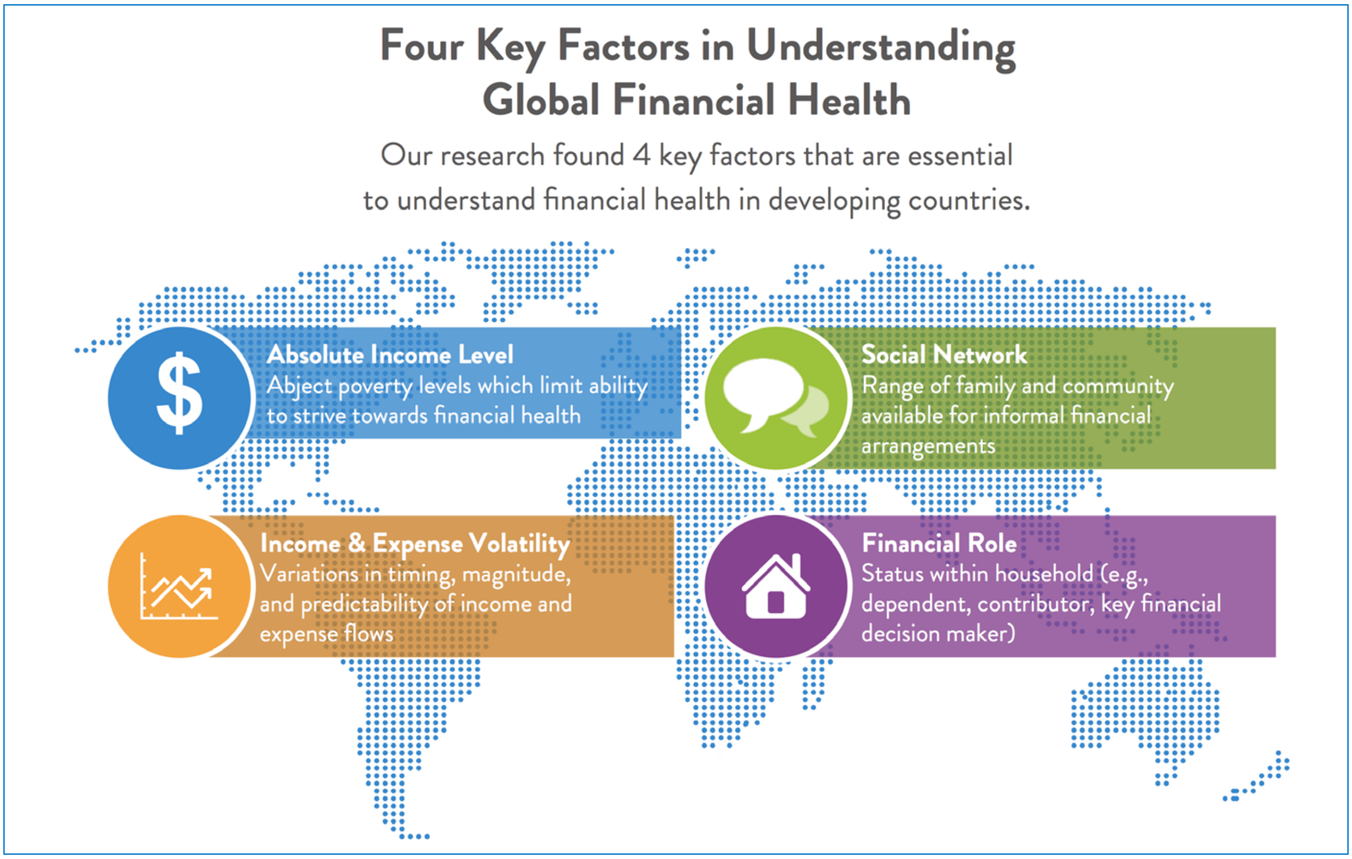
1. **Absolute income level** – respondents in deep poverty have limited bandwidth for financial health.

As part of this framework, absolute income is intended to provide insight into one's relative poverty level. Financial health is difficult to achieve for those in abject poverty, where the focus is on daily survival, not on longer term aspirations. Using the Progress out of Poverty Index, financial health indicators were viewed against the poverty lines in both Kenya and India, which confirmed that a respondent's income has a direct impact on financial activities and outcomes. This factor is not intended to exclude anyone from potential measurement or inclusion, but rather to illuminate additional hurdles they may face. In applications of the overall framework, this factor could be leveraged to provide more nuanced information for intervention design and targeting.

2. **Income and expense volatility** – extent and timing of variations in income and expense flows, including whether they are predictable.

