Financial health in review: current practices in different financial authorities[1]

Executive summary

This paper presents a stocktake of how national financial authorities are approaching financial health. It does not offer recommendations but aims to share insights from seven financial sector authorities, spanning both advanced economies (AEs) and emerging market and developing economies (EMDEs), to support peer learning and inform future discussion and efforts.

Financial health – or financial well-being[2] – is a multidimensional concept, which is related to financial inclusion but goes beyond. The working definition developed under the G20 Global Partnership for Financial Inclusion (GPFI) provides the four dimensions of people's financial well-being as "a state in which (1) individuals are able to smoothly manage their financial needs and obligations, (2) can cope with negative shocks, (3) can pursue aspirations, goals and capture opportunities, and (4) feel satisfied and confident about their financial lives, keeping in mind country specific circumstances".[3] Many factors influence financial health, including a broad range of policies, from macroeconomics to financial regulation. While related to financial inclusion, consumer protection and financial literacy, financial health goes beyond access and capability – financial health focuses on real-life outcomes and well-being.

While financial inclusion, regulation and consumer education are key interconnected pillars, financial health also depends on broader socioeconomic and behavioural factors. Financial inclusion ensures access and use of services; regulation provides safeguards; and education enhances financial capability. Inclusion alone does not guarantee well-being. It has to be supported by effective financial regulations that address market failures and reduce risks that threaten consumers and financial stability. It also needs to be complemented by financial education to help consumers make better financial choices. A comprehensive financial health approach enables authorities to assess well-being across multiple dimensions and guide targeted interventions. In resource-constrained settings, existing tools – such as prudential and consumer protection frameworks and financial inclusion and literacy strategies – can be leveraged to promote financial health effectively.

Growing complexity in financial systems and rapid innovation have made financial health increasingly relevant. Consumers face a wide array of products and delivery channels, yet many lack the expertise to make informed decisions. Financial education is essential to build capability, but it cannot keep pace with the demands of innovation alone. A combined approach, integrating education with strong consumer protection and effective prudential regulation, is necessary to foster financial health. Regulatory frameworks must address market imperfections, such as inappropriate business conduct or systemic risks, which can undermine consumer well-being even when access is available. For financial inclusion to yield meaningful development outcomes, consumers must be able to assess the risks and benefits of innovative financial services, which must be delivered in a secure, transparent and equitable manner.

Financial health has gained prominence in global policy agenda, including the GPFI Financial Inclusion Action Plan, the Brazilian G20 Presidency and updated Organisation for

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2 The terms financial health and financial well-being are used interchangeably throughout this paper.

3 G20 GPFI (2024).

Economic Co-operation and Development (OECD) principles. The GPFI 2023 Financial Inclusion Action Plan notes that financial well-being is an outcome of advancing quality financial inclusion, and the 2024 Brazilian G20 Presidency elevated financial well-being as its core priority. Financial well-being is also a cross-cutting theme in the updated G20/OECD High-Level Principles on Financial Consumer Protection and is an explicitly ascribed goal of financial literacy policies and programmes in the OECD recommendation on financial literacy. Moreover, in 2024, the mandate of the United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA) evolved from financial inclusion to financial health.

This paper draws on desk research and interviews with seven national financial authorities to understand how financial health is being defined, measured and integrated into policy frameworks, highlighting differences and commonalities in their approaches. Some key observations emerged from this stocktake of country experiences:

- Many financial authorities have a single financial health or well-being score, while others look at multiple measures. In both cases, the scores and measures are meant to capture the different dimensions of financial health covered in authorities' definitions. All authorities use both subjective and objective elements in assessing financial health, but the balance of these elements differs.
- While data collection and monitoring for all financial authorities are based on surveys, the frequency and the scale of the surveys vary, consequently affecting the depth, quality and comparability of the data. Financial authorities also described different challenges in their data collection and monitoring efforts, many of which reflect their institutional and jurisdictional contexts.
- Information on financial health has enabled programme and policy interventions that focus on targeted consumer education and protection, and some authorities are thinking of other potential uses. These include leveraging financial health data to enhance financial institution's internal processes, including customer risk assessments and the strategic marketing of products and services. Financial health data can also strengthen consumer protection regulation, influence prudential regulation and provide supervisory insights to institutional risk-taking, identifying potential misconduct and anticompetitive behaviour.
- Financial health data gives regulators a people-centred perspective, highlighting that risks in the financial system directly affect individuals and, conversely, individuals' behaviours and circumstances can influence financial stability.

As international efforts on financial health continue to evolve, there is growing opportunity to assess how these frameworks and metrics are being applied in both AEs and EMDEs. Countries are increasingly linking a few narrowly defined financial health indicators to financial sector policies. Standardised – yet locally adaptable – metrics may inform prudential and consumer protection policies, financial education strategies and other financial inclusion initiatives. At the same time, challenges with survey-based data will need to be considered. For financial authorities and policymakers, this presents an opportunity to better identify financial vulnerabilities, increase the quality of financial products and services, target interventions and monitor progress. Improving financial well-being requires a holistic approach where financial institutions, regulatory bodies, non-financial authorities and civil society actors work together towards common goals. By advancing common definitions, measurement approaches and a growing catalogue of policy actions, the international community can share best practices, foster innovation and strengthen financial well-being globally.