

National Financial Literacy Program Newsletter



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The National Financial Literacy Program (NFLP) has recently been rolled out across 77 districts of Pakistan through SBP—BSC field offices in collaboration with commercial/ microfinance banks and partner institutions (NGOs, MFIs and RSPs). This is a five-year program with a total target of one million beneficiaries, of which 100,000 were to be reached in the first year.

The program has seen considerable progress in the past few months, including conducting of classroom sessions for target audience. It is hoped that, with the support of all stakeholders involved, we will be able to continue with this momentum in order to reach our goal of financial inclusion.

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Special points of interest:

- 43,043 accounts opened till 25th May 2018.
- 39.1 per cent of these accounts were for females.
- 100 per cent of the NFLP target for the first year has been achieved.



**DFSD State Bank of Pakistan
Banking Services Corporation**

Message from Deputy Governor (Islamic Banking, Development Finance & Information Technology), SBP

The ability of individuals to be financially literate and financially capable is becoming more important around the world today. Studies show that financial literacy is positively related to participation in financial markets and negatively related to the use of informal sources of borrowing. In the case of Pakistan, one of the key reasons of low financial inclusion is because the public at large lacks awareness of financial products and the knowledge required to use them. A large portion of the population also lacks basic financial management skills where the concepts of budgeting, investing, savings etc. are novel for them. A rupee saved today can not only be used for unforeseen expenses of tomorrow but to invest in a better future as well. Even our founding father Mr. Mohammad Ali Jinnah said that “Thrift as a national asset is going to play an important part in the building up of the state” and urged the nation to save and invest. However, knowledge of basic financial terms and products, and how to access them, are not taught in educational institutions and the gap of financial literacy remains unfilled.

Cognizant of this, SBP launched a flagship pilot project of National Financial Literacy Program (NFLP). The pilot program was created with the support of Asian Development Bank’s ‘Improving Access to Finance Facility’, and Agricultural Credit and Microfinance Department at SBP steered the program. As the first national financial literacy program, the pilot aimed at imparting knowledge and understanding of basic financial concepts,

developing skills and attitudes towards budgeting, savings, investments and debt management to the masses; with emphasis on low-income and marginalized communities of Pakistan. It further aimed to encourage behavioral change to improve social and economic well-being through empowerment of the targeted income strata. The pilot reached around 50,000 beneficiaries that were targeted through classroom training sessions and street theatres with Rafi Peer Group. After a thorough impact evaluation of the pilot’s implementation and outcome, the program was further developed for launching nationally.

I am pleased to share that the National Financial Literacy Program (NFLP) has been launched all over Pakistan in FY2017-18, with the aim to reach 1 million beneficiaries; including 50% women, with basic financial education. This is a five year program which has been rolled out across 77 districts of Pakistan through SBP-BSC field offices in collaboration with commercial/ microfinance banks and partner institutions (NGOs, MFIs and RSPs). NFLP will be instrumental to educate low income adult population particularly youth & women through specially designed curriculum imparted through class room trainings, video sessions and a comprehensive mass media campaign which will soon be launched via print, electronic & social media channels.

I am happy to share that the Findex Survey 2017 conducted by World Bank has revealed that account ownership in Pakistan has improved from 13% (2014) to 21%



Mr. Shamsul Hasan

(2017), while rural account ownership has increased from 13% (2014) to 19% (2017). This is a positive development and I believe SBP’s coherent and sequential financial literacy initiatives will further increase the trajectory of financial inclusion in Pakistan.

It gives me great pleasure to share the first newsletter of SBP’s National Financial Literacy Program which will keep readers inside and outside Pakistan, abreast of its developments. I would like to congratulate the teams of State Bank of Pakistan and SBP’s Banking Services Corporation on their hard work in launching the National Financial Literacy Program and expect to see NFLP playing an instrumental role in improving financial well-being of Pakistan’s youth, and adult men and women.

Message from Managing Director, SBP—BSC

I am honoured to present the first edition of the National Financial Literacy Program (NFLP) Newsletter for the period September 2017 to May 2018. NFLP has been rolled out across several districts of Pakistan through SBP—BSC field offices in collaboration with commercial/ microfinance banks and partner institutions (NGOs, MFIs and RSPs). This is a five-year program with a total target of one million beneficiaries. I would also like to congratulate all the internal and external stakeholders involved in this project for successfully achieving the target for the first year i.e. 100,000 beneficiaries.