Income volatility, or variations in the amount, cadence, and predictability of incoming cash flows, can make it difficult to manage and plan one's financial life, yet it is a common challenge facing many workers in agricultural and informal sectors. Although basic expenses are usually more predictable than income, there can nonetheless be significant volatility here, too. This factor is categorized as contextual because volatility alone does not lead to poor financial health; however, understanding financial decisions and outcomes within the context of volatility can provide more actionable information to practitioners and policymakers.

Volatility can happen at a country, community, or individual level, with varying degrees of severity.



For example, currency or government instability are forms of systemic volatility, which may impact an entire country or region. This sort of widespread volatility may also impact other contextual factors such as social networks, limiting the cash flows across an individual's community. At an individual level, income volatility may be driven by factors such as employment status or type – multiple jobs and seasonal or ad hoc work are common in the global context. The research conducted in Kenya and India highlights the importance of volatility, revealing that, in both countries, those with high variability of income found it more difficult to meet at least one basic need.

3. **Social network** – range of family, friends, and community contacts available for informal financial arrangements.

Across different cultural contexts, social networks play a significant role in people's financial lives. In times of financial shock, a social network may be able to keep an individual from experiencing significant financial setback. Such relationships often imply reciprocity, with the expectation that if one person helps another, the other will provide support when needed. Consumers in our surveys relied most on their social networks to respond to unexpected expenses like illness in the family or crop failure rather than leaning on the social network for predictable expenses like school fees. Our research found that 64% of those surveyed in India and 55% of those surveyed in Kenya were confident they could turn to friends and family in times of moderate to serious need, and in both places over half of survey respondents said that they could get help from people in other towns or villages. Social networks that span large distances (urban to rural, for example) can mitigate effects from localized shocks (such as flooding, drought, or political crisis).

4. **Financial role** – status within household (e.g., dependent, contributor, key financial decision maker).

Members of a household have different roles in financial decision making. Some are lead decision makers, while others provide input or are co-decision makers, and still others are primarily dependents. In surveys, these roles affect responses. For example, in our research we interviewed members of multi-generational households in rural India in which there was one lead decision maker in households containing several adults. In these households, the members of the family had varying degrees of control over, or knowledge of, the household's financial behavior, decision making, and outcomes. This context is essential in order to understand how much agency an individual has over the primary financial health indicators.

Making Financial Health Actionable

The global financial inclusion field has long focused on access to and usage of financial products. A financial health orientation adds the dimension of consumer outcomes. It helps fill the gap that has existed between the proximate indicators of access and usage and the ultimate goals of improved quality of life. Applied globally, a financial health framework has the potential to create a fundamental shift in the financial inclusion conversation, which could in turn influence the priorities of researchers, financial services providers, and policymakers. The research uncovered modifications that are required to create a globally relevant and well-accepted framework, which can become a compass that guides the field toward the ultimate outcomes that financial services are intended to foster for individuals and families.

Challenges and Limitations

Attempting to create a detailed and specific financial health framework for a concept as broad as the "developing world" presented unique constraints. First, survey data was collected in two different countries, and even then, was not nationally representative of either. Second, formal financial concepts that are generally understood and accepted in a developed world context, such as a credit score or non-mortgage debt, often lack analogous concepts in Kenya, India, or other parts of the developing world. Third, formal financial institutions may lack the necessary infrastructure or reach to collect the breadth and depth of data required for thorough decision making. Finally, conceptually, these indicators and factors had to be meaningful both to practitioners and academics, as well as consumers, through whom data will ultimately have to be collected.

Despite these challenges, CFSI, CFI, and DIG, with support from the Bill & Melinda Gates Foundation, worked to present and introduce the concept of global financial health to researchers, financial services providers, thought-leaders, and academics in the financial inclusion field. Our efforts were met with enthusiasm, insightful consideration, and thoughtful debate. Stakeholders emphasized the need to commit additional resources to develop and test specific and appropriate survey instruments in order to make the framework actionable, gain broad acceptance, and have meaningful influence. Below are examples of potential use cases for different stakeholder groups.

Potential Use Case: Researchers

Researchers have studied many aspects of the financial lives of the poor and their access to and use of financial services. The financial health framework opens new avenues for examination, such as the relationship between formal financial service use and financial health. For example, does access to a loan or mobile bank account actually improve financial health?

Looking ahead, researchers expressed interest in the use of a financial health framework to orient around a common language and focus for investigation, whether international, national, or more regional. Currently, there are a myriad of tools used to measure individuals' financial lives. If we could replace that range of tools with a single, standardized framework that would be applied in a variety of settings, we could compare various populations and open new avenues for research. In the near term, researchers we spoke with are interested both in using their expertise to help construct measurement instruments for the financial health indicators presented here and in re-assessing some existing data in light of the framework.

