

STIMULATING DEMAND AND DESIGNING FINANCIAL LITERACY CAMPAIGN TO  
INCREASE SUSTAINABLE ACCESS TO FINANCE IN NEPAL

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<b>List of figures.....</b>	<b>Pg.</b>
Figure 1: Growth of Financial Institutions.....	4
Figure 2: Financial Inclusion.....	6
Figure 3. Financial literacy strategy.....	10

**List of Tables**

Table 1. Number of Branches of Banks and Financial Institutions.....	5
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<b>Table of Contents</b>	<b>Pg.</b>
<b>1.Introduction.....</b>	
1.1 Background.....	1
1.2 Rational and Significance of the study.....	2
<b>2.Methodology.....</b>	<b>3</b>
<b>3.Scenario of Financial Inclusion in Nepal.....</b>	<b>4</b>
3.1 Financial System at a Glance.....	4
3.2 Understanding demand for financial services in Nepal.....	6
<b>4.Review of Literature.....</b>	<b>8</b>
<b>5.Analysis.....</b>	<b>10</b>
5.1 A study of International Practices: Cases of India, Mexico, Spain, U.K and Indonesia....	10
5.2 An overview of financial literacy initiatives in Nepal.....	18
5.3 Excerpts of interaction with stakeholders.....	31
<b>6.Findings.....</b>	<b>34</b>
<b>7.Recommendations.....</b>	<b>35</b>

## 1. Introduction

### 1.1 Background

The Nepalese financial system has a very recent history that started just from the early twentieth century. The formal financial system in Nepal started quite late compared to other countries. The development of finance in Nepal can be divided into three distinct phases. The first phase corresponds with the initiation of formal domestic banking system in Nepal. This phase officially started in 1880 with the establishment of *Tejarath Adda*, an institution that held funds given by government to give credit to their staff and landlords only, it was not allowed to take public deposits and provide credit to public. Only when Nepal Bank limited was established in 1937 that the financial services were made available to the general public. The establishment of the central bank i.e. Nepal Rastra Bank in 1956 marked the beginning of the second phase that eased the procedure of establishing banks and financial institutions in the country. This period saw the set-up of the first joint venture bank in Nepal after the adoption of Government's Liberalization Policy. This period experienced a steep rise in the number of banks and financial institutions in Nepal thus significantly enhancing the access of finance to many individuals and enterprises. The third phase that is currently going on started with the NRB act of 2002. This act allowed NRB to be more autonomous in exercising decisions relating to formulation of monetary and foreign exchange policy as well as monitoring and regulating banks and financial institutions across the nation.

The post liberalization period witnessed the growth of BFI's in Nepal that made financial services available to the general people not just in major cities but also in rural areas. A world bank report states that financial inclusion or broad access to financial services, is defined as the absence of price or non-price barriers in the use of financial services. This report stresses a difference between "access to" and "use of" financial services. "Access" essentially refers to the supply or availability of services whereas the use is determined by demand as well as supply. (Federation of Indian Chambers of Commerce and Industry, 2011) Access of finance in Nepal has been rising substantially over the years with the increment in the number of BFI's. Several policies have been introduced to strengthen financial inclusion but the policies formulated have yet to create a substantial impact on increasing accessible financial services to the excluded population. The growth of these institutions has been such that there is high concentration of BFI's in urban, semi urban and privileged cities and very less presence in rural areas; creating an unequal distribution of financial services. (Chaulagain, 2015) The BFI's are operating within a limited market competing against each other for a small group of customers they deem profitable. Some policies attempted to increase access have created requirements for opening branches in rural areas or lending to the deprived sector. But the institutions don't see these requirements as having a profitable impact on their businesses and hence they just meet the minimum requirements of the government. At present, 61% of the people in Nepal are formally served by banks and financial institutions that are regulated by NRB or GON. 21% of the people are informally served by organizations like savings groups and private money lenders that are not regulated. The rest 18% of the people in Nepal are completely financially excluded which means that they do not use or have any financial

products or service, they rely on friends and family to borrow and keep savings at home. (FinMark Trust, 2014)

Improved access to finance creates an environment conducive to new firm entry, innovation and growth. Modern development theories emphasize on the role of access of finance on the economic development of a country. Access of finance to all creates an environment of equal opportunities and reduces inequalities whereas lack of finance is often an underlying cause of persistent income inequality and slower growth. (The World Bank, 2008)The access of finance on Nepal is at a modest level with majority of the people turning to informal sources for their financial needs. As the informal sources are not regulated there is greater chance of exploitation of rights of individuals and enterprises by informal lenders. Hence, access to affordable and appropriate financial instruments and products can improve the welfare of the un-served and under-served portions of the population by helping them conduct their financial lives more efficiently, create income, manage risk and build wealth over time. (FinMark Trust, 2014)

Initially efforts to enhance access to finance were concentrated on supply side endeavors. Policy level initiations were taken to encourage a wider availability and accessibility of financial services. But only an increment in number of financial intermediaries does not guarantee qualitative financial access, sustainability and satisfaction of service consumers. (Chaulagain, 2015) Financial literacy is also used as an effective mechanism to boost demand for financial services ultimately increasing the access of finance. Financial literacy will encourage desired financial behaviors such as saving, budgeting and using credit that will create a favorable environment for the development of the financial sector. While it is known that financial literacy does enhance access to finance but it is difficult to say exactly by how much access to financial services is affected by financial knowledge and skills. Nonetheless, NRB is working on creating a financial literacy strategy. It has emphasized on the triangular relationship among financial access, financial literacy and financial inclusion and aims to use financial literacy as a promotional tool for increasing access to finance.

This report aims to recommend a road map for formulating national financial literacy strategy in Nepal by outlining the key variables that need to be taken into consideration for formulation of such a strategy. This would be done by studying international trends and practices and studying the existing stakeholders and initiatives already taken in Nepal.

## **1.2 Rationale and Significance of the study**

The global community has also acknowledged the need of enhancing financial access to poor people. World bank and a broad group of partners including multilateral agencies, banks, credit unions, micro finance institutions and telecommunications have set up a goal of achieving universal financial access by the year 2020. Enhancing access to finance has also been a major priority of NRB. In Sept 13, 2013 NRB signed the Maya declaration i.e. a commitment to unlock the economic and social potential of the 2 billion unbanked in the world through financial inclusion. Under the commitments made by NRB includes the commitments to promote financial literacy by developing a financial literacy strategy. It has already initiated “NRB with students” program at the school level to enhance financial literacy, especially targeting the youngsters. It aims to conduct rural credit survey focusing on

access of finance, credit and interest rate structure, and financial literacy to use the result to frame appropriate policies and strategies for rural finance. It has also planned to develop a financial sector development strategy by making institutional arrangements, strengthening regulatory and supervisory norms for microfinance institutions, enhance public awareness and financial education. It also made a commitment to improve the quality of existing mobile money services and also introduce new ones for improving access for the poor.

NRB had also formed alliances with UNDP and UNCDF and initiated a project titled Enhancing Access to Financial Services (EAFS) to improve the outreach of financial services. This project's commitment is towards building a sound microfinance sector in the country to provide services to the rural and low income people. Similarly, NRB has also partnered with other agencies like DFID, UNCDF and initiated UNNATI- Access to Finance(A2F) project for expanding financial services for individuals and micro and small business. According to Nepal Rastra Bank (NRB), the long term objectives in Nepal is to achieve a greater degree of financial inclusion, to deliver financial services at an affordable cost to the unserved and underserved populations, especially disadvantaged and low income groups. Financial inclusion in Nepal can be stimulated only by imparting financial education to our people as large number of people are not even aware of basic knowledge of how to use banking services. Identifying the importance of financial literacy NRB started initiatives like "NRB with students", published "Paisa ko Bot" and even conducted a survey to assess financial literacy among college students.

Around 50 countries in the world have already adopted some sort of national financial literacy strategy. This issue is relevant to both developed and developing countries as developed countries are having increasing complex financial market with a wide range of financial tools that can easily confuse a layman. Specially after the global financial crisis many developed nations are formulating financial literacy strategy to have capable citizens who know how to handle credit wisely and not make wrong financial decisions. In terms of developing countries financial literacy is used as a tool to stimulate demand for financial services.

Hence this study is highly relevant now and can be of use to different stakeholders who are interested in this topic. As NRB is currently drafting policy for financial literacy in this report could not be undertaken at a more appropriate time. This report aims to add some value and provide some insights on the issue of financial literacy.

## **2. Methodology**

The main objective of the study is to understand the current financial literacy initiatives in Nepal and provide a recommendation on formulating financial literacy strategy. This research is qualitative in nature. Two methods have been used for writing this paper; desk research for available literatures and interviews and discussions with stakeholders and NRB employees.

### **Desk research:**

Identification of stakeholders involved in financial literacy initiatives in Nepal was done through desk research. Also relevant review of literature, study of international practices was all done through desk research.

## Primary research

Interviews and interactions are the main source of primary data for this study. Interviews were conducted with stakeholders of financial literacy initiatives. A total of five institutions were interviewed using semi structured questionnaires. Also, interactions with employees at NRB, Micro finance department was conducted to gain more insight into the issue of financial literacy.

