CGAP

UNSGSA
UNITED NATIONS SECRETARY-GENERAL'S SPECIAL ADVOCATE FOR FINANCIAL HEALTH

HIGH-LEVEL NOTE

Measuring Financial Health: Why It Matters for Financial Sector Authorities and How to Begin

Financial Health as a Complementary Lens to Policy and Supervision

In 2024, members of the G20 Global Partnership for Financial Inclusion (GPFI) agreed on a working definition of financial well-being—used interchangeably here with financial health—and called on financial sector authorities (FSAs) and other stakeholders, including researchers, funders, and financial institutions, to measure it more systematically. This represents an important evolution in how the performance of financial systems is assessed. While FSAs have long monitored indicators of financial stability, market conduct, financial inclusion, and market development, these metrics do not necessarily reveal whether individuals and households are becoming more financially secure, resilient, and able to pursue their financial goals.

The G20/GPFI working definition of financial well-being (2024)

"Financial well-being can generally be described as a state in which individuals are able to smoothly manage their financial needs and obligations, can cope with negative shocks, can pursue aspirations, goals and capture opportunities, and feel satisfied and confident about their financial lives, keeping in mind country-specific circumstances." (GPFI 2024)

Financial health provides a complementary lens focused on outcomes for customers. It helps answer a fundamental question tied closely to multiple FSA mandates: *Is the financial sector delivering value for the people it serves?* To be clear, ensuring positive financial health outcomes sits outside FSAs' direct accountability line, and monitoring financial health does not replace existing supervisory and policy objectives. Rather, it provides an additional evidence base that strengthens them—offering insight into how financial systems, markets, and financial services are affecting the financial lives of consumers and households, and capturing whether the financial sector is not just functioning, but serving people.

Evidence from multiple countries shows that financial services can strengthen resilience and support economic opportunity, but can also contribute to over-indebtedness, financial stress, fraud losses, and persistent vulnerability among some segments of the population. These effects are often uneven across income groups, gender, age, geography, and product types, and are not fully visible in

traditional supervisory data. If FSAs cannot see them, they cannot assess whether their policies are working or for whom. With a financial health lens, FSAs would be better able to assess whether the financial sector is contributing to resilience and better outcomes, while also detecting emerging vulnerabilities early, from the household level to firms.

Much of the data needed for this enriched picture already sits within FSA systems: savings buffers, loan repayment patterns, debt burdens, overdraft incidences, and insurance coverage are all visible, to varying degrees, in regulatory reports and national surveys FSAs already use. What a financial health lens offers is a framework for connecting that data into a coherent, outcomes-focused picture of how financial services are empowering and strengthening the financial resilience of individuals and households.

The Case for Financial Health Measurement

Household-level financial health measurement gives FSAs three capabilities that traditional data streams and analysis alone do not support:

- **Used diagnostically**, it reveals the types and degrees of vulnerability different population segments face, including where these overlap, such as being in debt arrears, being uninsured, or without savings. Measurement turns a diffuse concern into precise, disaggregated evidence for policy and regulatory priority-setting.
- **Used to evaluate interventions**, it can help assess whether a regulation, program, or policy change leads to intended outcomes or unintended consequences for customers. For example, whether account-opening regulations are associated with genuine improvements in one's day-to-day financial management, or whether greater financial access leads to increased formal debt without strengthening household resilience. Causal attribution, however, requires a credible evaluation design.
- **Used as an early warning tool**, it can detect rising stress—growing debt burdens, depleted savings buffers, or fraud losses—among customers of specific institutions, products, or channels before harm surfaces in prudential ratios and market monitoring tools, enabling earlier and more targeted supervisory action.

