



# NATIONAL FINANCIAL LITERACY STRATEGY 2018-2023



## VISION

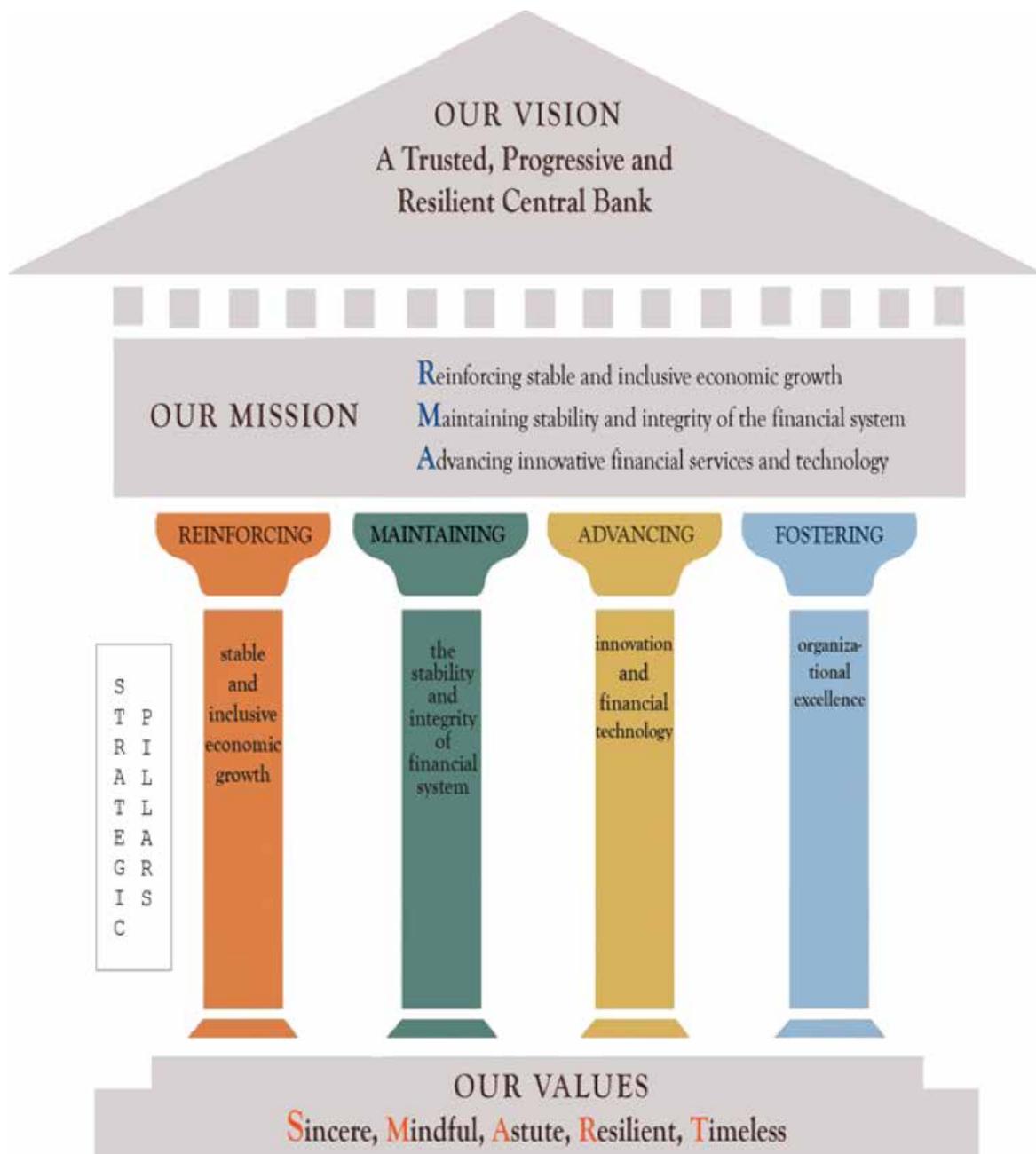
Strengthen financial capabilities and empower all Bhutanese towards greater financial inclusion.





**NATIONAL FINANCIAL  
LITERACY STRATEGY  
2018-2023**

# RMA's Vision, Mission, Values and Strategic Pillars

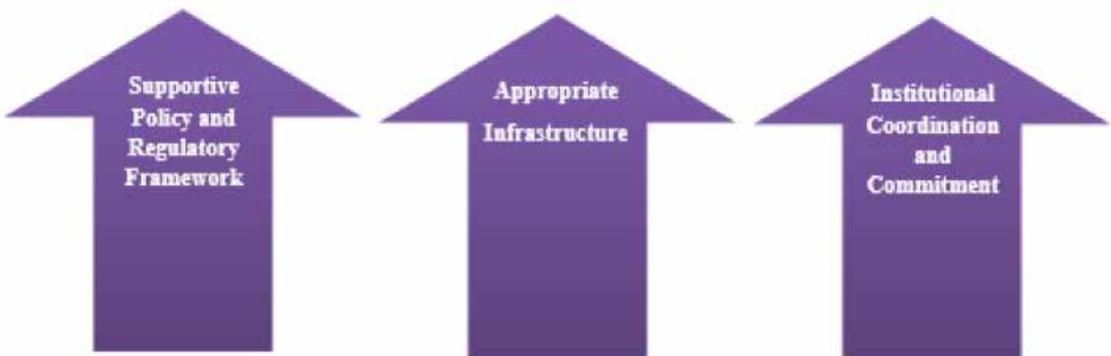


# NFIS 2018–2023 Strategic Pillars and Enablers

**VISION** – Enhanced access to and usage of quality and affordable formal financial services by all Bhutanese through an inclusive financial system



## Pillars of the National Financial Inclusion Strategy



## Financial Inclusion Enablers

# GLOBAL MONEY WEEK 2018



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## List of Abbreviations

ADB	Asian Development Bank
AFI	Alliance for Financial Inclusion
BAOWE	Bhutan Association Of Women Entrepreneurs
BEFIT	Bhutan Economic Forum for Innovative Transformation
BDBL	Bhutan Development Bank Limited
BIL	Bhutan Insurance Limited
BIPS	Bhutan Immediate Payment Service
BOBL	Bank of Bhutan Limited
BNBL	Bhutan National Bank Limited
CWG	Channels Working Group
CSI	Cottage and Small Industries
DPNBL	Druk Punjab National Bank Limited
FIAB	Financial Institutions Association of Bhutan
FIS	Financial Inclusion Secretariat
FITI	Financial Institutions Training Institute
FLWG	Financial Literacy Working Group
G2C	Government to Citizen
GMW	Global Money Week
MFI	Micro-Finance Institution
MOAF	Ministry of Agriculture and Forest
MOE	Ministry of Education
MOF	Ministry of Finance
MOIC	Ministry of Information and Communication
MOLHR	Ministry of Labour and Human Resource
NCWC	National Commission for Women and Children
NFIS	National Financial Inclusion Strategy
NFIS-SC	National Financial Inclusion Strategy Steering Committee
NFIS-TC	National Financial Inclusion Strategy Technical Committee
NFIS-WG	National Financial Inclusion Strategy Working Group
NFLS: APF	National Financial Literacy Strategy: Action Plan Framework
NGO	Non-Governmental Organization
NSB	National statistical Bureau
PSL	Priority Sector Lending
PWG	Products Working Group
REDCL	Rural Enterprise Development Corporation Limited
RENEW	Renew, Educate, Nurture, Empower, Women
RICBL	Royal Insurance Corporation of Bhutan Limited
RIM	Royal Institute of Management
RMA	Royal Monetary Authority
SBS	Student Business seedling Program
SEN	Special Education Need
SIWG	Special Intervention Working Group
T-Bank Ltd.	T-Bank Limited
YE Banking	Youth Ethics Banking