The importance of financial literacy cannot be disputed in the achievement of greater financial inclusion and economic development of the nation, as well as other socio-economic benefits such as women's emancipation. Only by providing the general populace with the tools to make financially responsible decisions in their daily lives we can empower and allow them to become more productive citizens of Pakistan. In cognizance of the significance of financial literacy in the achievement of economic goals, SBP counts financial capability, which includes financial literacy and awareness of products and services, as one of the drivers for financial inclusion in Pakistan. NFLP is an important step in this regard.

The program has seen considerable progress in the past months, including conducting of classroom sessions for the target audience and opening of Asaan/branchless banking accounts by participants. Some of the key positives of the program have been the significant participation of females, as well as the outreach at grassroots level that has been achieved through this program. The program also faced some challenges in its initial stages; however, solutions for any issues that arise are constantly being devised in collaboration with banks and partner institutions.

I would like to express my appreciation of all those who are involved in this endeavour, including the SBP – BSC officials, bankers and members of partner institutions, who have worked tirelessly to make this program a success. While the targets for the first year have been successfully met, we still have a long way to go, and efforts in the next four years will have to be amplified to attain the goal of reaching one million individuals. The energy and enthusiasm of all those involved give me optimism for even more improvement in the upcoming years, and it is hoped that, with the support of all stakeholders involved, we will be able to continue with this momentum in order to reach our goal of financial inclusion.



Mr. Qasim Nawaz

Message from Executive Director, Development Finance Group, SBP

State Bank of Pakistan (SBP) has been striving to promote access to formal financial services for achieving policy inclusiveness for wider distribution of the economic growth across all regions and segments of the population. Pakistan also launched the National Financial Inclusion Strategy (NFIS) in 2015, which aims to transform Pakistan's banking system to make it more broad-based and facilitative for the masses. The strategy provides the basis for coherent and sequential reforms needed to address both demand and supply side issues to tackle financial exclusion in an integrated and sustained manner by 2020.

However, financial inclusion initiatives cannot be successful in the absence of financial literacy. Against this background, State Bank of Pakistan has launched Pakistan's first Nationwide Financial Literacy Program, which aims to promote financial inclusion through spreading financial education. The key objectives of the program are:

- ◆ Imparting knowledge and understanding of financial concepts, banking/financial products and services
- ◆ Develop skills and attitudes towards budgeting, savings, investment, debt management, financial negotiation, rights and obligations, etc.
- ◆ Facilitate behavioural changes and practices to improve financial outcomes; including financial well-being through increased savings, improved debt

management, perceived financial stress or satisfaction

The project is being implemented in different phases to complete its objective of reaching 1 million beneficiaries in 5 years, through a unique public private model, which engages banking financial institutions and SBP-BSC field offices to impart NFLP messages in far-flung areas of Pakistan. This has resulted in a unique platform that brings together both industry stakeholders and the general masses, for improving awareness of financial terms and products, and inculcating habits for better financial wellbeing.

There is no doubt, that promoting financial inclusiveness in the country becomes an even bigger challenge for women who are less informed about financial services and show limited understanding of key terms, than men. Therefore, I am proud to share that NFLP targets to reach up to 50,000 adult women with financial literacy messages, to create gender inclusive financial awareness. I am certain that through NFLP, the women of Pakistan, especially in rural areas will become more financially literate, and aid their financial empowerment.

With this first edition of the NFLP newsletter, I would like to congratulate SBP-BSC for the NFLP's effective implementation, and wish the project more success.



Syed Samar Husnain

Progress till 31st May 2018

During the period under review, a total of 4,148 NFLP classroom sessions have been conducted across 77 districts of Pakistan against the target of 4,031 sessions.

The estimated number of participants is 107,848 based on the reported average size of 26 participants per classroom session.

Complete information has been received for 3,322 sessions so

far. These were attended by a total of 86,994 beneficiaries, of which 57,112 were male and 29,882 were female.

The total number of branchless banking and Asaan accounts opened was 43,043, for 26,200 males and 16,843 females.