Potential Use Case: Financial services providers

In the United States, CFSI works with financial services providers to improve financial health through high-quality and consumer-centric products. As part of that process, CFSI has developed methods of measurement to correspond with each of our domestic indicators of financial health to assist financial services providers in better understanding and responding to their clients' financial health needs, challenges, and opportunities.

For global financial services providers, financial health measurement can similarly be a tool for improving product design and strategy development. While it is understood that access to reliable data poses a significant impediment to accurate measurement, it is likely that providers will be prominent consumers of financial health data in the near term. They can use research results to modify product suites, improve functionality, or adapt distribution methods, all with the ultimate goal of both better serving their existing clients, as well as growing their customer base.

Potential Use Case: Policymakers

The financial health framework is likely to be of significant interest to policymakers, who can use it both to gauge the financial health of a country or region's population, as well as to track progress in improving it. The framework could also be useful for understanding the benefits of particular policies, especially in this time of financial inclusion policy experimentation around the world. There is also an opportunity to use the framework as a tool to identify targets for tailored policy intervention and to monitor policy effectiveness. Once the framework is viewed as robust, it is quite likely that a number of governments may want to include financial health in their nationally-representative surveys. With the gaining prominence and adoption of a multidimensional index for poverty measurement, there is a unique opportunity to explore the relationship between financial health and this view of poverty.

Conclusion and Next Steps

Today, a small number of thought-leaders are using financial health as a point of orientation for research and advocacy, though the number is growing as the framework gains traction as a critical component of financial inclusion. CFSI's global financial health framework provides a usable and standardized conceptual structure at precisely the right time for widespread adoption and consensus building. Commitment to, and investment in, an accurate and appropriate survey instrument will breathe life into these indicators, allowing the financial inclusion industry to measure and track the outcomes that create significant improvements to individuals' lives. Financial health is a powerful, meaningful, and actionable framework for consumers not just in the U.S., but around the world.

Appendix – Quantitative Research

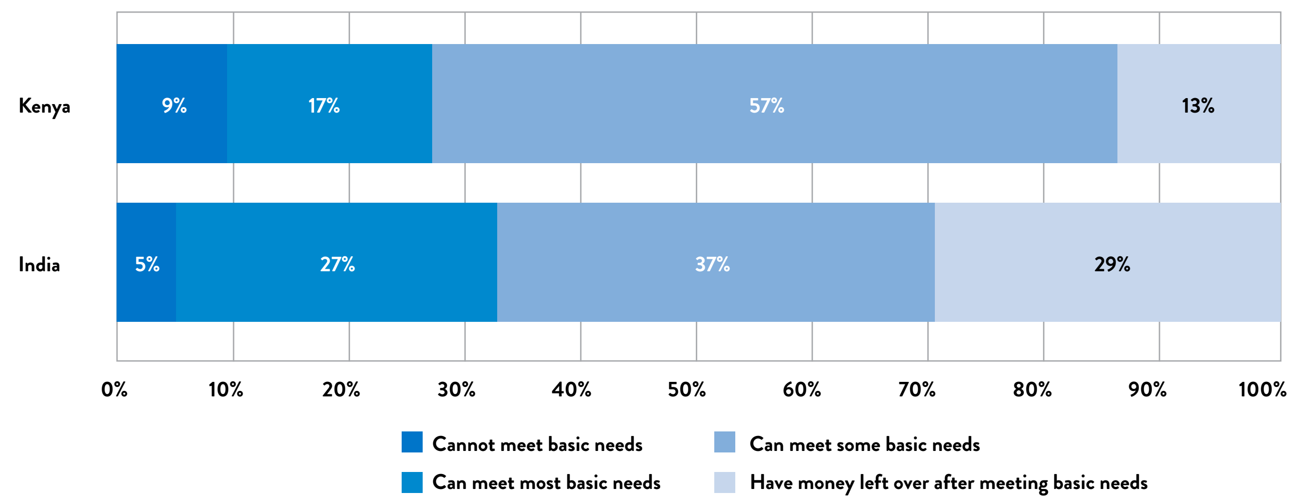
The sample from which these figures are drawn includes rural, urban, and peri-urban populations in India and Kenya. The survey was conducted in the same communities where the qualitative research was undertaken. In Kenya, 12% of respondents earned under US$1.25 per day, 25% between US$1.25 and US$2.50 per day, and 63% above US$2.50 per day. In India, 20% earned under US$1.25 per day, 59% between US$1.25 and US$2.50 per day, and 21% above US$2.50 per day.

While the survey asked primarily about household-level financial health, 50% of the respondents in Kenya and 54% in India were women. In Kenya 52% and in India 42% of respondents identified as themselves as the primary decision maker in their household. Due to the sample size and limited geography the data are not nationally representative.

