FinWell

**Fair credit, health and well-being:**

**eliciting the perspectives of low-income individuals (FinWell)**

The research project titled 'Fair credit, health and wellbeing' (FinWell) is one of the largest studies on fair credit ever completed in the UK. This 2-year project, funded by the Chief Scientist Office (CSO) in the Scottish Government, was undertaken by a team of researchers from the Yunus Centre of Social Business and Health in Glasgow Caledonian University, Newcastle University and University of Sheffield and led by Professor Cam Donaldson (Yunus Chair of Social Business and Health, GCU).

The central aim of FinWell was to investigate, from the perspective of target communities for fair credit initiatives in Glasgow, if an association exists between the use of fair credit and health and wellbeing, and the mechanisms through which any association might operate. Three methodologies (financial diaries, in-depth interviews and Q methodology) were used to analyse a logic model[1] on the role that responsible credit played in day-to-day financial management and the connection between financial strategies employed by the low-income population and health and wellbeing.

Using financial diaries, adapted from the US Financial Diaries project[2] led by Professor Jonathan Morduch in New York University Wagner Graduate School of Public Service, our team intensively followed the financial lives of around 50 individuals in Glasgow during a six-month period. To observe differences in financial management styles, we followed participants from four organisations: Scotcash (personal fair loans), Grameen in the UK (business fair loans), Glasgow Central Citizen's Advice Bureau and Money Advice Service (financial advice), and Glasgow Housing Association (GHA) ('comparator' group of non-users).

This intensive high-frequency research has shown how income and expenditure volatility drive financial decisions and the complex, sophisticated, financial strategies that are used by the low-income population to cope with financial uncertainty. Some of these strategies can have a direct impact on health; for example, non-complying with prescribed rest after a severe health shock due to job insecurity. Fair credit was found to help borrowers to manage cash flows in transitional periods of uncertainty (e.g. changes in access to social welfare) or financial shocks. Microcredit affects stress levels and mental health mainly through preventing illiquidity situations.

Furthermore, low-income individuals are still heavily reliant on informal sources of finance, particularly in periods of crises or emergencies. There are two reasons for this. Firstly, individuals lack access to formal sources due to being 'credit invisible' or having bad credit histories, being unemployed and/or on informal or unstable employment. Secondly, our results indicate that there is also a lack of formal products and services in the market which suit their particular needs and circumstances. Importantly, fair credit was found to fill in this gap.

These results highlight the importance of independent research in this area enabled through partnerships between the responsible finance sector and academia. They inform the design of better suited financial and non-financial services and expose the need to continue improving access to formal sources of finance for those around the poverty line. Creating this dialogue between responsible credit providers, Government and academia is crucial for the development of the sector.

**References**


1. McHugh N, Biosca O and Donaldson C. From wealth to health: evaluating microfinance as a complex intervention. *Evaluation* 2017; 23(2):209-225 (DOI: 10.1177/1356389017697622).
2. Morduch J and Schneider R. *The Financial Diaries: How American Families Cope in a World of Uncertainty*. Princeton University Press, New Jersey, 2017.