Jumbr Khurd, District Kasur



Killi Pittaow Bayanzai, District Pishin



Main Plaza, Railway Road, Bannu

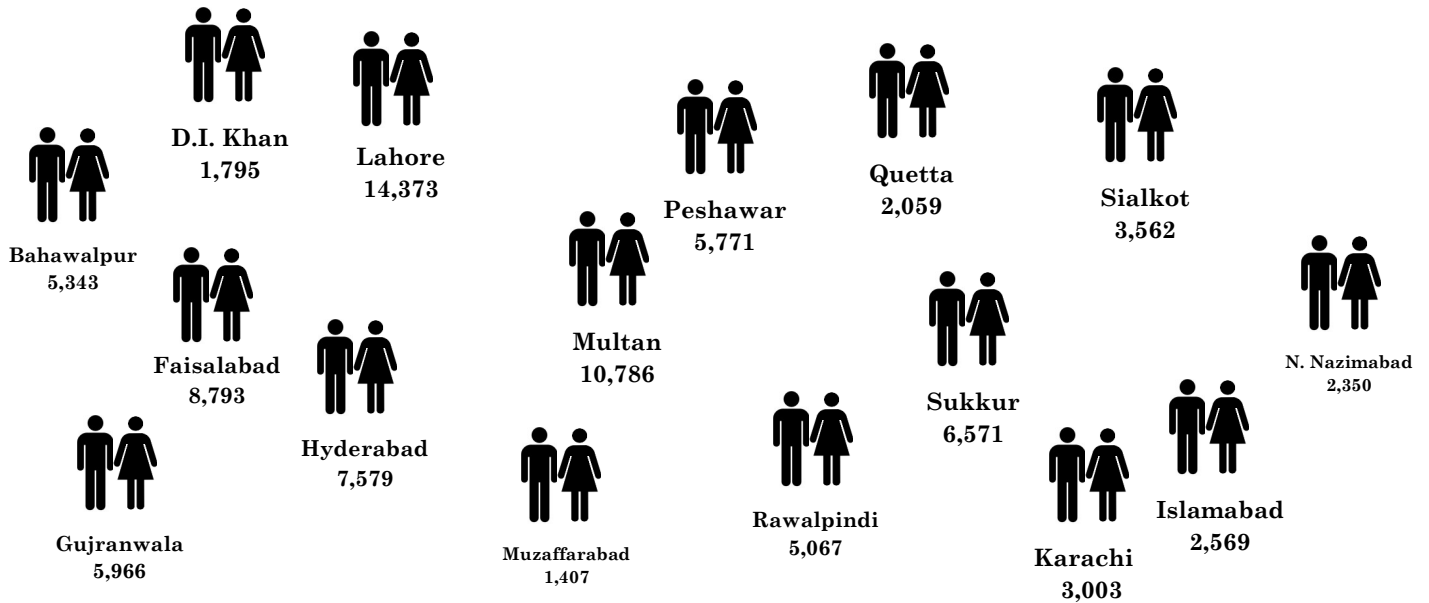


