

# Impact of National Financial Literacy Programs in Pakistan

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## Abstract

National Financial Literacy Programs is an important program and NFLP is present in all over the world of countries and national financial literacy program are conducted almost in every country by banks and banks held different sessions in each district and give the financial knowledge and education which have impact on our saving, investments, decisions making, reserve, economic stability and policy makers (Umer Khalid, 2012). In Pakistan state bank of Pakistan takes these initiatives to create basic financial knowledge awareness and state bank of Pakistan held two different sessions such class room session and street theaters session National financial literacy programs the main purpose to improve individuals' understanding of financial concepts, budgeting, decisions and investment strategies. National financial literacy programs have impacts, positively influencing economic stability, reducing household debt, and improve decision-making (Junaid Afsar, 2018). By equipping citizens with essential financial skills, these programs contribute to a more resilient and empowered society, ultimately promoting sustainable economic growth and reducing disparities in financial well-being.

**Keywords:** Saving, Investment, Financial Education, Decisions Making, Budgeting

## Introduction

National financial literacy programs are an important initiatives which implement by governments to improve the financial knowledge and skills of the every citizen of the country. National financial literacy programs aim to identify the growing complexity of financial markets and empower individuals to make best decisions about their money. Participation in financial literacy programs to give education on the factors such as budgeting, saving,

investing, and responsible borrowing, these programs contribute to economic stability, reduced inequality, and improved overall financial well-being (Zafar Iqbal, 2018). Financial literacy programs are also play an important role in the poverty reduction by providing to individuals with the skills to manage their financial decisions effectively and plan for the future and avoid from situations that could lead to financial hardship in their life (NFLP book 2018). NFLP are also improve retirement planning to understanding the importance of retirement planning is an important and key component of financial literacy. From many decades in USA increasing in the financial literacy programs and in following surveys finding that 89 percent of banks in the US were involved in running school financial literacy programs as primary sponsors, partners or supporters of third-party programs, while 50 percent were also involved in college-based programs (Worthington, A.C 2013). Others financial literacy initiatives and doing a programs and give financial education by different name throughout the world include financial literacy programs implemented by the Financial Consumer Agency of Canada (2013) and the Canadian Bankers Association's (2005) Building a Better Understanding program and the New Zealand Retirement Commission (2013) and the New Zealand Financial Literacy Program developed by Enterprise New Zealand Trust (2005) and in Pakistan financial literacy programs assess by state bank of Pakistan throughout the country by two different sessions namely class room session and street theaters session in which 25 and 75 peoples are must to present respectively in that two sessions and state bank of Pakistan also give a target to others banks for sessions and others banks doing that two sessions in the every district of Pakistan on the behalf of state bank of Pakistan.

### **Objectives of the Research**

The primary objectives of this research are as follows

- To estimate the impact of national financial literacy program on the financial knowledge and skills of participants.
- To see how participation in the national financial literacy program to influences financial behavior, including savings, investment, and debt management.
- To analyze the long-term effects of financial literacy programs on individuals' financial well-being in Pakistan.
- To provide recommendations for improving the design and implementation of national financial literacy program.

### **Significance of the Research**

Understanding the impact of NFLP is important for policymakers, financial institutions, and individuals. This research will help policymakers programs to better meet the needs of their target populations and guide individuals towards improved financial decision-making.

### **Research Questions**

1. What is the effectiveness of the national financial literacy program in improving financial knowledge and skills?
2. Does the financial literacy program lead to increased savings, reduced debt, or improved investment?
3. How does the program's impact vary in urban and rural areas or among different regions of the country?

### **National Financial Literacy Program in Pakistan**

State Bank of Pakistan (SBP) launched the Pakistan's first Nationwide Financial Literacy Program (NFLP) on 20th January 2012 to promote financial inclusion (financial inclusion is also program to promote economy) through spreading financial education for effective economic growth and stability across the country. That Program aim to target middle income households and youth through building partnerships with education institutions in a phased manner. The program envisions educating around 0.5 million low income households in first phase and state bank of Pakistan lunched in phase vise first phase started in 2018 to 2023 and state bank keep a target in overall country (Umer Khalid, 2012). The key objectives of the program are provided knowledge and understanding of financial concepts, financial products and services and develop skills and attitudes towards budgeting, savings, investment, debt management, financial education, rights and obligations and support behavioral changes and practices to improve financial outcomes including financial wellbeing through increased savings, improved debt management. State bank of Pakistan takes some positive initiatives for the improving the economy of Pakistan in that initiatives financial products and services are included and NFLP is also SBP initiative.

### **National Financial Literacy Program for Youth (NFLP-Y)**

In second phase state bank of Pakistan further the expend the national financial literacy program that started another financial literacy program for youth in different schools, colleges, and universities and in that program they targeted different ages of people because financial

education and knowledge is very important for the purpose best saving and money management and already pakistan have huge number of young population (SBP 2021).