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## His Majesty's Address to the Nation, 109th National Day, 17 December 2016

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*His Majesty's Royal Address to the Nation,  
109th National Day, 17 December 2016*

*"...As King, I feel privileged to carry out the noble work of Land Kidu. I undertook this responsibility as sacred, having received it from my Father, who has himself carried out this noble duty for many years.*

*Bhutan's difficult terrain means that only 7 percent or 664,000 acres of our total land is usable. We must ensure that this small amount of land is put to the best use for the benefit of our people.*

*Many of our people continue to depend directly on land for their livelihood. In addition, land is traditionally considered a precious inheritance to be bestowed to our children. The objective of the Land Kidu is to place the much-treasured land upon the hands of our people, and enable them to use it to better their lives and secure the future of their children.*

*It is a concern that in a rapidly growing economy, inequality may bring great divides in our society between the rich and the poor. Another objective of the Land Kidu has been to empower and uplift people, and*

*allow them to prosper.*

*With these objectives in mind, my Father and I have handed over 295,860 acres of land to our people till date.*

*However, what I had hoped for with this undertaking has not been fully realized. Over the years, there are increasing numbers of Gungtong (absentee households), and I find that large portions of land continue to be left fallow across the country. The people, especially the young, have been leaving their villages for towns in greater numbers. I am deeply concerned that they will encounter unemployment and other difficulties in urban areas, and begin to despair.*

*This should not be so, because there are numerous opportunities in Bhutan.*

*We spend Nu. 8 billion annually to import food. To cite an example, we export potatoes and oranges, and then import potato chips and orange juice.*

*From this, it is evident that there are many opportunities for entrepreneurship and commercial farming in our country. In*

*addition, our youth are educated, capable, and enthusiastic.*

*We must ask ourselves then, where we have gone wrong.*

*Our government remains steadfast in its service to the people. The scope of the successive five year plans have grown exponentially. The budget of the 11th Five-Year Plan, which is an unprecedented 213 billion, is spread across various sectors and across the country.*

*For my part, I will continue to increase land ownership, in the same manner that I have in the past.*

*As I see it, to begin any new enterprise, first and foremost, one requires capital.*

*There is a great opportunity here for the financial institutions and banks to make a positive impact by improving access to credit for our youth and rural people.*

*We can gauge the extent of the impact by considering that today, in Bhutan, the total loan stock that has been lent out is Nu. 85 billion, but out of this, only 4.5 billion,*

*or about 2.5% has been utilized in the agriculture sector. This must change.*

*I am pleased that the Royal Monetary Authority, led by the Governor, has taken an initiative in this direction by decreasing the lending rate of the banks.*

*Our financial institutions have a strong sense of corporate social responsibility, and place the welfare of the people above profit making. I am happy that in their turn, the financial institutions have wholeheartedly supported RMA's initiative to lower the lending rates.*

*If our financial institutions are able to extend unstinted support to young entrepreneurs and farmers, and help in creating numerous opportunities for them, we will derive countless benefits.*

*It will go a long way in strengthening the sovereignty and security of our country, and furthering our social policy of equity and our national objective of self-reliance.*

*If our youth, who are well educated, are able to succeed, it will benefit our country as a whole..."*

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## I. FOREWORD

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Financial literacy plays an integral role in financial inclusion. It should be viewed as the means to-not as an end to-financial inclusion. Enhancing and strengthening the financial capabilities of all Bhutanese and their families remains central to the Royal Monetary Authority.

Financial education makes a great contribution to the financial empowerment of citizens, lifting their confidence and readiness to participate in the financial ecosystem. With financial education, people are able to make rational choices from the wide range of financial products and services available to them. Positive attitudes and changes in financial behavior can in turn have a major positive impact on the lives of the Bhutanese and their families.

The National Financial Literacy Strategy (NFLS) 2018–2023 will provide vital support to the promotion of financial knowledge and the development of skills and confidence for effective decision making. It is anticipated that the Strategy will be accessible, inclusive and embrace participatory planning across all relevant agencies.

Enabling financial access through innovative digital technologies for unserved and underserved populations is central to Bhutan’s National Financial Inclusion Strategy (NFIS). Although Bhutan’s small population can be seen as an advantage when carrying out various development activities, the country’s mountainous terrain and widely scattered population pose big challenges for policymakers. However, targeting specific groups through financial literacy initiatives will likely lead to a new era of low-cost digital technology that will further expand access to appropriate financial services.

Given that effective stakeholder engagement is needed to improve the overall financial well-being of the Bhutanese, the RMA is facilitating and spearheading its first National Financial Literacy Strategy to ensure close cooperation, partnerships and contributions from relevant financial services providers, government organizations, NGOs and other stakeholders.

The RMA acknowledges and expresses gratitude to all financial services providers and our development partners for their commitment, contribution and cooperation. The Authority looks forward to working closely with all stakeholders to implement the NFLS effectively with renewed vision and enthusiasm. In coordination with various stakeholders, the RMA aspires to better the lives of Bhutan’s citizens and enable them to be confident about money and its effect on their daily lives, such as managing day-to-day expenses and investment risks effectively. Hence, the Authority is undertaking ambitious efforts to promote collective and effective financial literacy plans to achieve greater financial inclusion and contribute to the overall economic transformation of Bhutan.



**Dasho Penjore**  
**Governor**

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## II. OVERVIEW

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*The 2018–2023 National Financial Literacy Strategy (NFLS) aims to strengthen the financial capabilities and empower all Bhutanese towards greater financial inclusion.*

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### A. About the Strategy: Introduction and Background

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The Royal Monetary Authority (RMA) is the leading agency spearheading financial inclusion and financial literacy in the Kingdom of Bhutan. It is committed to providing inclusive opportunities and raising awareness among the unserved and underserved segments of the population.

As part of the country's emerging financial system, the National Financial Literacy Strategy (NFLS) 2018–2023 is a collaborative strategic initiative of the RMA to promote financial knowledge, confidence and consumer protection to the people of Bhutan. The NFLS 2018–2023 is also the first initiative of the RMA to align with its vision, mission and strategic pillar of reinforcing stable and economic growth through its strategic priorities to promote financial inclusion and financial literacy.

Several initiatives have been undertaken to advance financial inclusion and financial literacy in Bhutan, especially since the country became a member of the Alliance for Financial Inclusion (AFI) in 2010, and its subsequent commitments under the Maya Declaration in 2014. The RMA's efforts to create a more attractive enabling regulatory environment for financial inclusion are outlined in detail in the NFIS 2018–2023 document.