Telenor MFB Office, Thatta



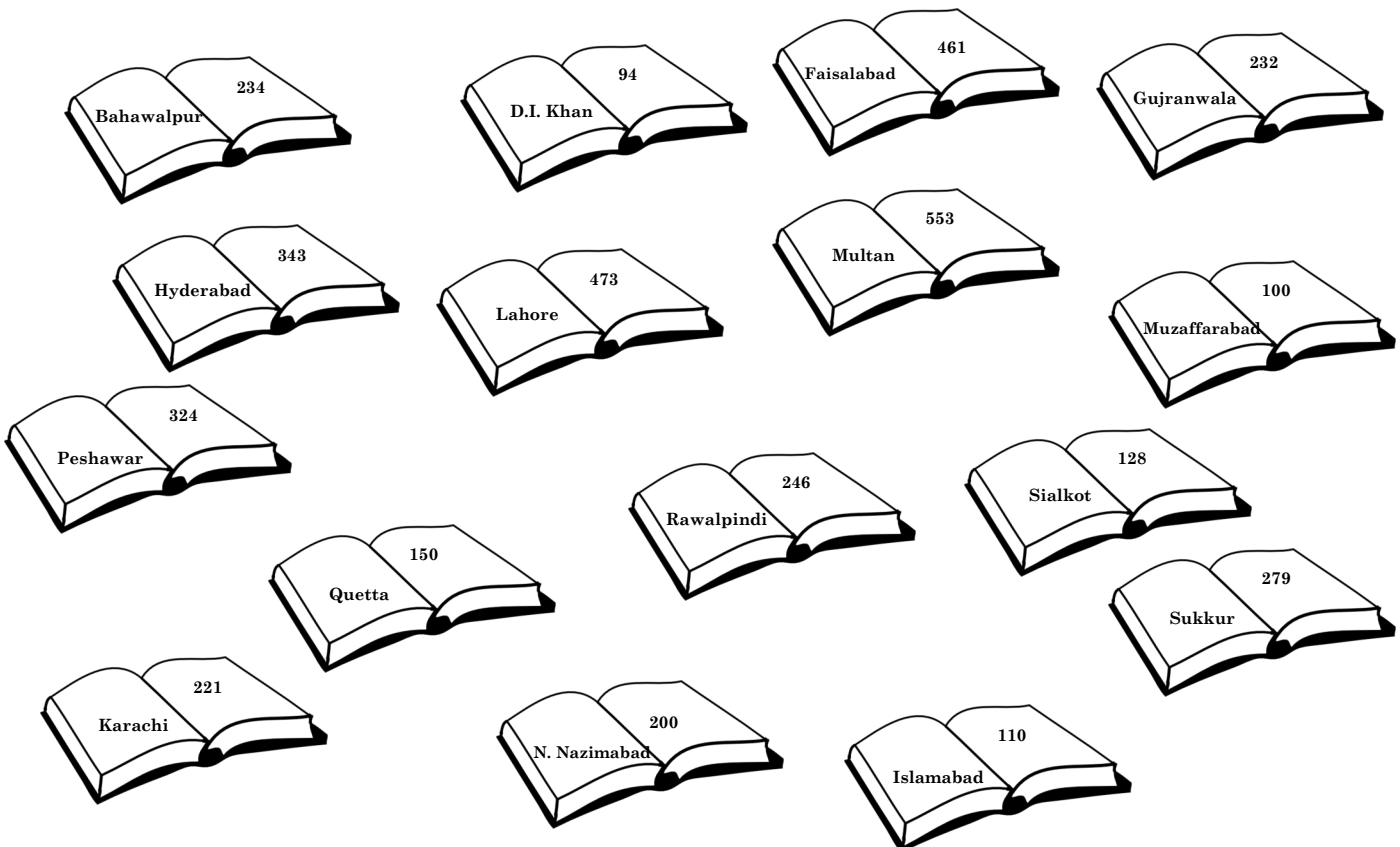
Key Statistics (till 31st May 2018)