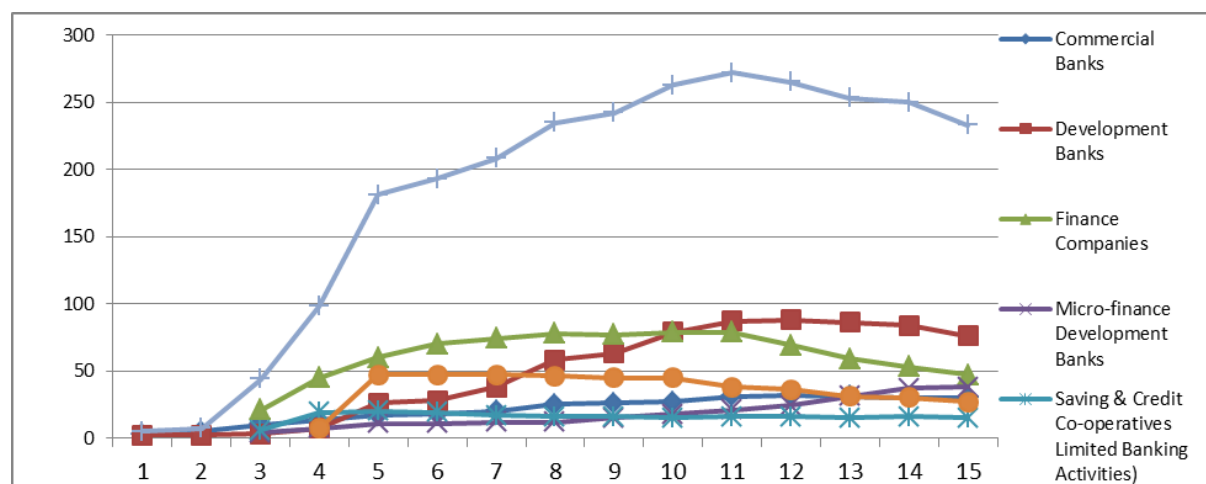
## 3.Scenario of financial inclusion in Nepal

### 3.1 Financial system at a glance

The total number of BFIs stand at 193 including 30 commercial banks (“A” Class),76 development banks (“B” Class),47 finance companies (“C” Class) and 38 microfinance institutions (“D” Class). In mid-July 2015, the total bank branches reached 3864.As a result of this, on average, 6930 people obtained banking services from each branch of BFIs. As per The Department of Cooperatives, the number of saving and credit cooperatives reached 13,413 in mid-June 2015. (Nepal Rastra Bank, 2015)

Microfinance institutions have been traditionally used as a medium to provide access to low income households. It was officially recognized as a poverty alleviation tool in the country’s sixth plan (1980/81-1984/85). Though it gained momentum only after restoration of democracy in 1991. In Nepal, there are 38 microfinance institutions operating in Nepal. Also, Rural Self-Reliance fund, Rural Microfinance Development Center and Sana Kisan Bikas Bank were established as second tier refinance institutions to provide wholesale loans to different MFI’s in Nepal. (Nepal Rastra Bank, 2015)To encourage the establishment of Micro finance institutions, private sector has been allowed to open micro finance development banks.

**Figure 1: Growth of Financial Institutions**



Source: Banking and financial Statistics 2014/2015

As can be seen from Figure 1 there has been a rise in the number of commercial banks, finance companies, development banks and then a fall, this is because of merger of few institutions after NRB directed few institutions to go for mergers. But despite the decline in number of BFIs due to mergers and acquisitions, financial access has been widened due to branch

expansion as well as introduction of innovation products like mobile banking and branchless banking. As of mid-April 2015, the number of branchless banking counters reached 501, customer of mobile banking 913 thousand and card holders 4.36 million.

The Nepalese financial sector is growing rapidly and its status in access to financial services compares favorably with other low income countries. (Government of Nepal-Ministry of Finance, 2013).The ratio of deposits to GDP stands at 68.85% and credit to GDP stands at 51.92%.This percentage has been rising steadily over the years signifying increment in financial activities in the country.

Nevertheless, the access to financial services in Nepal is highly skewed. The rural households and enterprises rely mostly on informal sources to cater to their financial needs. Informal sector are characterized by informal groups or associations of people that pool savings together to extend credit to their members such as *Dhukuti* groups, moneylenders, traders, friends, family and relatives. (MicroSave, 2014)

**Table 1. Number of Branches of Banks and Financial Institutions**

Development Region	Class A	Class B	Class C	Class D	Total
Eastern	309	105	23	314	751
Central	835	294	125	398	1652
Western	293	322	57	228	900
Mid-Western	152	74	9	120	355
Far-Western	93	28	2	83	206
<b>Total</b>	<b>1682</b>	<b>823</b>	<b>216</b>	<b>1143</b>	<b>3864</b>

Source: Bank and Financial Statistics July 2015

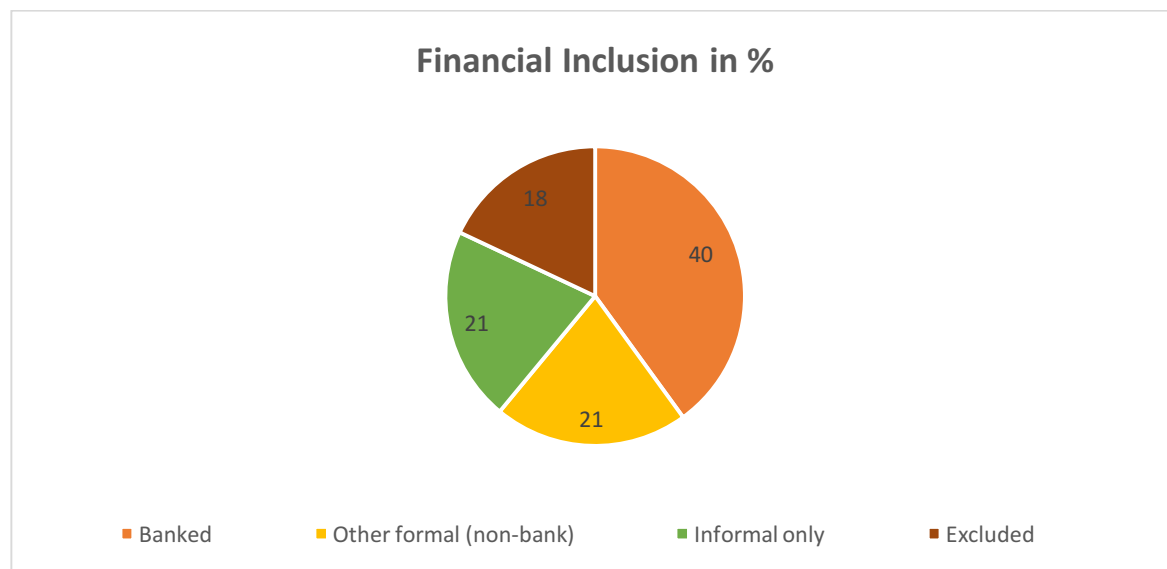
As can be seen in Table 1. 42.75 % of the total branches serve central region alone. Whereas, only 5.33% of the branches service the far western. The Mid-Western and far-western regions are lagging behind in terms of access to financial services. The district with the highest number of branches is Kathmandu at 560 branches and lowest number of branches is Humla and Mugu with only 3 branches. The population served per branch in Kathmandu is 3115 whereas in Mugu 18429 people are served in each branch. (Nepal Rastra Bank, 2015)

Despite the growth of financial institutions and introduction of innovative products like branchless banking, mobile banking and ATM's the Government of Nepal in its economic survey for the fiscal year 2014/2015 has stated that 60% of the people are out of formal financial reach. (Chaulagain, 2015)



### 3.2 Understanding demand for financial services in Nepal

Figure 2: Financial Inclusion



Source: FinScope Consumer Survey 2014

Financial inclusion as shown in Figure 1 refers to adults who have/use financial products and/or services-formal and/or informal. According to the survey done by FinMark trust as part of a survey for Making Access Possible (MAP) program that operates under the overall umbrella of UNNATI-Access to finance(A2F) project implemented by Nepal Rastra Bank, only 40% of people, claim to be banked i.e. adults who have/use financial products and/or services provided by A,B,C,D class institutions of Nepal,21% claim to use other formal financial service like cooperatives, insurance companies, remittance service providers while another 21% claim to use informal sources like money lenders that are not regulated whereas 18% of the adults do not use any formal or informal financial products. (FinMark Trust, 2014)

Reasons for not using formal financial services can be divided broadly into lack of knowledge about financial institutions and supply side constraints. Most commonly cited reasons for not using bank services are: do not need (33%), do not understand how it works (9%), financial accounts are not for me (8%), do not know (7%), do not know how to apply (4%) and can obtain these services elsewhere (4%).All these reasons come from a lack of awareness or limited knowledge how banks works. These correspond to a lack of knowledge about financial services. Supply side issues are cannot maintain minimum balance(42%),too far away(16%) and service charge too high(4%) that present an opportunity for BFIs to male their branches accessible, charge lower interest rates and open zero or less balance accounts to stimulate demand. (FinMark Trust, 2014)

According to a research done by MicroSave as part of MM4P, a UNCDF program to understand the demand of financial services in Nepal, there has been behavioral changes in people in their usage of financial services in the last 10 years. The use of formal services given by banks, MFIs, finance companies, co-operatives and remittance and insurance companies have increased in the period. Because of this, the use of most informal services, such as

moneylenders, friends and relatives have decreased. Nonetheless, people still use informal groups (women's groups etc.) to meet their financial needs but also increased their use of formal services. This change can be attributed to the improvement of financial service delivery mechanisms in Nepal. When formal BFIs began to spread their operations, people moved away from traditional informal lenders. However, factors such as accessibility challenges, cost considerations and trust issues have meant that people still tend to resort to informal groups for many of their financial needs. (MicroSave, 2014) 60% of the people who are currently unbanked are the untapped consumers of the BFIs.

In the context of Nepal, the main problems about access to finance are for the rural households and entrepreneurs. People living in urban areas and cities have high access to financial services and can be seen using complex financial products. For example, the NEPSE stock exchange has daily transactions of almost 2 billion. The IPO of companies are usually in high demand and are oversubscribed. People are keen on investing in the stock market and take credit for investing in shares, real estate and other properties. Important purchases like houses and cars are bought on Equal Monthly Installments (EMI). Youngsters can be seen using ATM cards, credit cards for quick cash and shopping purposes. Mobile and internet banking are growing popular. Most of the departmental stores and restaurants accept debit/credit cards and many customers use this facility. But this picture is limited to few big cities. The story is completely different in rural areas where people have to walk for hours to reach a bank. Many entrepreneurs do not get credit to expand their small enterprises as BFIs do not see them as profitable. There is untapped market in the rural areas and entrepreneurs.

Financial literacy can be used to stimulate demand for financial services. For example, Consumers who are financially literate are more likely to understand the importance of saving and open a savings account in a bank. (Miller, Godfrey, Levesque, & Stark, 2009). Financial literacy benefits consumers but also benefits banks and financial institutions providing financial services. Financially educated customers are more likely to use these services wisely and pay interests/loans on time. Hence, institutions should not see this issue as an aspect of corporate social responsibility or expenditure but an investment for betterment of the company itself.

#### 4. Review of literature

Organization for Economic Cooperation and Development defines financial literacy as a combination of financial awareness, knowledge, skills, attitude and behaviors necessary to make sound financial decisions and ultimately achieve individual financial well-being. It is a concept that has different meaning for different people but the end goal is attainment of financial well-being. In developed economies, being financially literate might involve having knowledge about tax codes, insurance requirements and credit cards. On the other hand in developing countries where majority of the people are “unbanked” financial literacy is more likely defined by basic concepts of safe and secure savings, budgeting and wise borrowing. (Cohen & Nelson, 2011)

Financial literacy is a broad concept that includes both information and behavior and is relevant for everybody regardless of their wealth. It includes technical aspects like knowing about differences between simple and compound interest, real and nominal inflation rates and also behavioral changes like establishing a family budget, paying bills and loans in time. It is about empowering and educating individuals so that they are knowledgeable about finance in a way that is relevant to their lives and enables them to use this knowledge to evaluate products and make informed decisions. (Miller, Godfrey, Levesque, & Stark, 2009). This definition answers the question of why financial literacy is of any importance to a country like Nepal. It's about making individuals knowledgeable about finance in a way that is relevant to them.

In Nepalese context, where majority of the people are financially excluded; financial literacy would mean generating awareness about existence of different types of BFIs, their products offered, application procedures, pros/cons of services provided, importance of saving budgeting etc. These are basic elements of financial education but these are most relevant to people residing in rural areas who do not understand how financial institutions work. Hence, this is financial literacy to them. In contrast, for university students living in city like Kathmandu, Financial literacy sessions on generating awareness about existence of types of BFIs and products offered will not make any sense. For them imparting knowledge on stock market operations, mutual funds, diversification of risks would be more appropriate. So the issue of relevancy is an important concept for understanding financial literacy.

Financial literacy plays an especially important role in the case of developing countries. More financially literate consumers increase the demand and responsible use of financial services, help to underpin financial market stability, and contribute to wider economic growth and development. For example, consumers who are more financially literate are more likely to understand the importance of saving and to take action in that respect. (World Bank , 2009)

Financial literacy trainings are the most popular tools of imparting financial education. These trainings have also shown to enhance demand for financial services. In the United States, an evaluation of the American Dream Demonstration's Financial Education Program found higher saving rates correlated with the number of hours of training received, up to 12 hours. Another study showed that workplace financial education was correlated with higher rates of saving, especially for consumers who were previously saving little or nothing. Such saving behavior will encourage people to use services of formal financial institutions. Many other

programs and policies have been evaluated and shown to be effective at imparting financial knowledge and changing behavior. (World Bank , 2009)

A 2010 survey of financial regulators from 142 economies showed that 88% had some aspect of financial inclusion, financial education or financial consumer protection in their mandate (CGAP/World Bank, 2010). In total 45% of economies had a strategy document for the promotion of financial inclusion, 58% had some responsibility for financial literacy, whilst 68% were responsible for consumer protection.

The impact of financial education programs in developing countries is limited. Few financial literacy initiatives exist in developing markets and even where they exist rigorous impact evaluation has not been conducted. The research in this area is fairly limited to have conclusive results on the impact of these programs. In Uganda, two massive savings campaigns were conducted that used radio, posters, token gifts, community events, coupled with outreach by more than a dozen savings institutions. In a three-year period, 300,000 new bank accounts were established. But it is not known how much these new accounts have been used over time. (World Bank , 2009)

## 5. Analysis

This section presents analysis of financial literacy initiatives in international and national context to gain a better understanding of the issue.

### 5.1 A study of International Practices: Cases of India, Mexico, Spain, United Kingdom and Indonesia

The analysis drawn in this section for financial literacy strategy has information drawn heavily from the publication of OECD and Russia's G20 presidency: *Advancing National Strategies for Financial education*. This report was prepared to assist countries considering formulation of a national strategy to provide a frame of reference. Many of the countries have followed OECD recommendations and are in the process of designing financial literacy strategies. Due to this reason I have considered this study as a base of analysis.

Five of these countries have designed or are designing financial literacy campaign. The analysis of the national strategies of all these countries points out some common things that are in each country's strategy. These things have been explained below as variables that should be essential components of every national financial literacy strategy. These variables are not an exhaustive list there are many other things that need to be incorporated in the national strategy but these are some common points that most of the countries have followed.

**Figure 3: Financial Literacy Strategy**



## 1. Institutionalization

It can be observed from all these countries that every country has institutionalized the formulation of national financial literacy strategy by forming a committee or an institution with the sole task of overseeing financial inclusion and literacy.

**India:** A top level institutional structure was created in India in 2011 as a technical group to focus on financial inclusion and literacy under the name of Financial Stability and development Council(FSDC). Chaired by the ministry of finance and including heads from all financial sector regulators as members. The implementation part of the policy will be through the Technical Group of the Sub-Committee of the FSDC. Also, a national level institute named the National Centre for Financial Education was established as a specialized institute that would report to the technical group.

**Mexico:** National council for financial inclusion(CONAIF) and Committee for Financial(CEF) education were formed as coordination entities for a better communication between stakeholders. CONAIF was formed by presidential agreement and consists only financial authorities to act as an advisory and consultation body where CEF was set up by ministry of finance and public credit and consists of financial authorities, development banks, financial public institutions and other public/private and social sector institutions.

**Spain:** Initially an agreement was signed between *Banco de Espana* (Central Bank of Spain) AND CNMV (*Comision Nacional del Mercado de Valores*, The Spanish securities supervisor in May 2008. These organizations were responsible for design, development, execution of the plan, coordination and financial support. A working group was formed with representatives of these institutions. Representatives from other organizations can attend the meetings when the agenda justifies it.

**United Kingdom:** Financial Services authority (FSA) was a body with statutory responsibility under the Financial services and Markets Act 2000 for consumer protection in financial markets. It oversaw the first UK strategy "Financial Capability in the UK: Delivering Change". Later on research identified that a body independent of government and regulators would have more impact by delivering free and impartial financial financial advice and coordinate financial capability at a national level. Subsequently, UK parliament introduced a legislation (the Financial Services Act 2010) to establish an independent body to assume responsibility from the FSA for financial capability, paving the way for the launch of the Money Advice Service in 2011.

**Indonesia:** The Indonesian Banking Architecture(API) was launched on January 9<sup>th</sup>,2004 for the implementation of public education. API has different pillars dedicated to different aspects of banking out of which the sixth pillar is consumer protection under which improved protection and empowerment of consumers that provides a platform for public education. Bank Indonesia functions as the leader of the national campaign under which it formed A working group having representatives from Bank Indonesia, banks (commercial banks, rural banks, Islamic banks to carry out the task of public education. Bank Indonesia regularly holds meetings with the working group and receives information which is used to formulate policies to increase the public's financial inclusion in particular for financial literacy. National Strategy for Financial Education under the National Strategy for Financial Inclusion was launched in

June 2012. This states that financial education will focus on increasing the level of knowledge among communities regarding financial products and services and financial management, and provide information on consumer protection.

## **2. Vision, Mission and Goal**

All of these countries have a clear vision, mission and goals that they hope to attain within a specific period of time that guides their action.

**India:** The vision of India's strategy is "to provide financial education to all Indians so that individuals, at their level of need, will understand the role of money in their life, the need and of savings, the advantages of using the formal financial sector, various ways to convert their savings into investments, protection through insurance and a realistic recognition of the attributes of these options." The mission is "to conduct a massive financial education campaign in order to help people manage money more effectively and achieve financial well-being." The goal is "to create awareness and educate consumers on access to financial services."

**Mexico:** There is general agreement among NSEF and CEF that the vision should be that the population in Mexico, according to their age and needs understand and know how to use financial products in an informed and responsible way like savings, credit and insurance as well as transaction channels in order to optimize the management of their resources, improve well-being and increase their development potential. The mission is to develop the population knowledge, skills and attitudes that allow them to manage their resources. Some of the objectives are know and understand basic economic and financial concepts, rights and obligations as users of financial services, understand and use information available about financial products and risks and cost associated with them.

**Spain:** The main objective of the Spanish National Strategy is "to improve the public's financial literacy so citizens can confidently negotiate financial decisions." The plan has three main defining characteristics of inclusiveness, co-operation and continuity.

**United Kingdom:** The first national strategy that ran from 2006-11 had an objective of helping people become more informed, confident consumers who are better able to take control of their finances.

**Indonesia:** The vision of the blue print for public education in banking is to create a society who have adequate knowledge and information, understand the functions and roles as well as the benefit and risks of bank service products in order to manage their finance wisely and eventually enhance their quality of life." The main goals are bringing about bank minded awareness, financial literacy, risk awareness and consumer protection.

## **3. Mobilizing the existing stakeholders**

There are chances that various public and private bodies already have some sort financial literacy initiatives in place and when a national level strategy is to be initiated mobilizing the existing stakeholders can be very helpful in implementation process. It is seen that most of the countries collaborate with the existing stakeholders.

**India:** The national strategy anticipated active involvement from all stakeholders that included NGOs and civil society, individuals, financial sector regulators, educational institutions, multilateral international players and governments both at the central and state level. The roles and responsibilities of the stakeholders has clearly been defined. Regulators would help NCFE design content of basic financial literacy programmes, commercial financial institutions would spread professional level product education ,self-help and other groups would also participate in imparting basic and sector specific education, industry associations would develop sector specific content and share through a website, other authorities such as education authorities, agricultural and health services can participate and extend their infrastructure for financial education. All the education initiatives taken by these stakeholders will be based on content developed by NCFE and they have to regularly report on activities they took as part of financial education.

**Mexico:** Mapping of existing stakeholders was done prior to formulation of national strategy. Recognizing the efforts done by diverse players in the field of financial education, CONAIF and CEF were formed as coordination entities to align everyone's efforts. CONAIF had only financial authorities whereas CEF had members from public, private and social sectors. Financial sector associations, Academic experts, financial service institutions etc. could also be members of CEF as invitees, they could share their opinions but could not vote. To ensure CONAIF and CEF collaboration a working group dedicated to financial education was formed with emphasis on remittances, savings, micro insurance and electronic transfers of welfare and subsidies programs. This working group was chaired by *Bansefi* that is a development bank dedicated to promoting financial services amongst the base of the pyramid. Similarly, two other working groups are mapping and identifying financial education initiatives and best practices. Another group collaborates with the world bank to measure and evaluate the work done. Another mapping group which is chaired by the ministry of finance is conducting a stakeholder mapping exercise that will be used to create a webpage containing all the financial education materials from the members of the CEF so that all materials and information is accessible from one place.

**Spain:** Mapping of existing stakeholders was done prior to formulation of national strategy. The roles and responsibilities of main stakeholders in the national Strategy is determined by the functions assigned to each one by law or statutes. For e.g. according to the Royal Decree, G.S of the treasury and Financial policy is responsible for the coordination of the activities aimed at financial education and for representation of Spain in OECD/International Network on Financial Education. Also, as Spanish National Strategy has segmented the nation into different target groups, different cooperating agents are used to impart education to a specific target group. For e.g. for education aimed at employees', trade unions are used as cooperating agents. Hence, The Spanish strategy has mobilized different agents for carting out the strategy.

**United Kingdom:** Mapping of existing stakeholders was done with a Call for Evidence communicated to a comprehensive range of stakeholders. This activity aimed to identify all activities and interventions that demonstrated a clear, positive and successful effect on individual's financial capability. An online hub was created to host the results of the mapping work and provide a central library that would make available insights into the best ways to affect financial capability. The Money Advice Service i.e. the national strategy of UK



collaborated with interested parties in the public and voluntary sectors in England, Scotland, Wales and Northern Ireland.

**Indonesia:** Bank of Indonesia collaborates with potential stakeholders to enlarge the outreach of financial education. Policies are issued by Bank Indonesia to build people's interest in banking and raise public awareness. These policies are mandatorily implemented by the stakeholders. Since they are directly involved in the implementation the success of the policy depends on the stakeholders.

#### **4. National Financial capability survey**

It is essential that a country gauges the level of financial literacy of its people before formulating a national level strategy. All the countries have conducted some form of national survey to measure the literacy level of its people. It is also needed later for evaluation when the strategy is complete to compare the before and after results and check how much progress was made after the implementation of the strategy.

**India:** NCFE appointed Mott MacDonald India, a global management and development consultancy organization, to carry out a nationwide baseline survey i.e. NCFE-Financial literacy and Inclusion Survey(NCFE-FLIS) for assessing the state of financial literacy and financial inclusion. The study would cover 75000 people across 35 states. It was supposed to assess the present state of financial literacy and also yield benchmarks of core financial literacy and financial inclusion at various socio economic groups and measure its rate of change on a continual basis to assess the efficiency of various financial education interventions. Another test was also launched in the year 2013-2014 by NCFE targeting school students called national Financial Literacy Assessment Test (NCFE-NFLAT) under which knowledge of school students on topics such as Money, Savings, Banking, Budgeting, Insurance, Investment and Retirement Planning. Through this test NCFE aims to encourage school students to obtain basic financial skills. (National Centre for Financial Education, 2015)

**Mexico:** In 2008, *Banco Nacional de Mexico*(Banamex) and the National Autonomous University of Mexico (UNAM) conducted a Financial Culture Survey to identify the level of knowledge and perception of the population about different savings and credit products, to have a better idea of the use or non-use of formal and informal financial services, and to measure habits and identify attitudes towards savings, expenses and credit. In 2009 Ministry of Finance and Public Credit also conducted a National Survey of the Use of Financial Services. Again in 2011, the Mexican Association of Administrators of Retirement Savings(AMAFORE) conducted the survey "Savings and Future: How Mexicans Think?" to know the current state of retirement savings culture. The CNBV and the National Institute of Statistics and Geography conducted the first National survey of financial inclusion(ENIF) was conducted to check the usage of financial services. The objective of the survey was to know the characteristics of the users and non-users of formal and informal financial services, to identify population that keeps track of its expenses, to provide information about the use of savings, credit, insurance and retirement savings and their access channels and identify barriers that limit the access and use of formal financial services. ENIF is the most complete exercise done to understand the reality of financial inclusion in Mexico.

**Spain:** To understand the main policy areas to address and more generally gauge the levels of financial literacy of the Spanish Population, the survey of Household Finances (*Encuesta Financiera de las Familias*) was conducted. In addition, reports of the CNMV and Banco de España on consultations and claims highlighted the main problem areas faced by Spanish population that became a baseline in drafting financial education strategy.

**United Kingdom:** The first national strategy for financial capability was based on the findings from “Financial Capability in the UK: Establishing a Baseline” that measured the financial capability of adults across the country according to five elements of capability: making ends meet, keeping track of personal money, planning ahead, choosing financial products and staying informed about financial matters. Money Advice Service commissioned Ipsos MORI, UK’s largest independent research agency and its academic partners to conduct a ground breaking and innovative project – “Money lives”-into people’s relationship with money. The Money Lives research studied how financial capability is dependent on opportunity, attitudes and motivation of people. It looked into the behavioral aspect of managing money and how it is affected by context, environment, culture and aspirations.

**Indonesia:** Financial literacy survey was initiated by Bank Indonesia in 2006 to assess the level of literacy of Indonesia’s general public. The survey was used to assess customer’s knowledge and understanding of financial education, their level of trust towards products and services provided by banks, willingness to become a bank customer etc. The survey identified the gaps present in the country and on the basis of this knowledge Bank Indonesia established a working group to impart financial education to general people. Again in 2012, Bank Indonesia collaborated with Demographic Institute to conduct a financial literacy survey. It was based on OECD recommendation making adjustments to reflect the characteristics of Indonesia. The survey indicated that women have better behavior towards finance but lacked knowledge compared to men. The finding also indicated that financial education needs to be targeted to women and SMEs.

## **5. Segmentation**

All the people in the country are not going to be in the same level of financial awareness. Some groups may be more advanced whereas some may lack basic awareness. This is the reason many countries segment the population into different target groups and tailor the education initiatives according to the needs of the groups.

**India:** India used a tiered approach under the national strategy because its population consist of two type of people, one who are financially included and use sophisticated financial products and the other group who is completely financially excluded. Therefore, the strategy was to spread awareness about basic products to integrate non users into the financial system, educate existing users about making informed financial decisions and to ensure consumer protection for all the users. It clearly made a distinction between users and non-users. Also it has divided the components of national strategy as basic financial education, sector focused financial education and product education. It had tailored its content and delivery channels depending on the target group. Children were reached through school curriculum, employees through employers, homemakers through NGOs. Also, it has recognized two other groups for imparting financial education; illiterate and differently abled.

**Mexico:** The Mexican strategy has not directed its financial education to particular groups but has listed certain priority groups that include children and youth. The rationale behind this is that financial knowledge needs to be present right from childhood as children need to know the importance of financial planning. The population to be targeted will be defined by CONAIF that would include beneficiaries of welfare programmes, people living in marginalized rural areas etc. Also programmes and policies were formed on the basis of the needs of the population. The strategy recognized understanding the characteristics of their target population when designing financial education programmes. For instance, in the case of children the school's curriculum would be redesigned to ensure that children develop competencies necessary for them to become capable of managing finances and becoming responsible consumers of financial services.

**Spain:** Spanish National Strategy has segmented the target audience into education system and adult population. The education system is divided into secondary education and university whereas adult population is divided into employees, parents with young children, retirees and others (immigrants, disabled, homemakers, other young people etc.) The needs of the target group, specific action that needs to be taken to educate each group and the cooperating agents for delivery has been separately identified. The Spanish strategy recognizes that each group needs are different and hence require different approach. For instance, financial literacy content would be embedded in the school curriculum to educate school and university students, the cooperating agents would be national and regional education authorities.

**United Kingdom:** UK is a developed country with higher financial inclusion than other countries. It was one of the first countries to introduce a strategy for improving financial capability. Though the UK strategy did not explicitly segment the target population it does recognize different segments of the society and has focused its efforts on schools, young adults, working people, new parents etc. The strategy indicated that interventions must be deeply rooted with an understanding of consumer needs. It also highlighted that targeting people facing key life stages, such as starting a family, retirement often resulted in successful interventions.

**Indonesia:** Indonesian National Strategy has segmented the population into target groups of five namely school children, college students, professionals, financial supporting institutions and others (households, informal sectors). For students, financial education was included in the school curriculum, for migrant workers several seminars on financial education for migrants were held, collaboration with ministry of manpower and transmigration of the Republic of Indonesia was seen as an option to extend the outreach to migrant workers, for SMEs financial planning concepts using banking products were taught. The content of each group were decided by adjusting to the needs of the group.

## **6. Measurement and Evaluation**

Every action plan needs to have a mechanism of testing whether it worked or not or to check progress on what is happening. Most of the national strategies developed have a measuring and evaluation mechanism to track progress.

**India:** Time frame of five years was allocated for implementation of the strategy. An action plan has been outlined regarding the tasks to be undertaken. The plan mentions that its initial goal is to establish contact with 500 million adults and educate them on key savings. Such quantification makes measurement and evaluation possible.

**Mexico:** The Mexican strategy recognizes the importance of having an evaluation mechanism in place to determine whether the desired impact of financial education is being created. One way to track progress is by giving continuity to the survey on financial capability.

**Spain:** Spanish plan also had a time frame of 5 years from 2008-2012. Evaluation and review was allocated time of 2011-2012. Several evaluation mechanisms were used to monitor different aspects of the plan. One of the methods of imparting financial education in the Spanish strategy was launching a website containing practical financial education content. This website was extensively monitored. The number of visits were used to evaluate how useful and relevant the contents were. Other financial education courses were evaluated with online surveys. The results indicate that 95% of the participants felt more confident about financial matters after receiving the training. The pilot program for financial education was evaluated by an independent expert in order to assess possible behavioral and attitude changes with respect to financial matters and suitability, appropriateness and ease of use of the materials and resources provided. The results of the evaluation led to the second programme of Financial Education in schools during 2012-2013. A survey was to be done to track progress on financial literacy in adults. Curriculum review was also done to check the feasibility of introducing financial literacy as a new subject or merging into existing subjects.

**United Kingdom:** The principal method of evaluating the strategy was conducting a financial capability tracking survey to evaluate the progresses made. The sampling would be done on a quarterly basis. As the UK strategy also had an implementation period of 5 years' review would be done after 18 months and 3 years.

**Indonesia:** The progress of the financial education program is checked throughout the implementation phase (2007-2013). The tasks to be conducted each year are defined clearly. The chart on progress of the project is included in Appendix 2.

The variables mentioned above are not an exhaustive list of elements that need to be considered in every national strategy but an outline of common patterns identified in different strategies. Every country is different with different types of individuals and hence a strategy that worked in one might not necessarily work in others. There are other things that could play a very important role in Nepalese National strategy. For example, Inclusion of financial literacy content in school curriculum. Not every country has done this but some like India have included financial literacy content in school curriculum. This element could be very relevant in Nepal's case but has not been mentioned above. The list provided above is just a set of common variables that many countries followed and hence can be used as a reference point.

#### 4.2 An overview of financial literacy initiatives taken in Nepal

Initiating Body	Project title/Initiative	Target Group	Details	Progress
Government of Nepal	<ul style="list-style-type: none"> <li>• Policies and Programmes of Government 2071-2072</li> <li>• Policies and Programmes of Government 2073-2074</li> <li>• Budget speech 2016/2017</li> </ul>	Whole Nepal	<p>“Saving habits will be encouraged among the people with a view to speeding up economic development. Financial inclusion and financial literacy programs will be expanded with high priority for increasing the access of the masses to financial services.” (Government of Nepal, 2071)</p> <p>“In order to ensure access of all to financial services, provision will be made, with the encouragement of the Government, for all Nepalese to have bank accounts. Financial literacy programme will be made effective.” (Government of Nepal, 2073)</p> <p>“Financial literacy program will effectively be expedited.” (Ministry of Finance, 2015)</p>	Despite the gap of three years in these two programs of government, significant progress cannot be seen. The issue of financial literacy has not been included in policies and programmes for 2072/2073 probably because more focus was given on projects related to earthquake affected victims. Both policies and programs mention that financial literacy programs <i>will be</i> conducted signifying no progress was made in two years. Financial literacy has been mentioned in this year’s budget which is a progress as it was not mentioned in previous year’s budget.
Ministry of Finance	Financial literacy Policy 2016	Nepal	“Necessary infrastructure will be made available to support the financial literacy campaign such as access to the internet, roads, markets, power supply and capable human resources.	The draft financial literacy policy was forwarded to the ministry of finance for review and amendments by NRB. It

			<p>The financial literacy campaign will focus on spreading awareness about banking and non-banking institutions such as the Employees Provident Fund, Citizen Investment Trust, insurance companies, cooperatives, capital market and infrastructure related to capital market such as the Credit Information Bureau and Clearing House. The campaign will also educate communities about the informal financial sector such as <i>Dhukuti</i>, hundi and networking business. The policy also aims to promote the inflow of remittance through banking sector and use the money in the productive sector” (Kathmandu Post, 2016)</p>	<p>has again been forwarded to national planning commission for review. <sup>1</sup>This type of communication is one way that has made the process lengthy and ineffective. The ministry has proposed two types of structures, a High Level National Financial Literacy Council headed by the finance minister and a Financial Literacy Committee headed by the deputy governor of Nepal Rastra Bank, to implement the policy. (Kathmandu Post, 2016)</p>
Ministry of Education	Pilot program for including financial education in school curriculum 2014	School children	<p>Ministry of Education has already prepared a pilot project to introduce financial literacy in the school curriculum. Students in grades VI, VII and VIII will be taught a separate topic called ‘Profession, Business and Technology’ to familiarize them with real world jobs and options available, and more specific financial literacy courses will be introduced for higher classes.<sup>2</sup> (Nabil Invest, 2014)</p>	<p>Financial literacy has yet to be incorporated in the school curriculum.</p>

<sup>1</sup> Based on discussion with NRB official.

<sup>2</sup> Statement by Dr Rojnath Pande, Ministry of Education; Under secretary

Ministry of Labour and Employment		Migrant workers and their families	<p>The National labour policy 1999 includes informing migrants and returned migrants regarding options for investing their earnings and providing skills training and financial literacy training to pursue such opportunities. (Ministry of Labour and Employment:Department of foreign employment, 2013)Ministry in collaboration with International Organization for Migration (IOM) conducted a six-day training for government officials, NGO trainers, officials of financial cooperatives and private bank to help them better educate families dependent on remittances. This training was based on “financial literacy” manual developed by IOM, Ministry of labour and Employment and Central Bank of Nepal. (International Organization for Migration, 2014)</p>	<p>The trained institutions were supposed to train up to 200 households on issues such as managing remittances, setting up a small business, savings plans and budgeting, use of formal financial institution. A one-day pilot test of the manual was carried out with 30 remittance-receiving households in the village of Chaimale, on the outskirts of the Kathmandu Valley. (International Organization for Migration, 2014)</p>
Nepal Rastra Bank	<p>NRB strategic plan 2012-2016</p> <p>NRB Maya declaration 2013</p> <p>NRB with students 2013</p>	<p>Nepal</p> <p>Nepal</p>	<p>Financial literacy would be enhanced focusing on women, victims of conflict, ethnic minorities, deprived and marginalized section of population. This issue was mentioned under strategic priority 2.8: Enhance financial inclusion. (Nepal Rastra Bank, 2012)</p> <p>NRB has signed the Maya declaration under which it had committed to bring about national level financial literacy strategy by mid 2014. (Nepal Bastra Bank, 2014)</p>	<p>It has been several years since the Maya commitment; and financial literacy policy is yet to be finalized. But it has been submitted so there is hope for a finalized strategy to come out soon. Financial literacy has been a topic of interest of NRB since past four years which is a good sign. NRB has dedicated a section on its website to financial literacy. The jingles, story book (Paisa ko Bot) can</p>

	<p>Monetary Policy for 2014/2015</p> <p>Monetary Policy for 2015/2016</p> <p>NRB directive 22/2072</p> <p>National Financial Literacy Strategy</p>	<p>Youngsters and Children</p> <p>Nepal</p> <p>Nepal</p> <p>Nepal</p>	<p>NRB has started a project titled “NRB with students” under which it has published books and recorded audio jingles for mass awareness</p> <p>Monetary policy has also focused on extending credit to the productive sector by encouraging BFIs and strengthening both demand as well as utilization of loans by promoting financial literacy programs. (Nepal Rastra Bank , 2014)</p> <p>National Financial literacy policy is to be formulated to protect right of financial customers and widen financial inclusion. Necessary coordination with GON to be done to include content of financial literacy in informal education, vocational training and school level curriculum. (Nepal Rastra Bank , 2014)</p> <p>Consumer Protection and Financial literacy</p> <p>NRB has formulated a draft financial literacy strategy and submitted to ministry of finance.</p>	<p>be found on the window dedicated to financial literacy. Also, messages imparting financial knowledge can be seen in NRB website. NRB in cooperation with UNICEF has celebrated Global Money Week since 2013 for child and youth focused financial literacy that included a rally having students, scouts, BFIs, cooperatives, NGOs, donor agencies and also interaction programs, trainings, publication releases etc.</p>
<b>Other stakeholders</b>				



UNDP & UNCDF <sup>3</sup>	Enhancing access to financial services 2008-2012 (Joint initiative of UNDP and UNCDF, implemented by Nepal Rastra Bank)	Poor rural people throughout Nepal	The project's focus was on poverty reduction by expanding outreach of financial services. In this process it worked to strengthen the micro finance institutions to enable them to lead the growth of inclusive finance across Nepal. The project had initiatives focused on financial literacy, education and capability as a method to promote financial inclusion.	Enhancing Access to Financial Services project provided technical assistance to FSPs to conduct trainings on financial literacy. Fund for inclusive finance was allocated which involved carrying out financial literacy campaign targeting urban MSMEs and rural and urban households. The project also conducted a financial literacy study on the basis of which NRB was to conduct financial literacy campaign. The research to launch the financial literacy campaign and client protection guideline with the support of EAFS began in late 2011 (UNCDF, 2012) Financial literacy training manual was formulated under this project in collaboration with NRB. Technical Assistance partnership agreement has been signed with 13 banks
	UNNATI-A2F(Jointly Implemented with Nepal Rastra Bank and funded by the Danish Government.	Eastern Development region mainly Ilam, Panchthar, Dhankuta, Sankhuwasabha, Tehrathum, Taplejung and Bhojpur.	UNCDF launched an initiative under project UNNATI that aimed to empower poor people by teaching them the basics of personal finance. Working with financial service providers and the Central Bank, UNCDF conducted a training course on how to deliver financial education for specific target groups. As a result, these organizations are now equipped to broaden their clients' knowledge of financial options and promote effective money management. The course covered all aspects of financial literacy from identifying the needs and demands for financial education to monitoring and outcome evaluation.	

<sup>3</sup> The two UN wings have worked on most of the projects as a joint initiative. Therefore, their work is presented together for simplicity and to avoid redundancy.

				and financial institutions under project UNNATI. These institutions will get TA in various areas including financial literacy to for building capabilities of clients and potential clients. (Nepal Rastra Bank and UNCDF start partnernship with banks and financial institutions, 2015)
UNICEF	Child Social and Financial Education(CSFE)	Children aged 6-15 years	<p>Nepal was one of the four nations worldwide rolling out an initiative to integrate aspects of Child Social and Financial Education (CSFE) in the national curriculum. Developed jointly by UNICEF and technical partner Aflatoun, CSFE enables children and adolescents to become socially and economically empowered and encourages them to lead responsible lives and become agents of change. As part of the initial phase of the rollout, Nepal will test components of CSFE curriculum at 15 schools and five alternative education centers across the five development regions.</p> <p>This initiative is also expected to contribute to the Ministry of Education's responsibilities, as stated in the National Plan of Action, on Holistic Adolescent Development in Nepal. The NPA has a 10-year vision of an empowered and competent new generation for a better Nepal. (United Nations, 2014)</p>	<p>Ministry of Education (MoE) organized a two-day workshop in Kathmandu to create a plan of action for the rollout of CSFE in Nepal. Since 2012, UNICEF Nepal has been implementing financial literacy for adolescents in out-of-school settings under its adolescent development and participation program and advocating for CSFE in schools. Through this new initiative, that work is being extended to include primary and secondary school children and adolescents. UNICEF will be providing a financial support of USD</p>

				100,000 for the rollout of the two-year initiative in Nepal, which is expected to last until 2016. (United Nations, 2014)
Aflatoun	Aflatoun Model	Children	<p>Aflatoun is a social and financial education program aimed at training children to “reach their entrepreneurial potential”, by encouraging them to “believe in themselves, know their rights, practice saving, and start enterprises”</p> <p>Three partner organizations are currently implementing Aflatoun in the country: <b>Junior Achievement Nepal (JAN), Child Workers in Nepal Concerned Centre (CWIN) and Kapilvastu Information Center (KAPINCE)</b>. (Marian, Shanker, &amp; Swimmer, 2008)</p>	<p>Aflatoun has developed a standardized approach to implementation, involving a six-step process supported by its program managers. The six phases of implementation are: initial preparation, planning, material development, training, live in schools and review &amp; reflection. (Marian, Shanker, &amp; Swimmer, 2008)</p>
Mercy Corps	Sustainable Access to Finance And Livelihoods (SAFAL)	Eastern, Mid-Western and Far Western regions with focus on women.	<p>Mercy corps aims to reduce poverty in remote and rural areas in Nepal by expanding sustainable access to finance by strengthening and enhancing money management skills with financial literacy of community based cooperatives that create better livelihood opportunities for the beneficiaries. It is expected that 35,500 household would benefit from this project out which 60% are expected to be women. The project will also assist 11.000 financially excluded people in getting responsible loans. (MercyCorps, 2015)</p>	<p>The project is working directly with clients, providing technical support to MFIs and assisting them in providing financial literacy to their clients. The financial literacy training model has been developed specifically for the context of rural Nepal building on Mercy corps financial literacy training experience globally and including a comprehensive package comprised of</p>

				financial goal setting; savings, credit management; risk management; safe migration and remittances; wants, needs and asset creation; financial services and providers and financial management. The approach is expected to ensure greater involvement of disadvantaged and excluded groups in the mainstream development process. 25,000 clients (8000 men and 17000 women) will be trained using this methodology. (MercyCorps, 2015)
Entrepreneurs Nepal	Financial Literacy 2016	Remittance workers and families	Provide financial education to Nepalese workers going abroad, or those about to go abroad, remittance based families and students. The aim of financial education is to cut unnecessary expenditure of the emittance based workers and families, promote saving culture and make them aware about saving tools and educate them about need of investment and financial planning. Their target group are remittance workers, their families and students in the age group of 18-24. (Entrepreneurs Nepal, 2016)	Their intervention will be implemented in coordination with consultancies that provide orientations to migrants' workers, NRN organizations, different groups and unions, student unions, Nepal government, Local Government and NRB. media such as Facebook, Twitter, Pictographic, cartoons, audio Visual Presentations are being used

				to educate those already abroad. They also organize workshops and give face to face trainings. (Entrepreneurs Nepal, 2016)
Bank of Kathmandu	Ghar Dailo Saptaha		The awareness campaign was initiated with an objective of creating awareness about financial literacy and mobilizing deposit collection. The campaign has been done as part of its CSR activities. (Bank of Kathmandu, 2014)	“Ghar Dailo Week” was conducted in various parts of the country. Till date the bank has organized programs in Amlekhganj, Baglung, Balaju, Beni, Bhaktapur, Biratnagar, Butwal, Chabahil, Pokhara, Lthari, Birtamod, Dharan, Narayanga dh, Sankhu, Dhangadi, Diktel, Gongabu, Gyaneshwor, Hetauda, Janakpur, Jumla, Khairenitar, Lhan, Mahargunj, New/Old Baneshwor, Panauti, Thamel, Urlabari. (Bank of Kathmandu, 2014)
SEBAC	Nepal Girl Power Project(GPP) (April 2013-March 2016)	Adolescent girls’ in Sunsari	GPP was initiated with an intention to ensure that girls and young women have sufficient knowledge and skills to shape their own lives. Self-reliant groups were formed in which poor marginalized women below 25 years participated, the group met once in a month and collected Rs.100 each. Members could obtain loan from this fund at interest rates decided by the groups. These groups were trained in financial literacy but also supported them to begin vegetable	GPP trained the groups on financial literacy and book keeping. A total of 207 women were trained on financial literacy and 331 women were acquainted with different techniques of managing groups. (SEBAC Nepal, 2014)

			farming with training ,improved seeds, fertilizers and bio-pesticides as part of an effort to make the activities sustainable. (SEBAC Nepal, 2014)	
Sakchyam	Access to Finance		<p>This programme is an initiative funded with UK aid from the British government as part of a bilateral agreement between government of Nepal and the UK. Increasing financial capability is one of the three major components of the Sakchyam Access to Finance. They believe it is necessary to work on both demand and the supply side of access to finance. Their objective is to make people financially capable so that they can take informed decisions on obtaining financial services from formal institutions. Designing and launching financial literacy initiatives is a part of sakchyam’s integrated approach to sustainable interventions for enhancing access to finance. (Sakchyam:Access to Finance, n.d.)</p>	<p>Firstly, they are developing the service they provide by updating and/or creating curriculum to better cover important concepts like savings, loans, household/enterprise, budgeting. Second, they are also developing alternative delivery channels to better accommodate rural client’s needs. They are introducing mobile based financial literacy known as interactive Voice Response (IVR) to partner’s clients. They have already worked with 5 different partners and reached 10,000 clients. Short Video films on six different themes of financial education like savings, credit, remittance, family budgeting and micro enterprise were broadcasted in every center meeting. They are creating “jingles” or short</p>

				<p>advertisements that are advertised on radio or television to communicate financial concepts and product offerings. Leaflets, brochure and other paper based promotional materials also printed. Third, they are working for client protection. They are working with partners to establish grievance redressal mechanisms whereby clients can formally file and mediate any concerns. They are working with partners to undertake and receive SMART certification for the first time in Nepal. Smart certification provides an independent, objective seal of confidence that a financial institution is doing everything it can to treat its client well and protect them from harm. (Sakchyam:Access to Finance, n.d.)</p>
Vijaya Laghubitta Bittiya Sanstha	Financial literacy through mobile voice message	Rapti zone (Dang, Salyan,	Financial literacy campaign by sending mobile voice message (Interactive Voice Response – IVR) imparting financial education to Dalit women. VLBS	The IVR technology alone reaches out messages on financial literacy to 6000

		Pyuthan, Rolpa and Rukum)	is working with Sakchyam: Access to finance program on other areas like capacity enhancement, enforcement of technology based financial literacy curriculum and educating target groups through community radio, tablet and interactive voice recording message. (Adhikari, 2015)	people.13000 members affiliated to the partner institute sakchyam are receiving messaged on financial literacy through various media. VLBS target was to enable 4200 families to get into the habit of making savings in three years. (Adhikari, 2015)
National Banking Institute	Financial literacy Training	Backward sections of society	National Banking Institute has been conducting programs on creating awareness on access to finance. The initiative was started with a vision of helping people at the base of the pyramids understand the importance of savings and financial planning. They identified that young students, rural housewives, remittance dependent families, members of cooperatives, disadvantaged and under privileged need financial education to enhance access to a formal financial channel. Financial literacy programs were to be conducted as part of its CSR activities. The initiative was targeted at young students, rural housewives, remittance dependent families, members of cooperatives, and disadvantaged and under privileged groups amongst others at the base of the pyramid to understand the importance of saving habits and financial planning. (National Banking Institute, n.d.)	NBI has successfully conducted programs at grass root level of different areas of Kathmandu, Chitwan, Makwanpur, Dhading, Dang, Dolakha, Ramechhap, Sindhupalchowk districts. their programs include awareness program on financial literacy, training on financial literacy and train the trainer on financial literacy. They have also concluded programs in various parts of Tehrathum and Sunsari districts in the eastern region. Apart from that, NBI has also been conducting exposure visits, seminars, trainings, etc. on Access to



				<p>Finance. (National Banking Institute, n.d.)They have also published a training book name “Financial Literacy”. NBI also collaborates with banks to conduct financial literacy trainings. Recently, it collaborated with NIC ASIA bank and conducted these programs at 11 locations outside Kathmandu valley at an initial phase. There are plans to reach out to more districts in the next phase. (SPOTLIGHT, 2014)</p>
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\*The list is not an exhaustive list of organizations conducting financial literacy initiatives. The above list is just to provide a picture on what work is currently being done in Nepal in this regards.

### 4.3 Excerpts of interaction with Stakeholders

The government, central bank, commercial bank, microfinance institutions, NGOs/INGOs have been involved in financial literacy initiatives in Nepal. Interviews were conducted with few of these stakeholders to better understand their initiatives. A total of five stakeholders were interviewed. A form of semi-structured interview was used for interaction.

The interactions with these stakeholders lead to the conclusion that all these institutions started efforts in financial literacy on a voluntary or self-interest basis. All these institutions were working directly or indirectly for enhancing access to finance. Mercy corps had conducted a study for assessment of the gap in financial service that led to the conclusion that people had very limited knowledge with regards to managing money. The intention was to increase awareness about financial issues. Vijaya Laghubitta also started working on financial literacy as they believed education could increase the capability of the people and the company would also be fulfilling its social duty or corporate social responsibility. NBI's CEO; Sanjib Subba added that he started the work on financial literacy as a result of his own passion and interest. NBI sought to serve all strata of the pyramid and as commercial banks would not be interested in rural finance they started the work in rural part of Nepal. Entrepreneurs Nepal perceives financial literacy as a necessary step to be taken for promoting entrepreneurship. CWIN Nepal is working for children in Nepal and considers financial literacy as an important dimension for overall child development.

The target area for most of these stakeholders were rural parts of Nepal. The selection of areas was based on feasibility for the organization. Most of the organizations selected areas where they were already working or where their others projects were being done. Mercy Corps was working for overall development of *adhuwa* and *alaichi* farmers and provided them financial literacy training in addition to other technical support. The first project on financial literacy by Mercy Corps was funded by Western Union Foundation as a result of which they targeted eastern part of Nepal where there is more remittance flow. Rai, Limbu, British Gorkha, Hong Kong Laure, Indian army families were targeted as they were remittance generating families. 1682 women received financial literacy training in Bhojpur and Panchthar districts. These women were members of cooperatives in those districts. Another project was then funded by DFID and Mercy Corps continued the financial literacy campaign. The target group were usually members of local cooperatives and microfinance institutions at the earlier stages. But later the participation was open to non-members as well. Vijaya Laghubitta also conducted these trainings on their areas of operation. The target audience selected were their own clients and other people in their areas of operation. As the aim of NBI was to reach out to rural Nepal; areas were randomly selected for trainings. Clients of cooperatives, schools, youth, women groups, remittance dependent families were usually the beneficiaries of financial literacy. Entrepreneurs Nepal has been working inside Kathmandu Valley and outside Nepal mainly gulf countries. It has been targeting school, college children and remittance sending and receiving communities. CWIN is focused on enhancing children's capability and is implementing Aflatoun model in schools in Nepal. Hence their target audience are schools, orphanage homes, dropping centers, clubs etc.

Mercy Corps was already working on financial literacy projects in other countries so they used the existing curriculum and localized it to be appropriate for Nepal. They developed trainer's

manual as well as books for participants. The books rely heavily on pictorial description, flip charts, stories, poems, songs are used to make learning interesting. Vijaya Laghubitta also developed their content internally to give lecture based training to its clients. They also relied heavily on pictures, flip charts, stories as most of the people are illiterate. They also used an innovative system for financially educating its clients. It used its client database to send short voice messages in their mobile phones about relevant concepts of financial literacy for example; importance of saving, insurance to its clients. NBI also published their own book on financial literacy that is in Nepali language. Entrepreneurs Nepal had different format of training to be given to different groups. In schools, they used games to educate children in an interesting fashion. For e.g. In one game children would be given fake cash that they would have to invest in different alternatives like banks, insurance and whoever had earned maximum money at the end of the game would be the winner. They also give online coaching to remittance workers in gulf countries. CWIN is working to incorporate financial literacy content in the school curriculum itself as part of the the Aflatoun project.

The content of financial literacy training was mostly similar of the all the stakeholders. As most of them targeted rural areas and people who were not much familiar with financial system it included importance of having a financial target, identification and difference of financial service providers, how to select services, savings importance, how to take loan, importance of paying interest and loan on time, importance of sending remittance through formal channels, micro insurance, animal insurance, prioritizing needs and wants, expenditure tracking, budget creation, financial planning, enterprise development, risk taking behavior etc. Most of them agreed that the rationale of imparting financial literacy to these individuals is to encourage entrepreneurial behavior.

Mercy corps partnered with the local cooperatives and microfinance institutions to conduct these trainings. The institutions used to nominate a capable trainer who would be further trained for 6 days after which the training would be given for 46 days on financial literacy. The participants were given the flexibility of choosing the time and place of training to encourage participation. Later the training was reduced to 26 days to encourage more participation.

Vijaya Laghubitta hired consultants to give trainings on financial literacy. The training was for 1 to 2 hours each day for 2 to 3 days. The entire session was a 5 to 6 hours' module. The voice messages send was short and focused on one topic at a time. These messages were send to clients each day continuously for a month and after a break for few months again they used to be send. These institutions also released jingles, PSA on the local radio benefitting the whole region.

NBI's financial literacy training was for two days with two hours each day. They mentioned that the participants expected money to be given for attendance and were not enthusiastic to take the training. But after convincing and providing lunch/Tea/Coffee the training was made feasible.

Entrepreneurs Nepal organize different sessions for different target groups. They have 180 mins sessions,360 mins sessions. They also conduct games for school children as a mechanism

for giving financial knowledge. They conduct sessions for individuals going to gulf countries for work and provide online coaching to those already abroad.

CWIN gives trainings to teachers for a week and they give financial education to children in schools throughout the year. The basic topics included are savings importance for which they hold *khutrukey* programs, *bal bachat kosh*, *sikshya kosh*, encouraging account opening etc.

Financial literacy is supposed to bring changes in behavior of the people which is hard to measure. All of the institutions except Mercy Corps has not conducted any formal impact assessment/monitoring and evaluation. Mercy Corps conducted an impact assessment after its initial financial literacy project funded by western union foundation. To measure the impact and outcomes, variables such as knowledge, skills, attitude and behavior of financial literacy participants were compared with a control group. The overall conclusion of the evaluation was that financial literacy training was viewed favorably by the participants and was expected to instill positive money management behaviors in them. But as this study was done immediately after the trainings were over it is hard to say how much long term behavioral change was actually induced.

Other institutions have not been able to conduct any monitoring and evaluation because of several reasons. The most commonly cited reason was lack of budget. As many of them were conducting these trainings on a voluntary and complimentary basis they do not have enough budget allocated to conduct impact assessment. But they all stated that the response of the individuals taking training was positive based on their informal conversations with them. For example, CEO of Vijaya Laghubitta stated that the public response of the campaign was good based on his interactions with people post the training.

Most of these stakeholders perceive financial literacy as a necessary step for encouraging entrepreneurship in people. The logic behind this is that when people will save money they would invest it somewhere or use it for starting their own business that could be as small as buying a cow or a goat that could be used as a source of income. Also, financial literacy would be of utmost importance to entrepreneurs to manage their business. Financial literacy is considered as more of a skill that needs to be possessed to enhance one's economic situation.