The NFIS has captured the current state of access to financial products and services in Bhutan. As of December 2017, 64.47% of adults in Bhutan had a savings account with a bank while only 16.08% had access to credit and 17.79% had a life insurance policy. In terms of access points, 64% were agents and 23% POS. Branches, ATMs and extensions recorded the lowest numbers due to high costs of operation. Microfinance institutions (MFIs) are picking up, but there are still only 29 branches (0.59%) available per 10,000 adults. According to the Bhutan Living Standard Survey Report (BLSS) 2017, access to household loans are more prevalent in urban areas (42%) than rural areas (33%). Bank loans are primarily used to purchase vehicles (27%), construct houses (25%) and for personal consumption (15.9%).

Interventions are required to address these issues, such as increasing access and usage of long-term savings, productive credit and insurance. A focus on rural areas and strengthening microfinance and other access points are also necessary.

The Financial Inclusion and Literacy Division was set up in January 2017 to formulate the NFLS and spearhead all financial literacy activities in Bhutan. The Division

organized outreach nodal officers from both the RMA and 20 Dzongkhags, and formed groups of stakeholder representatives to collectively initiate the improvement and mapping of financial literacy initiatives. Since then, great progress has been made in understanding the financial literacy needs of communities in Bhutan.

In 2017, the Division organized a financial literacy roadshow to all 20 Dzongkhag(s) aimed at raising awareness among local governance leaders, Gewog cooperative groups, monastic bodies, visiting vocational institutes, non-formal education centers and schools. The Division also initiated the Governor's program on Youth Ethics Banking (YE Banking) and the Student Business Seedling Program (SBS). In the same year, comprehensive efforts were made to celebrate Global Money Week, an initiative of Child Youth Finance International (CYFI) to improve youth engagement with financial inclusion globally. A formal national financial literacy curriculum is also in the process of being developed in coordination with the Royal institute of Management, the Ministry of Education and the Royal Education Council.

The NFLS has been informed by consultative processes and international peer reviews held with the Reserve Bank of Fiji, Central Bank of El Salvador and National Reserve Bank of Tajikistan during the 2017 AFI Global Policy Forum in Sharm El Sheikh, Egypt. Key feedback was incorporated in the NFLS, including strengthening stakeholder coordination, extending the Strategy timeline, focusing on the use of financial products, consumer protection and the need for baseline surveys.

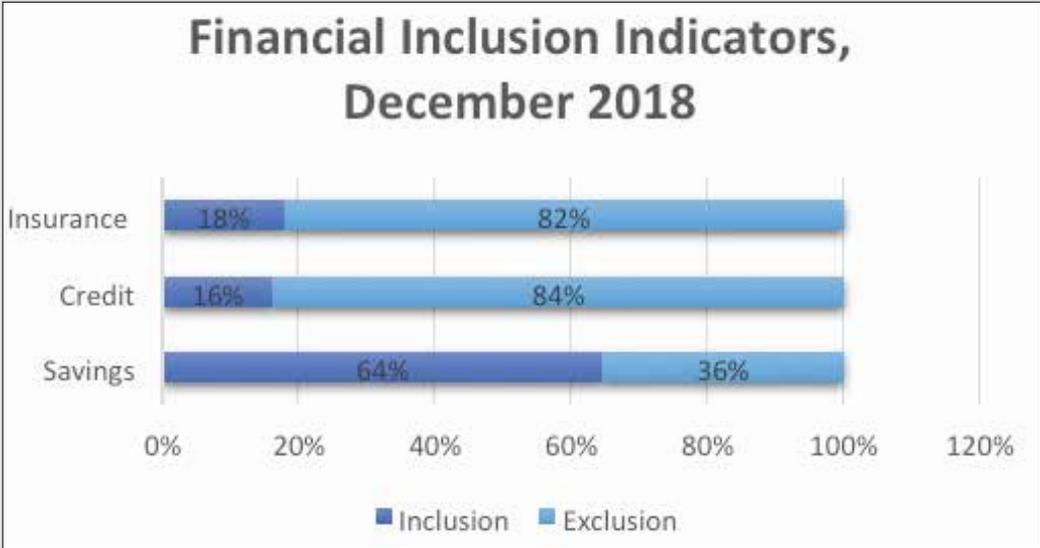
The Strategy also took stock of ADB's Financial Literacy Programs Report and measurement report under the Technical Assistant TA-8901 BHU, 2016.

Building on elements of the TA-8901 BHU, the RMA has continued with most of the specified programs. According to ADB's 2016 measurement report, there is not a significant gender gap in the knowledge, attitudes and behaviors of either students or adults. However, interventions are required to improve access to credit for women, so the NFLS will include women-focused financial literacy initiatives that enhance women's participation in income-generating activities.

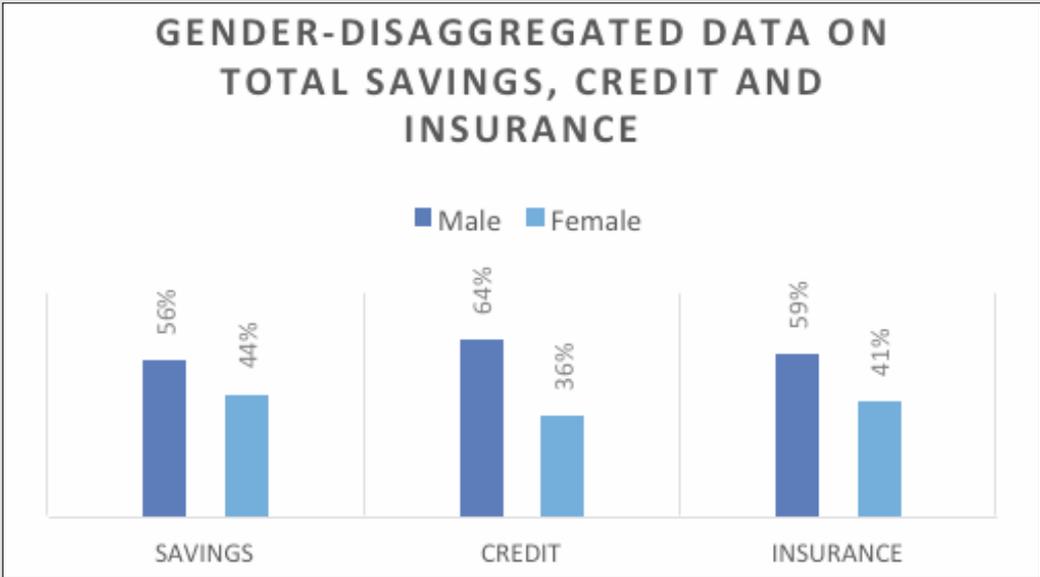
The Strategy will also consider educating parents and children on the need to set long-term financial goals. For students, youth and women, financial literacy will begin with the concept of "learning to earn" through entrepreneurial skills and accessing and using appropriate financial products and services. This includes access to alternative sources of finance in the emerging financial ecosystem, as well as investment, budgeting and digital financial skills. Innovative school and vocational-based financial literacy programs will also be included in the Strategy. Above all, the Strategy will strive to create a culture of savings across all segments of the population through tailored outreach messages and themes that promote financial literacy values. The NFLS will therefore prioritize promoting access to appropriate formal financial services through customer-centric literacy programs that address the barriers highlighted in the NFIS document.

