

# Executive Summary

Access to Finance

Survey Insights

# Presentation Outline

- **The Structure and Contents of the Survey Questionnaire**
- **Situation of Access to Financial Services in Pakistan – *Selective Insights***
  - Profile of the respondents
  - The situation of access to financial services in Pakistan
  - Unbanked
  - Banked (includes a section on Islamic banking)
  - Savings and investments (includes information on Government's savings schemes)
  - Savings Committees
  - Loans and credit
  - Income and Money Transfers and Remittances
  - Risk coping strategies
  - Insurance
  - People's perceptions regarding financial service providers
  - Means of communications and people's orientation to technology
  - Psychographics – the attitude and behavior related factors that influence financial decision making
  - Socio Economic Characteristics
  - **The Financial Access Frontier for Pakistan – Potential Market Development Opportunities**



# Areas Covered in the Questionnaire

1	<b>Respondents Selection</b>
2	<b>Financial Literacy</b>
3	<b>Product Penetration</b> (Formal and Informal Financial Services & Products)
4	<b>Un-Banked</b>
5	<b>Banks</b>
6	<b>Savings and Investments</b>
7	<b>Loans/Credit</b>
8	<b>Money Transfers/Remittances</b>
9	<b>Insurance</b>
10	<b>Providers' Perception</b>
11	<b>Saving Committees</b>
12	<b>Income</b>
13	<b>Payments and Receipts</b> (Use of cheques)
14	<b>Communications</b>
15	<b>Psychographics</b>
16	<b>Risk and Mitigation</b>
17	<b>Socio Economic Characteristics</b>

## Respondents Profile – *Key Features*

- **47% men and 53% women (18 and above)**
- **47% housewives form the single largest group followed by 30% self employed and 12% employed**
- **Largely married (71%) and 22% single**
- **Mostly (74%) ordinary members of the household rather than the head of the household**
- **63% rural and 37% urban**
- **31% illiterate, 54% with some primary to intermediate education and 16% graduates and above**
- **Predominantly in Punjab and Sind**

The  
Situation of  
Access to  
*Financial  
Services*  
in Pakistan

# Financial Access Scenario

## *Seen Through Lens of The Financial Access Strand*

### ***What is the Financial Access Strand?***

The Access Strand places the adult population along a continuum of usage of financial services, *both formal and informal*.

The financial access strand has four segments, as follows:

- The “Banked”
- Those using “Formal Other” financial products and services
- Users of “Informal” financial products and services, and
- The “Financially Excluded”

### ***Why the Access Strand?***

The benefit of the strand is that it helps identify the market development zones as well as those zones where public support will always be needed for people to survive financially.

# Understanding the Financial Access Strand

**Banked:** This group comprises of adults who currently use one or more traditional banking products supplied by a financial institution. This is not an exclusive usage category, adults in this group may also be currently using one or more “formal-other” or “informal” products.

**Formal Other:** This group comprises adults who are currently using one or more formal product supplied by a financial institution other than a bank by a financial institution operating under legal governance. Such products include, for example, insurance, leasing, microfinance, postal financial services etc. These people do not have bank account, but have at least one financial service from a regulated non-bank financial service provider. Thus, this is also not an exclusive usage category, as people in this segment may also be using one or more “informal” products.

**Informal:** This group consists of any adult who does not have a bank account or a formal-other service, but uses one or more of “Informal” products that operate without legal governance. Examples include borrowing from a money-lender, shopkeeper or participating in a savings committee. This is exclusive usage – the adults in this segment do not currently use any formal products i.e. “Banked and Formal Other”.

**Financially Excluded:** These are those adults who are excluded from all financial services – Banked, Formal Others and Informal.

The Banked and Formal Other segments together make up people who are **Formally Included**. Adding those who use informal services exclusively broadens this group to those who are **Financially Served**. The latter are financially served in the sense that they are using financial services from either the formal or informal sectors, or both.

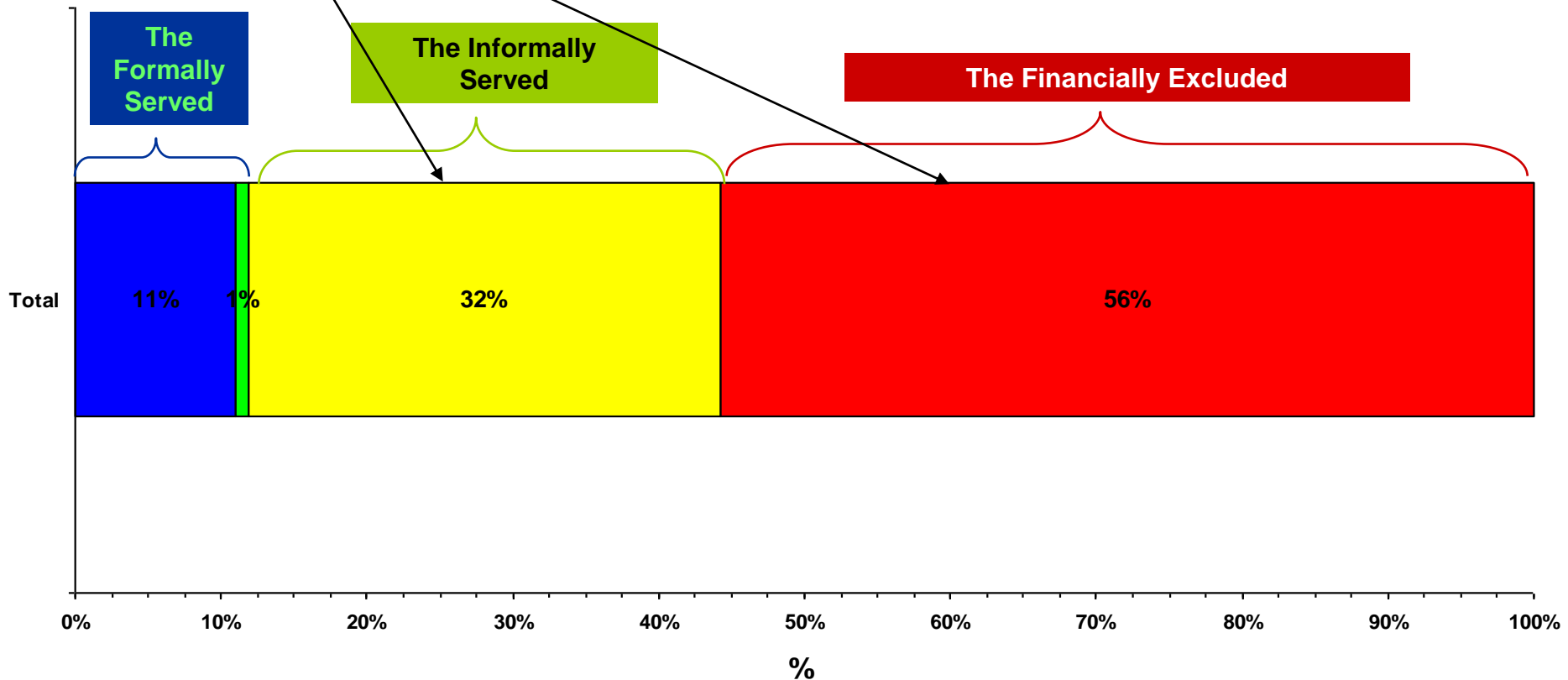
The remaining adult population, the fourth segment i.e. the **Financially Excluded**, are the ones who do not have any services from any of the formal and informal sources. They are usually using sub-optimal alternatives or solutions such as sending money by *hawala/hundi* (informal means of money transfer), saving at home, and borrowing from family and friends.

# The situation of access to financial services in Pakistan as seen through the following Access Strand

## The Financial Market Development Frontiers

### Finscope Pakistan

■ Banked ■ Other Formal ■ Informal ■ Financially Excluded

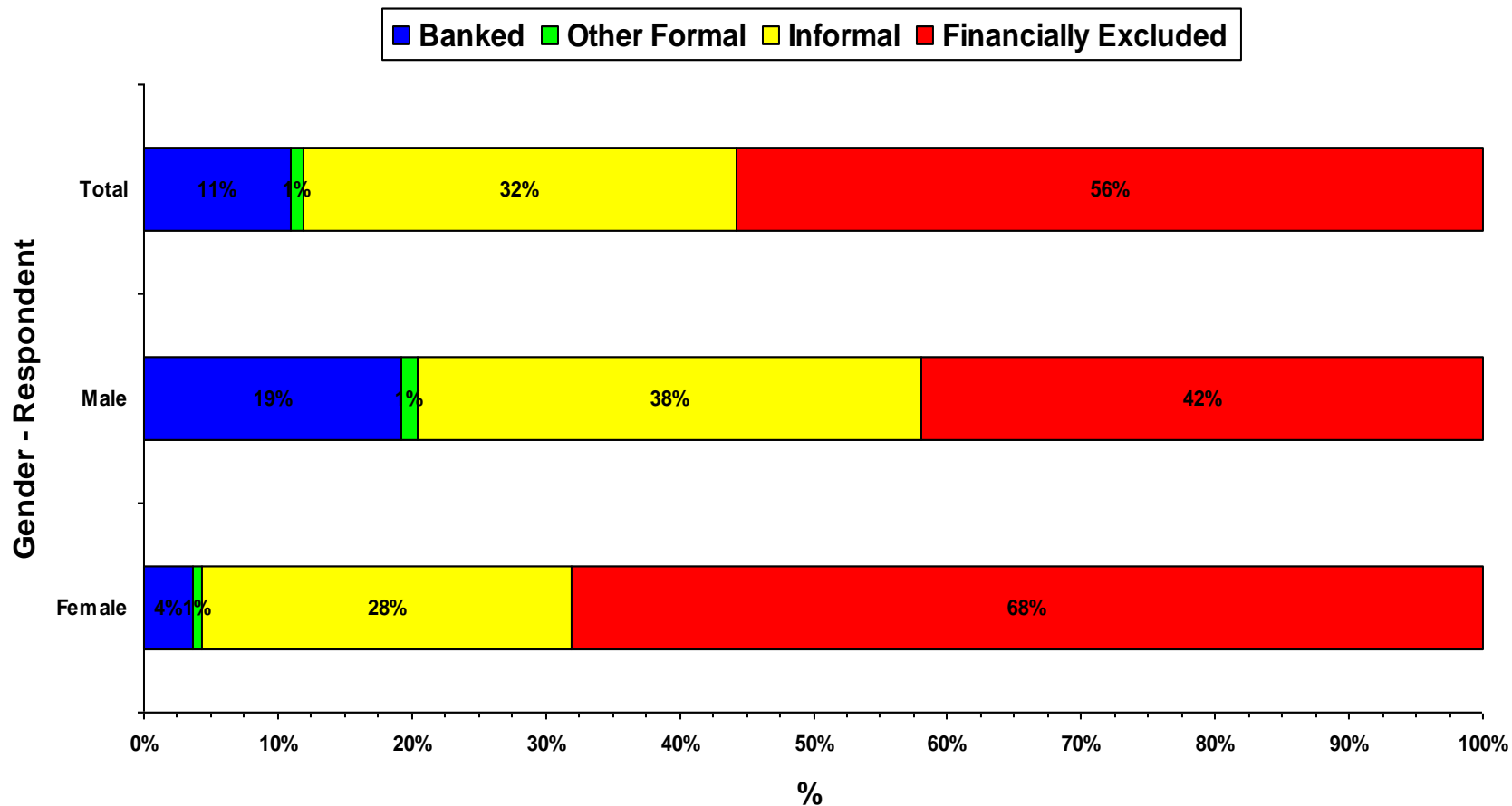




# The Access Strand Across Gender

The issue of financial exclusion is most severe along gender lines. There are wide gaps between men and women who are banked, informally served and the financially excluded

