

BOX 5

Financial Literacy Roadmap of Sri Lanka (2024-2028): Towards A Financially Literate Sri Lanka

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1. Introduction

Financial literacy that encompasses the knowledge and skills required to make informed financial decisions, is integral to individual and societal economic well-being across the globe. The significance of financial literacy extends across various dimensions. It influences the economic outcomes of individuals by empowering them to navigate the complex world of financial services, make prudent investment choices, manage debts effectively, and plan for future financial stability (Lone & Bhat 2022). Beyond personal financial well-being, it plays a critical role in shaping the macroeconomic landscape by fostering informed consumer behaviour, enhancing the efficiency of financial markets, reducing systemic risks, promoting financial inclusion, and supporting sustainable economic growth (Lusardi & Mitchell 2013).

2. Global Advocacy and Experience in Improving Financial Literacy and its relevancy for Sri Lanka

The global advocacy for enhancing national financial literacy levels is a multifaceted endeavour, which signifies a collaboration of innovative strategies, professional alliances, and a commitment to sustainable development. International entities such as the Organisation for Economic Cooperation and Development (OECD), United Nations Development Programme (UNDP), World Bank, International Finance Corporation (IFC) and Alliance for Financial Inclusion (AFI) play pivotal roles in setting international standards and providing guidelines, resources, and support to countries aiming to enhance their financial education frameworks.

Overall, these entities emphasise the importance of tailored, targeted and inclusive financial literacy programmes that cater to the diverse needs of the general public, especially vulnerable groups (AFI 2021; OECD 2005). As a holistic tool, National Financial Literacy Strategies or Financial Literacy Roadmaps have been utilised globally by governments and policymakers to drive a positive change towards enhanced financial inclusion landscapes through improved financial literacy levels (World Bank 2014).

In the context of Sri Lanka, the advantages which could be obtained by the implementation of this

kind of a national initiative are substantial and multifaceted. With the introduction of the Central Bank of Sri Lanka Act No.16 of 2023 (CBA), the Central Bank is vested with the statutory obligation to promote financial inclusion. Thus, on a broader footing, a national scale financial literacy initiative could be considered as the most appropriate tool to reach higher financial inclusion levels.

3. Current Financial Literacy Landscape of Sri Lanka

In order to identify the financial literacy landscape of Sri Lanka, in 2021, the Central Bank jointly with the IFC of the World Bank Group (WBG) conducted the first ever nationally representative Financial Literacy Survey in Sri Lanka under the Action Plan of the National Financial Inclusion Strategy (NFIS).

Results of the Financial Literacy Survey revealed that when compared to the other countries with comparable survey results, Financial Knowledge of Sri Lankans are at satisfactory levels. However, Financial Behaviour is lagging behind, demanding careful consideration of the policymakers. Translating financial knowledge into actual financial behaviour, is a multifaceted issue stemming from a range of reasons such as issues in financial attitudes, behavioural biases, lack of practical experience, socioeconomic barriers, and emotional factors. These elements collectively contribute and widen this gap, making it challenging for individuals to apply their understanding of financial principles in real-world scenarios effectively. Poor financial behavior intensifies the vulnerability of individuals to economic shocks, contributes to macroeconomic instability through reduced savings and higher debt, increases inequality, and also impacts public resources due to increased reliance on government assistance programmes.

Moreover, even though there is no gender gap observed in financial inclusion, a modest gender gap was observed in the financial literacy levels of Sri Lanka (CBSL 2021a; 2021b). Accordingly, gender sensitive approaches should be introduced to bridge the gender divide. Thus, introducing targeted behavioural interventions to support the translation of financial literacy, i.e., financial knowledge and skills, into positive financial behaviour of Sri Lankans should be considered a policy priority in the current context.

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4. The Policy Framework: Financial Literacy Roadmap of Sri Lanka

Based on the findings of the Financial Literacy Survey 2021, the Central Bank in collaboration with over 40 stakeholders, including financial sector regulators, ministries, academia and other public and private sector institutions, led the development of the first ever Financial Literacy Roadmap of Sri Lanka (the Roadmap).

5. Operationalisation of the Financial Literacy Roadmap: Action Plan and Operational Pillars

The Roadmap consists of a 05-year Action Plan to be implemented from 2024 to 2028 with the fundamental objective of improving the financial behaviour of Sri Lankans. The Action Plan currently consists of 48 actions developed to reach 10 objectives across the 04 Strategic Priorities of the Roadmap.

These actions will be mainly focused on, inter alia, strengthening the coordination, standardising the financial literacy materials used by the stakeholders, supporting the transformation of the school children to financially capable individuals by the time they leave school in collaboration with national level

public and private education partners, and utilising existing resources for the effective delivery of the financial literacy interventions. The NFIS Secretariat established in the Regional Development Department of the Central Bank supports to operationalize the Action Plan. The existing governance structure of the NFIS is to oversee and ensure effective implementation of the Roadmap.

Addressing the changing and dynamic financial literacy needs of the economy is of paramount importance for the successful implementation of such national level financial literacy initiatives. Thus, the Action Plan of the Roadmap would be a living and open document that could be updated to address such requirements, as necessary.

6. The Way Forward

Despite the remarkable policy commitment and the successful development of the Roadmap, the path ahead is fraught with challenges albeit promising opportunities awaiting to be optimised. The success of the Roadmap depends on several critical factors; aligning with national policies, adapting to the evolving financial landscapes and global trends, creating accessible and

Policy Framework of the Financial Literacy Roadmap of Sri Lanka (2024-2028)



inclusive financial literacy interventions, fostering partnerships, and establishing effective monitoring and evaluation frameworks, etc. These steps are crucial to maximise the impact and sustainability of financial literacy interventions, ultimately leading to a financially literate and empowered population. Moreover, leveraging existing resources such as current levels of financial knowledge and skills, widespread access to financial services, and increased digital penetration can catalyse the impact of the interventions.

Utilising the already established delivery channels and networks like the Community Health Network, Network of Women Development Officers, and Agrarian and Samurdhi Societies to deliver the financial literacy programmes under the Roadmap, will optimise the resource utilisation. Further, with the participation of over 40 national level stakeholders, the outreach of the Roadmap is expected to be significantly wide. In this regard, long-term commitment of the stakeholder institutions is required to ensure the effectiveness and the continuity of the Roadmap implementation. More importantly, the commitment of the multilateral development partners is used to obtain much needed technical and financial assistance, considering the unprecedented nature of this national endeavour.

Nonetheless, the implementation process is challenging, as harmonised efforts towards successful implementation are critical. As a national level programme, aligning the Roadmap with broader economic and social policies demand effective coordination among key stakeholders including the Government, financial institutions, and educators, to ensure the Roadmap is given

high priority. Addressing the diverse needs of the audience, keeping pace with the rapid advancements of financial innovations and ensuring effective engagement of the target groups and their accessibility to the interventions can threaten the effective implementation.

In light of the above, it is evident that significant attention of all the stakeholders is needed for advancing the efforts put forward through the Financial Literacy Roadmap, since there is an unwavering promise for substantial economic and social advantages by effectively combating financial scams, reducing over indebtedness, alleviating poverty, and breaking poverty traps. It further encourages greater savings and investments on both individual levels and national scales, which in turn, encourage internal capital formation and facilitate economic growth.

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