



# Financial health synthesis

## Terms of reference

Synthesis of the financial health literature

October 2019



Established by



## **Authors**

insight2impact

## **About insight2impact**

insight2impact is a resource centre that aims to catalyse the provision and use of data by private and public-sector actors to improve financial inclusion through evidence-based, data-driven policies and client-centric product design.

insight2impact is funded by the Bill & Melinda Gates Foundation in partnership with The MasterCard Foundation.

## **For more information**

Visit our website at [www.i2ifacility.org](http://www.i2ifacility.org).

Email Mari-Lise du Preez (insight2impact's Partnerships Manager) at [mari-lise@i2ifacility.org](mailto:mari-lise@i2ifacility.org).

Call us on +27 21 913 9510.



# Contents

- 1. Background.....2
- 2. Measuring financial health .....2
- 3. Objective of the assignment .....3
- 4. Scope of work.....4
- 5. Project Management.....6
- 6. Proposal.....6

## 1. Background

insight2impact is seeking an individual or firm to synthesise existing learning and best practice on the concept and measurement of financial health. The purpose of this synthesis is to identify one or more key indicators of financial health, for adoption within our Financial Needs (FinNeeds) measurement framework. This synthesis will be used to influence the measurement of financial health by policy makers in developing and emerging markets.

insight2impact is a resource centre that generates insights from data to inform smarter public policies in financial inclusion. Over the last four years, it has developed a financial needs measurement framework, and tested it through analysis of demand-side survey and transaction data from several countries. This has generated customer-centric insights and new metrics on financial inclusion. The findings and indicators have been shared widely with public policy makers, through the Alliance for Financial Inclusion (AFI) and key stakeholders in each of the pilot countries. insight2impact is funded by the Bill & Melinda Gates Foundation and Mastercard Foundation and is co-hosted by Cenfri and FinMark Trust.

The financial needs (FinNeeds) measurement framework is based on an understanding that financial services are used to meet an underlying financial need. The four fundamental financial needs for which people use financial services are to: transfer value, remain liquid, be resilient in the face of a shock and meet life or business goals. All types of use cases can fit into these needs. Core to the measurement framework is understanding the outcomes of financial service usage on people's lives: is financial inclusion meeting people's needs?

The insights from our FinNeeds analysis raised questions about whether financial inclusion is making a difference to people's financial lives more broadly, independent of specific financial needs. Is it building welfare? These questions link to the broader discourse around financial health and financial wellbeing that has been the focus of much research attention in recent years. Several organisations have done extensive work to develop conceptual frameworks, defined and tested indicators for financial health and related concepts such as financial well-being or financial control, applying robust survey analysis and statistical techniques. These include: Innovations for Poverty Action (IPA), the Centre for Financial Inclusion (CFI), the Financial Health Network, the Consumer Financial Protection Bureau (CFPB), the Metlife Foundation and Bankable Frontier Associates (BFA).

## 2. Measuring financial health

CFI and the Financial Health Network define financial health as the access to financial services that build long term resilience and opportunity. A person's financial health is impacted not only by financial service usage, but also by their behaviours and circumstances, including, importantly, a person's income and social support network. Financial health and well-being cuts across insight2impact's FinNeeds categories; being financially healthy means that you can manage your day to day liquidity, respond to and recover from shocks, and plan ahead. Various financial behaviours and usage drivers, such as living within your means or your propensity to save, shape financial health, regardless of

the underlying financial need. The conceptual frameworks developed by these organisations have been used by IPA to test relevant financial health indicators that can be used to produce a standardised set of metrics that are applicable in different country contexts. Thus, there are a number of potential financial health, control or well-being indicators that are ready or close to ready for wider adoption by policy makers.

In addition to this work, CFI is also developing a framework for assessing the financial health of small and microenterprises and their households. The Financial Health Network has initiated an annual nationally representative longitudinal panel survey on financial health in the USA (currently in its second year). As part of this survey, respondents can opt into further analysis which links to their transactional accounts, allowing for comparison between survey and transactional data.

The Consumer Financial Protection Bureau (CFPB) explored the concept of financial wellbeing from a regulatory standpoint. It developed a financial wellbeing scale using cognitive interviewing techniques to establish reliable and valid measures of financial wellbeing. They define financial wellbeing as the ability to meet current and ongoing financial obligations, a sense of security about the future and the availability of choices to lead an enjoyable life. These components are encompassed in a publicly available survey instrument that can be used to measure financial wellbeing. Their index on financial wellbeing showed that subjective perceptions on financial wellbeing are well-correlated with reality.

The Metlife Foundation worked with Gallup on a global financial health survey (run as part of the Gallup World Poll) that covered 15 000 respondents across 10 countries (Bangladesh, Chile, Colombia, Greece, Japan, Kenya, South Korea, the US, the UK and Vietnam). The survey identified people's perceptions on the extent to which they can influence their financial situation (or financial control) as a key indicator. The Metlife Foundation is also working with BFA to track the financial health impact of digitisation. It currently runs a project in Mexico focusing on digitising cooperatives, with a focus on financial health from the outset. BFA has also done some work on the impact of financial inclusion and the SDGs, which includes a link to financial health, with UNCDF Zambia and the UNCDF Pacific Financial Inclusion Programme.

### **3. Objective of the assignment**

insight2impact aims to synthesize the existing work on financial health and identify one or more key indicators for financial health that are useful to financial sector policymakers and development practitioners and can be applied across multiple countries and contexts. The indicator(s) would be included in the FinNeeds measurement framework and accompanying toolkit. This would be disseminated through our network of policymakers and stakeholders for public good during the final months of the programme.