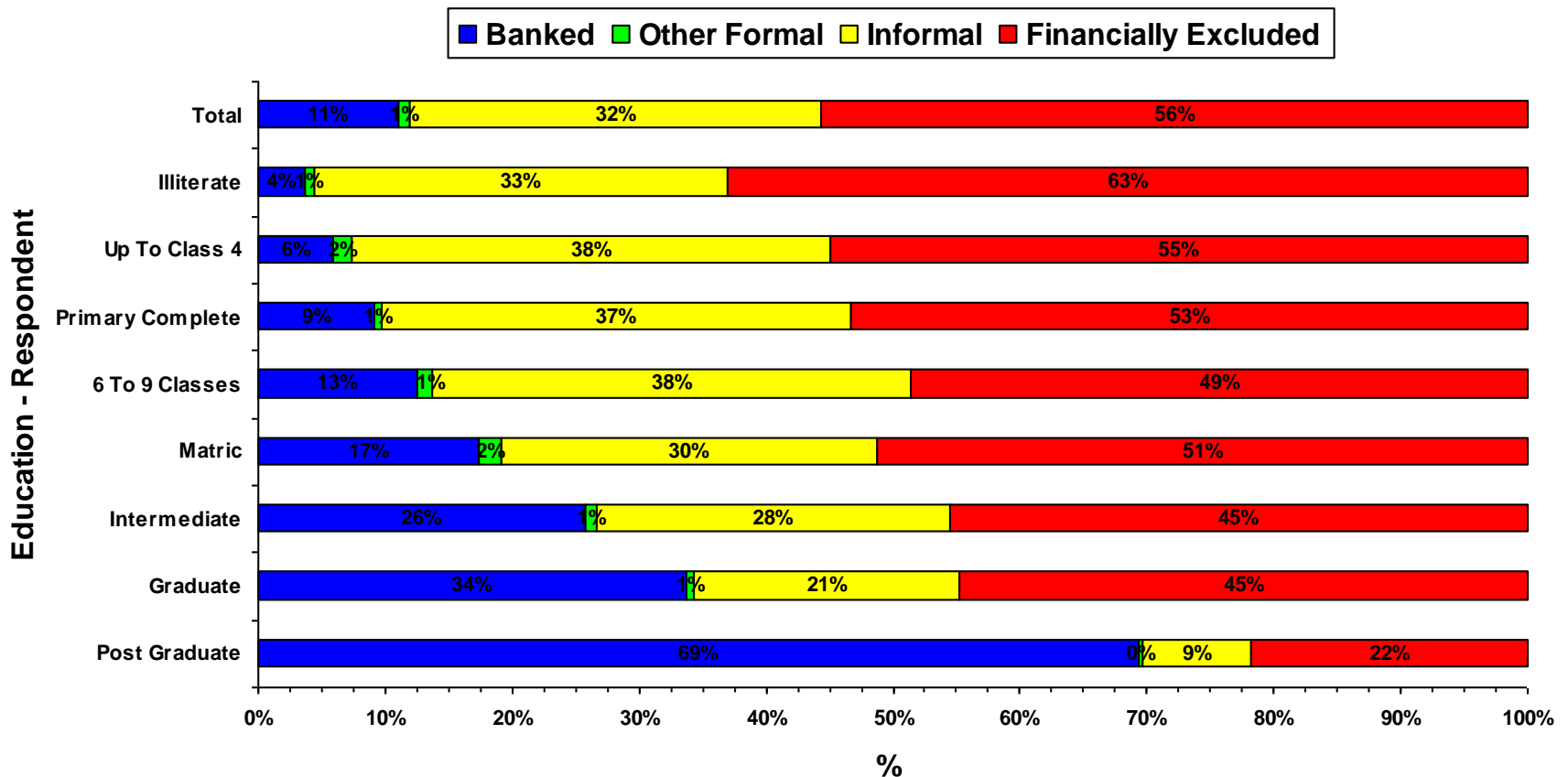
## Finscope Pakistan



# Access Strand *by Education*

Clearly, the choice of being banked improves progressively with level of education. However, at the same time informal services are very popular across educational groups, though less popular among those with graduate level of education and above, and very low among the post graduates. Moreover, across all educational levels there are large groups of people who are financially excluded! In fact, more post graduates are financially excluded (22%) than those who are availing informal financial services (3%).

## Finscope Pakistan

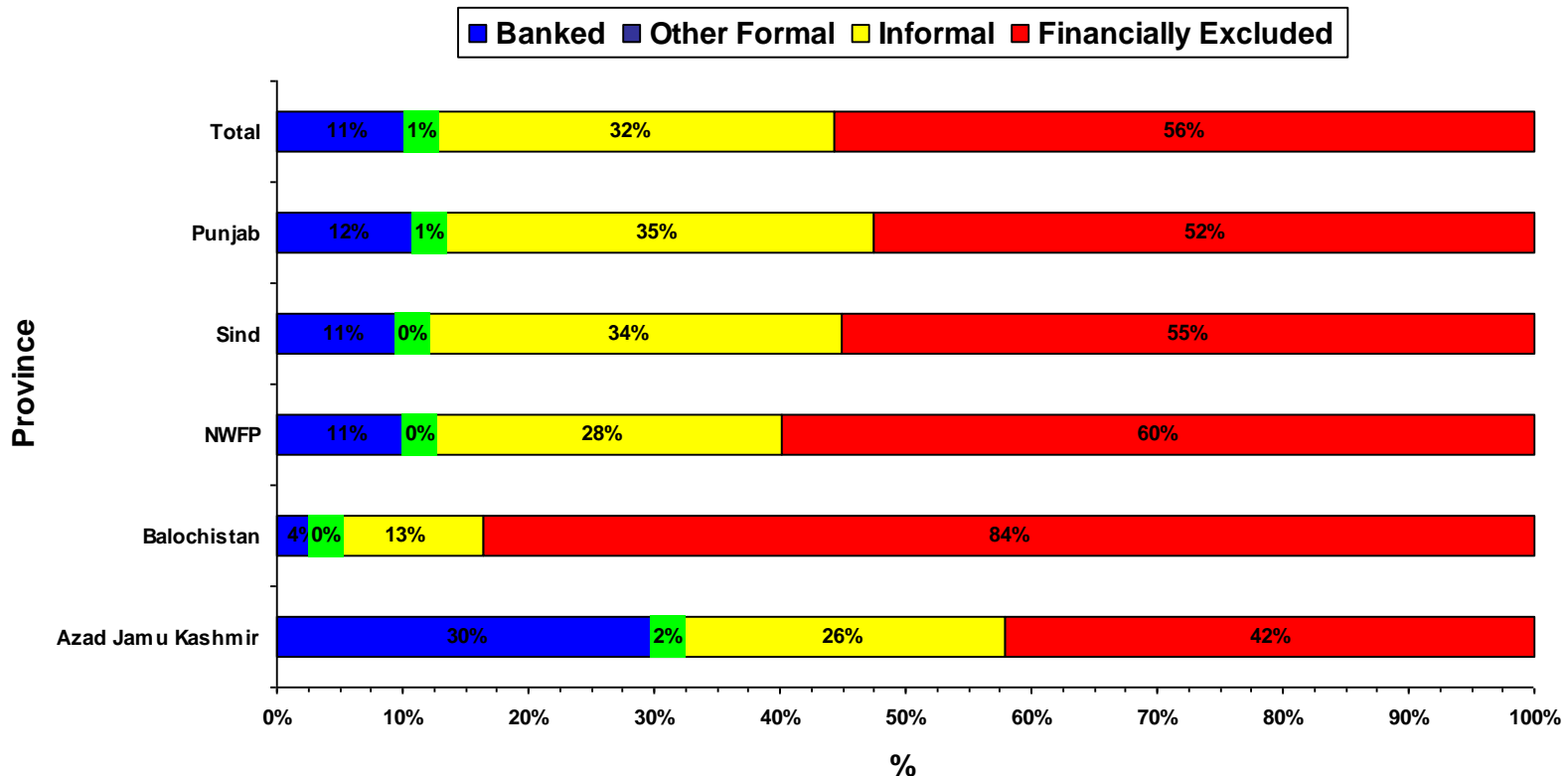


# Access Strand *by Province*

The issue of financial exclusion is most severe in Balochistan (84%) followed by NWFP (60%). All other provinces have access to some form of financial service be it formal or informal. In all categories of access Balochistan lags far behind other provinces.

The access scenario looks relatively bright in AJK due to the earthquake in October, 2005. In order to receive governmental livelihood support, people were required to open a bank account where aid could be deposited. According to one estimate 1.5 million people largely residing in AJK have been affected by the earthquake (Earthquake Reconstruction and Rehabilitation Authority).

## Finscope Pakistan



# Situation of Financial Access - Highlights

- More than half of the adult population that is financially excluded comprises predominantly of housewives and students.
- The informal sectors is predominantly being used by men with less education and working in low paying jobs in the informal sector, agriculture and daily wages
- The issue of access is most pronounced along gender lines. Women by far have less access to all kinds of financial services (formal and informal) as compared to men. Large majority of women are financially excluded altogether.
- Financial exclusion not only from any kind of formal but also informal financial services, is most severe in Balochistan.
- There is high co-relation between education and being banked. However, at the same time there are large number of people who are not availing any kind of financial service (formal and informal) across educational groups – even among the graduates and post graduates.
- Almost twice as many people are banked in urban than rural areas. Otherwise the issue of exclusion and access to formal and informal services is similar in urban and rural areas.
- Single people tend to be most outside the financial services net (formal and informal) as compared to married and widowed.