Approximately 25% of the 90 member institutions of the Alliance for Financial Inclusion (AFI) are already measuring household financial health in some form. Yet in a 2025 stocktake of seven FSAs measuring financial health, the Financial Stability Institute (FSI) of the Bank for International Settlements (BIS) found that differences in definitions, survey designs, and data sources limit cross-country learning (Iravantchi et al. 2025). When FSAs use broadly comparable frameworks, findings can be examined side by side, making it possible, for example, to identify whether a product or practice is associated with household harm in multiple markets or, conversely, which products, practices, and policies are improving financial health outcomes. A common framework need not mean a rigid template; its value lies precisely in allowing FSAs to adopt shared indicators (consensus on what to

measure) while providing flexibility in how to measure it, depending on data availability and country context.

The three use cases described above do not require a new financial health mandate. Rather, they apply a complementary, outcomes-focused lens to the existing mandates of FSAs. Financial health measurement reveals how regulatory interventions, financial inclusion policies, and supervisory actions are landing at the household level—whether they are improving people's financial lives or generating unintended consequences. Financial health outcomes are shaped by factors well beyond an FSA's control: income levels, employment, housing costs, and macro-economic conditions. Measuring financial health does not imply FSAs are accountable for those factors. Instead, it provides evidence to assess whether the policies, regulations, and supervisory actions FSAs are responsible for are improving outcomes for the people they exist to serve.

A Financial Health Measurement Framework

The CGAP Financial Health Measurement Framework (Nielsen et al. 2026) offers an indicative structure to translate the G20/GPFI definition of financial well-being into six constructs and 17 indicators, using administrative regulatory data, demand-side surveys, or both. Developed by CGAP in close coordination with the Office of the United Nations Secretary-General's Special Advocate for Financial Health (UNSGSA), the framework is the result of a systematic review of 71 existing financial health and well-being measurement initiatives, more than 100 consultations over nine months, and a pilot with the National Bank of Rwanda that applied administrative regulatory data. The framework draws on indicators from existing measurement initiatives, adapted to reflect what FSAs can realistically monitor. It complements established global survey instruments, notably the Organisation for Economic Co-operation and Development (OECD) and International Network on Financial Education (INFE) *Toolkit for Measuring Financial Literacy and Financial Inclusion* and *The Global Findex Database 2025*.

The framework should be viewed as an indicative, high-level starting point rather than a fully standardized measurement architecture. Indicator definitions, reporting specifications, and data approaches are still evolving, and further country-level testing and cross-country validation will be needed. Early piloting, including with the National Bank of Rwanda, suggests that existing regulatory data can generate useful insights while also highlighting practical challenges related to data availability, quality, granularity, reporting definitions, and institutional capacity.

What distinguishes the framework is twofold. First, it provides guidance on measuring indicators from both regulatory and survey data sources, recognizing that they bring complementary strengths to the analysis. Second, it is modular. Authorities can start with the indicators their data environment already supports and expand them over time. It is designed to be analytically useful for FSAs, helping them

understand where financial vulnerability is concentrated, whether interventions are working, and whether risks are emerging in key market segments before they surface in supervisory aggregates.

FSAs do not need to measure all 17 indicators before they begin. The framework is designed to expand as data systems and analytical capacity develop. Administrative data offer broad coverage, high frequency, and objectivity at a low cost, but only capture behaviors visible within the formal financial system. Survey data capture informal economic activity and the subjective dimensions of financial health, but at greater expense and lower frequency.

TABLE 1. **The Financial Health Measurement Framework**

G20/GPFI Financial Health Dimension	Measurement Constructs	CGAP Indicator
Able to smoothly manage financial needs and obligations	**Pays for basic needs without significant financial or material strain**	1. Positive net cash flow (+) 2. Material deprivation (-) 3. Bills in arrears (-) 4. Account overdrafts and/or nonsufficient funds events (-)
	Uses financial services without incurring financial loss from fraud or misconduct	5. Financial loss due to fraud or deception (-)
	Has a sustainable debt load and repays loan obligations	6. Debt in arrears or delinquency (-) 7. Debt service-to-income ratio (+)
Able to cope with negative shocks	**Has resources to cover unexpected expenses**	8. Reliable access to emergency funds (+) 9. Liquid savings (cash) buffer (+) 10. Active insurance coverage (+)
Able to pursue aspirations and goals and to capture opportunities	**Participates in long-term savings and/or investments**	11. Long-term saving and/or financial asset accumulation (+) 12. Investment in long-term productive and/or physical assets (+) 13. Pension or retirement account holder (+)
Feels satisfied and confident about financial life	**Has financial confidence, control, and satisfaction**	14. Satisfaction with financial situation (present state) (+) 15. Perceived financial control (agency/locus of control) (+) 16. Confidence in future financial outlook (expectations/optimism) (+) 17. Financial stress or worry (emotional burden) (-)