Financial Health Indicators

Balance income and expenses – success in shaping income and expenditure in order to meet daily needs and financial obligations.

Figure 1: Ability to meet basic needs

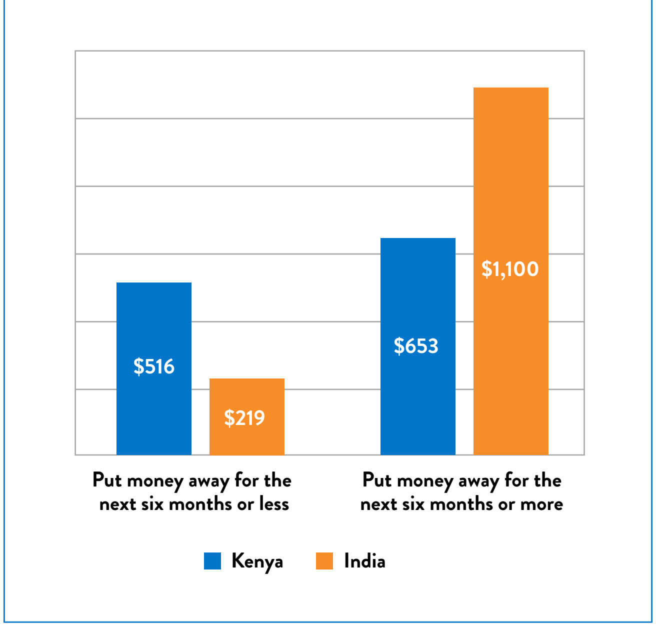


Note: This question was asked at the household level. Basic needs include food, clothing, transportation, and school fees. "Meet some basic needs" indicated enough income for food only. "Meet most basic needs" indicated enough income for food, clothes, and school fees, but not more.

Build and maintain reserves – steady saving and savings replenishment behavior, and the magnitude and liquidity of current reserves, including "economic value" in any form (cash, in-kind, assets, etc).

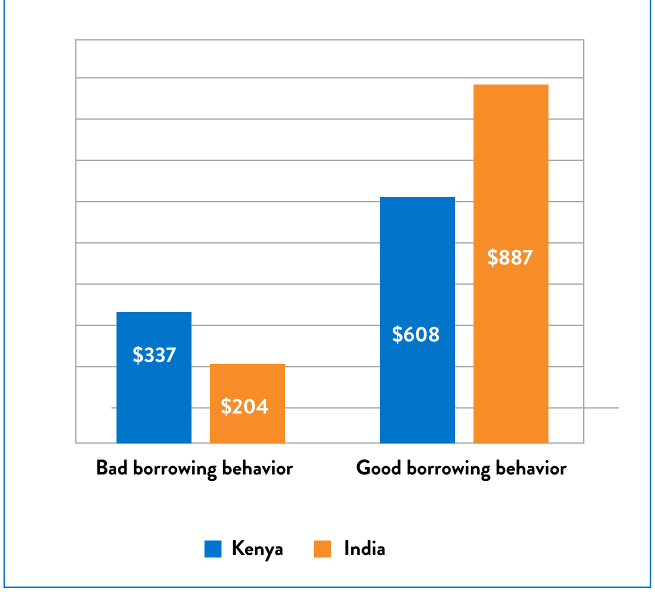
Manage existing debts and has access to potential resources – how manageable current formal and informal debt is, and what resources a person can call upon through formal and informal sources.