### **RAAST (Pakistan's First Instant Payment)**

RAAST is an instant payment system developed by the State Bank of Pakistan and RAAST is financial service. It is launched in 11 January 2021 and it is the Pakistan Faster Payment System, facilitating real-time payments, including inter-bank peer-to-peer and person-to-merchant transactions. Almost all banks in the country have this service and RAAST change the payment system completely RAAST is secure and fast payment system of Pakistan (SBP, 2021). Through RAAST you can unlimited transaction in a day the best advantage of RAAST is that your phone numbers become your bank account number.

### **AMA (ASAAN Mobile Account)**

ASAAN mobile account is the financial product of state bank of Pakistan through the Asaan Mobile Account (AMA) service, any citizen of Pakistan can open a bank account online in any Pakistani bank from any city or place of Pakistan at any time by using your any kind of mobile phone and asaan mobile account provide benefit to poor and general public of Pakistan.

### **Literature Review**

This literature review on the impact of national financial literacy programs in Pakistan provide that such initiatives national financial literacy program play an important role in increase and improve financial knowledge, education and behavior among the people. Many researches and this research identify positive changes in individuals' saving, investment decisions, and overall financial decision. Therefore, challenges such as limited accessibility to financial education resources and the need for targeted demographic groups have also been mentioned (Khadija Ali, 2012). About national financial literacy program further research is needed in future to assess the long-term sustainability and effectiveness of NFLP in promoting financial literacy in Pakistan because national financial literacy program is phase wise and the second phase will be started in 2023 to 2027 and this is a five years program. Researchers give up that the financially literate people should know that how to manage their money, to aware how financial institutions work. Further is that, they would know how they should carry their overall financial decision and simply financial literacy has explained as the learning, understanding and knowledge of very basic financial concepts and get the financial education and knowledge then to use them to plan and manage their financial decisions. Different types of surveys/interview

have conducted to analyze spread of financial literacy. Different survey have been conducted in Pakistan and as well as in the world and that people have a low level of education, females, and low levels of financial literacy, which are affected by financial decision-making for this purpose national financial literacy program have been started to educate the people financially, and they manage their money effectively and for the awareness of financial literacy program they started publishing of advertisements in the social media and in others online platforms in the country (Shama Ghafar, 2016). State bank of bank Pakistan decided with the collaboration of banking sectors will be started second phase national financial program in Pakistan for further five (5) years in 2023 to 2017. Participating in the national financial literacy program you can understand the effective financial decisions because financial literacy program play an important role in saving, investment, decision-making and also important for policymakers as well as businessman and these programs have positive result in your financial skills.

### **Survey and Analyze of National Financial Literacy Program**

The National Financial Literacy Program (NFLP) in Pakistan is a five-year program basically this program is lunched phase wise and the first phase was started from 2018 and the second phase is going on and the started with a total target of one million beneficiaries, was initiated as from September 2017. The purpose of this program is that at reaching out to the unbanked and under banked segments in overall Pakistan and society and to provide them with the financial knowledge and education needed to make better financial decisions (SBP report, 2018). The second year of the program saw its expansion to all 158 districts of Pakistan, thereby increasing its scope extensively. Moreover, a media campaign was also launched to increase awareness regarding National Financial Literacy Program. For the expansion of national Financial Literacy Program in Pakistan state bank of Pakistan in the second phase that lunched new feature in asaaan mobile account(AMA) and RAAST(Pakistan's first instant payment method) which is the part of state bank of Pakistan initiatives. During the first half of year and the total of 4,566 National Financial Literacy Program classroom sessions has been conducted across all districts of Pakistan against the targeted of 9,040 sessions across the country and thereby in meeting more than 50% of the target in national financial literacy program in Pakistan with regards to number of sessions national financial literacy program. The number of people and participants in these sessions was 84,729. Of these beneficiaries and in which 52,605 were male and 32,124 were female in the session. In this program the total number of branchless banking and Asaan accounts opened was 36,560 and in which for 19,946 males and 16,614 females and 70% of the sessions were conducted in rural areas of Pakistan. In the first