Note: The symbols after each indicator name denote whether the indicator represents a positive (+) or negative (-) in relationship to the construct.

Source: (Nielsen et al. 2026)

From Commitment to Action

Many FSAs already have much of the data they need to begin. The immediate task is not to build a new data system but to use and share existing data differently. Leadership can start by commissioning an assessment that establishes whether and how existing data can be used to generate the indicators in this framework. Early piloting shows that even an initial, imperfect attempt is valuable, revealing, for instance, data-quality issues that routine supervisory reporting had not detected. Measuring financial health also helps describe outcomes of the policies and services FSAs are directly responsible for, as well as factors beyond FSA control, such as income, employment, and social protection. As the FSI-BIS stocktake makes clear (Iravantchi et al. 2025), improving financial well-being requires financial institutions, regulatory bodies, non-financial authorities, and civil society to work together. Publishing that evidence is an FSA's contribution to that shared effort, not a claim of responsibility. For FSA leadership, this translates into three concrete commitments:

Commit *Now*	**Commission** *Within one year*	**Embed and share** *Ongoing*
Endorse financial health measurement as part of your FSA's policy and analytical agenda, aligned with the 2024 *G20 Policy Note on Financial Well-being* and the broader goal of understanding whether the financial system is helping improve customer outcomes and serve the people who use it in positive ways.	Direct technical teams to assess existing data against the framework, undertake an initial financial health baseline, ensure that the findings help inform policy and oversight discussions within your institution, and share them with peers to promote global learning. Engage in dialogue with government and other relevant national authorities to promote a national financial health agenda.	Integrate financial health data into regular policy and supervisory cycles, using it to diagnose financial health across market segments, to evaluate whether interventions are working for individuals and households, and to detect emerging risks. Share findings with national and global communities of practice to build the cumulative evidence base the field needs.

A Call to Action

CGAP and the Office of the UNSGSA call on all FSAs to commit to a financial health measurement baseline within the next year and to share what they learn. Over time, more granular and timely data can help FSAs move from national snapshots to dynamic policy analysis, regulatory evaluation, and early warning. However, this should be pursued progressively and only where there is a clear mandate, adequate capacity, robust data protection safeguards, and a credible supervisory or policy use case. In lower-resource environments, improving existing data, strengthening conduct supervision capabilities, and ensuring that FSAs can act on the evidence may be more immediate and cost-effective priorities.

Financial health measurement can help FSAs gain visibility into whether financial services are improving household outcomes or contributing to harm. Beyond the financial sector, this data can also inform broader public policy. Financial health indicators are sensitive measures of household

vulnerability and economic strain that complement the data other institutions use to track well-being and target interventions. This is feasible and grounded in international evidence and global guidance, such as the 2024 *G20 Policy Note on Financial Well-Being* and tools such as the CGAP Financial Health Measurement Framework presented in this brief. The FSI-BIS stocktake demonstrated that the international community needs a common approach: when FSAs measure financial health using different frameworks and methods, findings accumulate in separate silos rather than building a shared evidence base. Every FSA that adopts an approach grounded in the G20/GPFI definition contributes to a cumulative global evidence base, one capable of revealing whether a product or practice is associated with household harm across multiple markets, and whether a regulatory approach that worked in one context will also work in others.

References

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Learn more: The companion working paper to this high-level note, *Measuring Financial Health: A Framework* (Nielsen et al. 2026), provides the operational detail to act on this agenda, including country-specific starting points and detailed guidance on indicators. For more information, scan here.