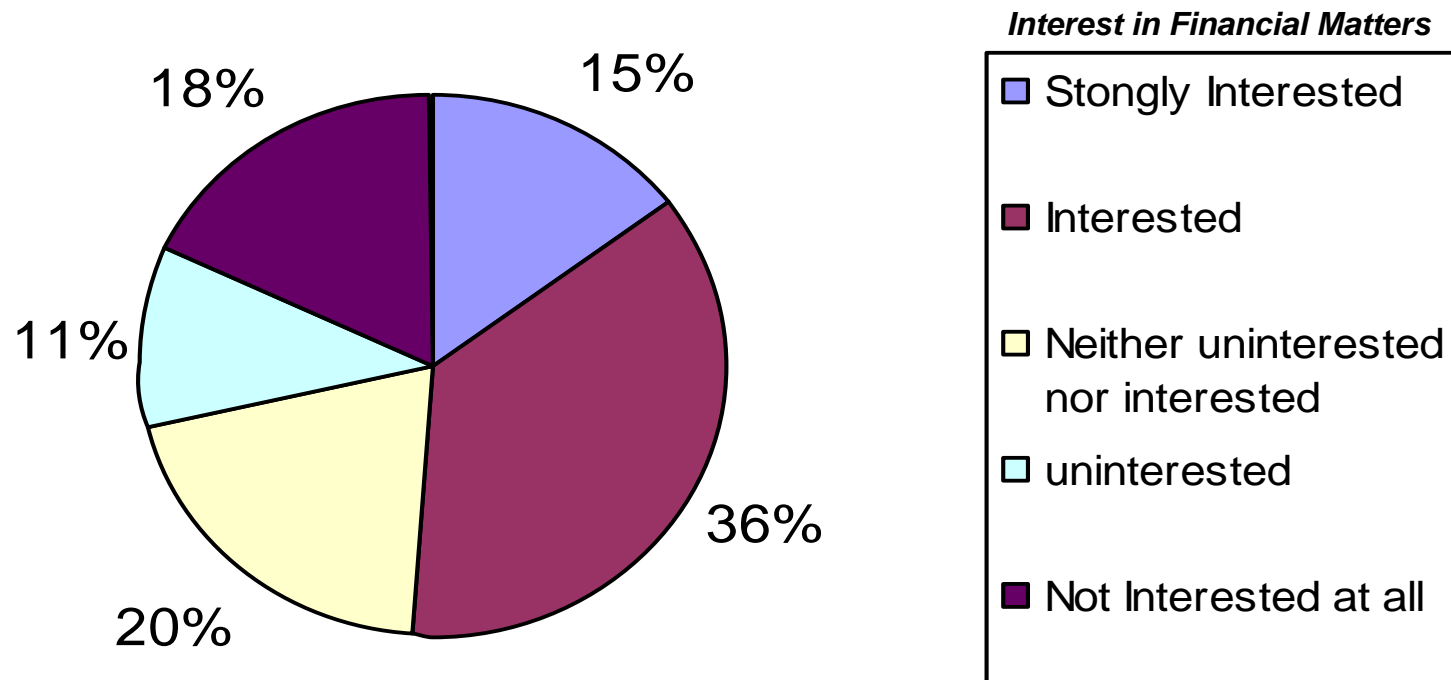
25 million of these people would like to have a bank account

**56% Pakistani Adults Are Financially Excluded!!**

Only 12% Pakistanis are availing any kind of formal financial service. About one third are using some kind of informal financial service, the remaining majority of 56% people are financially excluded altogether!

# Interest in Financial Matters and Trend of Following News...

A considerable mass of adult Pakistanis is interested in financial matters, including women! Overall 60% follow financial news “sometimes, often and always” rather than never!



However, the level of financial literacy among the overall adult population in Pakistan is very low, as can be seen in the subsequent slides

# Overall Level of Financial Literacy at a Glance



- Awareness and understanding about **financial terms common in the informal financial sector is high**. For example, 89% for loans, 88% for committees, and over 70% for interest and profit.
- In comparison, awareness and understanding about terms associated with the **formal financial services** is much lower. For example, only 47% for a bank account, 41% for Postal Office Money Order and only 22% for Post Office saving account. *Amazingly, even among the post graduate people 13% have not heard and do not understand what is a PLS/Savings account!!*
- Awareness and understanding about **relatively more sophisticated formal financial terms** is even lower. For example, 64% of the population has never heard about a savings and current account, while over 70% of the population has never heard about credit, debit and ATM cards. *This trend is visible even among the graduate and post graduate people. For example only about 50% of the graduate respondents have heard about and understand what is meant by credit and ATM cards, while only 20% of post graduates have heard and understand “shares”.*
- While there is policy emphasis on enhancing outreach of financial services through cellular technology it is noteworthy that only 3% people understand what is meant by **mobile banking and mobile phone banking** and understanding about these terms is low even among the educated segments.
- Awareness and understanding about **Islamic banking** is also low across education groups. For example, only about half of the population with over graduate and post graduate education have heard and understand it. Overall, only 12% understand what is meant by Islamic banking!

# Level of financial literacy among people who are BANKED – Terms that people have heard about and understand...

	Total	Urban	Rural	Male	Female
Bank	98%	98%	98%	99%	96%
Loans	95%	95%	96%	96%	94%
Committee	95%	94%	95%	95%	93%
Interest	93%	95%	92%	95%	89%
Bank Account	93%	95%	91%	94%	87%
Pension	91%	93%	89%	93%	86%
Profit	89%	88%	90%	91%	80%
Money Lender	87%	86%	88%	90%	75%
PLS/Savings Account	72%	81%	64%	76%	60%
Current Account	64%	73%	55%	67%	49%
Cheque/Cheque Book	84%	88%	81%	87%	73%
Bank Charges	55%	65%	46%	58%	44%
Minimum Balance	50%	64%	37%	54%	38%
Mortgage/Collateral	72%	76%	67%	76%	53%
Post Office Money Order	75%	78%	72%	79%	61%
Post office Saving Account	54%	60%	49%	58%	42%
Swift Transfers	13%	17%	8%	14%	8%
Standing Instructions	8%	12%	5%	9%	5%
Credit Card	38%	57%	19%	40%	30%
ATM Card	43%	62%	25%	45%	34%
Debit Card	30%	47%	14%	32%	24%

Just as among Pakistanis in general, awareness and understanding about very basic financial terms also commonly used in the informal financial sector is high.

Understanding about financial terms related with the formal financial services is comparatively less, and more so among the women

For the comparatively more “sophisticated” financial terms understanding is yet even lower and again women lag considerably behind men

# Level of financial literacy among people who are banked – *Terms that people have heard about and understand...*

	Total	Urban	Rural	Male	Female
Mobile Banking	13%	20%	7%	15%	7%
Mobile Phone Banking	12%	19%	5%	14%	6%
Islamic Banking	36%	46%	26%	40%	20%
NGO	49%	54%	43%	52%	38%
Microfinance	49%	55%	42%	50%	41%
Premiums	46%	57%	35%	50%	32%
Shares	41%	54%	28%	46%	22%
Asset	38%	46%	30%	42%	23%
Stock Exchange	31%	41%	21%	34%	18%
Exchange Rate	25%	34%	16%	28%	14%
Tax	80%	85%	74%	83%	68%
Insurance Installments	67%	74%	60%	69%	58%
Investment	53%	67%	38%	57%	35%

There is low understanding about mobile banking, mobile phone banking and even Islamic banking among people who are banked, particularly women!

**Other than bank accounts, uptake of other financial products is jarringly low among women (for women the percentages are lesser than the totals shown below).**

ATM Card	15%
Personal loan from a bank	5%
Debit Card	4%
Credit card	4%
Post Office Saving Account	4%
Agriculture loan from a bank	4%
National Saving Certificate	3%
Vehicle lease (covers all kind of vehicles e.g. buses, cars, taxis, tractors and vans)	2%
Vehicle finance/loan from a bank (covers all kinds of vehicles e.g. cars, tractors, buses, taxis etc)	2%



# Source of Financial Information by Pakistan Access Strand

## The differentiating factors across the four segments show:

- Banked rely largely on newspapers and colleagues at work
- Financially Excluded and Informally served depend on elder brother, father and other family members.
- The informally served also depend on local community forums for their information while those in the “formal other” segment depend on shopkeepers.
- Surprisingly, television and radio are quite on the peripheries across the Access Strand!

## Pakistan Access Strand



# Financial Decision Making at Home

Surprisingly, head of the household is consulted predominantly by younger family members i.e. 18-29 year olds (35%) and contrary to traditional expectations not much by people 30 years and older!

- Overall financial decision are not made alone (9%) even among older age groups (30 years and above) while a very small percentage report not being engaged in financial decision making at all (13%). The latter group includes predominantly 18-19 year olds (29%)
- Most popularly, people consult family or household members (39%) and spouse (28%). Twice as many women (36%) consult their husbands when making financial decisions as compared to only 19% men who do the same. Men tend to consult more with family or household members as compared to women.