year of national financial literacy program in all district of Pakistan class room session were conducted in which all the banks and unbanked members were present and also AMA members presented and many people attend these class room session which are mentioned above and we analyze and survey and also collected data from banks and individual also in all over Pakistan and these class room session were conducted SBP-BSC office wise and through which we get a positive result by these collected data such as show some data which are collected D.I khan more than 2131 participants and 92 class room sessions were conducted by state bank of Pakistan field offices and same as it in Lahore 13909 participants and 566 class room sessions, Bahawalpur 8260 participants and 273 class room sessions, in Faisalabad 8904 participants and 558 class room sessions, in Gujranwala 2614 participants and 277 class room sessions, in Hyderabad 6159 participants and 290 class room sessions, in Peshawar 2390 participants and 211 class room sessions, in Multan 9108 and 473 class room sessions, in Muzaffarabad more than 2123 participants and 90 class room session, in Quetta more than 3337 participants and 155 class room sessions, in Sukkur more than 7518 participants and 405 class room session, in Rawalpindi more than 1615 participants and 113 class room sessions, in Sialkot more than 6187 participants and 342 class room sessions, in Karachi more than 2084 participants and 194 class room sessions, in Nazimzabad more than 5783 and 349 class room sessions and in Islamabad more than 2653 participants and 178 class room sessions are conducted in all over large cities of Pakistan and in which large number of participants were presented and to provide a financial knowledge and education and through these class room sessions bank accounts were also opened by asaan mobile accounts members and the total 36560 bank accounts were opened. This is the only one year progress of national financial literacy program across the Pakistan and we get these data from official websites and we found that in every year they were conducted the class room sessions and in which large numbers of participants were presented and in the first phase of national financial literacy program in Pakistan they got 80% target achieved and that mean in all over the world as well as in Pakistan financial literacy interest increase and which are important for every citizen and individual in the country because financial literacy have important role in our investment, budgeting, saving and decision making regarding to finance and we also conducted individual survey across the country and found that large number of people of Pakistan have interest in financial literacy and they also satisfied with national financial literacy program in Pakistan. We conduct a survey in four provinces via online and through face to face interview and we take equal number of correspondence in four provinces of Pakistan and found that the people which have low monthly income also had got financial education and these says that our financial behavior change after the attend of

financial literacy program specially in the area of saving, investments and financial decisions (Ziarat, Harnahi, 2023). In all over the world access to financial services and products with the skills to use these services and products efficiently and effectively and is shown to have a positive impact on poverty reduction in the country or society as that the poor generally face difficulties in them to invest in activities that are more productive for those and that's why state bank of Pakistan launched national financial literacy in Pakistan that support poor and low income and through financial literacy program also support business in financial decision and the main purpose of national financial literacy program in Pakistan is that support the poor because the poor have the greatest need for financial literacy as they have to manage their subsistence within lack of financial resources (Individual Survey).

### **Survey Results of National Financial Literacy in Pakistan**

The survey was conducted about the impact of national financial literacy in Pakistan, and we found first the survey result was positive across the country. Basically we conducted two types of survey online survey and individual face to face survey, and we had taken data from both surveys and basically national financial literacy program is the state bank of Pakistan initiatives for the purpose of to provide financial education to all and basically the National Financial Literacy Program in Pakistan (NFLP) is a five-year project with a target of one million beneficiaries and that was rolled out by state bank of Pakistan through their sixteen SBP-BSC field offices across almost all districts of Pakistan in 2017 in collaboration with commercial banks and microfinance banks and partner institution and they reached on their target in the first year and in the first year 2018 they opened more than 36560 bank accounts in which more than of these 45% were for female and that is special point of interest in the financial literacy program and the total number of 4566 classroom sessions has been conducted across the Pakistan against the number of 9040 classroom sessions and interest in financial literacy program now in every year number of participants increases across the country.

### **Conclusion**

In that research paper we conducted online and face to face interview or survey in the different large cities of Pakistan for purpose of financial literacy in Pakistan because the need for financial literacy in the country has become more increasingly important to create a more financially literate population and to provide financial education and knowledge in Pakistan. For this purpose state bank of Pakistan with the collaboration of banking sectors is taking important steps to ensure that women, poor and the underserved population has also access to



the financial services and they started national financial literacy program in Pakistan because they need by actively promoting financial knowledge and education, basic banking services and developing innovative products that can help people manage their finances better such as state bank of Pakistan has launched Pakistan's first payment system (RAAST) which change the payment structure completely in Pakistan and we conduct two different types of survey in which we found that interest of people with national financial literacy program and through these program a large number of bank accounts were opened across the country in which every citizen were involved and many people across Pakistan financially educated because national financial literacy program give awareness and financial education to the people. National financial literacy program conduct class room session and street theater session and national financial literacy program is a five year program and the national financial education and knowledge and financial literacy and inclusion for the country and the national financial literacy program committee which chaired by the Governor of state bank of Pakistan and Pakistan Banks' Association (PBA) and has decided to continue the national financial literacy program for next five (5) years. National financial literacy program in Pakistan second phase (2023-27) shall be implemented in the collaboration with the banking industry and local organizations of Pakistan. (Junaid Asfar, Ghulam Mutabah Chaudhary, Zafar Iqbal , & Muhammad Amir, 2018)

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