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Measuring Financial Health around the Globe

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Measuring Financial Health around the Globe

There is a lack of consensus between different researchers and organizations on how exactly to define and measure financial health. As a result, it is difficult to understand the relative impact of different policies and interventions on improving financial health, as the way progress is measured will vary from case to case. This paper proposes a solution to this problem by introducing a quantitative measurement tool for financial health. The tool can be adopted globally to benchmark progress on financial health as well as to better understand the impact of specific policy interventions and product solutions. As part of this tool, we

propose three primary concepts that encompass financial health: Access-to-Funds, which is a final outcome construct, and Access-to-Finance and Financial Behavior, which are intermediate constructs that each incorporate several components. Between 2018 and 2019, IPA tested this measurement tool in eight countries: Afghanistan, Bangladesh, Colombia, the Dominican Republic, Ghana, Peru, the Philippines, and Uganda. This paper describes the response patterns in the data from these eight countries, as well as correlations between our Access-to-Funds questions and our Access-to-Finance and Financial Behavior questions. The behavior and access questions explain a non-trivial part of the variation in Access-to-Funds, even after controlling for demographic and socio-economic variables.

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