The NFLS 2018–2023 is designed to be a dynamic and flexible document that includes the action plan of the cross-sectoral NFIS Consumer Empowerment and Financial Literacy (CEFL) Working Group. The Strategy encourages cross-sector participation to provide space for both old and new financial inclusion initiatives. Hence, it is an open document that will include required interventions and serve as a sub-document of the NFIS that aligns its priorities with the objectives of the NFIS.

### Financial Inclusion Highlights



**Figure 1: Financial Inclusion Indicators, as of December 2017**



**Figure 2: Gender-disaggregated data for FI as of December 2017**

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## Governor's Current Financial Inclusion Projects

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*“What if we were rewarded with Dummy Bank Notes (DBN) instead of stars when we perform well in academics, sports and extracurricular activities. The child who has maximum dummy bank notes could be rewarded with attractive prizes.”*

**– Ms. Tshering Yangchen**

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### i. About YE-Banking

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YE-Banking was initially conceived by Ms. Tshering Yangchen, a Grade VI student of Jigme Losel Primary School in Thimphu during the 2016 Global Money Week (GMW) celebration. Tshering came up with a game design for ethics banking, for which she was recognized by the RMA and the Central Bank of Bhutan, the lead institution spearheading GMW events and programs.

The Authority is now working on replicating the idea in other schools, including Special Education Need (SEN) in-built schools in coordination with the Ministry of Education (MoE).

YE-Banking provides an opportunity for children to engage with financial inclusion. When children perform or participate in their school's ethical or general activities, they will be awarded Dummy Bank Notes (DBN) that will be pegged to Bank Points (BP). The Bank Points are in turn pegged to real money that will be deposited annually into their 'My YE-Banking Pass Book.' The pass book will



be treated as a normal savings account and will earn interest. Insurance companies will also partner with the YE-Banking community and provide accident or education insurance benefits. A minimal and negligible premium will be deducted from the earned Bank Points to protect the children against risk and uncertainties.

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## ii. About the Student Business Seedling (SBS) Program

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Following His Majesty’s visit to Desi High School on 1 March 2018, the RMA was directed to organize a business idea competition among the students. The top three business ideas will be awarded His Majesty’s scholarship to pursue further education.

In collaboration with MOLHR and co-founder of housing.bt, the RMA designed the Student Business Seedling (SBS) Program. Like YE-Banking, the SBS Program will be replicated in other schools. The program introduces entrepreneurship and cultivates a



culture of creative thinking, innovation and enterprise. It also aims to provide hands-on experience with entrepreneurship skills at an early age.

The SBS Program includes design thinking workshops, prototype building, mentoring sessions, field visits, development of simple business proposals and pitching business ideas.

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## B. Rationale

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1. **Greater Financial Inclusion as a National Priority:** Inclusive finance is considered a national priority to improve livelihoods, create youth employment, reduce rural-urban migration, and boost economic development and market stability. The National Financial Inclusion Strategy (NFIS) recognizes there are low levels of financial capability in Bhutan and recommended the development of a companion document, the NFLS 2018–2023.

2. **Consumer Protection and Financial Stability:** Emerging FinTech and new service providers are putting people at greater risk of fraudulent practices, exploitation and compromised financial decision making. Financial literacy plays a vital role in enabling citizens to make the best decisions given the situation and associated risks. A redress mechanism should be put in place, such as consumer protection guidelines. A strong financial sector and consumers capable of managing and growing their income-generating assets will ultimately support overall market stability.

3. **Financial Resilience and Empowerment:** According to the BLSSR 2017, the average monthly household expenditure in Bhutan is Nu. 33,542 and the average monthly household expenditure per capita is Nu. 7,939. Most of these expenses are consumption related. The current poverty rate is 8.2% with an unemployment rate of 2% among the economically active labour force. With access to credit, more than 50% of the population has a loan, most of which are for transport. Women have less access to credit than men who use financial services, which underscores the need for appropriate financial intermediation to improve the livelihoods of vulnerable segments, not only women, but also cottage and small industries (CSIs), farmers and youth. Therefore, reforms to enhance savings, credit and insurance, combined with consumer protection, could increase financial intermediation and remove impediments to inclusive economic growth.

4. **Complex Financial Market Structure, Regulations and Products/Services:** It is challenging for consumers to keep pace with new regulations, financial products, digital innovations and complex financial markets. People tend to choose to remain ignorant or shift to digital financial services exclusively, which limits their understanding of other important products. Others resort to traditional informal savings, who tend to be consumers who do not have access to other financial products or choose not to explore them. Financial literacy plays an important role in simplifying the complex financial system for consumers, fostering good financial practices, educating consumers about credit records, facilitating customer service and promoting financial readiness even among the most inexperienced financial consumers.

5. **Low Levels of Financial Capability:** Lack of awareness and understanding of potential financial products, services and channels are a common barrier to access

and account penetration. Many Bhutanese lack financial discipline; savings are short term and most expenses are related to personal consumption. Most Bhutanese do not save to invest, build income-generating assets for long-term planning, or even keep track of expenses and budgeting. Most retired civil servants rely solely on their pension. Insurance services are perceived as expenses and not investments to protect against risk. Indebtedness is another area where individuals are not mitigating risk. Better personal budgeting and small business management are crucial for startups and farmers. Interventions to educate and instill the right values in the young are easier than changing the financial habits of an older generation.

**6. Nationwide Benefits:** Some beneficial outcomes of the NFLS are specified under the core actions of the strategic priorities. However, several other benefits are expected to be seen across the country with the implementation of the Financial Literacy Strategy Framework, including:

1. Lower percentage of financially excluded citizens;
2. Greater financial capabilities and more informed citizens;
3. Long-term consumer trust, confidence and appreciation of an inclusive financial system;
4. More access to and efficient use of appropriate financial products and services;
5. Improved financial discipline and a stronger culture of saving;
6. Improved entrepreneurship capacity, self-employment and empowerment of livelihoods;
7. Improved indices of financial institutions and other stakeholders;
8. Financial risk mitigation and protection;
9. A conducive environment for CSI growth enabled through efficient regulatory interventions; and
10. Greater self-sufficiency and overall economic transformation and development.

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## C. Defining and Understanding Financial Capability

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*“A financially capable person is a person who has the knowledge, abilities, skills and culture, which give them the opportunity to be informed, make responsible decisions about their personal finances, and take the right actions according to the situation.”*

**Financial Capability** is a combination of financial knowledge, skills, attitude and behavior that allows an individual to make rational, informed and sound financial decisions.

Components of financial capability:

- 1. Knowledge:** the stock of information received through various channels, such as education, training and personal experiences
- 2. Skills:** the ability to apply the knowledge received
- 3. Attitude:** the willingness and readiness to spend time and resources applying the knowledge
- 4. Behavior:** the application of knowledge, skills and attitude in the daily life of a person

**“Financial inclusion** in Bhutan is the provision of appropriate financial products and services at an affordable cost by formal financial service providers that meet the needs of the unserved and underserved segments of Bhutan’s population.” – NFIS 2023.