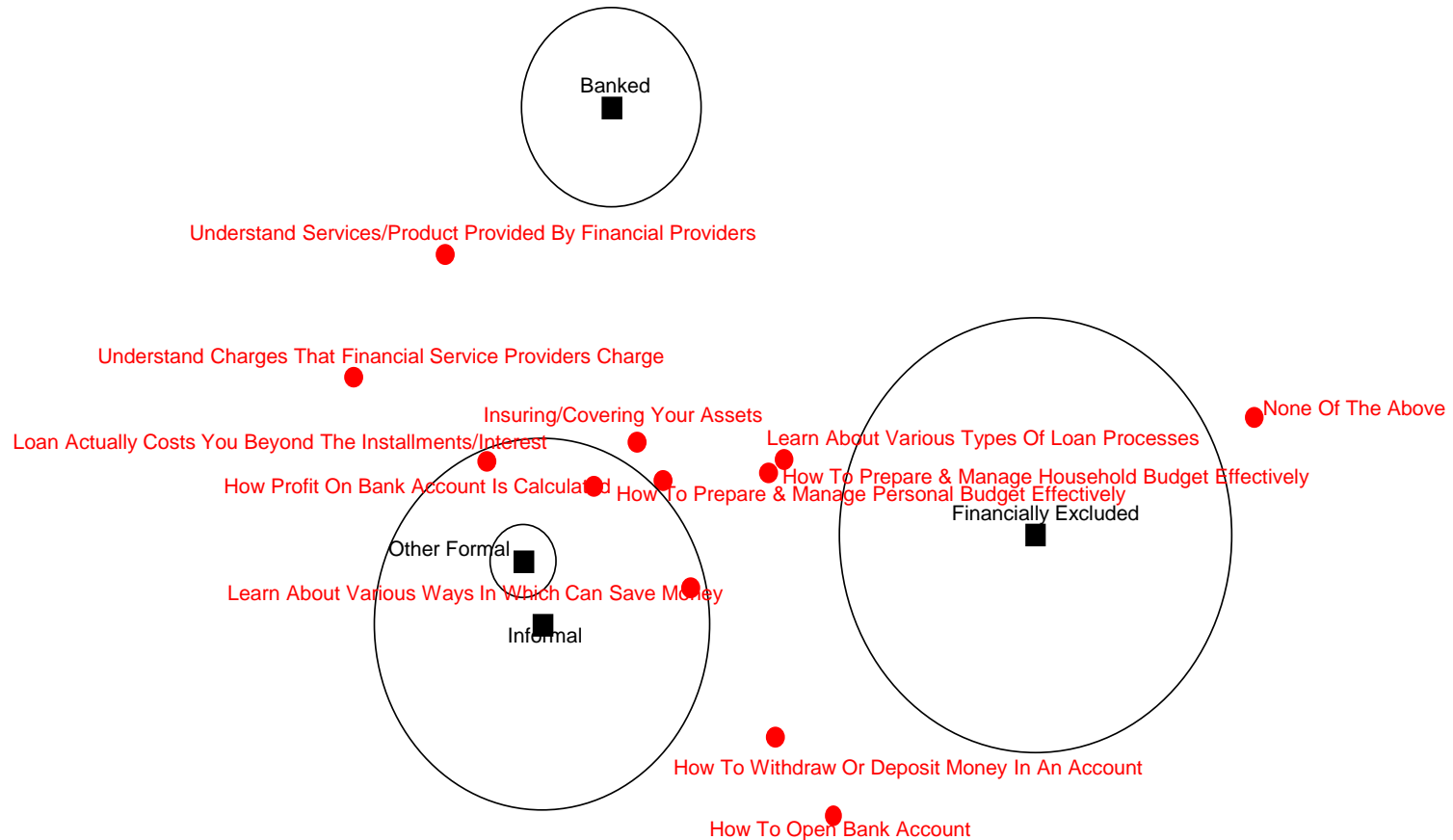
	Total	Urban	Rural	Male	Female
I make the decisions alone	9%	10%	9%	14%	4%
I make the decision in consultation with spouse	28%	29%	27%	19%	36%
I make the decision in consultation with other family or household members	39%	40%	38%	48%	31%
I make the decision in consultation with the head of the household	11%	10%	12%	12%	11%
I do not make these decisions	13%	10%	14%	7%	18%

*Due to rounding off figures the percentages may not add to 100*

*Base: Total Adult population: 78,243,440*

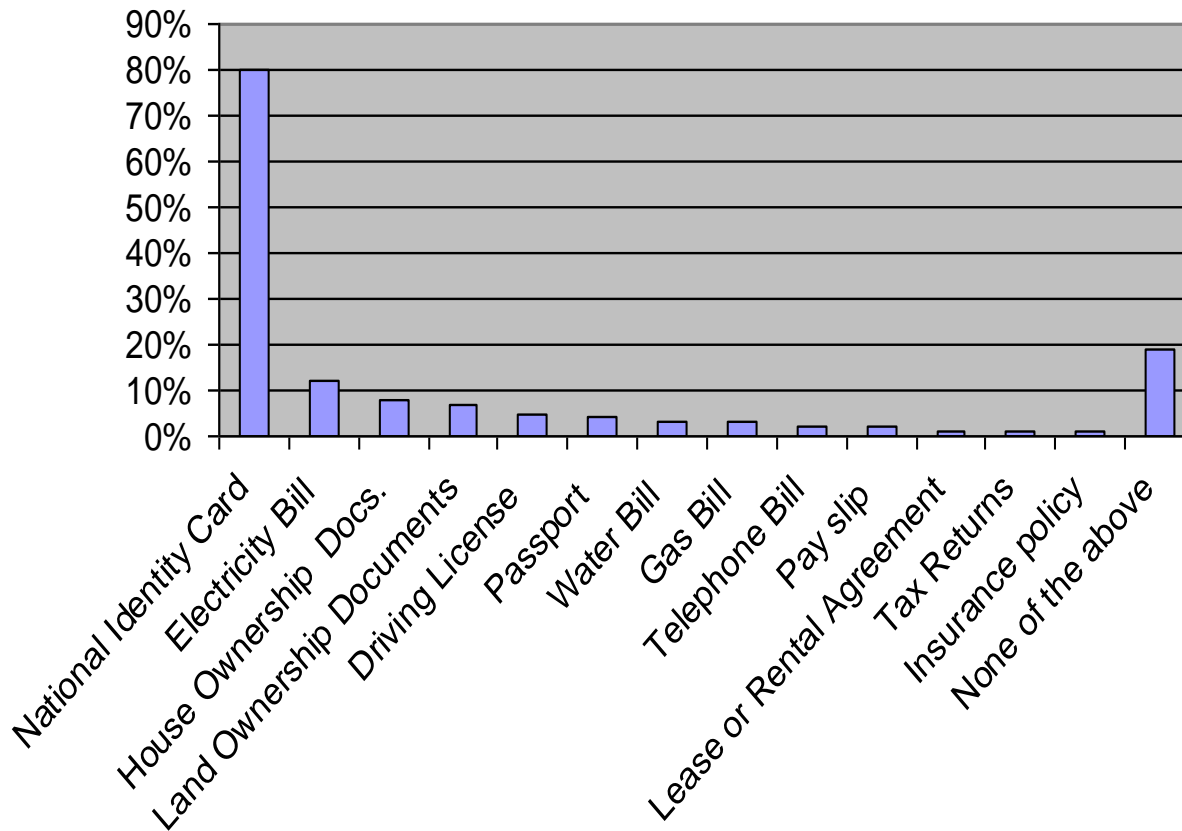
# Areas in Which Training is Wanted by Access Strand Factors that are most differentiating...

*Training interests of the informally served, financially excluded and those using other formal services revolves around understanding basic money management and financial concepts such as preparation of household and personal budgets, how to save, and how to calculate profit on a bank account. Whereas the banked are only marginally interested in learning about the products offered by banks.*



# Documents That People Have

**Other than the basic National Identity Card, other documents that may be required for a financial transaction with a formal service provider are held by very low percentage of people!**



The most basic requirement for establishing a bank account is the National Identity Card which overall close to 80% of people have, though 70% women have ID cards as compared to 90% men. Also as compared to men, 1% of women or less have documents other than NIC in their names. 30% women have no documents in their names, while only 8% men report the same.

Nevertheless, other than the NIC, frequently financial institutions also require other supporting documents for opening a bank account, and for sanctioning some types of loans and credits, and other financial transactions. Such documents are, however, owned by a startlingly low percentage of population particularly women and people in the rural areas.



**56% of Pakistan's adult population  
is outside the formal as well as the  
Informal financial services net!**

## Informal Product Users *Significant Describers...*

- Self-employed (Informal Sector)
- Male
- Jobs Related To:
  - Agriculture;
  - Laborer/Worker for Daily Wages;
  - Self-employed (Formal Sector);
  - Cart Holder/Hawker;
  - Services Selling Workers i.e. Carpenter, Barber, Ironsmith etc
  - Unemployed - Looking For A Job
- Punjab; Sind
- Married
- Education - 4 To 9 Classes, Primary Complete
- Rural

48% or 12 million people say they would like to have their own bank account

## Financially Excluded *Significant Describers...*

- Female
- Only Household Work (Housewife)
- Employment Status: Housewife - Earn Income - Yes
- Employment Status: Student - Earn Income - No
- Marital Status: Single or widowed
- Balochistan and NWFP
- Illiterate
- Rural

31% or 13 million people say they would like to have their own bank account



25 million would like  
To  
have bank accounts!

# The Banked

**Only 11% of the Adult Population is Banked!**

**BUT**

**Almost a quarter of these people say that they withdraw funds immediately!**

**71% of adult Pakistanis think that they can easily live their life without a bank account!!**

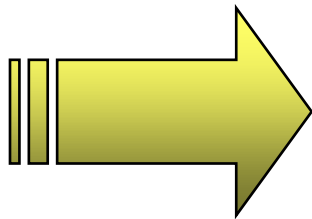
## ***Low Uptake of Financial Products Other than Bank Accounts by The Banked***

Other than bank accounts, uptake of other financial products is jarringly low – particularly among women.

ATM cards are being used by only 15% of the banked while debit and credit cards are being used by only 4%!

# Who Are The Banked: *Profile Highlights*

## The Banked Are...



### The Banked Women (4%)

- 20 - 49 year olds (71%)
- Mostly housewives and students (76%)
- 69% have some level of education, though 31% are illiterate
- 55% urban 45% rural

- 19% men, 4% women
- Predominantly those with university level education
- Between 30 – 60 years and over
- More full time employed
- Earning Rs.10,000 and above
- More main income earners than not
- More ordinary household members rather than head of the household
- Mostly married and widowed
- More urban than rural

(Interestingly, the highest percentage of banked is in AJK, with a wide margin of difference with other provinces. This can be explained by the earthquake in AJK in October, 2005. Victims require bank accounts in order to receive public support funds)



# Why Banked?

Reasons	Total	Urban	Rural	Male	Female
To save money	56%	57%	56%	55%	59%
To keep money in a safe place i.e. to guard against theft	32%	40%	24%	33%	26%
To deposit money from own business	15%	15%	15%	17%	8%
To access a personal loan	10%	6%	14%	11%	7%
To get salary	9%	10%	8%	10%	6%
To deposit money from employer	8%	11%	4%	7%	9%
To earn profit/earn an income	5%	4%	6%	5%	3%
To access a loan for your business	4%	2%	7%	5%	1%
To get pension	4%	3%	4%	4%	3%
To transfer money safely and cheaply	4%	4%	3%	4%	3%
To facilitate payment of utility bills	3%	4%	3%	4%	2%
Aid were given from government	2%	0%	3%	1%	2%
To get earthquake fund	1%	0%	3%	2%	1%
To pay your obligations/standing instructions on time	1%	2%	1%	1%	1%

Banks are being used mainly for the basic and necessity based reasons rather than for any sophisticated, value added &, productive reasons.

