



National Financial Literacy Program Newsletter

Volume 1, Issue 2

Jun 2018 – Aug 2018

The National Financial Literacy Program (NFLP) has entered into the second year of its implementation with same zeal and vigour which enabled us to complete our first year targets. The plan for the upcoming year is more ambitious than before: we aim to reach out to the remaining of the eighty one (81) districts of Pakistan, including areas of FATA and Gilgit-Baltistan, making the total number of districts one hundred and fifty eight (158) now. Moreover, target for the total number of beneficiaries is 226,000 for the second year, more than twice it was for the first year of the program.

This time our intervention strategy is two-pronged: it includes conducting both classroom training sessions and street theatres for creating awareness among general public for increasing adoption of formal financial services. Banks and partner institutes are being actively pursued for effective roll out of the program.

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Development Finance Support Department (DFSD) - SBP BSC

Message from Group Head, Foreign Exchange & Development Finance (FX & DF), SBP—BSC

It gives me immense satisfaction to announce that the first year of the National Financial Literacy Program (NFLP) has been a successful one. Not only the target number of beneficiaries for the first year (i.e. 100,000) has been surpassed, the program has succeeded in reaching out to the most marginalised and unbanked segments of society, with classroom sessions being conducted in both rural and urban areas all over Pakistan. A large number of female participants were also mobilised for participation in these programs, allowing them a chance to make better household financial decisions, which will affect not just them and their families but also the financial sector at large.

However, we must not let the accomplishment of this first milestone make us complacent. Target for the number of beneficiaries in current fiscal year is 226,000, i.e. twice the outgoing fiscal year, and therefore banks have been assigned higher targets this time. There is still much left to be done as far as the next four years of the program are concerned. As a result, all

stakeholders involved in delivery of the program under NFLP especially our partner banks, who have already agreed to higher targets, will have to collectively synergise their efforts.

Further, additional districts have been added to the program taking the aggregate number of districts where programs will be conducted to 158 from 77. This would enable us to ensure outreach to most of the districts across Pakistan. In this regard, I would like to emphasize here that banks and partner institutions will have to intensify their efforts to meet the targets. Moreover, the proportion of female participants, though promising, has been lower than 50% which was aimed at the onset of the program. Commitment from all banks and partner institutions to reach out to a larger number of women is crucial to achieve this goal.



***Shaukat Zaman
Group Head (FX&DF)***

Progress till 31st August 2018

During the period under review, around 1,000 more classroom sessions have been conducted across 77 districts of Pakistan out of which 365 sessions were related to NFLP and 665 were related to NFLP-SAP.

NFLP Student Ambassador Plan (SAP): This program was rolled-out in December 2017 to supplement NFLP. Unlike NFLP where trainers from banks and other partner institutes conduct classroom sessions, NFLP-SAP engages uni-

versity students to undertake such sessions for the benefit of the target audience. In this regard, more than 300 students from 32 universities across the country have so far been trained by SBP BSC's Master Trainers. These student field trainers have conducted training programs during their winter and summer vacations. Since inception of the program i.e. from December 2017 1,312 sessions across 77 districts have been conducted under

NFLP-SAP.

As per complete information for the sessions received so far, more than 15,000 beneficiaries have been given financial education and around 8,000 branchless banking/Asaan accounts have been opened. The male-female split of beneficiaries has been 64%:36%. Moreover, 42,250 NFLP handbooks have been distributed amongst the SBP BSC offices for facilitation of the

DFSD—HOK's Efforts for NFLP

Since the beginning of the program, DFSD—HOK has taken several steps in order to streamline the process of conducting NFLP classroom sessions. This includes liaising with the banks participating in the program in order to address issues faced at grassroots level, as well as with partner institutions, for more effective mobilisation of beneficiaries. Similarly, SBP—BSC field offices have been in constant contact with regional stakeholders for the same purpose.

During the period under review, the following activities were conducted by DFSD—HOK in this regard:

- 1) Meeting with Aga Khan

Rural Support Program (AKRSP): A meeting was conducted with a senior official of AKRSP in order to discuss issues related to participant mobilisation and account-opening in AKRSP, as well as to explore avenues of collaboration, in Gilgit-Baltistan region which has been added to the NFLP targets for this year.

2) Observation of model session conducted by Kashf Foundation: DFSD—HOK officers attended a model financial literacy session conducted by Kashf Foundation in Karachi, in order to observe their content and delivery methods. A discussion with Kashf Foundation representative followed, focusing on future col-

laboration.