*A person who is financially included may not be financially empowered. Financial literacy plays an important role in financial access, usage and empowerment through information sharing, improving usage of financial products, creating readiness, confidence and empowering today’s education for the next generation.*

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## D. The Underlying Principles

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- Financial resilience
- Inclusiveness
- Nurturing
- Literacy
- Impact measurement
- Togetherness

**Figure 3: FINLIT Principles**

The 2018–2023 NFLS embraces the following underlying FINLIT principles:

**I. Financial resilience:** The NFLS will abide by the financial resilience principle that encourages and supports financial well-being. These include reforms to enhance consumer knowledge, confidence and protection, which in turn contribute to increased use of savings, insurance and credit. Enabling consumer empowerment regulations, such as consumer protection, should immediately follow the implementation of the Strategy.

**II. Inclusiveness:** Given the diverse interests and circumstances of consumers, tailored approaches for target groups are expected to be effective in promoting inclusive financial well-being. All learning resources are expected to be delivered in the most understandable and accessible format to encourage effective engagement.

**III. Nurturing:** All financial literacy programs or consumers should be nurtured to ensure their financial education is lasting, sustainable and effective. Inclusive and impartial educational opportunities should be promoted, nurtured and measured for their long-term benefits. Nurturing and equipping youth with smart financial tools and technologies should also be considered given the impact it could have on the next generation of adults nationwide.

**IV. Literacy:** The NFLS will aim to create informed and confident citizens by educating and promoting financial savviness and the financial capabilities of all Bhutanese. Educating the next generation should be a nationwide effort. However, customer-centric literacy efforts should be developed and promoted to ensure everyone is empowered and included in financial education.

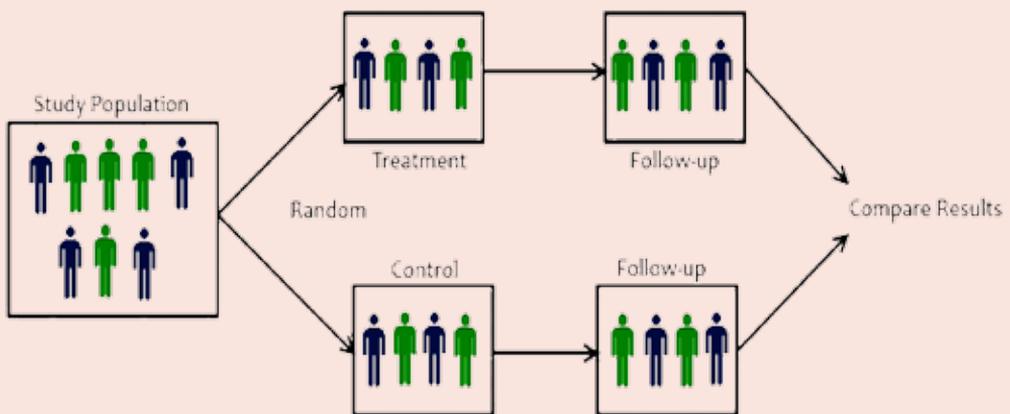
**V. Impact measurement:** Effective impact analysis of financial literacy initiatives should be conducted to understand consumer needs and assess the effectiveness of financial literacy initiatives. An assessment of the parameters of responsive finance should follow closely. Best practices and methodologies, such as randomized controlled trials (RCT), questionnaire surveys and research will be promoted. (See Figure 4). Sharing experiences and best practices in joint forums would also improve the effectiveness of evaluation and measurement of financial literacy.

**VI. Togetherness:** Enhancing financial literacy is the collective responsibility of all stakeholders: financial institutions, government agencies, NGOs and other relevant sectors. All involved parties will commit to the nationwide mandate of financial inclusion.

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A RCT is an experimental study to assess a random population (individuals, schools, neighborhood, etc.) and randomly allocated groups to receive a treatment or control with or without interventions. Through RCT, financial literacy interventions can be measured by comparing the outcomes after participants receive interventions. RCT experiments help to understand “what works” in improving financial capability.

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**Figure 4: Randomized Controlled Trial (RCT) Model**

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## II. The 2018–2023 Strategy

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### A. Strategy at a Glance

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**Figure 5: The 2018–2023 Strategy at a Glance**



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## B. Key Focus Areas

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The NFLS 2018–2023 aims to engage and mobilize all financial institutions, microfinance institutions, government agencies, non-governmental organizations (NGOs) and other stakeholders to improve financial capabilities in four key focus areas:

**1. Educate and encourage entrepreneurial development:** It is important that financial literacy begins with learning to earn before being introduced to financial products or the concept of inclusive access and use of financial services. Economic development is a precondition for any community to enhance financial inclusion and empowerment, and this can be carried out through partnerships with relevant agencies to build the capacity of businesses and set up business idea incubation centers for target groups like youth, farmers and women entrepreneurs.

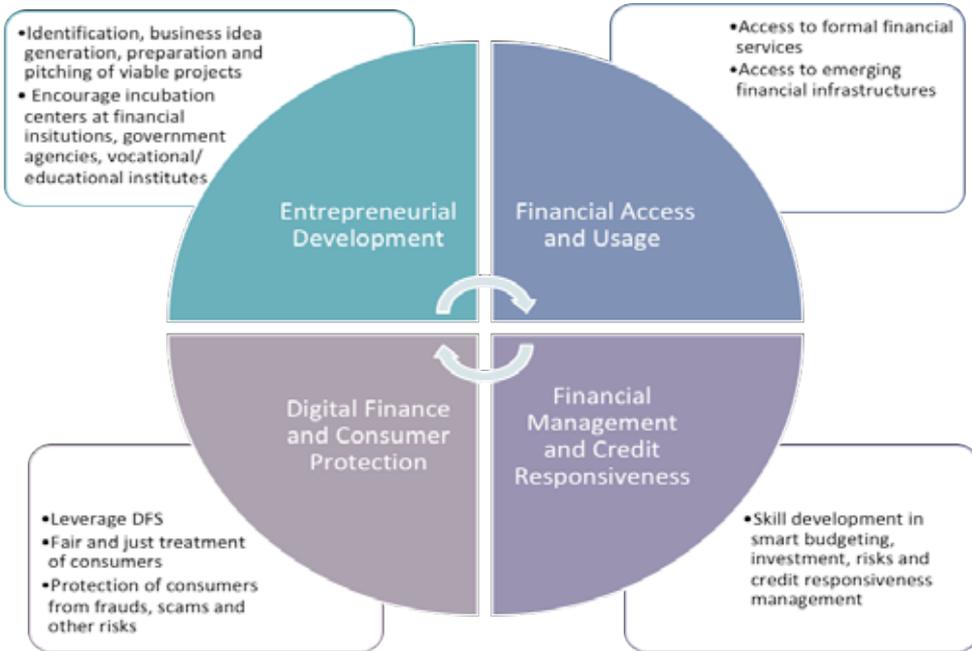
**2. Educate and promote financial access and usage of appropriate financial products/services:** The Strategy aims to build confidence and readiness by developing the financial capabilities of targeted groups. Responsibility falls on the Strategy to improve the responsiveness of the demand side to opportunities being created on the supply side. Relevant financial products should be promoted to enhance smart savings, productive credit, insurance, payments and investments. A collaborative approach is also essential to create new schemes that provide affordable, relevant and safe financial products.

Access to finance should not be limited to products and services from financial institutions. A wide range of other financing choices and opportunities should also be made available in the financial ecosystem. Appropriate emerging opportunities could be encouraged through public-private partnerships and alternative sources of financing, such as angel investors, factoring, crowd funding, venture capital, P2P and P2B lending.