SBP–BSC Office-Wise Number of Participants*



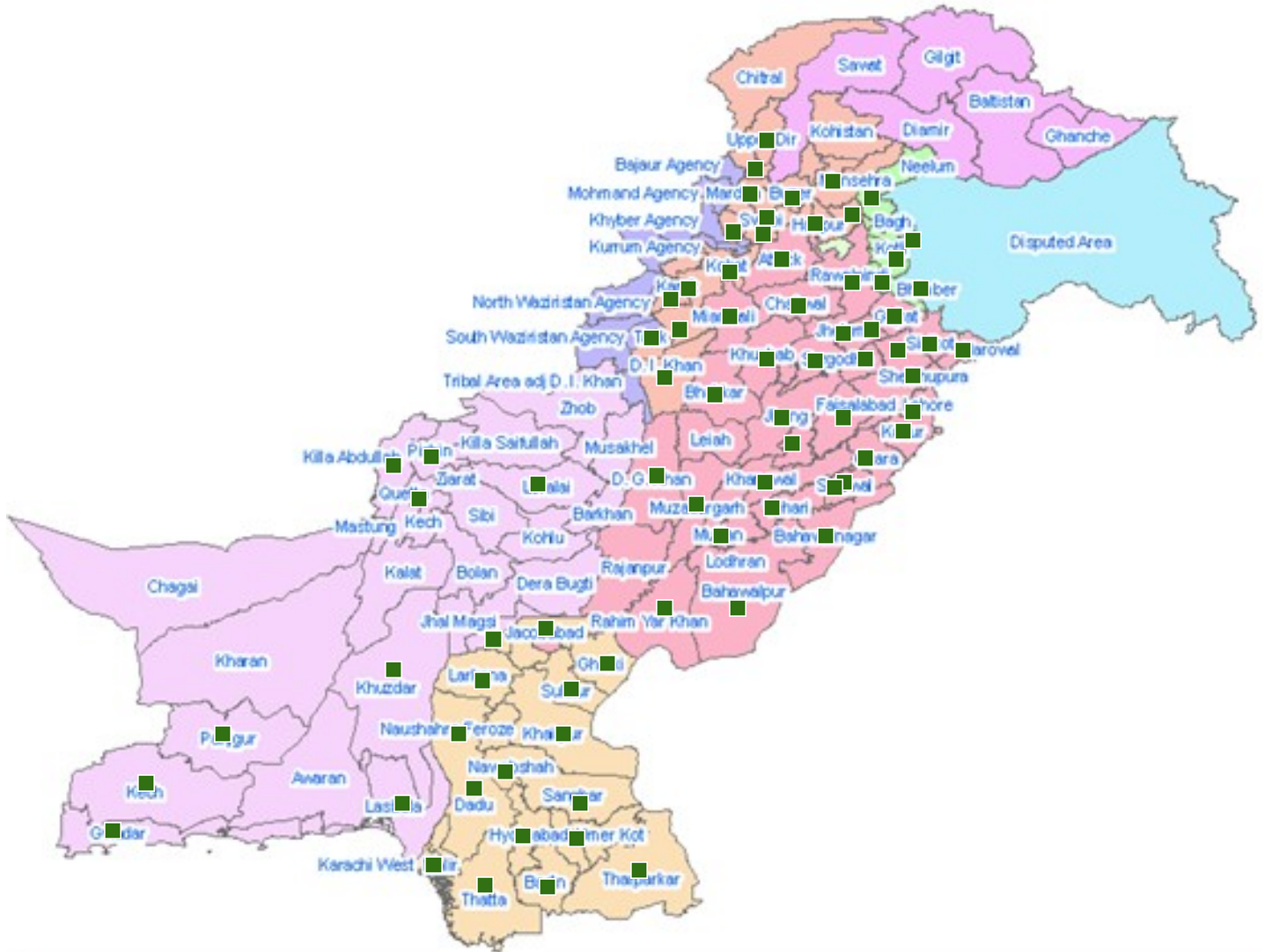
*The number of participants is based on the classroom sessions conducted for which complete information has been reported till 31st May 2018.

Number of Classroom Sessions Organised through SBP–BSC Offices



Key Statistics (till 31st May 2018)

