

Yunus Centre for Social Business & Health



Fair credit, health and wellbeing

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University for the Common Good

Introduction: FinWell Project



Fair credit, health and well-being:

Eliciting the perspectives of low-income individuals



Funded by:



Advisory group:



Aim

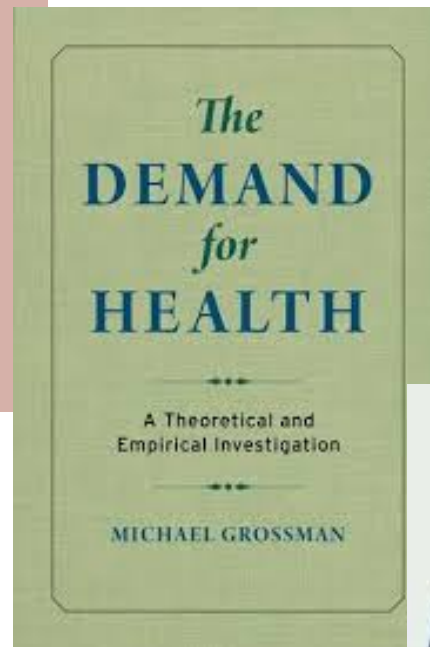
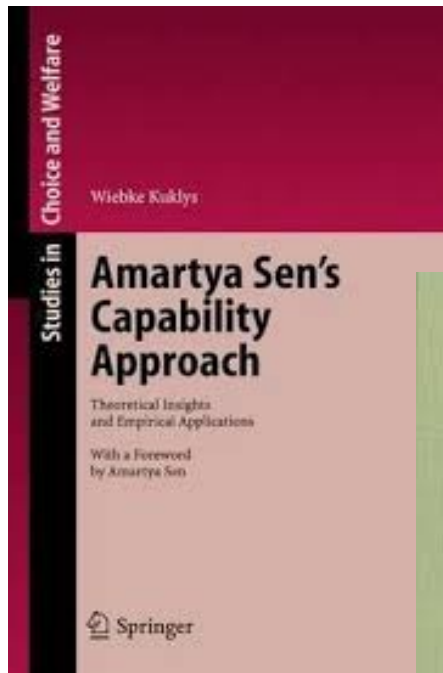


- To establish if an association exists between microcredit and health and, if so, the mechanisms through which it might operate in Glasgow



In the UK...

- 50% is financially vulnerable
- 3% does not have a bank account
- 50% experience financial exclusion