Figure 2: Average available funds (US$) by savings horizon



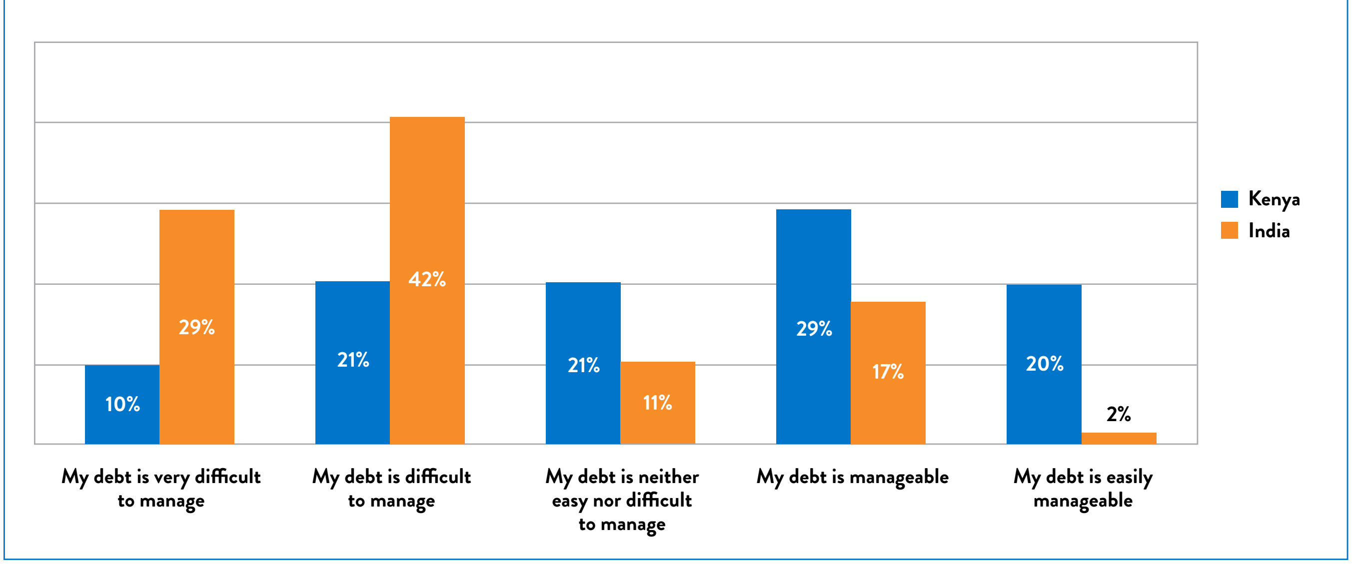
Note: Respondents were asked the amount they could raise in one week, using up all their savings, selling all their assets, and borrowing or taking money from friends, family, community, etc. Respondents were also asked for how long in the future they had "put money away." In Kenya 26% and in India 30% of respondents reported putting money away for the next six months or more.

Figure 3: Average available funds (US$) by borrowing behavior



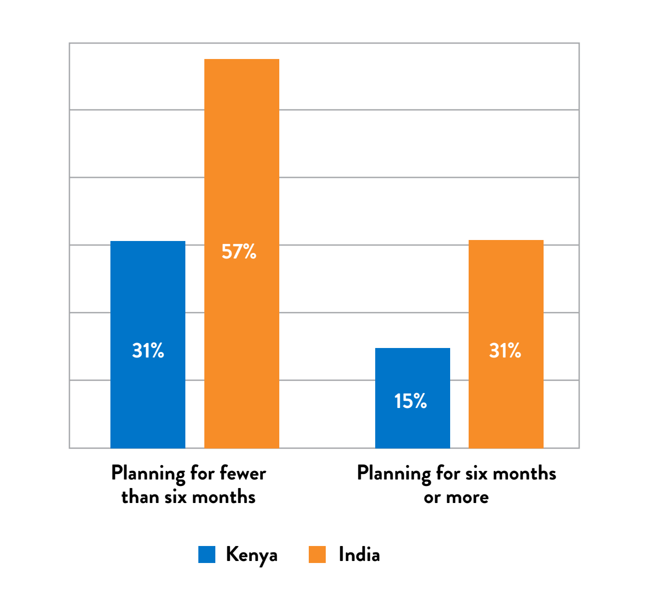
Note: Respondents were asked the amount they could raise in one week, using up all their savings, selling all their assets and borrowing or taking money from friends, family, community, etc. Those who repay in full, in regular instalments, and/or pay within the agreed time period have been categorised as those with "good borrowing behavior." Those who ask for an extension for repayment, fail to repay by the deadline, and/or take loans to repay existing loans have been categorised as those with "poor borrowing behavior." In Kenya 65% and in India 55% reported having good borrowing behavior.

Figure 4: Perceptions about manageability of debt



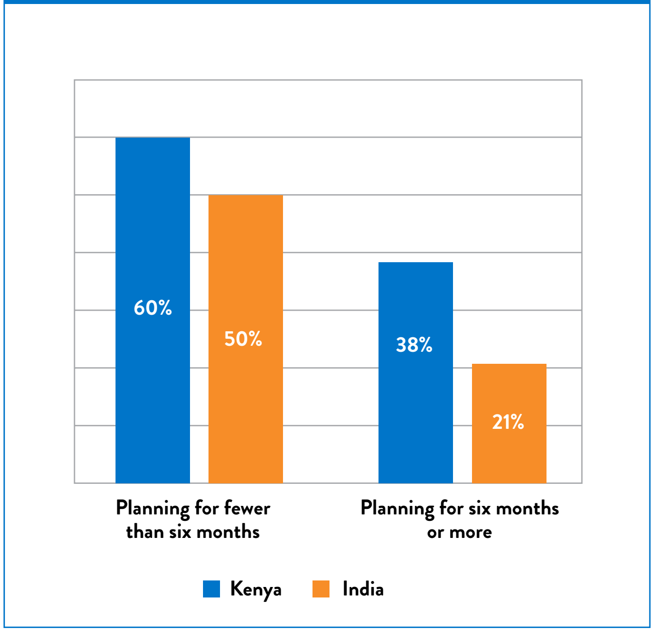
Plan and prioritize – time horizon for planning, types of goals, action steps towards goals, and confidence in one's financial future.