The relatively more sophisticated, productive or convenience based reasons such as accessing a business loan, money transfers, earning an income or payment of utility bills have been stated by very few respondents.

**Women and Urban areas = Security of money**

**Rural areas = Accessing a personal loan**

**(The need to access a personal loan and loan for business is more prevalent in the rural areas than in urban.**

**Among people who have cited these two reasons, almost 60% are self employed).**

**For employed = Receiving salary or wages from the employer**

**89% of Adult Pakistanis  
Are Unbanked!!**

*Why?*



# Why People Are Unbanked?

Reasons	Total	Urban	Rural	Male	Female
<b>Income based</b>	<b>55%</b>	<b>58%</b>	<b>54%</b>	<b>63%</b>	<b>50%</b>
I don't have regular income	41%	42%	40%	46%	37%
I don't have enough money to open an account	31%	34%	29%	38%	26%
<b>Choice Based</b>	<b>43%</b>	<b>49%</b>	<b>40%</b>	<b>41%</b>	<b>45%</b>
Never thought about it/No need for it	41%	46%	38%	38%	42%
I prefer dealing in cash	4%	4%	3%	4%	4%
<b>Access Based</b>	<b>31%</b>	<b>31%</b>	<b>31%</b>	<b>32%</b>	<b>31%</b>
Lack of information about bank products and services	15%	12%	16%	15%	14%
I don't have an identity document	6%	7%	5%	5%	6%
Can't afford to maintain a minimum balance in the bank	7%	9%	6%	7%	7%
Don't know how to open an account	6%	8%	6%	6%	7%
I don't have the time to go to a bank	2%	2%	2%	2%	2%
<b>Personal others</b>	<b>6%</b>	<b>7%</b>	<b>5%</b>	<b>6%</b>	<b>5%</b>
Don't have the self confidence	4%	5%	4%	4%	5%
Scared or uneasy in a bank environment	1%	2%	1%	2%	1%
<b>Socio Cultural Reasons</b>	<b>8%</b>	<b>8%</b>	<b>7%</b>	<b>1%</b>	<b>12%</b>
I'm not allowed to go to a bank	7%	8%	7%	1%	12%
<b>Mobility Reasons</b>	<b>6%</b>	<b>3%</b>	<b>7%</b>		
Bank is far away	4%	1%	5%	5%	3%
It costs too much to reach a bank	3%	2%	3%	3%	2%

**.Access related reasons, interestingly, are not the most important reasons for being unbanked, income related reasons are (for 55% of the unbanked)!**

Nevertheless people who have cited choice (43%) and access related reasons (31%) are significant and are a more “ready potential market” for banks. These segments need to be studied and analyzed closely so that their reasons for being unbanked can be addressed in a more targeted fashion.

**Contrary to expectations, socio cultural reasons have been cited by a mere 12% women as a barrier to being banked!**

*Base: Total Adults without an account (69,636,662) . This was a multiple choice question. The table presents un-duplicated responses by Top Six Groups.*

# Reasons for Wanting Own Bank Account

Following reasons are the most differentiating reasons between the informally and the financially excluded groups for wanting to have a bank account

## Informally Served

- Access A Loan
- Keep Money In A Safe Place
- Access A Loan For Your Business
- Deposit Money From Own Business
- Good Education Of Children
- Deposit Money From Employer

## Financially Excluded

- Withdraw Money When You Need To
- Earn Profit/Earn an Income
- Save Money
- Facilitate Payment of Utility Bills
- Transfer Money Safely and Cheaply

# Savings and Investment

39% people save regularly!

Saving at home is the most widely practiced across all segments!

The top 4 means of saving across Pakistan are all informal.

Only 8% of *those who save*, do so with a bank

**56% of the total adult population saves/invests either formally or informally**

**HOWEVER**

**53% save informally while formal savers are only 3%**

**Almost a quarter of the adult population (23%) saves through Committees!**

Contrary to expectations, committees are an urban (38%) phenomenon rather than rural (14%) with nearly equal popularity among men and women (about a quarter each)

## Government Saving Schemes

Even though people perceive government associated financial institutions as secure, only 2% are investing in Prize Bonds, and 1% in National Savings Schemes!

*A specific section on savings committees was included in the survey as SCs are popular across Pakistan and stand out in their prevalence within the informal financial services and products*

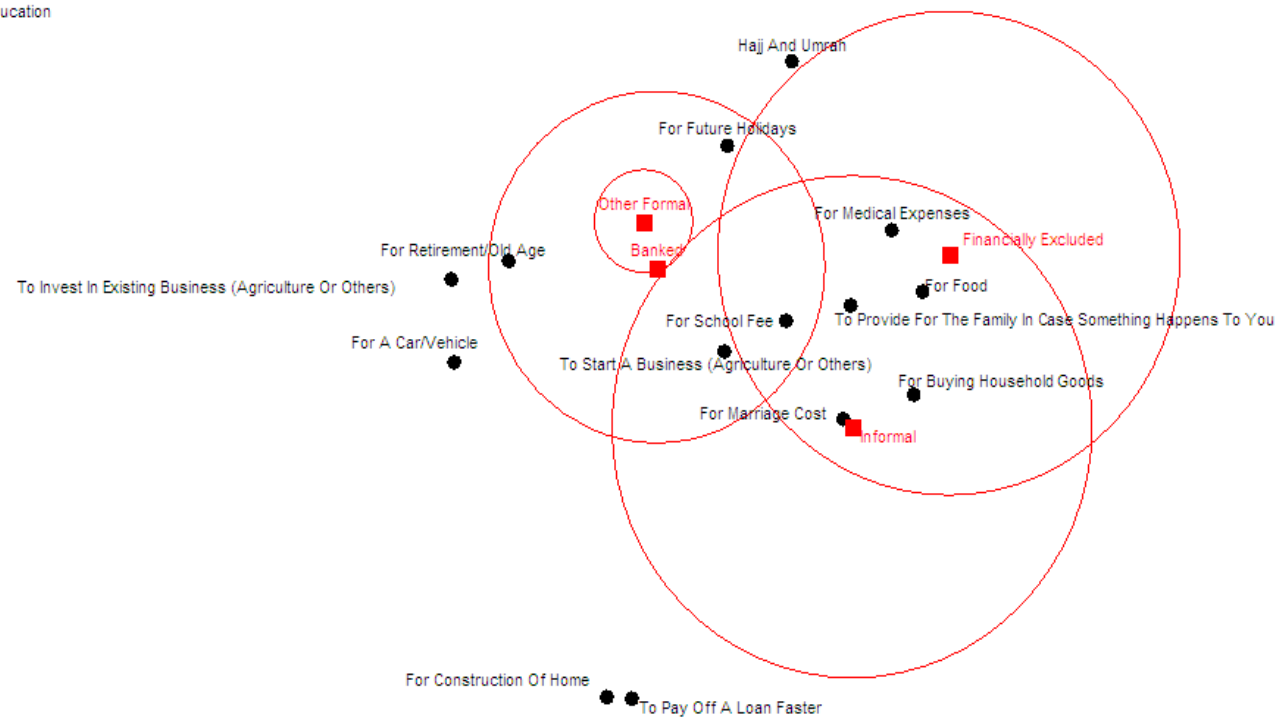
# Reasons for saving by Access Strand

There is a lot of overlap as to the reasons for savings, that is why the circle overlap so much  
It is clear however that the financially excluded and informal save for more essential things than the banked who save for future retirement/holidays etc.

## Pakistan Access Strand

● Reason Currently Saving  
■ Pakistan Access Strand  
Dimensions: 1 by 2  
Shown 92%  
Size Circles

● For Education



# Informal Saving Products Used by *Banked*

**Even among the banked people, saving at home is very popular, as is participation in savings committees**

- Saving at home is popular among the banked - across urban and rural areas!
- Committees are *more popular among the banked urban rather than the banked rural* people.
- Investments in land and livestock are more popular means of saving among the banked rural and among men rather than in urban areas and among women.

Informal Ways of Saving	Total	Urban	Rural	Male	Female
Saving at home	43%	45%	41%	43%	44%
Committees	24%	33%	16%	24%	27%
Livestock	21%	4%	37%	22%	15%
Investing in land	18%	8%	27%	20%	6%
Saving with family, friends or neighbors	7%	6%	9%	8%	4%
Investing in gold, jewelery or other assets at home	5%	7%	3%	5%	5%
Base: All those who are banked	9,587,625	4,752,856	4,834,769	7,601,542	1,986,083

Base: All those who are banked (8,606,778)

# Loans/Credit

35% of the total adult population is using loan/credit facility either formally or Informally

**But**

**Formal borrowers are only 2% while informal borrowers are 33%!!**

**Money lenders also known as the traditional “loan sharks” are being used by only 3% of the population! It is the Shopkeepers/local grocery store owners who are the prime source of loan/credit for all market segments (78%)**

Though the respondents were not asked the *value* of their borrowings, over 92% of those who borrowed from shopkeepers and moneylenders over the last one year borrowed more than once. This illustrates the frequency and scale of borrowing from shopkeepers and money lenders

Source of Current Loan/Credit	Total	Urban	Rural	Male	Female
Shopkeeper (purchoon)/grocery store owner	78%	70%	82%	82%	72%
Family/Friends	54%	54%	53%	50%	60%
Money Lender	3%	4%	3%	3%	2%
Informal microfinance groups other than NGOs	3%	2%	3%	3%	1%
Banks	3%	4%	3%	5%	1%
Committee system (savings and/or loan)	2%	3%	1%	1%	3%
Landlord	2%	0%	2%	2%	1%
Employers	1%	1%	1%	2%	1%
Suppliers credit	1%	1%	1%	1%	0%
Don't know	1%	1%	1%	1%	1%