Journals

American Economic Review

AER: Insights

AEJ: Applied Economics

About AEJ: Applied

Forthcoming Articles

Issues

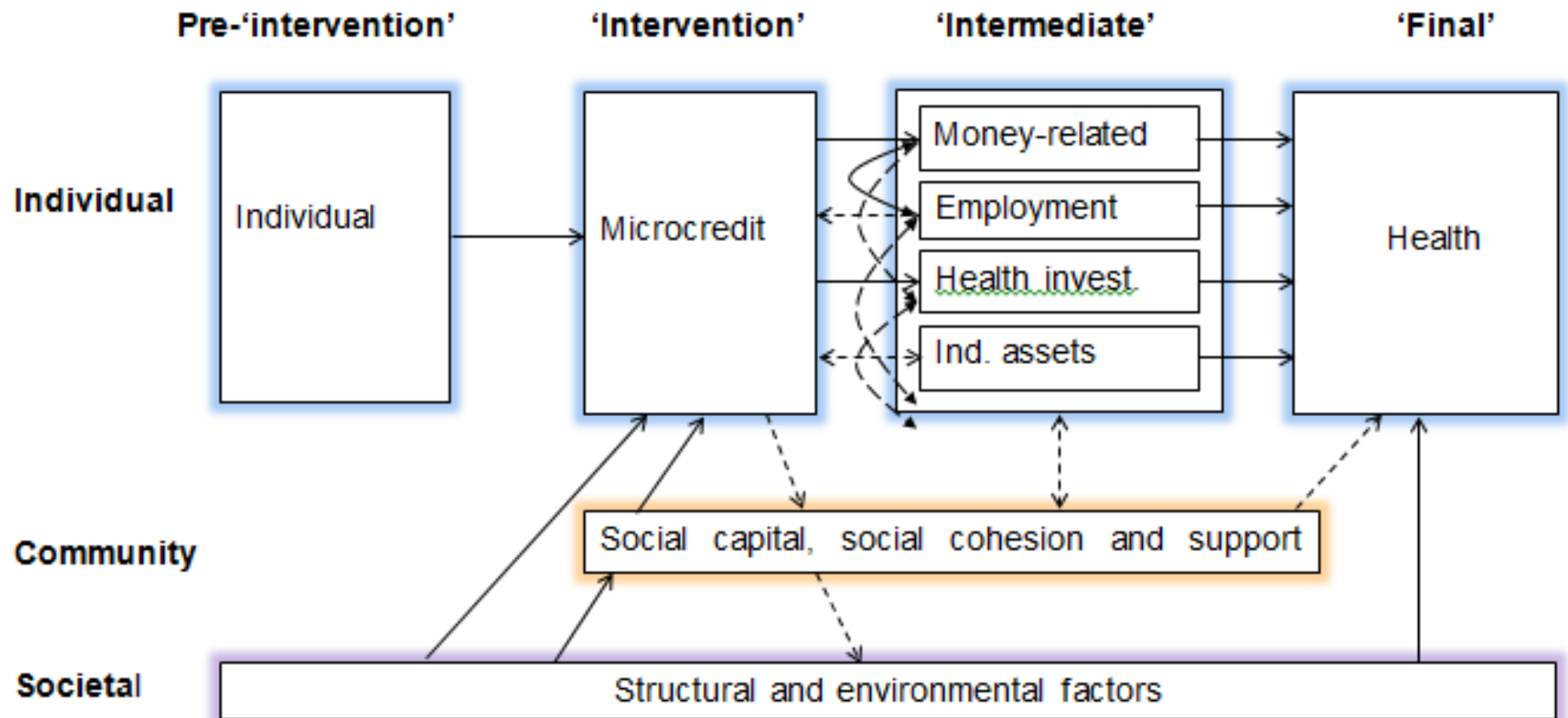
Microcredit Impacts: Evidence from a Randomized Microcredit Program Placement Experiment by Compartamos Banco