Figure 5: Ability to raise emergency funds by planning horizon



Note: "Emergency funds" was defined as accessing 5% of GNP per capita in one week. Figure includes those who reported it is 'easy' or 'somewhat easy' to raise such funds.

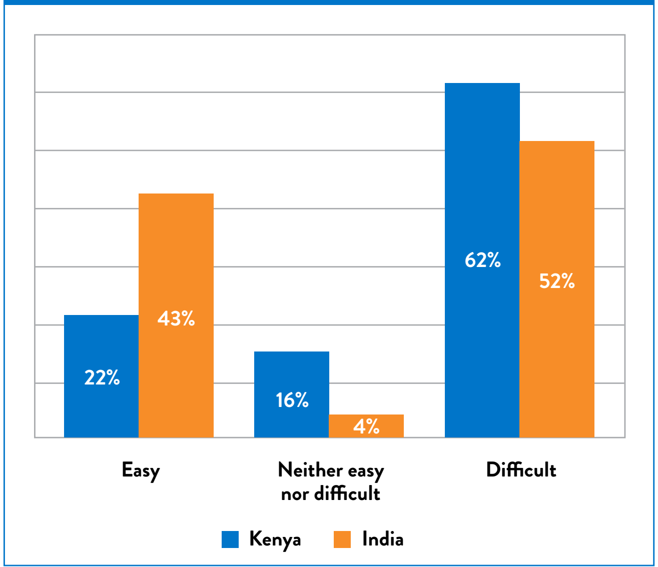
Figure 6: Reported saving by planning horizon



Note: This includes those who selected "I put away (save) whatever money is left over after expenses" or "I put away (save) regularly by putting money aside each day/week/month" when asked "which statement do you agree with the most." In Kenya 46% and in India 49% reported planning for six months or more.

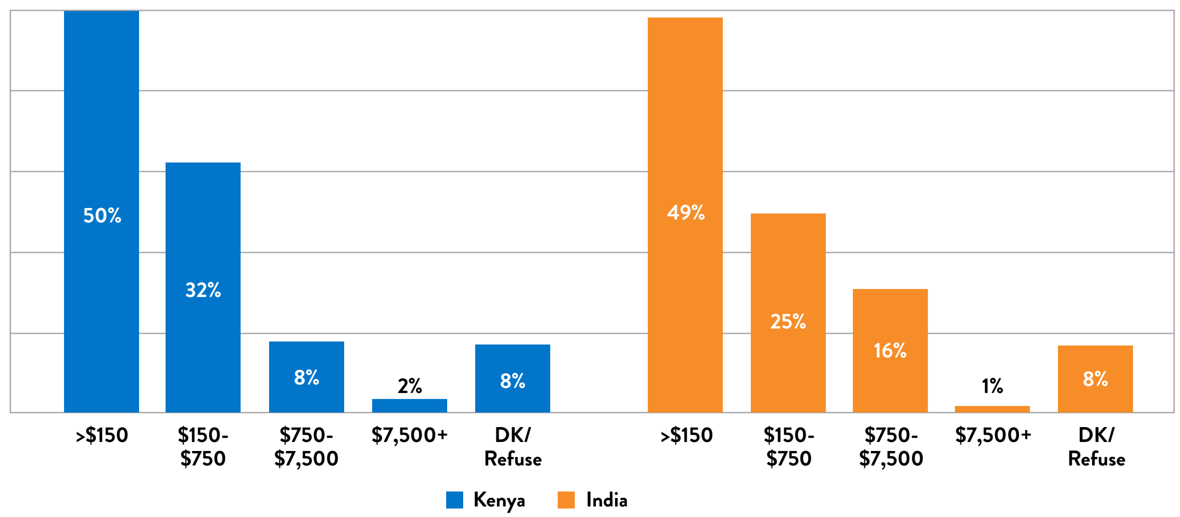
Manage and recover from financial shocks – how well a person can leverage financial resources to weather and recover from an economic shock.

Figure 7: Ease of ability to raise emergency funds



Note: "Emergency funds" was defined as accessing 5% of GNP per capita in one week. "Easy" is defined as those who reported it is 'easy' or 'somewhat easy' to raise such funds.