3) Meeting of NFLP lead focal persons: NFLP lead focal persons at 31 banks were called together for a meeting at SBP—Karachi., making it the 3rd meeting held till date between DFSD and lead focal persons. Agenda of the meeting was to discuss the progress of banks during the previous year and to deliberate on issues being faced to find collective solutions to them.

Roadmap for FY2019

It is necessary for all banks and partner institutions to carry forward the momentum achieved during the first year in order to meet the targets assigned for the second year. FY2018-19 will be marked by the following changes in the program:

1) Addition of new districts: the program was initially rolled out in 77 districts. However, the outreach of the program has been increased in the second year to cover all 158 districts of the country. For this purpose, new field trainers from banks are being trained so that NFLP

classroom sessions may also be conducted in these districts.

- 2) TOTs for new districts: In order to equip banks for 81 new districts included in their second year targets, 18 TOT sessions are being conducted and more are in the pipeline. By the mid of September, 18 TOTs would be completed and around 250 field trainers from banks would be trained.
- 3) Conducting of street theatres: Street theaters shall be conducted across the country for imparting general awareness about financial services at grass

root level. A plan to conduct these street theatres as part of NFLP is being finalised, whereby a specific short film on financial literacy will be played for target audience at various locations. Approximately 250 street theatres will be conducted in the current fiscal year.

Financial Literacy and Portfolio Dynamics

BianchiM(2018) Financial literacy and portfolio dynamics. J. Finance 73(2):831–859.

The article presents evidence of correlation between households' financial literacy levels and performance of their investment portfolios. Further the study examines portfolio rebalancing decisions and examines the theory that certain financial behaviours (such as inertia or trend-chasing) that are seen as a result of a lack of sophistication are actually correlated with low financial literacy or not.

The sample that was studied was taken from a large financial institution in France.

The results of the data analysed

reveal that the most literate households showed slightly higher annual returns on their portfolio. Moreover, it was observed that higher financial literacy dissuades risk taking behavior; such individuals base their risk-taking on market conditions, taking more risks when risky investments are associated with higher returns only. Furthermore, an observation of the changes taking places in risky portfolio over time showed that a majority of the changes for less sophisticated households were passive i.e. caused by differential returns of risky versus riskless returns rather than portfolio rebalancing, demonstrating a greater level of portfolio inertia. Further, more sophisticated households displayed a tendency to avoid trend chasing; they moved their wealth towards assets with lower returns in the past, allowing them to hold their proportion of risky shares fairly constant. Such rebalancing behaviours by these

households also helped in maximising returns; they were more likely to invest in funds that provided a higher return than the ones they sold, thereby earning more than they would have if no rebalancing was practiced. By establishing the relationship between financial literacy, portfolio choices and returns, the study aims to explain the effects of financial education and influence policy-formation in this context.

Pilot Study on Impact Evaluation of NFLP

In the month of July, a pilot study was undertaken to evaluate the impact of NFLP sessions. The aim of this study was to obtain and analyse feedback from NFLP participants in order to improve the program and make it more effective. Moreover, the results and recommendations of this pilot study will be helpful in finalizing the structure and design of the full scope NFLP Impact Assessment Study for the first year of the program.

This project was conducted by the interns assigned to DFSD during Summer Internship Program. Each stage of the study was designed and closely monitored by the department.

Literature Review

In order to identify the best possible methods to conduct the research, a number of resources were consulted. These included an in-depth study of documents relevant to SBP, such as the NFLP Handbook and the National Financial Inclusion Strategy (NFIS) Action Plan. OECD's Guide to Financial Education Programs was also referred to, as were several research articles on impact assessment of financial literacy programs conducted by various stakeholders, including central banks of other developing nations such as India, Thailand and Rwanda, as well as micro-finance institutions in Pakistan.

Methodology

In order to select the sample districts, mean number of beneficiaries per district was calculated for each of the provinces and this was used to select two districts in each province, one above and one below the mean. Out of these, the district that had the closest percentage to the average share of the districts in each province was chosen. In this way, four districts were selected viz. Dadu (Sindh), Mansehra (KP), Quetta (Balochistan) and Sialkot (Punjab).

In order to streamline and standardise the process of collection of responses, a questionnaire was developed based on the topics covered in the NFLP handbook, including budgeting, savings, in-

vestment and debt management. The questionnaire was translated into Urdu and the vocabulary used in the handbook was followed. This questionnaire was also discussed with SBP's Research Department and their feedback was sought on the same. The method for conducting of the research was telephonic interviews while recording the data in Excel, and it was decided that a minimum of 80 calls would be made over a four-day period, based on the number of days available for the exercise and the average time taken for each call. The male: female ratio in the relevant districts determined the ratio of calls to male and female beneficiaries.