Manuela Angelucci

Dean Karlan

Jonathan Zinman

AMERICAN ECONOMIC JOURNAL: APPLIED ECONOMICS
VOL. 7, NO. 1, JANUARY 2015
(pp. 151-82)



We use 3 different methods:

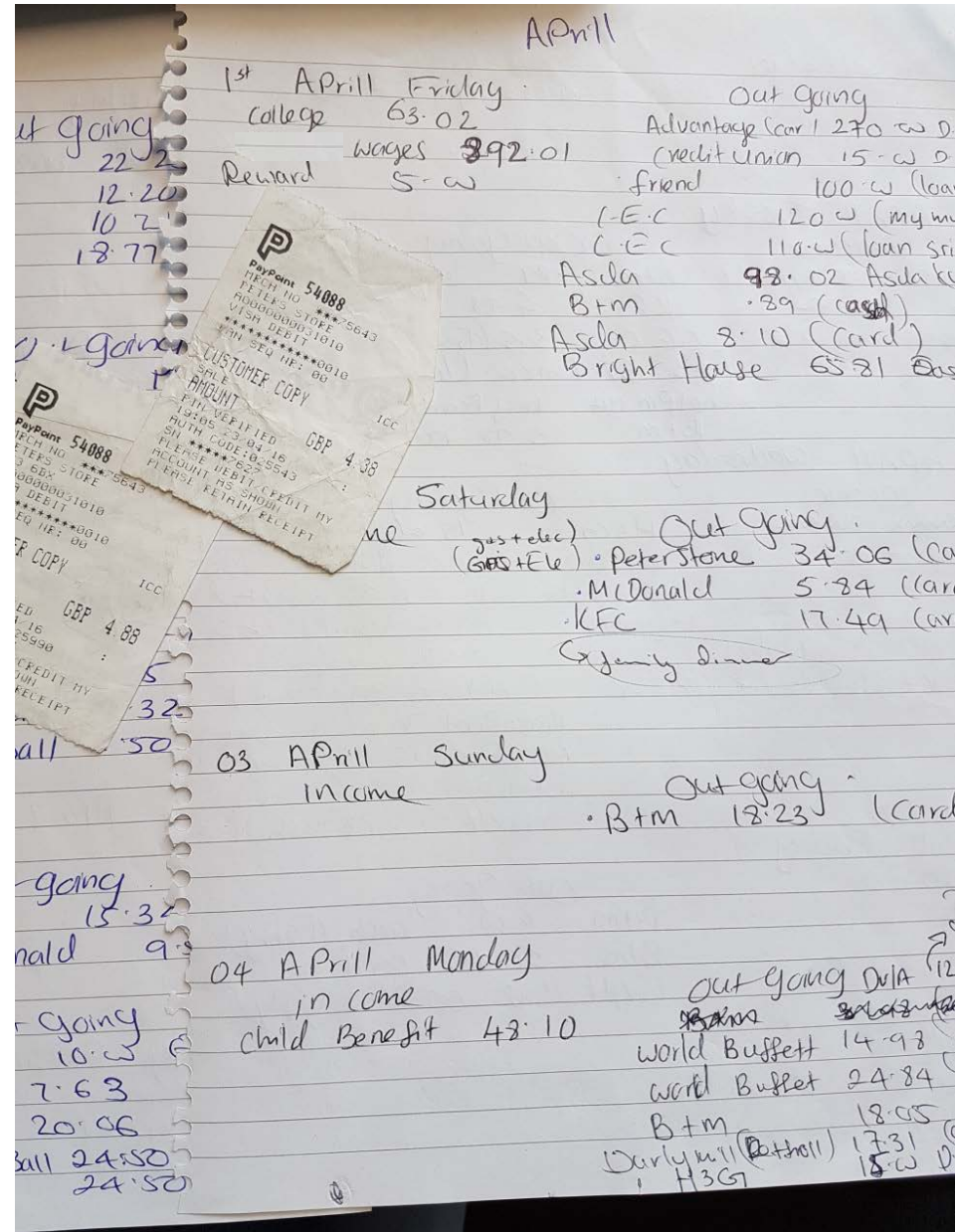
- Financial diaries
- Repeated qualitative interviews
- Q Methodology