Figure 8: Amount (US$) that could be raised in a week



Note: Question asked how much the respondent could raise by using up all savings, selling all assets and borrowing or taking money from friends, family, community, etc.

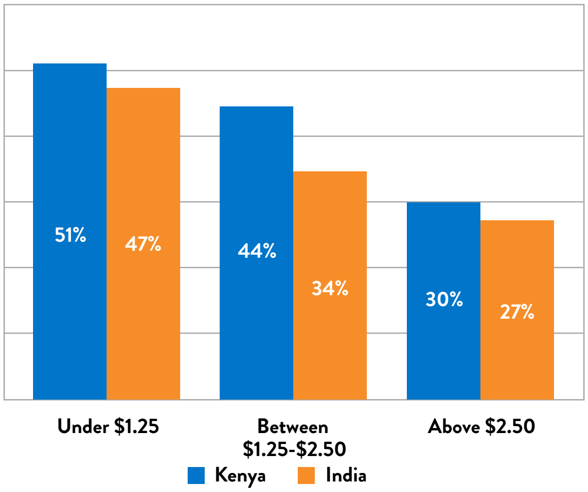
Figure 9: Range of financial services used, from most to least frequently cited

Kenya	India
Mobile money	Bank account
Bank account	Bheeshi/bachat gath/chit fund
ROSCA/chama	Insurance product
Cooperative	Post office account
Insurance product	Cooperative/association
Microfinance loan	Money lender
Money lender	Self-help group
Post office account	Mobile money
Paid money guard	Paid money guard
Pawn broker	Pawn broker

Contextual Factors

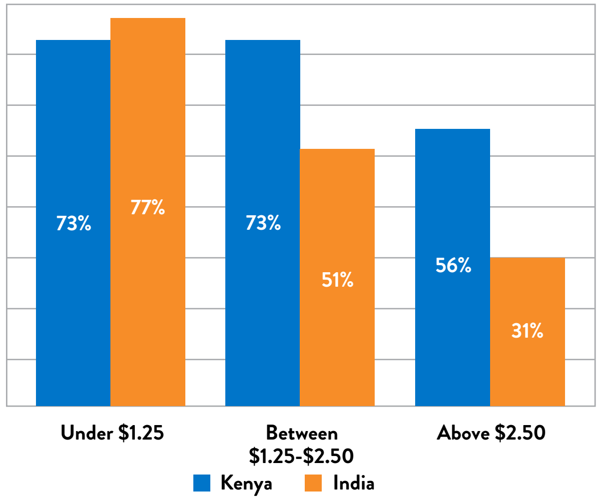
Absolute income level – respondents in deep poverty have limited bandwidth for financial health.

Figure 10: Inability to meet basic needs by daily income level



Note: This question was asked at the household level. Basic needs include food, clothing, transportation, and school fees. In Kenya, 12% of respondents earned under US$1.25 per day, 25% between US$1.25 and US$2.50 per day, and 63% above US$2.50 per day. In India, 20% earned under US$1.25 per day, 59% between US$1.25 and US$2.50 per day, and 21% above US$2.50 per day.

Figure 11: Difficulty in raising emergency funds by daily income level



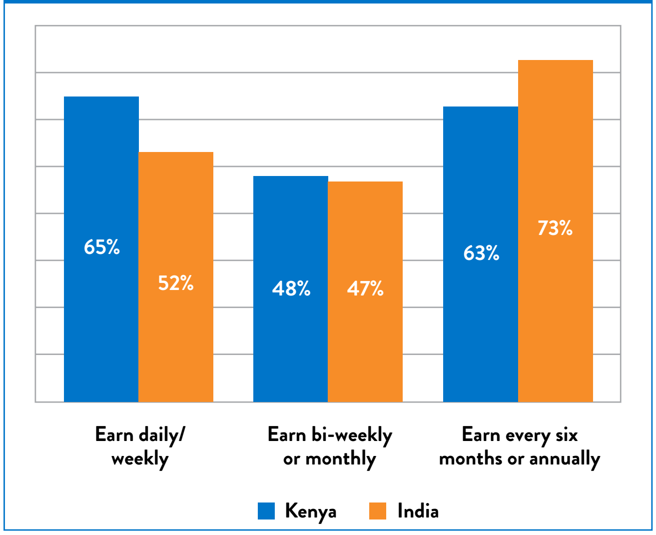
Note: "Emergency funds" was defined as accessing 5% of GNP per capita in one week. In Kenya, 12% of respondents earned under US$1.25 per day, 25% between US$1.25 and US$2.50 per day, and 63% above US$2.50 per day. In India, 20% earned under US$1.25 per day, 59% between US$1.25 and US$2.50 per day, and 21% above US$2.50 per day.