Analysis and Discussion

A total of 260 calls were made with an average duration of 8 minutes and 10 seconds per call, out of which 40 full answers were extracted (33 male and seven female). The low percentage of female respondents were due to language and cultural barriers. Savings was most commonly cited as the most helpful topic of the training as it helped the participants to save more money and utilise it in a better manner (50%), followed by use of money (22.5%) and budgeting (17.5%). A majority of the respondents (65%) also stated that they had begun to apply budgeting techniques to either their household or business expenditures. It was witnessed that the participants demonstrated an increased willingness to be a part of the formal financial system. Most respondents also felt that the handbooks were useful and had referred to them after the session (72.5%); this could be gauged from the fact that they remembered details from the handbook. Moreover, 92.5% stated that they would recommend the NFLP sessions to family and friends.

On analysing the responses received from NFLP participants, it may be deduced that they were highly satisfied with the material and delivery of the classroom sessions.

Recommendations

Although care was exercised in the design and implementation of the study, the interns faced some limitations. These included the inability to reach the initial target of 80 respondents, technical issues in the form of poor signals in certain regions, time constraints as calls could only be made during office hours, and language barriers. Furthermore, not all the topics covered in the handbook could be included in the questionnaire so that it could be kept short and simple.

After conducting the pilot study, the recommendations of the interns included covering more topics in the questionnaire so that the efficacy of each aspect of the curriculum may be assessed. Moreover, more sophisticated methods for administering the questionnaire were suggested. These include conducting in-person interviews with the participants as opposed to telephonic interviews, as well as organising of focus group discussions, preferably in the same location as the classroom session and in collaboration with the bank(s) involved.

Financial Literacy: The Role of South Asian Central Banks

Financial literacy is not only useful for individuals in helping them to make better financial decisions but also holds significance for the financial system and, in turn, the wider economy. On the one hand, financial literacy influences how people manage their financial affairs and on the other hand, determines the products that financial institutions are willing to offer. Moreover, due to manner in which financial literacy affects people's investment decisions, it also influences how resources are allocated in the economy.

The importance of central banks in the promotion of financial literacy cannot be underestimated, especially in developing nations where the outreach of formal financial institutions is low and central banks can play a major role in reaching out to unbanked segments of the society. Furthermore, the promotion of financial literacy aligns closely with the responsibilities of a central bank as it helps to enhance the effectiveness of the monetary policy, support sustainable economic policies and project a positive image of the central bank itself. More than 30 central banks around the globe provide financial education products for various segments of the society (including children, adolescents, teachers etc.), on their own or in collaboration with other stakeholders. While the main method of instruction was previously print media, central banks are now looking towards modern technology to serve this purpose, including the use of multimedia and e-education packages. We look at some of the ways in which the central banks in South Asia are making efforts to promote financial literacy in their

respective countries:

Afghanistan

Da Afghanistan Bank (DAB) has a separate Financial Inclusion Department whose objectives include improving financial literacy and financial capability of citizens. The responsibilities of this department comprise of formulation of the National Financial Inclusion Strategy and National Strategy for Financial Literacy & Capability for the country, conducting of financial awareness campaigns and review of existing financial literacy programs in order to compare with international standards. The central bank also has a special focus on public education and raising awareness regarding its responsibilities and performance through media and its website. It also strives to increase knowledge among the public regarding its rights with respect to the financial system.

Bangladesh

Bangladesh Bank (BB) believes in financial education at the most basic level and has therefore introduced school banking and banking for street children in order to inculcate prudent financial practices at a young age. Since 2014, BB has undertaken a rigorous campaign to promote financial literacy; these include an interactive web portal linked to their website that contains storybooks, games on topics like investment and usage of money, and articles on financial services. Television and radio commercials have also been broadcast, along with presence in print media. Further, a core objective of BB's Strategic Plan 2015-19 is the strengthening of financial education initiatives.

Bhutan

Royal Monetary Authority of Bhutan (RMA) has designed a Financial Literacy Program in collaboration with World Bank in order to equip youth, the workforce and families with the financial skills necessary for succeeding in today's economy. This program includes a series of articles on basic financial concepts like financial planning, budgeting and bank loans; these are published on a weekly basis and include a teacher and student character in order to make the format more appealing, as well as a quiz with a chance to win prizes. Comic books based on a character named Dorji targeted at schoolchildren of different age groups are also published.