Glasgow Financial Diaries



- Financial diary method
- Baseline and final surveys
- High-frequency data
- Life-events sheets
- 45 diarists
- 6 months every month
- Around 17,000 transactions
- 267 interviews



Participants



- 10 personal microcredit users



- 16 clients with business microloans



- 9 financial advice users



- 10 in a 'comparator' group



Descriptive statistics: Our diarists



- 67% female
- 44% employed or self-employed
- 82% are on means-tested welfare benefits
- 36% disabled
- 60% are white British
- Lone parents (38%), couples with children (27%) and single (27%)
- Vulnerable (suffer disproportionately from financial issues)

Analysis



- Mixed-methods (Morduch and Schneider, 2017):
 - a. Quantitative analysis of the transactions (n=16,889)
 - b. Purposefully select cases based on high intensity and diversity of financial products and analyse individual data using corporate finance tools
 - c. Interpret, using the qualitative data, the financial management strategies and the rationales for the diarists' financial behaviour

Financial decisions



- Diarists have sophisticated and complex financial lives.
- Financial transactions are the third most frequent (10%).
- On average, diarists make 3 financial transactions per working week.
- Transactions are mainly credit (72%), insurance (12%) and savings (8%).



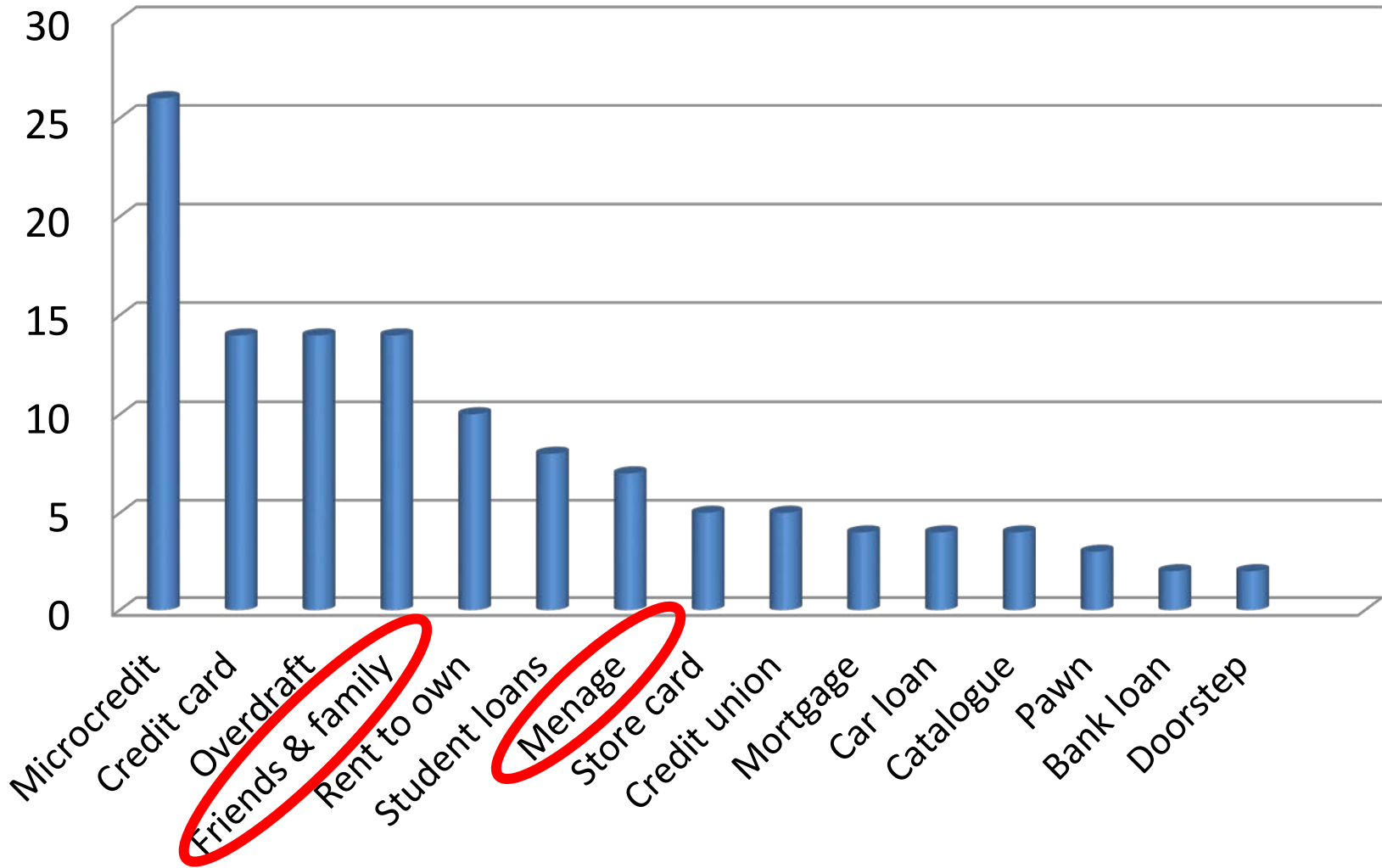
Coping with illiquidity



If you had a financial emergency and needed £1000 in a hurry, what do you think you would do?

Strategy	Freq.	%
Couldn't cope	15	33
Family/friends	18	40
Fair lender	1	2
Bank	3	7
High-cost	3	7
Savings	4	9
Other	1	2
Total	45	100

Coping with illiquidity



Informality and social relations



- Informal loans and menages (RoSCA):
 - Accessible (reciprocity)
 - Affordable
 - Fast
 - Small
 - Reliable / Trust
 - Tailored repayment
- Bank of Mum and Dad – for savings and credit.
- Using “family/friend’s” credit cards/ catalogue subscriptions.
- Complexity in financial and social relationships: 80% diarists managing over 1 loan simultaneously (3 on average, maximum of 8 loans).

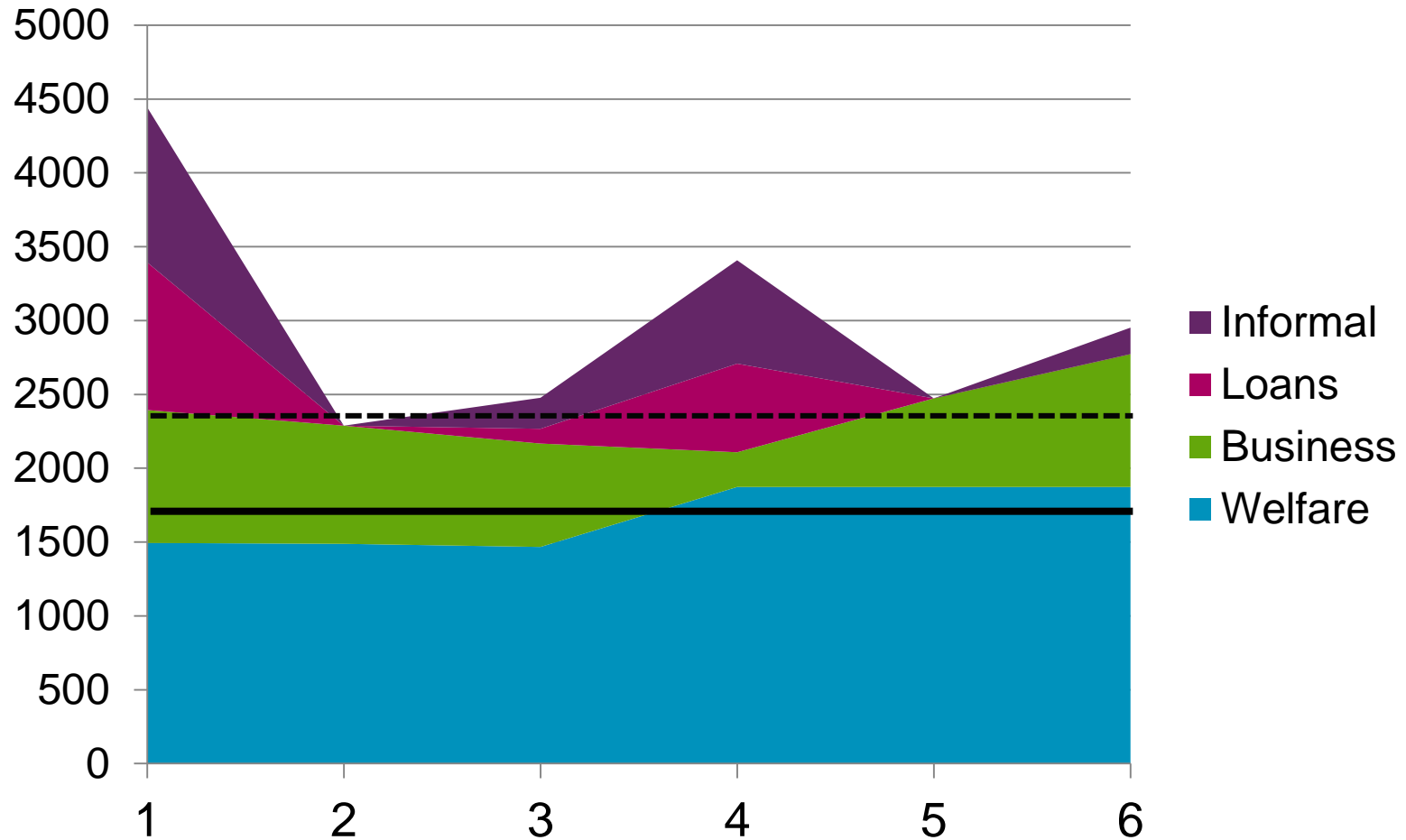
How to cope with uncertainty?





Income volatility

Aggregate monthly income (£) by source for the six-month period



Income and expenditure

Aggregate monthly income and expenditure (£) for the six months



Sources of funds	3423	Uses of funds	3622
Housing benefit	315	Rent	315
Business revenue	235	Council tax	30
Tax credit	1385	Electricity / Gas	50
Child benefit	140	Electricity arrears	50
JSA	33	Landline and internet	100
Loans friends/family	600	Mobile phone	10
Gift for new baby	700	Groceries	230
GCU incentives	15	Childcare	570
		Insurance	62
		Baby (nappies, car seat, ...)	445
		Baby party	224
		Toiletries	26
		Lottery	32
		Loans relatives/friends	420
		Rent to own	108
		Credit card	60
		Doorstep	192
		Business op exp	232
		Business tax	51
		Business loan	198
		Business rent	200
		Council tax arrears	17

On financial lives...



- Income and expenditure volatility, financial exclusion and low-income are mainly managed through support networks to help smooth consumption.
- Informal, non-regulated debt is the most accessible option.
- Managing different loans simultaneously is complex and stressful.
- Community finance and fair credit broaden choice and offer an alternative

On fair credit and health...



“In a way, they’re a wee anti-depressant.

If you understand me?

So, aye they’re quite good.”

Next steps

- Focus on finance and health of refugees (Fatma Ibrahim, PhD student)
- London FinWell
- US & UK comparative work



Thank you



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<http://www.gcu.ac.uk/yunuscentre/>