**3. Provide quality guidance to financial management and responsible finance:** Enhancing entrepreneurship capacity, providing access to finance and encouraging usage will not be enough—enabling factors, such as quality guidance and knowledge of financial planning, risk management and credit responsiveness, are also critical. Imparting knowledge of how to be a responsible borrower enhances credit responsiveness and likely reduces the number of non-performing loans for financial institutions.

**4. Leverage digital financial services and promote consumer protection:** For a country like Bhutan, leveraging digital technology with effective consumer protection is also considered an enabler of the inclusive finance mandate. Strengthening the telecommunications network is critically important to building digital infrastructure

for unserved populations, and it is also essential to protect consumers against the risks associated with emerging technologies and financial infrastructure.



**Figure 6: Key focus areas of the NFLS**

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## C. Strategic Priorities

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There are four strategic priorities that will guide progress on the Strategy’s key focus areas.



**Figure 7: Strategic Priorities of the NFLS**

Stakeholders will collectively commit to promote the Strategy’s key focus areas, where progress is expected to be reported, measured and recognized. The objectives will be embedded in financial literacy research and measurement to assess the level of national financial literacy, and incorporated in the formal educational curriculum, advocacy roadshows and empowerment programs.

***The CEFL Working Group will actively develop and initiate the NFLS Action Plan, incorporating the strategic priorities, core actions and indicative outcomes of the NFLS.***

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## D. Core Actions Under the Strategic Priorities

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### i. Strengthen Collaboration: Effective Stakeholder Partnerships and Coordination

#### Core Actions

- 1.1. Facilitate implementation of the NFLS 2018–2022 by enhancing stakeholder commitments to both old and new initiatives.
- 1.2. Increase opportunities for best practice and knowledge sharing by coming together at cross-sector forums (nationally and internationally): NFLS governance meeting, national forums, seminars, conferences, annual programs, etc.
- 1.3. Improve coordination across government programs and service providers.
- 1.4. Promote the annual Global Money Week celebration and encourage stakeholders to celebrate it in their own way.
- 1.5. Strengthen support for the Governor’s existing YE-Banking and SBS programs.
- 1.6. Develop incentives and recognize the achievements and commitments of stakeholders.

#### Key Indicative Outcomes

- Enhanced commitments, cooperation, network, coordination and partnerships across stakeholders
- Produce an annual NFLS report highlighting progress updates, reviews, stakeholder achievements and incentives
- Produce a twice yearly FINLIT newsletter
- Convene NFIS governance meetings, workshops, seminars, international conferences, etc. and gather feedback
- Produce the GMW Achievement Report
- Enhanced cooperation to Governor’s Financial Inclusion Project

## ii. Educate the Next Generation

### Core Actions

- 2.1. Develop a Ministry of Education-endorsed curriculum and promote a curriculum-based approach to teaching financial literacy in primary and secondary schools.
- 2.2. Increase youth engagement with financial literacy through extracurricular activities and the Governor's financial inclusion programs.
- 2.3. Increase the number of teachers trained in teaching financial literacy and promote confident engagement.
- 2.4. Develop incentives and recognize financial education achievers, including teachers and facilitators.
- 2.5. Explore incorporating the annual Global Money Week celebration into the Ministry of Education's school academic calendar. Encourage nationwide financial literacy activities at schools during GMW.

### Curriculum Content

1. Learning to Earn: Entrepreneurial Development
2. Macro-economic Terms
3. Smart Saving and Setting Financial Targets
4. Productive Credit and Management
5. Insurance, Risks and Investment
6. Financial Management and Budgeting
7. Financial Shopping
8. Digital Financial Services
9. Consumer Protection

### Key Indicators

- Enhanced cooperation, network, coordination and partnership with the formal education sector
- Development of a formal financial literacy curriculum
- Number of teachers trained, recognitions and programs conducted at schools with parents and other groups
- GMW celebration dates recognized nationwide
- Enhanced cooperation with the Governor's Financial Inclusion Project at identified schools

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### iii. Provide Targeted Outreach, Empowerment and Support

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#### Core Actions

- 3.1. Identify target groups and provide customer-centric guidance, support and programs for targeted groups.
- 3.2. Develop, replicate and increase the number of financial literacy education programs for targeted groups; develop learning tools and resources and provide impartial access.
- 3.3. Identify intermediaries, such as NGOs, government bodies and MFIs, that already provide financial literacy or have the interest and potential to empower and cater to the target groups listed above. Develop the capacity of intermediaries and explore possible partnerships to deliver financial education and investment opportunities to target groups.
- 3.4. Extend and explore entrepreneurial opportunities and capacity support through partnerships with MOLHR and Thimphu Tech Park. Identify and enable startup projects, set up incubation centers (possibly at financial institutions, Dzongkhags and educational/vocational institutes) and pitch for access to finance.
- 3.5. Facilitate the involvement of certain sectors in promoting the public benefit of financial literacy and incentives to vulnerable segments of society.

#### Key Indicators

- Enhanced cooperation, network, coordination and partnership with relevant intermediaries
- Development of separate curriculum/program by intermediaries for targeted groups, such as an entrepreneurial curriculum for access to finance, rural women-focused programs, special needs programs, NFE resources, monk-focused programs in local languages, etc.
- Number of intermediaries involved, teachers/facilitators trained, tools and resources developed, recognition and curriculums/programs conducted; Number of target groups/people supported under the target outreach and empowerment programs
- Outcome of the Entrepreneurship pitching session under access to financing
- Number of intermediaries support organization identified and supported
- Convene GMW celebration
- Enhanced cooperation to Governor's Financial Inclusion Project

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## iv. Enable and Improve Policy, Measurement and Evaluation

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### Core Actions

- 4.1. Formulate relevant enabling regulatory policies and guidelines, such as consumer protection, dispute resolution and new reforms for emerging digital technologies.
- 4.2. Strengthen coordination and partnership in areas of research, evaluation and measurement; develop financial literacy measurement and participate in national and international research/surveys.
- 4.3. Monitor and evaluate all financial literacy programs and projects for effectiveness.

### Key Indicators

- Bhutan's National FINLIT Survey
- National Financial Literacy program reports and annual stocktaking reports
- Development of guidelines such as consumer protection

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### III. Implementation Plans

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Implementation of the NFLS will be carried out by the FIS and NFIS CEFL Working Group.

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#### A. Phases of Implementation

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The implementation plan for the Strategy will be carried out in the following phases:

**Phase I: Preparatory, Diagnostic and Crafting** – Short term (July 2018 to December 2018)

**Phase II: Implementation, Intervention and Review of Phase I** – Medium term (January 2019 to December 2019)

**Phase III: Deepening Financial Literacy Efforts and Interventions** – Long term (January 2020 to June 2023)



**Figure 8: Implementation Plan**

## **Phase I: Preparatory – Short term (July 2018 to December 2018)**

1. Financial Inclusion and Literacy Division to act as the Financial Inclusion Secretariat (FIS).
2. Enhance enabling resources: Human resources and facilitate the NFIS Development Fund by pooling resources from stakeholders and interested development partners.
3. Engage critical stakeholders for the governance representative groups (financial institutions, relevant government agencies, NGOs, corporations, private sector) to integrate with the NFLS.
4. Convene a national stakeholder workshop to sensitize and validate the Strategy Framework: develop a timeline for joint forums, including quarterly working group meetings and biannual steering committee meetings.
5. Participatory planning for the CEFL Working Group’s development and monitoring interventions for financial literacy: identify priority areas, collect preliminary data, develop an evaluation framework and required interventions.
6. Enhance cooperation, merge and continue with the current initiatives of the Financial Inclusion and Literacy Division.
7. Facilitate the drafting of consumer protection guidelines.
8. Annual compilation of the developed intervention activities

## **Phase II: Implementation – Medium term (January 2019 to December 2019)**

1. Implementation of action plans developed by working group members.
2. Continue with joint forums – quarterly working group meetings, biannual steering committee meetings.
3. Conduct annual performance assessments/reviews of the set targets and programs.
4. Explore opportunities and experts in measurement and research.