Districts Targeted

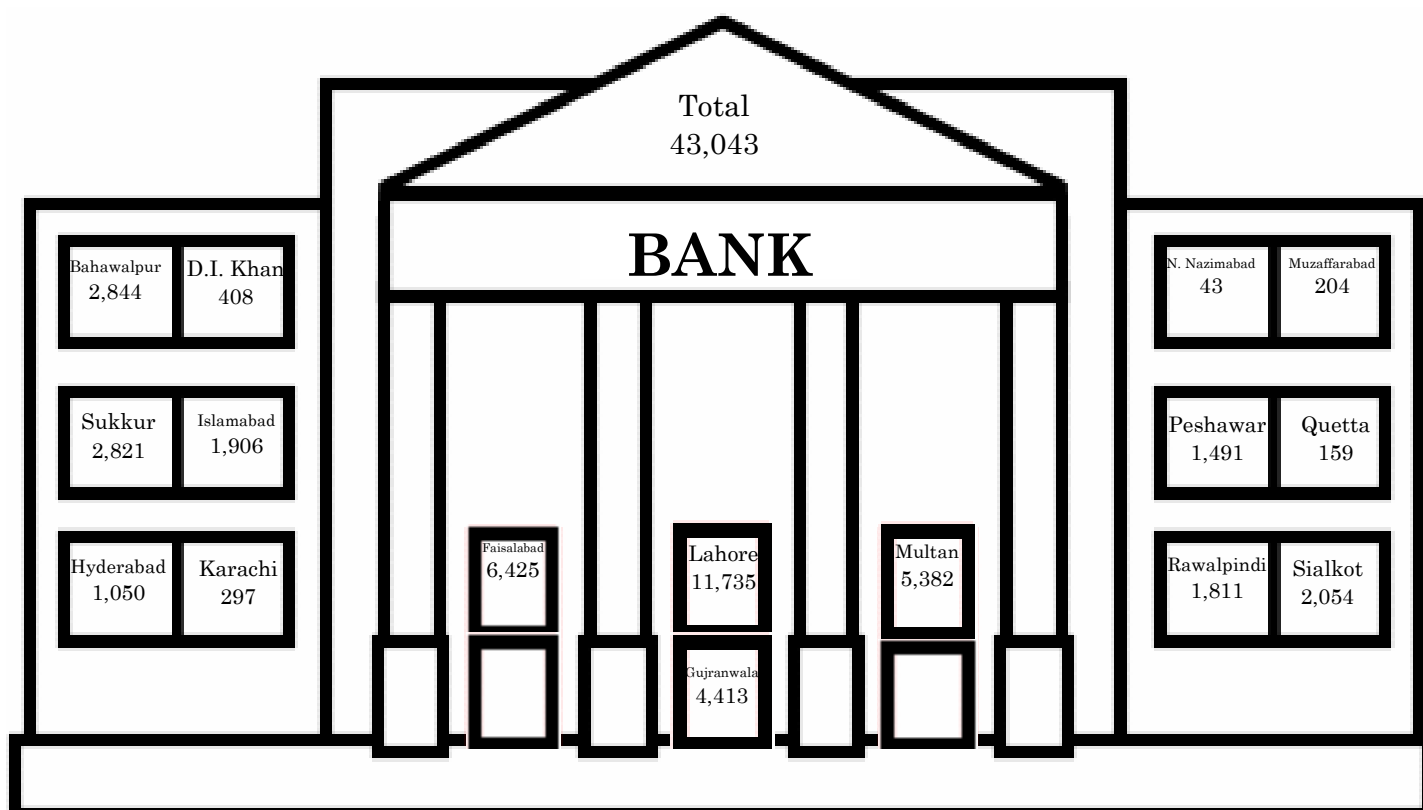


Legend

- | | |
|--|---|
|  Sindh |  Federally Administered Tribal Areas |
|  Balochistan |  Gilgit-Baltistan |
|  Punjab |  Jammu and Kashmir |
|  Khyber Pakhtunkhwa |  Districts where NFLP sessions were held |

Key Statistics (till 31st May 2018)

SBP—BSC Office-Wise Number of Accounts Opened by Banks*



*The number of accounts opened is based on the classroom sessions conducted for which complete information has been reported till 31st May 2018.

The Global Findex Database

A recent analysis of the Global Financial Inclusion (Global Findex) Database provides some interesting insights. It shows the sharp disparities in the use of financial services in high-income and developing economies. There is also a persistent gender gap in developing economies, with the percentage of men with a formal ac-

count being six to nine percent higher than that of women.

Worldwide, the most commonly cited reason for not having a formal account is lack of enough money to use one. Other barriers include missing documentation, and lack of awareness or trust regarding financial products.

Demirgüç-Kunt, Asli and Klapper, Leora F., Measuring Financial Inclusion: The Global Findex Database (April 1, 2012). World Bank Policy Research Working Paper No. 6025. Available at SSRN: <https://ssrn.com/abstract=2043012>

Financial Literacy: The Case of Pakistan

Pakistan has a total population of approximately 190 million people, providing a burgeoning base for the development and use of financial products, including those offered through new distribution channels such as mobile phones, smart cards and online. However, the modest level of financial literacy in the country is a barrier in achieving the goal of greater financial inclusion for the entire population.

Current Position of Financial Inclusion

Research on the current levels of financial inclusion in Pakistan shows that the access to formal accounts in the past few years has shown a positive trend: 16% adults had a bank account in 2015 compared to 11% in 2008. However, the level of financial inclusion is affected by multiple factors, including geography (more urban accounts), gender (more male accounts) and education levels (university graduates more likely to have accounts). Other insights provided by research into the population include the fact that females are less financially literate and less empowered in making socio-economic decisions, certain geographical regions are underserved compared to others, and that most financially excluded adults do not have sufficient knowledge about the financial

services being offered and where, how and if they can open an account.

