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Financial Literacy Program to serve the interests of all financial sector stakeholders: Yaseen Anwar

Mr. Yaseen Anwar, Governor, State Bank of Pakistan has said the Nationwide Financial Literacy Program (NFLP) will work towards improving financial inclusion and also serve the interests of all financial sector stakeholders.

Delivering his key-note address at the launching ceremony of the Program at SBP Learning Resource Centre, Karachi today, he said it will initially impart basic financial literacy to poor and marginalized people of Pakistan. He said the NFLP pilot will impart financial education and awareness on six personal finance themes that include budgeting, savings, investments, debt management, financial products, branchless banking and consumer rights & responsibilities to about 50,000 beneficiaries from low income strata.

Pakistan's first-ever Nationwide Financial Literacy Program (NFLP) has been launched with the support and collaboration of Asian Development Bank (ADB), Pakistan Banks' Association (PBA), Pakistan Microfinance Network (PMN), Pakistan Poverty Alleviation Fund (PPAF) and Bearing Point.

He said the program has been developed after the Financial Literacy Gap Assessment Survey of beneficiaries. 'The survey has been helpful in development and adaptation of curriculum and dissemination strategy. The curriculum will also be translated into national and main regional languages including Urdu, Sindhi, Punjabi, Pushto and Balochi,' he added.

SBP Governor said that the Program is financed under the ADB-funded Improving Access to Financial Services Fund (IAFSF) and implemented under the oversight of the IAFSF Committee which has representation from SBP, Pakistan Banks' Association, Pakistan Poverty Alleviation Fund, Pakistan Microfinance Network, education sector, and the ADB. Upon completion of the pilot phase, an impact assessment of the pilot will be conducted by a third party, he said, adding that based on the experience and assessment of the pilot, the program will be scaled-up to target more than half a million beneficiaries all over the country.

Mr. Anwar said that in addition to focused training sessions of beneficiaries, the dissemination strategy involves street theatres, board games, comic strips, activity-based competitions, website and media campaigns to reach out the masses on a larger scale. The training sessions will be sourced from banks, Microfinance Banks (MFBs) and Microfinance Institutions (MFIs) based on their interest and pre-defined qualification criteria, he said and added that in order to encourage and incentivize participation from partners, professional fees and out of pocket expenses of partners will be reimbursed from the program budget.

'Besides involvement of local institutions, the project has formed international partnerships with international financial education programs including Microfinance Opportunities, Finmark Trust, Association of Microfinance Institutions of Uganda (AMFIU), Sewa Bank, Microfinance Innovation Centre for Resource and Alternatives (MICRA), World Bank Institute, Aflatoun, and others,' Mr. Anwar added.

SBP Governor said that consumer protection and financial education should be vital components of any financial inclusion initiative. It is now clear that policies which focus entirely on changing the supply of financial products and services can leave consumers ill-informed, vulnerable and not willing to participate in financial markets, he said, adding that focus of financial literacy program should be broader than financial inclusion. 'It should aim to increase consumer awareness about their rights, obligations and mechanisms for recourse to build a fair, inclusive and robust financial sector,' he emphasised.

He said: ‘I would like to encourage financial service providers to partner in the NFLP rollout and exercise proportionate level of accountability and responsibility to act in the best interest of their clients. Intermediaries should fully disclose their terms and conditions to clients before selling them a product or service.’

Mr. Anwar said that many poor and non-poor people do not have a bank account and very few of them understand why this puts them at a disadvantage when it comes to their personal financial management. ‘According to Pakistan Access to Finance Survey (A2FS), only 12 percent of the population has access to formal financial services. Whereas of the remaining 88 percent, only 32 percent are informally served and 56 percent are completely excluded,’ he said, adding that according to the A2FS analysis, about 40 percent of the financially excluded population reported lack of understanding of financial products as the main reason for financial exclusion.

‘This clearly identifies the need for financial education as a systemic area to be addressed to tackle financial exclusion in a big way,’ he said and added that financial literacy has assumed greater importance in recent years for both developed and developing countries, therefore, best practices in this area are still evolving.

He briefly touched upon various conventional and non-conventional measures adopted by SBP to boost financial inclusion which are as under:

i. SBP introduced Basic Banking Account (BBA), a simplified financial product for low income consumers.
ii. SBP introduced Microfinance Banking Regulations in 2001 to specifically meet the demands of low income consumers.
iii. SBP has adopted innovative solutions to overcome geographical barriers, including branchless banking through retail agents and harnessing technology via mobile-phone banking.
iv. SBP has been managing various market interventions funded by donor agencies that include:
    a. The Institutional Strengthening Fund (ISF) providing grant funding to microfinance (MF) providers to top and middle tier MFBs and MFIs for key investments in HR, IT, product development, risk management systems, business plans and branchless banking development.
    b. The Microfinance Credit Guarantee Facility to link microfinance with financial markets for mobilization of wholesale commercial funding through partial guarantees.
    c. Similarly, the Financial Innovation Challenge Fund (FICF) for grants to innovative projects and testing new markets to lower cost of delivery, enable systems and procedures to be more efficient and provide new ways of meeting the larger demand for financial services.
    d. And the Improving Access to Financial Services Fund which is supporting today’s program.

However, he said that these are mostly supply side interventions aimed at increasing the financial services by removing bottlenecks and have raised financial inclusion to a certain extent. ‘What has been missing is a demand side solution – a program to impart financial education and awareness to consumers,’ he said, adding this recognises that the very low level of financial awareness and confidence of financially excluded groups remains a strong barrier to their access and use of financial services.

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