

COLLABORATING WITH BUSINESS

by academics in Arts, Humanities and Social Sciences

The industry collaboration improving financial wellbeing

An innovative project between Edinburgh researchers and a fintech start-up hopes to democratise wealth management

From buying a home to saving for retirement, financial decisions shape our lives. However, the complexity of money matters, such as pensions and investments, can make them challenging to understand. Meanwhile, access to personalised advice is still only available to affluent individuals with the means to pay for it.

University of Edinburgh Business School's Dr Raffaella Calabrese believes financial wellbeing should be a right, not a privilege. "Many wealth managers only help clients with hundreds of thousands of pounds in the bank", she argues. "But it is the people who aren't members of this exclusive club who often have the greatest need for financial advice and face the highest risks from making the wrong decisions."

Since 2017, Raffaella has been working with University colleagues and experts from fintech start-up Inbest to measure the spending and saving habits of consumers in the UK and Spain. The collaboration aims to give people the tools they need to take charge of their financial futures.

"By comparing consumer spending patterns with data on income, levels of existing debt and asset ownership, we have developed a financial health index against which people can benchmark



their financial behaviour", explains Raffaella. "They can also easily see whether they have enough money to sustain their current lifestyles, sufficient rainy-day funds to cover unexpected events and adequate savings to pay for their retirement."

Raffaella first met Inbest Founder and CEO, Manuel Peleteiro, in 2016, when the company sponsored a student project. After initial conversations demonstrated a shared interest in using data analytics to support better financial planning, they worked with the Knowledge Exchange and Impact team to secure external funding to take the project forward.

Together with Dr Miguel de Carvalho from the School of Mathematics and a PhD student, Raffaella began the challenging process of developing statistical models complex enough to predict consumer behaviour, based on such a large number of variables. Manuel believes the final output of the project will benefit banks too.

"Credit scoring models already provide a very accurate measurement of a borrower's likelihood of paying back a loan. Our new financial health index takes this a step further



by giving banks a comprehensive and ongoing overview of account holders' overall financial wellbeing", he suggests.

"Financial institutions can use this tool to help their customers manage their money better and avoid actions which could harm their financial goals. The additional information can also help them to personalise products and services to suit individual customers' changing circumstances and financial situations."

Raffaella says the experience has given everyone involved valuable insights into the differences between academic and industrial work environments. "The project has been very interactive", she notes. "From the start, we have met almost every week, but it has taken time to develop a rhythm and understand each other's priorities."

"Academics' main goal is to create robust, impactful research. But as a business, we need to build a commercially-viable solution for customers, fast", Manuel acknowledges. "We're perhaps not as used to demanding so much from the methodology itself as researchers are."

Raffaella admits they are still learning how to square these two priorities. Still, she says by developing a better understanding of what each other is trying to achieve, they have become a successful team. "From there, everything starts to make more sense," agrees Manuel.

Raffaella has already submitted one paper for publication based on the collaboration and plans to write two more. "The project has given me access to real live data other researchers don't have. The opportunity for new academic insight is huge", she notes.

The partnership has had a positive impact on Manuel in other ways too. "The University of Edinburgh name gives me the credibility to approach companies to ask for essential data I otherwise couldn't get", he says. "The relationship also helps with business development, as we can now go to events and share a platform with leading researchers."

Raffaella and Manuel are optimistic about the potential to expand the partnership. "The more I do, the more opportunities I see to use the same ideas in new contexts", enthuses Raffaella. "This data set didn't exist before", Manuel adds. "It creates an amazing opportunity to study the role between financial behaviour and everything from mental health to economic development policies."



Developed in collaboration by:

