The Academic
International Journal of Multidisciplinary Research

An Online Peer Reviewed / Refereed Journal
Volume 2 | Issue 8 | August 2024
ISSN: 2583-973X (Online)
Website: www.theacademic.in

Financial Literacy Framework, 2022: Inadequacy and Analysis of Interpretation

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ARTICLE DETAILS

Research Paper

Keywords:
policy, divergence, finance, performance, training, management, skills

ABSTRACT

The purpose of this paper is to understand how provisions of Financial Literacy Framework, 2022 is interpreted by service providers like bankers who are primarily the implementers of the policy. In addition, this paper aims at exploring the inadequacies of provisions that is relevant and instrumental in the current context. This study follows content and context analysis—qualitative design has been used under which in-depth interviews with three stakeholders have been taken that have further been transcribed, coded and followed by a thematic analysis with three themes. The findings of this research identified the reasons behind divergence in terms of interpretation considering it as digital literacy and implementation gap due to vested interest, duty-fulfillment and transactional approach. Such divergence could be solved through establishment of clear protocols for the implementers, setting a target that must be met with respect to the policy goals, and focusing on addressing the immediate financial management skills. Convergence aspect has also been identified in terms of innovation, entrepreneurship, digitization and inclusion.

Introduction

Financial literacy refers to the state of being aware of how money works, economic values, personal finances, budgeting, and making rational financial decisions. It is fundamentally knowing the smart way of managing our money which includes planning, organizing, controlling, reporting and communicating during the day-to-day earning, saving and spending process. As per the Financial Literacy Survey, 2023 conducted by NRB (Nepal Rastra Bank), the overall financial literacy in Nepal has been found to be 57.9%. In terms of formal education status, there is a positive correlation with financial literacy score, however, people from the agriculture sector and suburban areas still lack literacy regarding how to manage their money which is crucial, especially in a country like Nepal which falls into the category of LDC (Least Development Country).

The Constitution of Nepal, 2072 aims to build sustainable economic development by optimizing the available resources. On top of this, the act focuses on achieving high economic growth by the mobilization of whatever resources are present in the market. The resources predominantly refer to the technical know-how, infrastructure, and human capital. In this regard, the central bank of Nepal, NRB encapsulated the requirement of financial literacy in their Monetary Policy, 2080/81.

The Financial Literacy Framework, 2022 has been curated, evaluated and updated accordingly as per the needs of the target group such as students, salaried workers, agricultural workers, and the financial market as a whole. The framework focuses on the coordination that is to be made between the Government of Nepal, the Ministry of Education and the Curriculum Development Center to include topics related to financial literacy in the school-level curriculum. In addition, the Sustainable Development Goals envisions financial literacy as a medium of achieving inclusive growth and making the people of Nepal economically prosperous which is to be facilitated through the provisions as prescribed by the framework.

When it comes to the inception of this policy, the origination dates back to history. In the pre-modern area, there used to be a barter system to facilitate the trade and exchange of goods for which the commodities used to get trade-off in the absence of instrumental money. Gradually, the concept evolved in 1846 during the Rana dynasty regarding the use of metallic, silver and gold coins. To properly monitor and evaluate the currency circulation, the importance of monetary policy started to rise. A formal written monetary policy was introduced in 1956 as soon as the Nepal Rastra Bank was established and it included a clear, concise and proper guideline to regulate the country's monetary, foreign exchange, and financial systems. The policy had the aim of achieving economic stability, and growth simultaneously.

The framework is designed to meet the needs of the general public, i.e., the beneficiaries so that they can build rational financial decision-making skills. Money management is another skill that can be achieved by saving, investing and portfolio management. Whatever decisions are taken by the individuals are supposed to be lucrative, therefore, the framework has an objective of letting people know the actual skills.

The medium of implementation of this policy is through implementers like NRB, BFIs (Banks and Institutions), and Non-BFIs. BIFs include all types of banks as licensed and classified as either A, B, C or D, namely, commercial, development, finance and micro-finance. All these BFIs have a discrete organizational matrix, capital structure, and target clients. Likewise, Non-BFIs include institutions like schools, colleges, training centres, research centres, etc. that are supposed to provide financial literacy training through their channels which could be games, quizzes, study tours, training, counselling, modules, etc.

Statement of Problem

The financial concepts included in the framework are somehow observed to be misinterpreted by the students and the target groups like salaried and non-salaried workers. With respect to the experience of the researcher as an educator at the university level as well as a banker for an ‘A’ class bank, the basic financial concepts such as saving, investing, credit management, consumer rights, and protection have not pulled off the right meaning as the vision of framework aims.

The Financial Literacy Framework entails that there is a wide array of financial products and services that are to be comprehended by the target users (Nepal News, 2023). However, amongst the ‘financial products’ that have been mentioned eight times in the framework, it is not clearly articulated regarding the exact products because it is to be known which specific product suits best to whom. In this regard, the target users are not clarified for the discrete product or service because the product might not be feasible for every individual as per their needs and requirements. For example, purchasing a dollar card for a regular student is not feasible as it might have other repercussions as well such as misuse and chances of ending up as a spendthrift. There are real examples when the users purchased the products that were not of their requirement and the consequences started to backfire instead.

The critical concern of the framework is to assist people make rational financial decisions, however, the hard skills that are actually required for selecting the best alternative out of various options are not evidently seen. Investors have been found to lose around 200 billion a month in the capital market predominantly due to the bandwagon effect and investing in stocks without understanding the fundamentals of a business. The lack of rational decision-making competency is absent and the predominance of irrationality is seen from the aforementioned astronomical number.

As per the survey of Nepal Rastra Bank, 2023, the digital financial literacy in Nepal is 73.78%. It includes the knowledge of people in using mobile banking, internet banking, debit cards, credit cards, digital wallets, e-com cards, and more (Republica, 2023) . However, literacy in terms of using insurance products stands at 30.20% and credit products are at 46.34% which is significantly low. These indicators portray how competent people are when it comes to having actual financial management competency—people are more digitally literate rather than financially literate, which is neither the vision nor mission of the Financial Literacy Framework, 2022 (Nepal Rastra Bank, 2023).

Objectives and Significance of the Study

This paper aims to explore what provisions are lacking in the Financial Literacy Framework, 2022 despite being constantly updated and rectified. In accordance with the need and requirement of the concurrent market conditions, the provisions are inadequate and not elaborated by the policy. Secondly, the paper aims to understand the interpretation of financial literacy provisions by stakeholders who act on the ground, i.e., basically the beneficiaries like farmers, salaried/non-salaried workers, etc.

This study is crucial to understand if the policy intention has been met or not through exploration of rooms for necessary improvements or corrective actions that would be taken by the policy-makers in the further amendments. The inclusion and clear distinction of the financial concepts in the school-level curriculum is required so that students would have sound financial management knowledge which is to be assured by the framework. Likewise, the study and dissection of the current policy will help to make citizens of Nepal financially aware and capable as well by understanding the inadequacies.

Policy Framework and Methodology

This research is guided by policy anthropology as it is instrumental to know how the policy has brought a change in the behavior of the people by studying the influence of the actors. Also, through the lens of policy anthropology it has been helpful to understand the effectiveness of Financial Literacy Framework, 2022 from the perspective of Bankers and Implementers. It

Policy anthropology highlights 'what do people do in the name of policy?' and aims to view it from the lens of the actors (Khanal, 2010).

Policy Anthropology perspective revolves around viewing policy as a political field of analysis and not merely as frameworks (Shore & Wright, 1997). It means that policy is not neutral but is influenced by a number of parameters like external forces, political climate, prejudice, partiality, vested-interests, and biasness. Instead of considering the framework as a rule or a model or tools to implement, it is to be understood as cultural or societal data to understand the underlying values, norms, ethics and beliefs. The policy anthropology also focuses on understanding how policy functions in shaping society, emphasizing the actions and influences of actors involved in policy implementation. Considering these perspectives, I opted for the policy anthropological lens for a better comprehension.

In order to have a holistic understanding, both context analysis and content analysis has been followed. To facilitate context analysis, phenomenological research method has been used. In-depth interview with the three concerned stakeholders were taken, i.e., a banker from an 'A' class commercial bank who was assigned the responsibility to conduct the financial literacy training, likewise, a retailer who recently got the financial literacy training and the authority from the Performance Review and Monitoring department of the bank.

Concerning the background of the interviewees, the banker from 'A' class is a regular training provider specially in the remote and suburban areas where the demographics of the target audience comprise of low-incomed based, aged, and underprivileged women. Similarly, the retailer owns a small shop at Chovar and is willing to understand the fundamental financial concepts with an anticipation of being economically strong. The retailer has come across several success regarding how his neighbors became rich by investing in the stock market and other properties.

Likewise, an authority from the Performance Review and Monitoring Department is responsible to evaluate the results of the financial literacy program in terms of KPI (Key Performance Indicators) like knowledge acquisition, behavioral changes (saving, spending behavior, budgeting skills), financial decision-making (debt managing), responsible borrowing, and customer retention from the financial mobile/web application usage. The spending issue is prevalent among the suburban people because they are influenced by status spending to maintain societal expectations even going into debt, spending on vices like intoxicants, high-interest borrowing, lack of financial projection, and impulse spending.

The in-depth interview with the banker was transcribed and coded into 9 different categories. After the coding process, the researcher enlisted the codes and arranged them into different categories. Out of those categories, to make it more specific, few themes were generated like, “obligatory task to meet performance targets”, “strategic alignment with organizational objectives”, “structured approach overshadowing autonomy”, “no creative juices to flow”, “stringent regulations to follow”, “robotic and programmed”, “zero customization as per the need” and “perceived resemblance to IT training”. The relevant themes were combined and a new theme has been generated, i.e., “Obligatory Task Resembling an IT Training”.

Furthermore, after having an interview with the retailer who has undergone such financial literacy trainings provided by the banks, the same thematic analysis process has been followed, i.e., the researcher transcribed the interview and coded into 11 different codes. Eventually, the codes were enlisted and collated into different groups or categories. Out of those categories, to make it more specific, few themes were generated like, “frustration with irrelevant content”, “unmet need for practical financial skills relevant to retail business”, “gap between focus and participant priorities”, “too jargonistic for a layman”, “deviation from the inquiries”, and “desire for knowledge on investment strategies and risk management”. The relevant themes were combined and a new theme has been generated, i.e., “Need for Actionable Financial Advice Unaddressed”.

On top of this, another interview with the authorized personnel/reviewer from the Performance Review and Monitoring department of the bank was conducted after which the researcher transcribed and coded into 9 different codes. Such codes were enlisted and collated into categories and few more specific themes were generated like, “savings-centered policies”, “continued cultural emphasis on traditional saving practices”, “no changes in the spending patterns”, “limited progress in debt management and loan repayment”, and “increase in account/application downloads than knowledge”. The relevant themes were combined and a new theme has been generated, i.e., “Accounts Up, Knowledge Down”.

Policy Provisions and Analysis

The existing provisions' convergence and divergence have been evaluated through textual analysis. The Financial Literacy Framework, 2022 comprises of a total 9 components that include contents such as background, vision, mission, target group, channels, monitoring, evaluation, collaboration and outcomes. The background basically elaborates on how good financial knowledge helps in achieving economic growth in the country as well as for the good financial status of the individual. Likewise, the vision, mission, goals and objectives have been properly defined regarding what the policy intends to achieve in terms of making people aware of the financial products and services.

In addition, the target group has also been defined in the framework in terms of age, like youths above the age of 15, and remittance receivers who are constantly involved in sending and receiving money to and from their friends and family. The policy also elaborates on students as target groups who are in secondary and higher secondary levels along with women, salaried workers and farmers as well. So pretty this policy has covered a wide array of people who are directly or indirectly involved in some kind of revenue generation. Likewise, implementation bodies are mentioned, also referred to as implementers as they are the ones for effective practice and also responsible for the implementation of this policy. The medium or channel would be mass media, social media, study tours, training, counselling, online games and more. Finally, the expected outcome is that the people would be financially literate to use different products and services, empowerment, and rational financing behaviour.

In order to properly dissect the policy content analysis, the researcher followed the format provided in the article by (Cardno, 2018). Fundamentally, three perspectives have been included in the table, the first being Policy Purpose, Policy Construction and then Policy Implementation and Impact.

Table 1

Table Showing Policy Content Analysis

Policy Purpose	**Policy Construction**	**Policy Implementation and Impact**

Assist people to make rational financial decisions by using financial products and services **Values that guide policy:** Accessibility, Inclusion, Protection	• Problem identification and agenda setting • Thorough feasibility analysis and research. Participation in FGD in all seven provinces of Nepal, Stakeholder Interaction, Peer Learning Visit, Peer Review • Policy Adoption and Approval • Responsible bodies and implementers • Monitoring and Evaluation	Emphasized on: ✓ Accessibility (8), ✓ Inclusion (12), ✓ Consumer Protection (10), ✓ Digital Literacy (38) **Strengths and Future Prospects:** Innovation, Entrepreneurship, Inclusion, Digitization **Weaknesses:** Less focus on financial decision-making, budgeting, portfolio management, jargonistic

Source: (Cardno, 2018)

As far as document analysis is concerned, three dimensions have been put. The policy purpose could be understood that this framework aims in assisting people to make rational financial decisions and along with this it provides how different financial products would help them to make such decisions. Likewise, this policy focuses on the values like accessibility, inclusion and consumer protection that guide the policy. Regarding Policy construction, it aims to eliminate poverty in Nepal and also enhance economic growth. Also, an agenda has been meticulously formatted, for instance, if we go through the policy we can observe the segmentation of the target group, clearly defined implementers, outreach channels, mediums, and long-term planning. The policy is backed by proper research that includes Focus Group Discussions, and stakeholder interaction in collaboration with the Nepal Bankers

Association and, the United Nations Capital Development Fund and reviewed by the World Bank as well. Likewise, peer learning visits to different countries and participation in international programs, peer review and revisions have been done.

Furthermore, considering Policy Implementation, actual implementation can be seen in terms of accessibility. The term ‘accessibility’ has been mentioned eight times and it is convergence with the implementation aspect. Likewise, the term ‘inclusion’ has been used 12 times, and ‘digital’ literacy has been used 38 times in this entire framework document. Apropos of the emphasis of these terms, these aspects have been addressed in the current context. However, when it comes to ‘Consumer Protection’ which has also been mentioned 10 times and despite the emphasis, the actual implementation could not be seen in the local context because people are still not aware of the data breaches, phishing, credentials-compromise, cyber security, and the ways to overcome such issues.

The framework comes up with some significant weaknesses such as concepts and parameters related to financial decision-making. The concept of capital budgeting and investment analysis has not been properly addressed. Concerning investment, funding and decision-making, different indicators are to be known such as Net Present Value (NPV), PBP (PayBack Period), PI (Profitability Index), etc. which are considered crucial to understanding at least at a rudimentary level. Similarly, a basic understanding of consumer protection like ways to protect, maintain and update banking credentials, understanding of portfolio management risk diversification and the like are missing. However, jargonistic and big concepts such as AML CFT which means Anti-money Laundering and Combating Financing of Terrorism which is a vast aspect and not-so-relevant in day-to-day layman operations. Instead, the framework could be limited to a basic understanding of rational financial decision-making and its ingredients as required for an effective investment.

Policies are often based on the framework provided by different intergovernmental organizations that are usually referred to as global policy forums to promote international policies and improve the social and economic well-being of the member countries and also people around the world (Beland & Orenstein, 2013). In this particular regard, it can be seen that the Financial Literacy Framework, 2022 is based on the OECD (Organization for Economic Cooperation and Development) Core Competencies Framework on Financial Literacy. OECD is an intergovernmental organization operating in France and has 38-member countries like US, the UK, Australia, Spain, and Norway. Not only this, but most of the policy frameworks are based on the OECD of which Nepal is not even a member. Due to the disparity in contextual relevance, capacity constraints and social dynamics, a question can be raised as to whether it is really compatible and viable for a country like Nepal that is still an LDC. A detailed and customized framework could have been formulated based on the requirements and economic dynamics of the country.

Policy Interpretation

The disparity between the policy intention and understanding by the implementers and stakeholders have been evaluated through context analysis. The interpretation is demonstrated through thematic analysis in which three different themes have been created. The burger format has been used to properly encapsulate every detail with supporting literature and evidences. After taking an interview with each stakeholder, the records underwent transcription, coding and thematic analysis. From the transcription, different sub-themes have been generated and accordingly they are collated, categorized and a specific theme has been created.

Obligatory Task Resembling an IT Training

Financial literacy trainings are to be organized based on the framework provided by the Nepal Rastra Bank. The current and amended policy is the Financial Literacy Framework, 2022 under which the implementers have to remain conversant with the provisions. In this context, a banker who has been involved in providing this training shared her experience:

"*I usually provide trainings as a part of my work. The content is pre-formatted and is not customized which restrains me from letting my creative juices flow. Also, a target is set beforehand and I end up providing digital training and focus on bringing up new customers.*

From this statement, it can be evaluated that literacy trainings have been considered as a part of their duty that they must meet within the time-frame. She added: *Each employee has to update how many customers they materialized or potentially materialized in the very day, sometimes it even results into intradepartmental conflicts*". It could also be observed that presence of content before understanding the target group and their need somehow makes the learning unorganized. Analyzing the demographics of participants who took part in the financial literacy program, it has been found that most of them were students from a college. After asking the reason behind the predominance of college students, the head of the department disclosed*, "It is easy to have target group as college students because they are nearby and accessible".*

Financial literacy trainings shall be provided to the people after understanding their needs and requirement (Lusardi, 2019). Garnering target audience based on the easiness and accessibility will not be helpful to address the issues of the actual beneficiaries. Students already have an idea of financial concepts in their course study, however, general people from remote areas shall be benefitted from such program.

Need for Actionable Financial Advice Unaddressed

The target group of the financial literacy framework are non-salaried workers as well, which is referred as 'irregular income earners' in the policy. Generally, this category of people obtain income from running a micro, small or medium-scale enterprise or are daily wage workers or farmers. As the policy has to abide by the intended modus operandi, i.e., building rational financial-decision making competency, the content is to be formulated based on their requirements. In this context, a retail shopkeeper operating his shop at Chovar who has already participated in such literacy training shared:

"I could not learn what I was supposed to. The information that the trainers provided were very basis and pre-determined. They should have at least asked beforehand regarding what we actually want to understand. I already know how to use an application, scan a QR, top-up balance and pay airline fares. Training was focused on savings which is already a popular trend in our Nepali culture."

The urgency of procedural financial knowledge for the beneficiary was not addressed. Generally, the contents flow down from the upper-level departments with an agenda. Such content is extremely complicated to modify or have to take permission from the authority. Concerning the concept of saving as a financial need in the current context to uphold a robust economic status, he added: "*I learned savings from my grandmother, mother and sister. We grew up having piggy banks (khutruke) where we used to save the petty cash for any unprecedented events. Rather, focus should be on how to reduce the expenses and managing our spending pattern. I do not understand the acts or provisions or constitutional regimes, but willing to learn procedural legal remedies when somebody gives me a cheque with insufficient fund. Practical and immediate need were not addressed for me and for my friends as well."*

In this regard, a sophomore law student who passionately listened to this entire conversation interrupted and said: *"The trainers for sure won't convey the training or teach the participants wrong information. The restriction in terms of slide size, pictures and compulsion to use their own graphics* *somehow restricts the creativity and autonomy of the presenter. Personally, I can't stand others content when I am the one delivering—it completely obstructs my speaking competency".*

Individual creativity in content formulation directly impacts the delivery as the creator knows the artifacts and essence (Conway-Herron & Morgan, 2008). It is one of the skills that is to be validated and respected by the department as well. Such practice restricts the beneficiaries to get optimum level of outcome as the nature, expectation, demographics and size of the audience is not pervasive.

Accounts Up, Knowledge Down

The financial literacy training is supposed to achieve outcomes in terms of how well the customers have been accustomed to the products, services and its exact usage. Aligning with the vision of the framework, the customers shall be able to take rational financial decisions which could be attained only if they have a sound knowledge over such aspects. The savings-centered literacy trainings have somehow deviated the vision, mission, goals and objectives laid down by the policy. In this context, a reviewer from the Performance Review and Monitoring Department shares:

"I do not see any substantial changes in terms of timely payment of debt by the customers. Neither their accounts have an investment or business or even compounding effect. However, the number of accounts has raised along with the download rate of the mobile application because of knowledge regarding dollar card, E-com card and the like. But, most of them are dormant and inactive. I confront customers sometimes, still, they are perplexed regarding the basic financial products."

This statement provides that there is no exponential growth when it comes to knowledge retained by the customers. They are still dubious regarding what type of product suits their need. Simply put, the numbers have increased rather than knowledge. People subscribe to products out of curiosity and excitement, however, it becomes trivial if they do not have idea to avail them. In this context, another employee from the department added: *"We can see people still using cheques for petty amount, for which a QR or ATM would have been better. This shows people are not benefitted neither from the training, nor from the policy."*

Financial knowledge is crucial for every individual of any age group as it sufficiently addresses their need and also help in making good decisions (Laborde et al., 2013). The implementers of the policy shall adhere to its provision as it not only ensures accountability but also helps in accomplishing the objectives with ease.

Conclusion

This paper highlights some of the major policy convergence and substantial policy divergence as well. Concerning convergence, as per the aim of the policy, parameters like innovation, entrepreneurship, inclusion, and digitization have been addressed in the local context and are observed to be implemented by the actors. The policy has been instrumental in emerging innovative fintech software and most of the transactions that were conducted through a brick-and-mortar system have been converted into clicks. The paradigm shift from ‘brick-to-click’ has been achieved. Also, it has helped entrepreneurs to propagate their products and services irrespective of geographical boundaries. On top of this, the inclusion aspect can be seen because it has benefitted all segments of the population. However, some divergences in terms of interpretation can be observed. For instance, it is regarded as digital literacy rather than actual financial management. The intention of the policy could not be met because of vested interest amongst implementers, focus on increasing customer base, business and fulfilling the duty for yearly performance appraisal only. When it comes to whether there are any sanctions for individuals and companies who blatantly breach the policy, the author humorously ends this article mentioning that “having a policy or legal background makes us tempt to sue the moment something goes wrong—because, let’s face it, we’re just so used to finding our way to the courtroom”. Overall, this policy research has been instrumental in understanding that people interpret the policy according to their ability, ease and interests irrespective of the intention set by the policy.

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