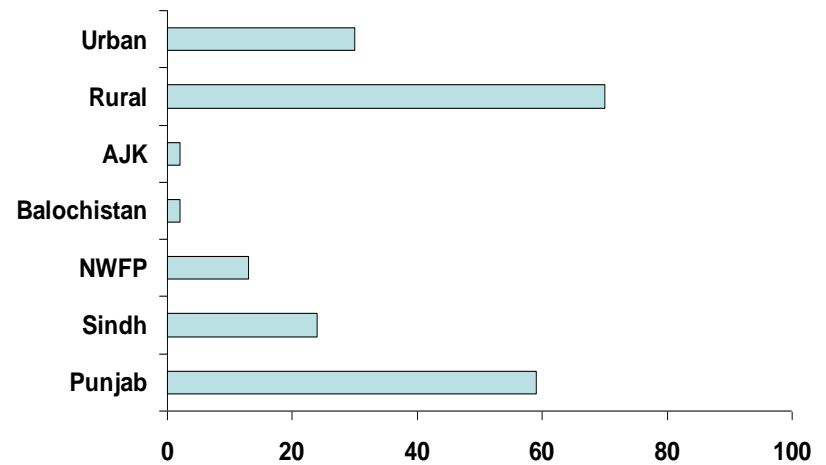
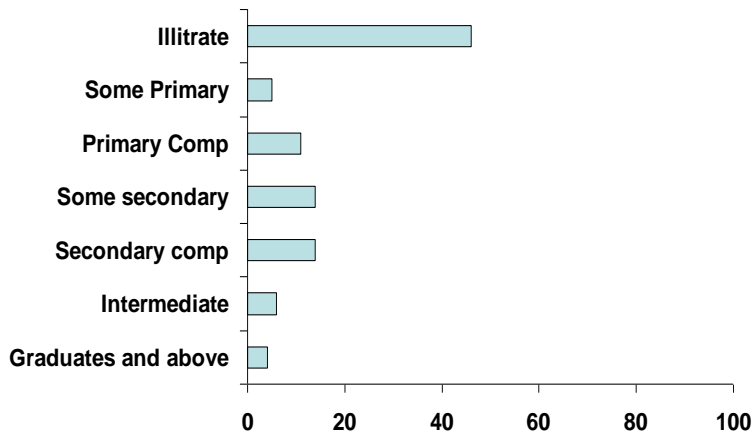
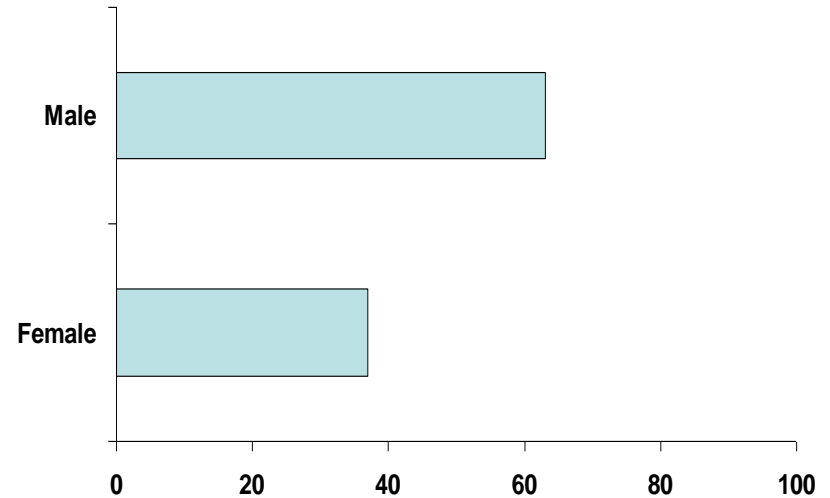
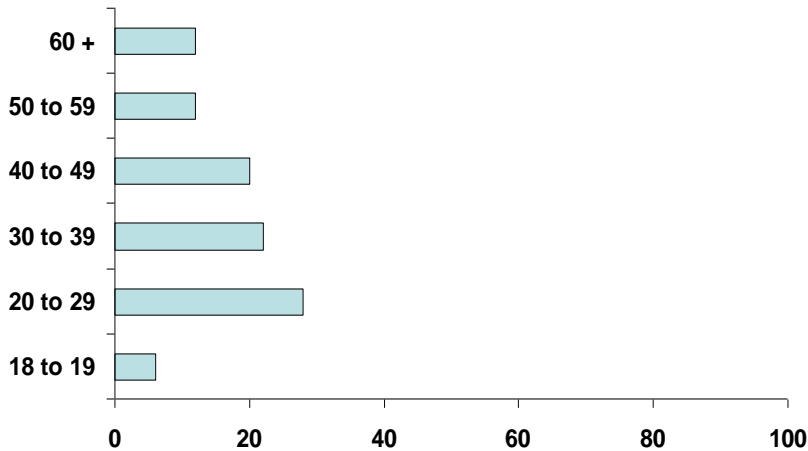
Base: All those with current loans and credit (27,306,961)

Given the pervasive use of the shopkeepers/grocery stores as a source of credit, it will be worthwhile to gain deeper understanding about their lending dynamics and to explore possibilities of partnerships between these players and the formal sector in order to improve and expand the provision of financial services for people, particularly the less privileged and those in the rural areas.



# Loan/Credit Users Profile

- More men than women, between 20 to 49 year olds
- Concentrated more among the illiterate and those with secondary level education or less rather than those with any kind of college education
- More in rural areas than urban – preponderance in Punjab and Sind



Base: All those with current loans and credit (27,306,961)

## Reasons for Borrowing - Current Loans/Credit

Reasons for Borrowing	Total	Urban	Rural	Male	Female
<b>To buy food</b>	<b>66%</b>	<b>55%</b>	<b>71%</b>	<b>67%</b>	<b>65%</b>
<b>To purchase goods for the household</b>	<b>37%</b>	<b>40%</b>	<b>36%</b>	<b>39%</b>	<b>33%</b>
To pay unforeseen emergency costs	9%	7%	10%	9%	8%
To purchase goods for agriculture (livestock)	8%	3%	10%	10%	4%
To meet expenses of wedding and dowry	7%	9%	6%	6%	8%
To purchase goods for agriculture (farming)	5%	1%	7%	8%	1%
To attend a wedding and/or buy a wedding gift	5%	7%	4%	4%	7%
To meet running expenses of business & purchase assets	5%	7%	4%	6%	2%
To pay of utility bills	5%	6%	4%	4%	6%
To pay off other loans	4%	6%	4%	4%	4%
To start a new business	4%	5%	3%	5%	2%
To purchase/build/renovate a residence such as a house etc	4%	5%	3%	3%	4%
To meet educational expenses	3%	5%	3%	2%	5%
To purchase vehicle (includes public and private transport)	2%	4%	2%	2%	2%
To meet child birth expenses	2%	2%	2%	2%	2%
None/Don't know	3%	7%	2%	3%	3%

Base: All those with current loans and credit (27,306,961)

# Money Transfers/Remittances

**Only 2.3% of the total population is using formal or informal modes of money transfer**

**Perceptions about modes of money transfers**



- Least risky and easiest = At a bank using own account
- Most risky and hardest = Someone else's account
- Slowest = Post office
- Fastest = Family/friends
- Least expensive = Friends/family
- Most Expensive = Services such as Western Union

*"ID documents are required"*

*"Permanent address is required"*

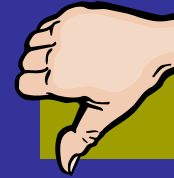
*"Credit reference is needed"*

*"They are far from where I live"*

*"They have too few branches"*

*high"*

*"They force you to keep a minimum balance"*



*"You are satisfied with their service"*

*"They are an ideal service provider"*

*"Staff is helpful"*

*"Hours they are open is convenient"*

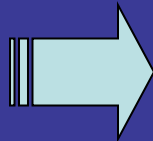
*"Staff takes time to*

*explain"*

*"They make decisions quick if you want their service"*

*"We trust them"*

**Perceptions  
Regarding  
Formal  
Financial  
Service  
Providers  
**Commercial  
Banks,  
Post Office &  
Microfinance  
Banks****



In thinking about the financial service providers, what comes more to peoples mind are the prerequisites for transacting with them rather than their services. The typical service features that consumers seek from commercial banks and other financial service providers have scored low. This reinforces the findings of the focus group discussions regarding weak client service orientation of commercial banks

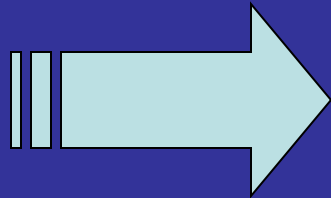
People's perception about security of money at the banks is high which also conforms to an important reason that the banked have stated for having a bank account

**Perceptions about Insurance and Leasing**

Perceptions about leasing and insurance companies have not been reported due to the low response rates for these providers which can be explained by the overall low understanding about relatively more complicated financial terms and services.

The insurance uptake is less than 2% and has very low awareness and understanding among the less educated.

**Perceptions  
Regarding  
Informal  
Financial  
Service  
Providers  
Committees  
and Money  
Lenders**



The top perception statements for committees and money lenders relate to none requirement of documentation, and formalities. This is in striking contrast to the perceptions regarding the formal sector providers.

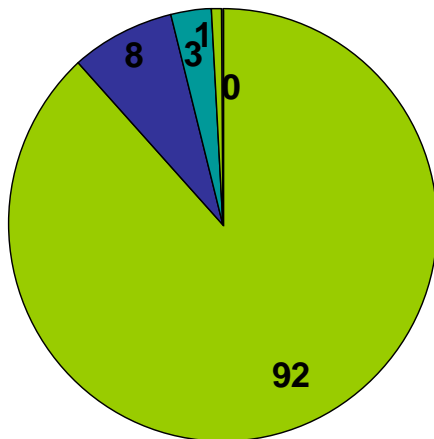
Additionally, more people trust the informal sources as compared to the formal financial institutions.