## **Phase III: Deepening and Consolidation – Long term (January 2020 to June 2023)**

1. Hold forums: quarterly working group meetings and biannual technical and steering committee meetings.
2. Review, consolidate and evaluate the developed financial literacy interventions.
3. Conduct FINLIT surveys.
4. Participatory planning for deepening interventions.
5. Facilitate the way forward after 2023.

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## B. Implementation through Tiered Financial Capability

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The Project and Program Management Unit under the FIS will be responsible for developing manuals and guidelines for targeted groups depending on their level of financial capability. Facilitators should be dynamic, assess financial capability based on certain identified rationale, and use different learning modes to impart knowledge and skills, such as training, workshops, thematic talks and virtual games. The content for financial education topics may be the same, but should be delivered at different levels of understanding based on age, gender and educational qualification. Three tiers of financial literacy education have been identified:

**TIER I:** This tier of learning would be applicable to the general public. Any consumer who has not acquired basic knowledge of financial management or has low or no education usually falls under TIER I. Some examples are rural farmers, housewives, primary school students, those with non-formal education, self-help groups, the disadvantaged and religious groups. Introduction and management of basic financial products and services, such as savings, credit and insurance, could be part of this learning tier.

**TIER II:** Usually people who have knowledge of Tier I with some educational qualification and knowledge of finance. Long-term planning and budgeting could be delivered at this level. Usually occupational groups and students above the higher secondary level fall into this category.

**TIER III:** People who have attained Level I and II generally fall under this tier, including professional savers and investors. Investment decisions and income-generating assets are best understood at this level.



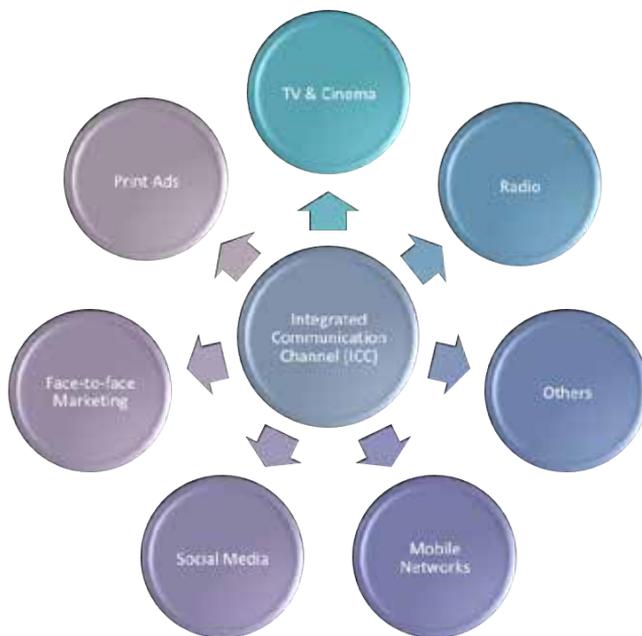
**Figure 9: Tiered Financial Capability**

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## C. Implementation through Integrated Communication Channels

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Programs and resources identified as required will be promoted through one or a combination of communication channels. The choice of the Integrated Communication Channel (ICC) for any financial literacy program will be based on an understanding of the target group, ensuring effective outreach.

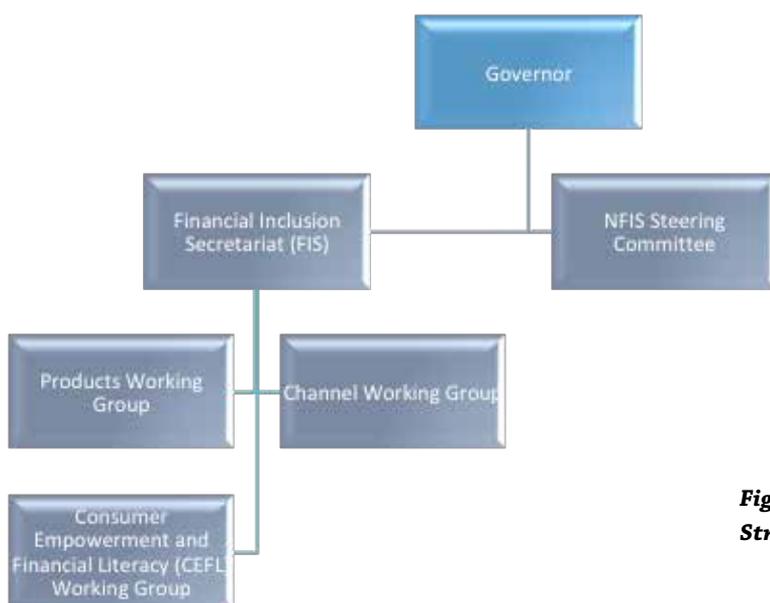


**Figure 10: Integrated Communication Channels**

## IV. Coordination, Monitoring and Evaluation

A coordinated approach is required to be pursued within the guidelines of the NFLS. A common coordination mechanism is hereby recognized as an implementing aid. The Financial Inclusion Secretariat (FIS) will be responsible for coordinating all national-level financial literacy initiatives and provide support to all governance committee members. A Chair will be nominated from each working group and committee for a period of one year. The position of the Chair can be approved and removed by the steering committee as per the recommendation of the FIS. Below is the governance structure and make-up of the various groups that will support the implementation of the NFIS, the National Financial Literacy Strategy and the Action Plan Frameworks.

### A. Governance Structure



**Figure 11: NFIS Governance Structure**



## **i. NFIS Steering Committee**

The NFIS Steering Committee is the highest level of governance in the development of the overall Strategy. The role of the steering committee is to provide overall strategic direction, support and resources for the NFIS, including funding for the working groups to implement the National Financial Inclusion and Literacy Strategies. The committee will provide oversight on all financial inclusion and literacy issues. The committee, which will meet at least twice a year, has the ultimate responsibility for implementing the Strategy and will report on the progress of the Strategy to other government departments if required.

The roles of the NFIS Steering Committee will be as follows:

1. Setting the national agenda for financial literacy aligned with the NFIS.
2. Overall responsibility for implementing both the National Financial Inclusion and Financial Literacy Strategies and for monitoring the action plans at the national level.
3. Financial oversight and governance duties.
4. Provide national support for putting financial education on national agendas.
5. Support funding recommended by the FIS and Chair of the NFIS working groups.
6. Provide technical assistance to the working groups where relevant.