The objectives of this assignment are to:

- Compile and review the current literature and available learning on financial health;

- Engage with the key organisations to capture more detailed learnings or not-yet-published findings;
- Develop a synthesized conceptual framework on financial health that will assist public policy-makers to understand it;
- Recommend one or more indicators of financial health that can be adopted within the FinNeeds measurement framework, along with a guidance note for decision makers to identify which indicator(s) is most appropriate for their context.

## 4. Scope of work

insight2impact will share with the service provider all literature gathered to date on financial health plus additional materials such as notes from meetings with key stakeholders. In addition, insight2impact will share its FinNeeds measurement framework and other important products related to the assignment. The service provider will create a cloud-based shared folder, for open access by the insight2impact team.

insight2impact will provide conceptual and strategic leadership in the collaboration, while the service provider will be responsible for the following:

### Phase 1

- **Develop an analytical framework** for the review, to organize the compilation and review process. The framework will be developed in consultation with the insight2impact team and must be approved by the insight2impact Lead before proceeding further.
- **Compile and organise the literature** on financial health and wellbeing, covering all the work available by research organisations and the relevant academic papers that have been published. This will include domestic travel to key organisations or telephone interviews to gather more in depth and up to date learnings on financial health. The service provider will include:
  - Important origins and definitions of financial health/wellbeing;
  - Frameworks describing financial health/wellbeing, plus their origins and motivations;
  - Organisations or individuals who have conducted research on financial health/wellbeing; and
  - A bibliography, using the insight2impact format, covering all sources consulted.

### Phase 2

- **Synthesize the literature** into a coherent framework relevant for public policymakers. The service provider will:

- Compare the conceptual advantages and disadvantages of the different frameworks and definitions, and practical limitations in implementation geographically and socio-economically, as well as cost and data availability;
  - Discuss where the measurement frameworks have been applied and whether there is any evidence of success; and
  - Synthesize the key aspects of the frameworks, highlighting the most relevant indicator(s), for insight2impact to create a measurement framework that is relevant for stakeholders, with a focus on policy makers and regulators in developing countries. The measurement framework should be developed in line with the insight2impact [guidance](#) on measurement frameworks, clearly stating the:
    - Objective, or goal of the measuring exercise
    - Condition, which is to be measured
    - Theory, which clearly explains the link between the condition and the objective, what the manifestations of the condition are and why the indicators provide an accurate reflection of the condition
    - Indicators that need to be measured to measure the condition accurately
    - Data that is required to populate the indicators
- **Present progress on a regular basis** to take the insight2impact team along on this journey by producing iterative rounds of analysis and synthesis for discussion. For each working session, the service provider will share the slide deck in advance.
  - **Write a synthesis note** capturing the findings of the analysis, for external publication (20 pages excluding annexures). The insight2impact team would like to explore the possibility with the service provider of converting the note into a paper for publication in a relevant academic journal.
  - **Produce a final slide deck** of the findings, presented digitally to the insight2impact team and then in person at a convening of key stakeholders in the USA.
  - **Create up to three additional written documents** with a maximum length of five pages each, which may take the form of a blog, technical note or other knowledge product, based on the analysis<sup>1</sup>.

insight2impact will organise and manage the convening of stakeholders and dissemination of the insights and outputs. The service provider will be required to attend in person.

It is anticipated that no travel outside the USA will be required. Travel to meetings within the USA will be limited to agreed organisations and to the convening (likely in Washington DC). The policies and costs for travel will be covered in a separate addendum.

---

<sup>1</sup> Format to be determined by the insight2impact team

## 5. Project Management

The service provider will report directly to the insight2impact Lead or a person designated by the Lead.

Due to time pressure given the remaining term of insight2impact, the timeline for the project will be constrained to three months for the literature review and synthesis, with 29 February 2020 for all services included under the agreement. However, the convening may be scheduled at a somewhat later date.

An advisory group will be put together to provide guidance to the service provider, composed of representatives from various backgrounds. The service provider will be required to engage in online calls with the advisory group and the insight2impact team.

## 6. Proposal

The service provider should provide a proposal of no more than five pages which includes the following:

- A brief overview of the service provider's experience in financial inclusion or the financial sector more broadly, experience with evaluation methodology and the measurement of financial services impact, and experience with financial health/wellness, where applicable.
- A description of how the service provider will approach the assignment and his or her ability to develop analytical frameworks and make conceptual contributions to the insight2impact measurement frameworks.
- If possible, include examples of similar projects conducted by the service provider
- A timeline and detailed costing, assuming a start date of 12th November 2019
  - Travel and other expenses will be covered on an actual expense basis and must be in line with insight2impact expenses policy and will require prior approval
- The CVs of all team members (not included in the five pages).

A US presence is preferred. This project is well suited to an individual consultant, but proposals from companies based on a small team centred on a strong individual will also be considered.

**Submission:** Proposals to be submitted to Isabelle Carboni at [isabelle@i2ifacility.org](mailto:isabelle@i2ifacility.org) by close of business, 20 November 2019. Insight2impact intends to notify the selected service provider by 29 November 2019. Questions can be directed to the same email address, or to Wicus Coetzee at [wicus@i2ifacility.org](mailto:wicus@i2ifacility.org) before 20 November 2019.



# How to find us

Get involved. Contact us.

+27 21 913 9510  
[i2ifacility.org](http://i2ifacility.org)



Established by



Sponsored by

BILL & MELINDA  
GATES *foundation*