As compared to the formal service providers, relatively speaking satisfaction with the informal service providers is high

# How do People Receive their Income? (Asked of all those who receive their income in forms other than “goods and services”)

**Pakistan is predominantly a cash based economy outside the formal economic structures!**

**92% of the adult Pakistanis receive their income in cash and almost half of the people say that “some” of this income goes into a bank while 1/3 say that “None” of it is deposited in a bank!**

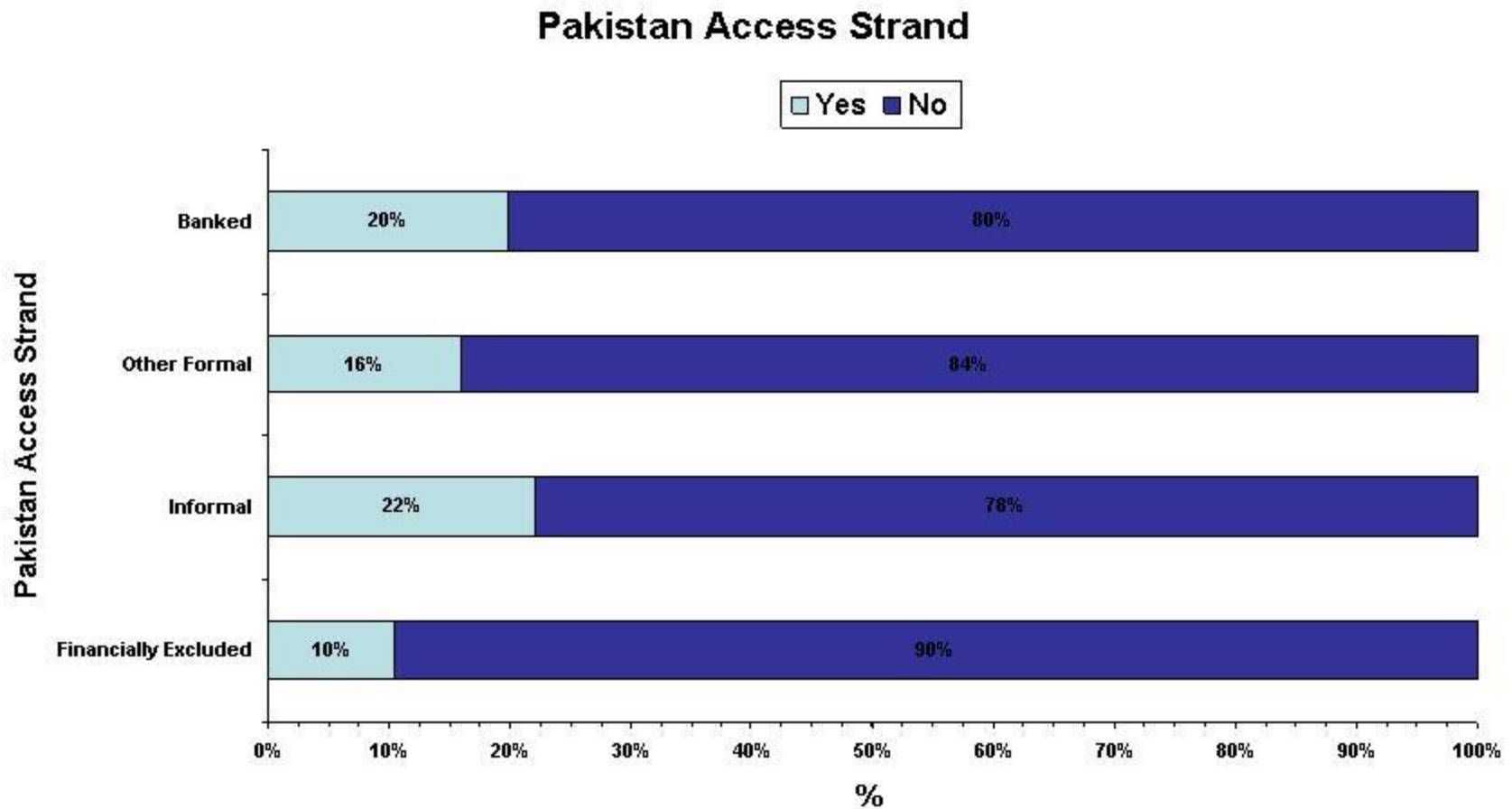


■ Cash  
■ By Cheque  
■ Electronic Transfer  
■ In other forms  
■ Don't Know

## What portion of income goes into a bank?

	Total	Urban	Rural	Male	Female
All	6%	8%	5%	7%	6%
Most	9%	10%	8%	9%	9%
<b>Some</b>	<b>54%</b>	54%	54%	56%	46%
<b>None</b>	<b>30%</b>	28%	33%	28%	39%

# Household Needed To Make Payment Due To An Unexpected Emergency In The Past 12 Months by Pakistan Access Strand



# Emergencies Experienced by 15% Overall

Emergencies were mostly health related, followed by family celebrations and the need to buy food or household items. The latter two types of emergencies have been cited mostly by people with part-time employment (38%) and the housewives (25%).

	Total	Urban	Rural	Male	Female
Hospital/medical bills	49%	46%	50%	46%	52%
Family celebration (wedding functions)	17%	16%	18%	19%	14%
To buy food	12%	16%	10%	12%	13%
Purchase of household items	10%	12%	9%	9%	11%
Funeral	9%	7%	9%	9%	8%
Purchase of dowry	6%	6%	6%	6%	6%
Replacement of damaged/dwelling from fire or earthquake or floods	3%	1%	4%	3%	3%
Replacement of goods/dwelling due to theft	3%	3%	2%	3%	2%
House construction	3%	2%	3%	2%	4%
Travel	2%	3%	1%	2%	1%
For business	2%	2%	2%	2%	2%
Religious or social purpose	1%	1%	2%	2%	1%

\* The survey was conducted between early November, 2007 to March/April, 2008. Over 90% of the survey was completed by early 2008, before the assassination of Mohtarma Benazir Bhutto and the subsequent deterioration in security and law and order situation in the country, particularly along the western border areas of Pakistan.

*Base: Total Adults over 18 years who experienced any emergencies in the past 12 months: 12, 022, 116*



# Perceived Risks

	Total	Urban	Rural	Male	Female
<b>Unforeseen medical expense</b>	<b>22%</b>	<b>24%</b>	<b>20%</b>	<b>23%</b>	<b>20%</b>
Serious illness of HH member, requires medical expenses	14%	14%	14%	17%	11%
Rise in food prices	14%	17%	12%	14%	13%
Events like birthdays/marriages of relatives	12%	15%	11%	13%	12%
Theft, at household/property	11%	13%	10%	14%	9%
Insufficient income for family to live on	10%	11%	10%	10%	10%
Death of a household/family member	8%	9%	8%	9%	8%
Failure of business/bankruptcy	8%	10%	7%	12%	5%
Theft or destruction of agricultural crop/livestock	8%	3%	11%	12%	4%
Friends/relatives arrival	8%	10%	6%	7%	9%
Member of household loses job	6%	10%	4%	7%	5%
Birth of child/Cesarean	6%	7%	5%	8%	4%
Livestock demise	6%	2%	9%	8%	4%
Disability of household member	5%	7%	4%	6%	4%
Destruction of HH/property due to earth quake, fire, calamity	4%	4%	5%	6%	3%
Destruction of household/property due to floods	4%	2%	4%	5%	2%
Inability to pay debt	4%	5%	3%	4%	3%
Destruction of agricultural crop/livestock due to floods	4%	1%	5%	5%	2%
Do not know	19%	17%	21%	15%	23%

Base: Total Adults over 18 years: 78,243,440

## Where Money is obtained in case of *Actual Emergencies*

Over 60% of the people rely upon family and friends, followed by a wide margin by savings and by cash at home. 56% of the total population is saving, and since 53% is saving informally, there is ready access to this cash in case of emergency. Since we do not know the scale/value of saving at home and since emergencies may require more than what is being saved, dependence on family and friends explains how shortfalls in emergency are met, especially in the Pakistani context where dependence on social networks is high. Secondly, people are savings predominantly for running expenses such as food and household goods, implying that the saving may be insufficient to cover emergencies and big events when these come up.

	Total	Urban	Rural	Male	Female
<b>Took loan from friends/relatives (Expected to pay back)</b>	<b>61%</b>	<b>60%</b>	<b>62%</b>	<b>64%</b>	<b>59%</b>
Used savings	17%	16%	18%	18%	16%
Paid from cash at home	13%	12%	14%	14%	13%
Bought on loan from shopkeeper	9%	7%	11%	12%	6%
Friends and family helped (not expected to pay back)	7%	7%	7%	6%	9%
Took loan from employer	6%	4%	6%	6%	5%
Zakat Fund (Government's Islamic Charity Fund for Poor)	3%	2%	3%	2%	4%
Took loan from informal providers e.g money lenders, landlord	3%	2%	3%	3%	3%
Took loan from bank or similar e.g. postal bank	2%	2%	2%	3%	1%
By selling cattle	2%	0%	3%	1%	2%
Got money from NGO	1%	0%	1%	1%	1%
Got committee amount	1%	2%	0%	0%	1%
By selling ornaments	1%	2%	0%	1%	1%

Base: Total Adults over 18 years who experienced emergencies in the past 12 months: 12,022, 116

# Behavior in case any Perceived Risks are Experienced

Cutting down on expenses is a behavioral change that is said to be adopted when faced with an emergency but immediate recourse for meeting the actual emergency expenses is made by relying on family and friends, savings and cash at home, as has been shown in the previous slide.

	Total	Urban	Rural	Male	Female
Cut down on household expenses	32%	37%	28%	29%	35%
Borrow money from family/friends/relatives	23%	24%	23%	25%	22%
Draw upon savings at home	13%	13%	12%	10%	16%
Sell assets/dispose of agricultural crop/livestock	11%	4%	16%	11%	11%
Wait/ask for donations	8%	7%	9%	9%	6%
Apply for government grant	3%	2%	3%	3%	3%
Postpone plans to pay for something else	3%	3%	2%	3%	2%
Borrow money from employer	2%	1%	2%	2%	1%
Take out savings with bank	1%	1%	1%	2%	1%
Borrow from a committee	1%	2%	0%	1%	1%
Borrow money from bank	1%	1%	1%	2%	0%
Apply for Government's Zakat Fund/Baitul mal Fund	1%	0%	1%	1%	1%
Borrow money from shopkeeper	1%	1%	1%	1%	0%
Will ask for out of turn committee fund	0%	1%	0%	0%	0%
Do not know	1%	1%	1%	1%	1%

Base: Total Adults over 18 years who experienced emergencies in the past 12 months:  
12,022,116

# Insurance

**Negligible portion (1.9%) of the total adult population uses Insurances!**

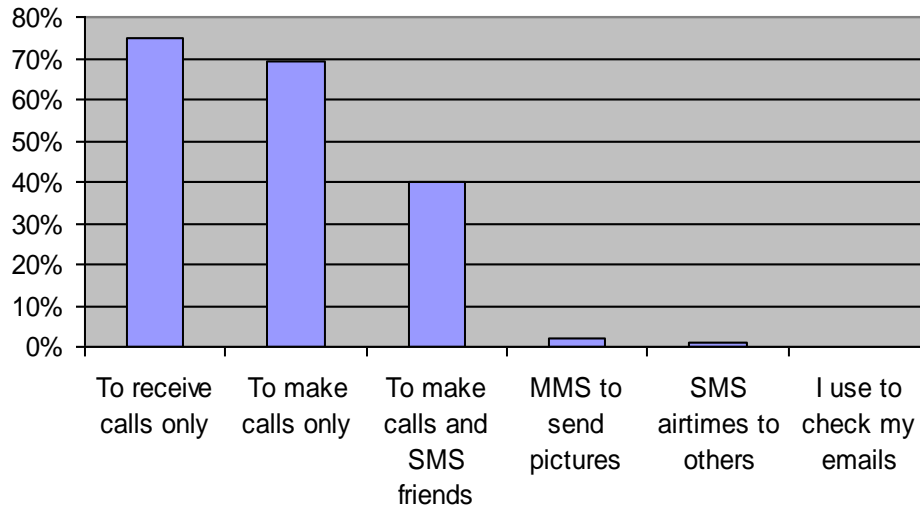
Across all segments insurance is not being availed firstly due to choice and secondly due to inability to afford it.