## **ii. NFIS Consumer Empowerment and Financial Literacy (CEFL) Working Group**

The CEFL Working Group is one of the working groups under the NFIS Working Group and will be tasked with the implementation of the Financial Literacy Strategy Action Plan Framework 2018–2023. The roles of the CEFL Working Group will be as follows:

1. Implement the strategic priorities outlined under the NFIS 2018–2023 to provide indicative outcomes.
2. Develop a participatory action plan for specific target groups, detailing activities, responsibilities, funding and support requirements.
3. Implement the endorsed interventions of the action plan.
4. Review, monitor and evaluate the impact of the action plan.
5. Provide updates and reports to the FIS on a periodic basis.

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## B. Role of the Financial Inclusion Secretariat (FIS)

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**Figure 12: Structure of the FIS**

The FIS will be located at the Governor’s Office and will report directly to the Governor of the RMA. It will coordinate and support the activities of the working groups and the steering committee to implement the NFLS. It will also coordinate and provide support to the steering committee.

The role of the FIS in relation to financial literacy is as follows:

1. Overall responsibility for implementation, monitoring and refinement of the NFLS Strategy 2018–2023.
2. Responsible for educating stakeholders on the importance of financial literacy.
3. Support the setting up and coordination activities of the working groups and technical and steering committee members.
4. Knowledge management: maintain communication and liaise with international organizations; maintain an information portal.
5. Create a National Financial Inclusion Development Fund; develop and maintain a financial plan for working groups; and set criteria and standards.
6. Provide periodic progress reports.
7. Lead financial literacy programs. Relevant stakeholders are expected to play an efficient role in delivering effective financial education.

## Timeline for NFIS Working Group and Convergence Meetings 2018-2023:

- September** – 1st Quarter NFIS Working Group meetings
- December-** 2nd Quarter NFIS Working Group meetings and convergence meeting with Steering Committee
- March** – 3rd Quarter NFIS Working Group meetings
- June** – 4th Quarter NFIS Working Group meetings and convergence meeting with Steering Committee
- August** – Annual National Financial Inclusion Forum

\*The months specified above are based on recurrence; e.g. 1st Quarter NFIS Working Group meetings shall convene during September 2018, 2019, 2020, 2021, 2022 and 2023.

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### C. Proposed Stakeholder Roles and Responsibilities

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The Royal Monetary Authority will lead financial literacy programs while relevant stakeholders are expected to play an efficient role in delivering effective financial education. Stakeholders will be identified during Phase I and will formulate their roles and responsibilities as outlined in the NFIS 2018–2023 document.

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### D. Monitoring and Evaluation

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As part of the implementation of the NFLS 2018–2023, a monitoring and evaluation framework will be developed after planning activities are identified in a participatory process. The monitoring and evaluation framework will consist of Key Performance Areas (KPAs) and Key Performance Indicators (KPIs). These indicators may be both qualitative and quantitative depending on the nature of the planned activities. The Secretariat will assist in setting the overall indicators for the implementation of the Strategy, hiring staff and setting up the working groups. The working groups will in turn set their own indicators for its activities.

The indicators may change as and when a survey is conducted. The monitoring and evaluation framework should accommodate and align with new initiatives or interventions proposed in working group meetings and agreed by the Technical Committee. A national survey may be required every three to four years to reassess the national financial literacy level. Other methodologies should also be considered to track changes.

The following template will be used for monitoring and evaluation:

Strategic Priority	Core Actions	Indicative Outcomes/ Targets	Key Measurement Indicators	Current Status	Timeframe	Responsible Agency	Means of Verification

## E. The Financial Capability Barometer

The sample template below could be used to measure financial capability (the template may change depending on the focus of the CEFL working group):  
Competency Matrix of a Financially Capable Person<sup>1</sup> (percentage score)

Thematic focus	Knowledge	Skills	Attitudes	Behavior	OVERALL
Macroeconomic and financial terms	AA	AB	AC	AD	<b>A_</b>
Financial sector and shopping	BA	BB	BC	BD	<b>B_</b>
Budgeting	CA	CB	CC	CD	<b>C_</b>
Savings and long-term planning	DA	DB	DC	DD	<b>D_</b>
Credit management	EA	EB	EC	ED	<b>E_</b>
Consumer protection	FA	FB	FC	FD	<b>F_</b>
Digital financial services	GA	GB	GC	GD	<b>G_</b>
<b>OVERALL</b>	<b>_A</b>	<b>_B</b>	<b>_C</b>	<b>_D</b>	<b>FCI</b>

\* FCI: Financial Capability Index

\* 0–20% – lowest; 21–40% – low; 41–60% – middle; 61–80% – high; 81–100% – highest

## F. Risks and Mitigation Measures

Due to the large number of stakeholders involved, potential risks are expected during the implementation of the Strategy framework. Therefore, it is important to identify some mitigation measures to address the greatest expected risks.

1. Limited resources: If sufficient technical and financial resources are not provided to the Secretariat and the working groups, coordination and implementation will be seriously hampered.
2. Multiple stakeholders: Strong stakeholder support and engagement will be crucial to the success of the implementation. The objectives of the Strategy Framework will not be met without stakeholder buy-in, adequate support and active engagement.
3. Institutional risks: Heavy reliance on Bhutan’s education system might limit the effectiveness of the education sector as a channel to reach the younger generation. Reliance on network connectivity could also challenge digital promotions. Other institutional arrangements could also hamper the effectiveness of reaching out to target groups.

<sup>1</sup> AFI, December 2015, “Financial Capability Barometer: A New Methodology for Measuring Financial Capabilities”.

4. Other risks: Other risks and factors affecting financial inclusion, such as a scattered population, low incomes, low literacy and political interventions, are beyond control and could undermine the effectiveness of the Strategy programs.



**Figure 13: Risk Mitigation Measures**

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## V. Conclusion: Way Forward

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The 2018–2023 NFLS, developed by the Financial Inclusion and Literacy Division of the Royal Monetary Authority, is designed to be a dynamic and open document with cross-sector roadmaps and actions, that encourages participation, and provides space for both old and new initiatives. It also aligns with the objectives of the current National Financial Inclusion Strategy (NFIS).

Companion documents of the CEFL Working Group’s NFLS Action Plan 2018–2023 will follow the Strategy with detailed indicators and actions to support the strategic priorities. The Strategy document will be available at [www.rma.org.bt](http://www.rma.org.bt).

The next immediate actions identified under this strategy are:

- Incorporation of the NFLS budget requirement in the NFIS Development Fund.
- Sensitization of the NFLS 2018–2023.
- Formation of the CEFL Working Group and development of the TOR for the CEFL Working Group and all stakeholder engagement coordination. A chair for the CEFL Working Group will also be nominated.
- Development of the NFLS: CEFL Action Plan 2018–2023. The Action Plan will be endorsed by the NFIS Steering Committee during the first phase of NFLS implementation.
- To ensure progress and the right strategic decisions, the Financial Inclusion Secretariat (FIS) will consider consulting with research and statistical experts to conduct surveys and research.

Successful implementation of the NFLS 2018-2023 aims to contribute to the development of a new generation of informed and confident entrepreneurs, investors, future clients and policymakers. It is also intended to empower targeted groups to have better livelihoods. Guided by a collective approach to inclusiveness and financial stability, the NFLS is expected to usher in remarkable differences and a new phase in Bhutan’s financial ecosystem.





Capability. Empowerment. Inclusion