All of these institutions show willingness to contribute in some way if NRB develops a financial literacy strategy. Some believe that they can be valuable in giving suggestions on strategy formulation and others were ready to be implementing agents. The common feeling that these institutions showed were that the initiatives taken by them will not be sustainable. They believe the work they are doing is temporary and imparting financial literacy is not their primary job. Most of the initiatives currently taken are project funded or are on cost sharing basis so when the project ends there is no surety that the trainings will continue. They feel that there is a gap with the government and NRB also has not been able to acknowledge the work that they are doing and take this issue seriously. They feel there is a lack of support from NRB to conduct these activities. Some opined that even if NRB acts just as a coordinating body and comes up with policies that necessitate spending and reporting of financial literacy initiatives by BFIs then a huge impact would be created. So the overall expectation from NRB is just to create an enabling environment through effective policy interventions that would encourage further financial literacy initiatives.

## 6. Findings

The major findings that was derived after analyzing international trends, national initiatives and discussion with local stakeholders are listed below.

### International

- Institutionalization, Mobilizing the existing stakeholders, Vision/Mission/Goals, Segmentation, National Capability Survey and Monitoring and Evaluation are the common elements found in strategies of other countries (India, Mexico, Indonesia, United Kingdom, Spain)

### National

- Governmental policies introduced for implementing financial literacy have not yet materialized.
- Non-governmental agencies have been working on financial literacy on a voluntary basis.
- The campaigns are conducted in areas where their other existing projects are running.
- Most of these campaigns are donor funded and will not continue once the funding stops.
- Many stakeholders conducted financial literacy trainings as part of their CSR.
- The content was designed in- house and covers basic financial topics such as savings, budgeting, basic knowledge of banks and financial institutions, insurance etc.
- No minimum standard has been set, the no. of days of training ranges from a few hours to upwards of 46 days.
- No monitoring and evaluation system in place so it is hard to assess the impact of these trainings.

## 7. Recommendations

On the basis of study of international practices and understanding the initiatives taken by various stakeholders in Nepal I have presented few recommendations that could be used for formulation of national financial literacy strategy.

### a) For policy intervention

- The national financial literacy policy that is underway needs to be published as fast as possible to pave the way for financial literacy actions without it work has not been able to progress.
- CSR conducted by BFIs needs to have a component of financial literacy in them. It should be mandatory for BFIs to spend a certain percentage of their profit on conducting financial literacy campaigns and report the same to NRB. A possible option could be to allocate fund to an interested NGO, microfinance institutions, cooperatives or other institutions to conduct these campaigns if commercial banks can't do it themselves. But reporting and monitoring and evaluation of these campaigns should be mandatory.
- A National Financial Literacy strategy needs to be formulated by NRB.

### b) For National Financial Literacy Strategy in Nepal

The study on current financial literacy initiatives in Nepal and the international practices regarding this issue painted a positive picture of formulating National Strategy in Nepal; Many stakeholders have already started conducting financial education campaigns and the government and NRB are also working on formulating national policy of financial literacy, Other countries like India, Mexico with similar issues have unequal level of financial knowledge have successfully implemented these campaigns by mobilizing the stakeholders.

- I. Nepal's "**National Strategy for Financial Inclusion**" needs to be a **multi-tiered strategy**. This is because people in Nepal vary in terms of their financial capability and awareness. One model fits all approach will not work here as there is high inequality in terms of literacy, income, wealth etc. As the people are currently at varying levels of knowledge there will be multiple objectives. First will be to bring the previously excluded to the formal financial sector by raising awareness. Second will be to educate existing users make informed financial decision and ensure their consumer protection i.e. to improve their knowledge. The plan has to be assigned a fix term to make it measurable and achievable. Other countries have developed strategies for five years/ten years.
- II. The strategy would be **identifying multiple target groups**. As mentioned earlier it is necessary to make a distinction between excluded and included. In terms of Nepal the target groups could be women, children, young people, entrepreneurs, remittance receiving families, urban households, stock investors etc. The target group can further be subdivided into smaller groups for e.g. entrepreneurs can be divided into micro, small and medium entrepreneurs. The segmentation is essential as different

stakeholders can be mobilized to impart financial education to different groups of people. For example, investment banks could be used to conduct trainings for stock investors; Cooperatives would be more efficient in reaching rural women.

III. **The segmentation of the population in target groups will be accurate only after conducting a National Financial Literacy Survey.** Without the survey it is difficult to assess the level of financial knowledge held by different people. OECD/INFE have developed financial literacy measurement survey that has been used by many nations prior to formulating a strategy. Nepal can also make use of the survey. The survey can be conducted by collaborating with external agencies. After the survey people can be divided into groups based on their level of financial literacy. Certain priority areas can be identified beforehand for example; entrepreneurs of small and medium enterprises, migrant workers and students. It is essential in Nepal's case that utmost priority be given to remittance receiving families and workers. Nepal is an economy dependent on remittance. Most of the family's main means of earning is remittance but they spend it on consumption and luxurious items like LED TV than use it in productive sector and upgrade their standard of living. These families need knowledge about savings and investment. The vast majority of the people living under poverty in Nepal can be upgraded by developing an entrepreneurial spirit in them. The micro and small enterprises need financial support to upgrade and expand their business. They are also in need of financial knowledge. As the young generation is the future incorporating financial literacy courses in school curriculum would be the best way to bring about change in the future generations' attitude towards finance. It would be essential that each target group's content, delivery mechanisms and delivering parties are chosen depending on the capability of the target group. But the target group should also include people in urban areas who are exposed to multiple financial products. Education is necessary for them as well so that they don't fall prey to over subscription of loans and to prevent price bubbles, real estate bubbles etc. For example, stock education is very essential as many people are investing in stocks without adequate knowledge. **National Financial Literacy Survey is essential also to facilitate monitoring and evaluation.** An initial baseline survey will gauge the level of financial literacy of people and later such survey can be used to track the progress made after the campaign. It is essential to monitor the progress made after the term of the strategy ends.

IV. The financial literacy strategy can be formulated and implemented effectively only when its responsibility is taken by **a formal authority or committee.** The ministry of finance had proposed two types of structures, a High Level National Financial Literacy Council headed by the finance minister and a Financial Literacy Committee headed by the deputy governor of Nepal Rastra Bank, to implement the policy. Participation of a popular politician in the committee has also proven impact in some cases. For e.g. The Modi governments Prime Minister "Jana Dhana Yojana" campaign of opening one account per person gained a lot of momentum with the backing of Prime minister Modi.

A collaborative multi agency strategy reliant on partnerships between government, ministries, central bank and private sector stakeholders is required for this strategy. **My recommendation for the council and committee representation other than the finance minister and deputy governors of NRB would be**

- **Other Ministries and governmental bodies**  
Ministry of labor and Employment, Ministry of Education, National Planning Commission(NPC), Department of cottage and small industries, Local Development Committees each would have a role to play in the formulation of national strategy.
- **Donor agencies**  
UNICEF, UNDP, UNCDF, USAID are working actively on the projects of financial literacy in collaboration with Ministry of Education, Nepal Rastra Bank. As mentioned earlier OECD, DFID, World bank are working actively in other countries for financial education. A partnership with these agencies will prove beneficial for NRB. For example, OECD's policy recommendations, financial literacy measurements survey can be used for measuring financial literacy level. Also these surveys are usually done by donor agencies. So these can be mobilized for conducting the initials survey and later on for monitoring and evaluation. Their contribution would be valuable in formulating and implementing the policy as they have experience, resources (human and monetary) that can be utilized.
- **BFI's**  
Representation from the banking sector needs to be present in the committee as they are the ones giving financial services. Also collaboration with BFI's will make implementation part easier. Many of the microfinance institutions and banks are already involved in financial awareness campaigns. Their outreach is high as many have branches in rural areas that can be useful for campaigning as they would know the area and people better. Also imparting financial education will be most effective when learning is combined by doing. For example, if participation in financial education programmes is accompanied with simultaneous opening of bank account that would have a more lasting impact. For this support from BFI's is required.
- **NGO's/INGO's**  
Many NGO's/INGO's are already working on spreading financial literacy to make rural household more financially capable and alleviating poverty. Their inputs can be valuable in formulation and implementation as they have already worked in the grass root level. Each of them have some specified areas where they work so mobilizing them for awareness in a particular district would be more efficient

The selection of the members like BFI's and NGOs should be dependent on their capability that can be measured by the existing amount of work they have done in this area, the success of those projects, outreach, willingness, resources etc.

## V. Use of technology

Vijaya Laghubitta is an example of how technology can be used to impart financial education. Similarly, media i.e. television, radio, internet can be used for creating awareness about financial education. Most of the urban people are



reachable through internet. The power of social media is very well known today. Many of the countries have opened websites dedicated to financial literacy that have financial literacy measurement surveys, quizzes, textbooks and other materials relevant to financial literacy. Nepal can also launch a website but its reach will only be to young educated people. For others radio and television can still play an important role. Television soap opera dramas are very popular amongst people. They have been used previously as well to impart social messages; For e.g. Comedians Madan Krishna advertisements about "*kustha Rog*" had been very popular and effective in raising awareness among people. Similarly, a television drama highlighting importance of financial education can be used to reach a vast group of people. Also, using telecom partners can be used for delivery of financial literacy messages. NRB could use NTC to send financial literacy messages to its customers like in the case of "*Bagmati Clean Campaign*". It could also ask NTC to subsidize the rate per message for sending financial literacy messages.

- VI. It is **essential to ensure sustainability** of the campaign as the campaign will end after a certain term. It would be impossible to keep on giving trainings for an indefinite time. The goal would be to induce behavioral change in the current generation and expect that the future generations will learn from them. To ensure sustainability of the campaign there are certain steps that could be taken. Firstly, it is a must that financial literacy content be incorporated in the school curriculum. Secondly, it would be helpful to develop a train the trainer model. Trainings could be given to staff of microfinance institutions, cooperatives and they could conduct further training for people in the village.

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