Income and expense volatility – extent and timing of variations in income and expense flows, including whether they are predictable.

Figure 12: Struggling to meet at least one basic need by income variability

Note: Basic needs include food, clothing, transportation, and school fees. Variability refers to the volume of income when it arrives, with "low variability" indicating income is roughly the same most months and "high variability" indicating income varies quite a bit from month to month or season to season. In Kenya 27% and in India 55% reported high variability of income.

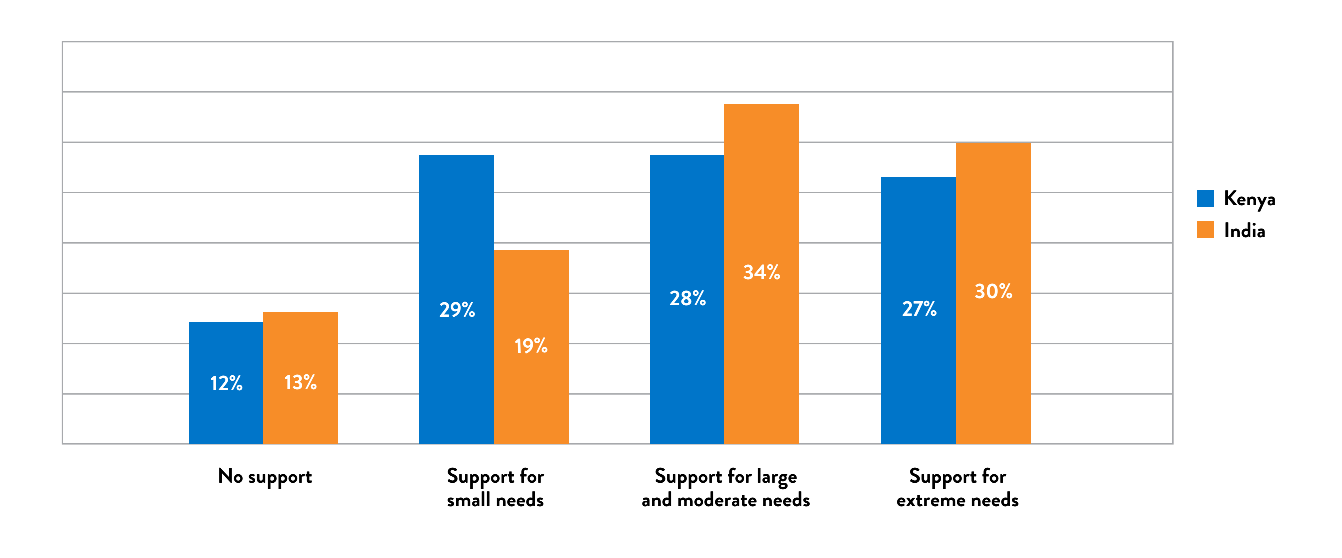
Figure 13: Struggling to meet at least one basic need by income frequency



Note: Basic needs include food, clothing, transportation, and school fees. Timing of income reflects the frequency of the main source of income. Those earning daily tend to be wage laborers, while a high proportion of salaried individuals earn monthly, and farmers earn once every six months.

Social network – range of family, friends and community contacts available for informal financial arrangements.

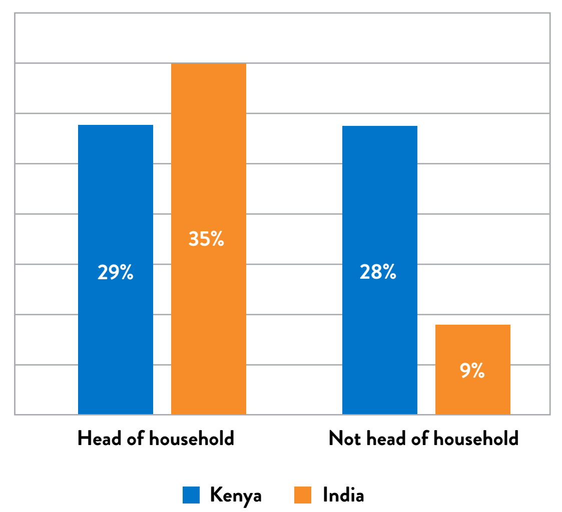
Figure 14: Volume of support from social network



Note: Social network includes family, friends, and community.

Financial role – Status within household (e.g., dependent, contributor, key financial decision maker).

Figure 15: Satisfaction with current financial situation by respondent household status



Note: Respondents categorized as "head of household" are the primary decision maker. "Satisfied" includes "completely," "very well," and "somewhat." In Kenya 52% and in India 42% of respondents identified themselves as the primary decision maker in their household.

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