RMA has also piloted the Youth Ethical banking program in 2018 with other stakeholders such as insurance companies in order to increase financial literacy among students. The program is being rolled out in three schools and one volunteer group currently, and will be replicated in other schools after the results for the initial six months have been studied. Through this program, students are familiarized with currency notes, passbooks and bank transactions. The program was announced at the Global Money Week held earlier this year, whose theme this year was 'Money Matters Matter'. RMA also launched the National Financial Literacy School Curriculum, which includes lessons on learning to earn, saving, smart shopping and digital financial services, and plans to work towards mass bank account opening for high school students.

India

The Reserve Bank of India (RBI)

has a comprehensive Financial Education Initiative that includes resources that are available in 13 different languages of the country in order to ensure wide outreach. A critical volume of relevant literature has been uploaded on the RBI website for use by banks and other stakeholders. Moreover, financial literacy content has also been developed keeping five different target groups in mind (farmers, small entrepreneurs, schoolchildren, self-help groups and senior citizens).A booklet titled FAME ('Financial Awareness Messages') provide basic financial literacy aimed at the general public. These are related to documentation for opening of bank accounts, budgeting, saving, responsible borrowing and maintenance of a good credit score, lodging of complaints regarding banks etc.

RBI has also utilised various forms of media in the promotion of financial literacy, including the use of audio-visuals, posters and publishing of a series of pictorial booklets. These included the characters Raju and Money Kumar, and explored savings and banking concepts, as well as the role and functions of RBI.

Other initiatives undertaken by RBI include the conducting of awareness programs including films, skits and roadshows, setting up of stalls on financial education at various exhibitions, financial education camps in remote areas, essay and quiz competitions, and establishment of Financial Counselling and Literacy Centres. RBI has also contributed towards the inclusion of financial education in schools and colleges.

In June 2018, a Financial Literacy

Week was organised by RBI focused on consumer protection-related topics i.e. knowing the liability for unauthorised electronic banking transaction, Banking Ombudsman, good practices for a safe digital banking experience and risk vs. return.

Maldives

Maldives Monetary Authority (MMA) uses various tools to communicate with various segments of the society. These include promotion of its publications on social media and publishing news about its events, as well as awareness campaigns on economic issues and financial literacy for general public and specific audiences. As a testament to MMA's goal to increase the information available to the public on economic and financial issues, last year marked the first time that the Annual Report of MMA was published in the Dhivehi language in order to make it more accessible.

Nepal

Nepal Rastra Bank (NRB)'s website contains various resources related to financial literacy in the local language, including songs on investment and usage of loan that can be downloaded. It has also been conducting several financial literacy programs through audio-visual and print media over the years. A program titled NRB with Students was also launched for improving financial literacy among students especially through publishing of financial education material for children, while the NRB Strategic Plan focused on financial literacy for women, victims of conflict, ethnic minorities and marginalised sections of the population. NRB has also been including emphasis on financial

literacy in its monetary policy.

UNNATI Access to Finance (A2F) is a program jointly implemented by Nepal Rastra Bank and the United Nations Capital Development Fund (UNCDF) in collaboration with 13 banks and financial institutions, and funded by the Danish Government. Under the terms of this project, technical assistance was provided to institutions for various matters including financial literacy for building capabilities of clients and potential clients. Moreover, the central bank has made financial literacy initiatives mandatory for all licensed banks.

Sri Lanka

The Central Bank of Sri Lanka (CBSL) is involved in conducting awareness programs to enhance financial literacy for various segments of the society. One of the major beneficiaries of these educational programs is low-income groups, who have been seen as a target group due to the high levels of indebtedness in the country as per surveys conducted by CBSL, which is spurred on by a lack of financial literacy. It has also been collaborating with Commercial Bank of Ceylon, a private sector bank, to conduct a series of seminars aimed at increasing financial literacy among SMEs and microenterprises.

CBSL has also issued a Financial Customer Protection Framework that requires all licensed financial companies to develop specific financial literacy programs to improve customer awareness on financial products/services, and to provide customers with low financial literacy with special attention to facilitate them to have fair access to financial services.

Pictures from NFLP Sessions

Chunian, District Kasur



Chikarkot, District Kohat



Moh Rabnawaz, District Bannu



Shamkay Bhattian, District Lahore



Deh Palh, District Khairpur



Danook, District Kech



DFSD—HOK is the operational arm of DFG—SBP. One of their current projects is NFLP, which is a five-year program with a total target of one million beneficiaries.

NFLP Virtual Newsletter Team

Mr. Taslim Kazi, Director, DFSD
Mr. Faisal Shafaat, SJD, DFSD
Ms. Sana Ahmed, DD, DFSD
Syeda Qareer F. Rauf, AD, DFSD

Email: nflp.dfsd@sbp.org.pk