Types of Financial Education Programs in Pakistan

Financial education programs can be divided into the following categories:

Financial sector programs: arranged by commercial and microfinance banks, Pakistan Microfinance Investment Company, and Pakistan Microfinance Network

Government programs: arranged by government organisations such as SBP and its subsidiaries, Pakistan Remittance Initiative (PRI – a joint initiative of SBP, Ministry of Finance and Ministry of Overseas Pakistanis) and Securities and Exchange Commission of Pakistan (SECP)

Ad-hoc programs: arranged by various other stakeholders such as vocational and higher education institutions, rural support programs and technical support providers

The total number of such programs being carried out is 43, and the types of population reached vary from general public to schoolchildren, farmers, international migrants, youth and women. Moreover, the number of individuals reached

through these programs ranges from a few thousand to more than a million.

Some of the programs aimed at increasing financial literacy in Pakistan are listed below:

National Financial Literacy Program (NFLP)

The National Financial Literacy Program (NFLP), a five-year project with a target of one million beneficiaries, was rolled out by SBP through the 16 SBP – BSC field offices across 77 districts of the country in 2017 in collaboration with commercial/ microfinance banks and partner institutions. The initial stages of NFLP have seen much effort to make the program a success. These include the development of a visually appealing financial literacy curriculum (which includes modules on budgeting, saving, utilisation of funds, debt management, access to financial institutions and rights and responsibilities of consumers), the training of Master Trainers from SBP – BSC who then went on to train Field Trainers from banks in order to conduct classroom sessions, and the formulation of a strategy where MFIs, RSPs and NGOs were taken on board to mobilise the masses. These include organisations with considerable outreach such as the Pakistan Poverty Alleviation Fund (PPAF),

Orangi Pilot Project (OPP), The Citizens' Foundation (TCF) and Balochistan Rural Support Program (BRSP). Moreover, on-site and off-site monitoring mechanisms have also been developed while leveraging the presence of the field offices of SBP – BSC. The progress of the program is regularly updated on a dashboard placed on sbpweb.

NFLP Student Ambassador Plan

In order to supplement NFLP, the Student Ambassador Plan (NFLP SAP) was also devised, which is currently being conducted through 32 universities across the country. This program envisages organising of classroom sessions for the unbanked segments of society by student Field Trainers during summer and winter vacations. For this purpose, more than 300 students were trained by the Master Trainers.

Farmers' Financial Literacy Programs (FFLP)

In addition to NFLP, SBP has also taken other measures to increase financial literacy in the country. These include engaging of farmers by conducting financial literacy and awareness building programs through its Farmers' Financial Literacy Programs (FFLP). These programs have been instrumental in creating aware-

ness among the farming community regarding the availability of different kind of financial services and their rights as well as building basic financial acumen in order to make efficient use of these services through basic financial concepts like agri. credit discipline and fund management.

Provision of information to bank customers

All banks/ MFBs/ DFIs are ensuring the availability of brochures titled 'Know Your Rights and Responsibilities as a Bank's Consumer' and 'Protecting Your Payment Cards' at bank branches for their customers.

Financial literacy of migrant labourers by Pakistan Remittance Initiative (PRI)

In order to increase the financial literacy of migrant labourers, PRI launched a program that provides information and education to this group in 2016. PRI also provides education through its pre-departure program located in seven Protectorate of Emigrant Offices across the country, where banks can also market their Asaan accounts to migrants so that they may open accounts before going overseas. In addition to these measures, PRI also uses posters and brochures to provide information

and has conducted a mass SMS campaign recently.

The JamaPunji Program

SECP has launched the JamaPunji program in order to inculcate a culture of financial literacy among the general public and to reduce the vulnerability of investors to fraud. This program aims to impart knowledge about financial products and markets to different segments of the society so that they are able to make informed financial decisions and manage their money wisely. A web portal was launched by SECP in order to provide online education, while also reaching out to its target audience through other means such as print media. SECP also requires all publicly traded organisations to include a link to the JamaPunji website on their own website.

Conclusion

Although much is being done to increase financial literacy in Pakistan by the organisations above and by other stakeholders, there is need for greater effort. In the future, the challenges that need to be addressed include the promotion of financial literacy initiatives on a sustainable basis, alignment of financial literacy delivery channels with international best practices, and adapting of these to the local scenario.

Financial Literacy Programs: The Case of Nigeria

The importance of financial literacy cannot be disputed in improving financial access. Research conducted internationally has shown that individuals who have received financial education show a greater interest in using financial services. The use of financial literacy in order to increase access to finance has several benefits, such as raising deposits of financial institutions, increasing credit disbursed to the community and improving revenue earned by the businesses involved¹. Due to these reasons, financial literacy programs have been implemented and supported by central banks in several countries across the world, including developing countries that generally have lower levels of access to finance.

The Central Bank of Nigeria (CBN) has actively pursued the goal of increasing financial literacy as part of their efforts to establish an effective consumer protection regime. This is because a large part of the Nigerian population, including educated individuals, does not have the skills to manage their finances and to use financial products to their advantage. Moreover, a lack of financial literacy also leads to more instances of such people being subjected to unethical practices by financial institutions as they do not understand their rights and responsibilities completely.

National Financial Literacy Framework (NFLF)

As part of its Financial Inclusion Strategy, CBN has developed a 'National Financial Literacy Framework' (NFLF)², which provides a strategic direction for provision of financial literacy to various target groups in the population of Nigeria. These target groups include adult emerging markets (MSMEs and farmers), adult formal market, youth market and intermediaries. The implementation of this framework by the Consumer Protection Department of CBN has led to several initiatives, such as financial literacy mass awareness and sensitisation campaigns, which were conducted in 12 states across the country. The topics covered at these programs included lodging of complaints, importance of financial literacy, and usage of financial instruments.

School Reach-Out and Mentoring Programme

Another major initiative undertaken by CBN has been the facilitation of the 'School Reach-Out and Mentoring Programme'³ with the purpose of enhancing the financial well-being of the participants by providing them with the requisite knowledge to take correct financial decisions. This program includes commemoration of events such as Global Money

Week and World Savings Day in the past few years in order to improve financial literacy among students. Moreover, television and print media has been utilised to inform the public regarding consumer protection regulations.

Development of Financial Education Curriculum

In view of the NFLF, the Central Bank of Nigeria is continuing to intensify its efforts to improve financial literacy. The latest measure in this regard has been the development of the Financial Education Curriculum and its guide in collaboration with financial stakeholders and the Nigeria Educational Research and Development Council (NERDC). In preparation for this program, CBN and NERDC had conducted training of teachers of primary and secondary schools before the inclusion of the financial education component as a separate subject in the school curriculum in 2017. The purpose of this project is to inculcate financial literacy among students from a young age so that the financial inclusion targets of the country (80 per cent financial inclusion by 2020) can be achieved.

Conclusion

As the aforementioned initiatives taken by Central Bank of Nigeria indicate, the Nigerian government believes in the

need for a more financially literate population in order to provide them with the opportunity to contribute to the economy. Moreover, the development of a curriculum on financial education would instill financially literate behaviour in future generations, enabling them to manage their finances more effectively.

References

1 Orozco, M., 2009. Emerging Markets for Rwanda: Remittance Transfers, Its Marketplace and Financial Intermediation.

2 <https://www.cbn.gov.ng/out/2016/cfpd/financial%20literacy.pdf>

3 <https://www.cbn.gov.ng/Devfin/finliteracy.asp>

Observations from NFLP Classroom Sessions

“This session was useful for me as now I have learnt how to apply for a bank loan; now I can approach the bank for an agri-loan instead of having to depend on middlemen.”

- Aqeel Ahmed, 38
(Hafizabad, Punjab)

“The NFLP Handbook has been very useful in understanding the concepts taught in the classroom session.”

- Muneer, 35
(Faisalabad, Punjab)

“I feel that the most useful part about the training was the information on savings.”

- Atif Zameer, 43
(Hyderabad, Sindh)

“I did not have a bank account before and it was difficult for me to transfer money to my family, who live in another city; now I will be able to do this through my account.”

- Rehan Ahmed, 24
(Badin, Sindh)

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.

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