Over 50% of even the educated (including graduates and post graduates) have actually never thought about getting insurance even though lack of understanding about what is meant by insurance, how it works and where it may be obtained are not major issues keeping the educated from buying insurance.

Proactive marketing by insurance companies is needed to win “space in the minds” of the educated people while there is need to improve awareness and understanding about how insurance works and where it may be obtained for the less educated.

# Potential of Using Cellular Technology for Enhancing Access to Finance

Almost 60% people have access to mobile phones and 44% use cell phones as the most frequent mode of communication.



This is a multiple response question, and percentages will not add to 100. Base: All those who have access to mobile phones : 46,163,630

- 13% of the population thinks “Cell phone banking can be trusted if backed by a company like mobilink/ufone/warid/telenor”
- 11% people are prepared to use technology
- 10% people think “Cell phone banking can be trusted if backed by a bank”
- 8% think cell phone/mobile banking will make banking more affordable to use
- 6% people would consider having their salary (or main source of income) paid into a cell phone bank account
- 8% think with cell phone banking, their money will be as secure as with other banks

Even though access to and use of cell phones is high, mobile phones are used predominantly for basic phone functions i.e. receiving and making calls and not for the more “fancy” purposes i.e. MMS to send pictures or to send messages to friends.

Generally, low levels of literacy, financial literacy and understanding about mobile banking and mobile phone banking even among the banked and educated people indicates the level of awareness creation and training and adaption of technology that is required before cell phones can be used for the value added functions of increasing outreach of financial services

# Differentiating Psychographic Statements

*The attitude and  
behavioural factors  
driving management of  
finances and decision  
making*

The following 4  
slides show only  
those statements  
that are  
significantly  
different for each  
of the segments  
within the Access  
Strand

# Banked Population

## *Differentiating Psychographic Statements*

<b>You balance your cheque book/maintain record of finances</b>	<b>26%</b>
<b>You make sure that have enough money in account to pay your accounts</b>	<b>24%</b>
<b>As soon money deposited in your account you withdraw immediately</b>	<b>21%</b>
<b>You usually read the finance pages in newspapers</b>	<b>23%</b>
<b>Having a bank account makes it easier to get credit</b>	<b>39%</b>
<b>People often ask your advice on financial matters</b>	<b>40%</b>
<b>You prefer to save money at safe place even interest is low</b>	<b>27%</b>
<b>You know quite a bit about money and finances</b>	<b>31%</b>
<b>You try to save regularly</b>	<b>55%</b>
<b>You are saving for something important like child education</b>	<b>33%</b>
<b>You regularly listen to financial information on radio/tv</b>	<b>16%</b>

## Other Formally served Population

### *Differentiating Psychographic Statements*

<b>You would like to have insurance against - death</b>	<b>18%</b>
<b>Financial Services Paying, You Prefer To Do Face-to-face</b>	<b>30%</b>
<b>You avoid banking machines such as ATM's as much as possible</b>	<b>14%</b>
<b>You usually read the finance pages in newspapers</b>	<b>19%</b>
<b>You would like to have insurance against theft</b>	<b>10%</b>
<b>You prefer to save money at safe place even interest is low</b>	<b>26%</b>
<b>You know quite a bit about money and finances</b>	<b>31%</b>
<b>People often ask your advice on financial matters</b>	<b>37%</b>
<b>To get ahead in life, one needs to take some risks</b>	<b>56%</b>
<b>You like to keep your financial affairs to yourself</b>	<b>49%</b>
<b>You hate owing money to anyone</b>	<b>71%</b>



# Informally served Population

## *Differentiating Psychographic Statements*

<b>You are worried, you won't have enough money for old age</b>	<b>35%</b>
<b>Times when you need borrow more to pay your existing loans</b>	<b>9%</b>
<b>You never seem to be able to pay off your debt</b>	<b>9%</b>
<b>Sometimes you don't have enough to pay your debts and then pay later</b>	<b>9%</b>
<b>You go out of your way to pay your debt</b>	<b>25%</b>
<b>You go without basic things so that you can save</b>	<b>36%</b>
<b>You try to save regularly</b>	<b>42%</b>
<b>You are saving for something important like child education</b>	<b>23%</b>
<b>You are saving for something like holiday, an appliance etc</b>	<b>20%</b>
<b>To get ahead in life, one needs to take some risks</b>	<b>44%</b>
<b>Having a bank account makes it easier to get credit</b>	<b>21%</b>

# Financially Excluded Population Differentiating Psychographic Statements

<b>You hate owing money to anyone</b>	<b>66%</b>
<b>You don't like to take debt, it means tensions/worries</b>	<b>58%</b>

# Pakistani Lifestyle

Facilities	Total	Urban	Rural
There is a <b>mosque</b> nearby	<b>93%</b>	<b>92%</b>	94%
There is a <b>school</b> nearby	<b>83%</b>	<b>82%</b>	83%
There is a <b>shopping area/grocery shop</b> nearby	<b>80%</b>	<b>80%</b>	80%
There is a <b>public telephone (PCO)</b> nearby	<b>70%</b>	<b>88%</b>	60%
There is a lot of pollution in my environment	54%	58%	53%
There is a hospital/clinic nearby	49%	70%	37%
There are tarred surfaces on most roads nearby	49%	36%	56%
There is a lot of wood or coal smoke around where you live	35%	20%	44%
There is a post office nearby	33%	49%	24%
Water connection from the municipality inside the house	31%	59%	14%
There is a police station nearby	24%	45%	12%
You have a public water filtration facility nearby	16%	16%	16%
There is a public park nearby	13%	33%	2%
There are emergency services	11%	26%	2%
Water connection close by but not in your house	6%	6%	6%
No water connection close to home/fetch water elsewhere	5%	2%	7%

Potential places that may be utilized for imparting financial literacy programs or be used by formal service providers as distribution networks for financial services

...potential opportunities for imparting social responsibility initiatives and thus winning over potential clients while participating in social development.

# Financial Access Frontier

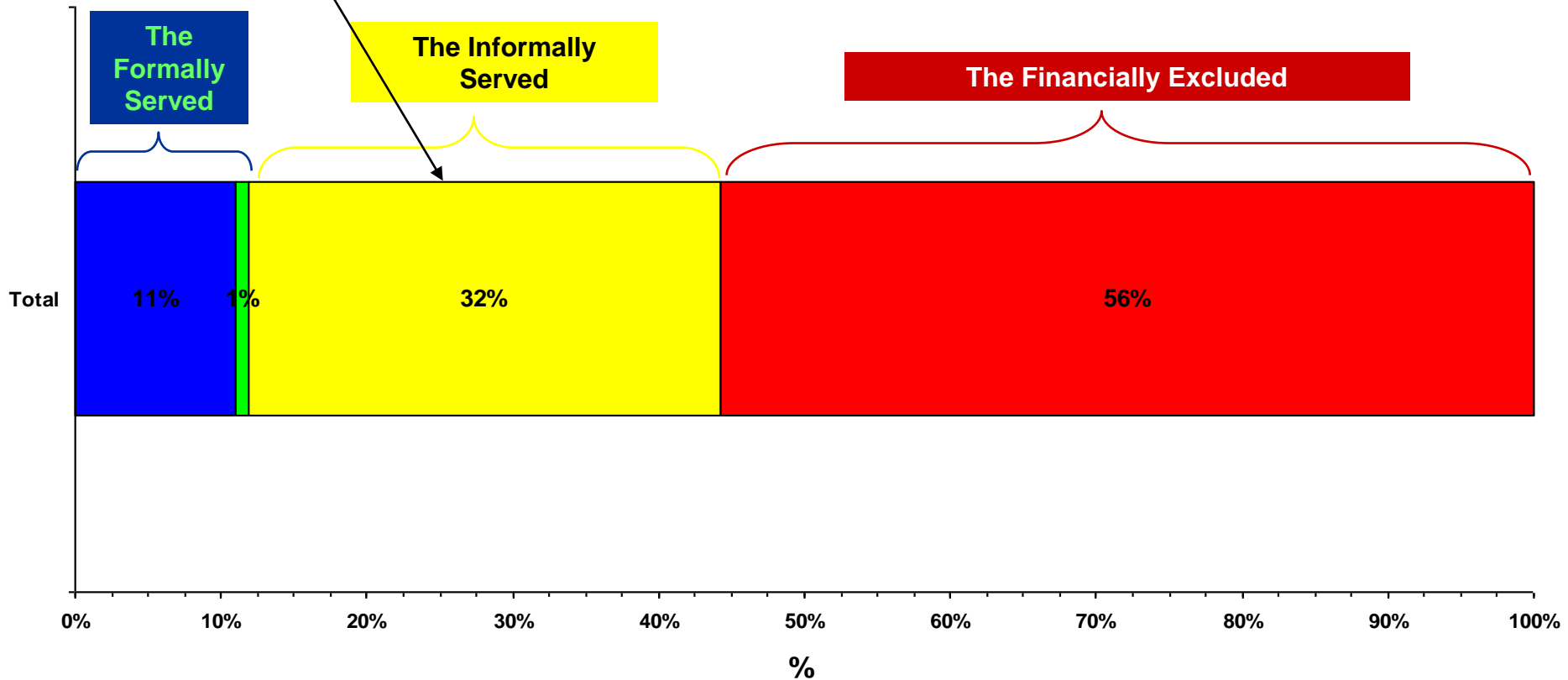
- A tool used to un-pack areas where opportunity exists to bank the un-banked
- Analysis based on reasons for not being banked
- Some duplication of response is possible
- Good indication of where focus of attention for policy and service providers should be

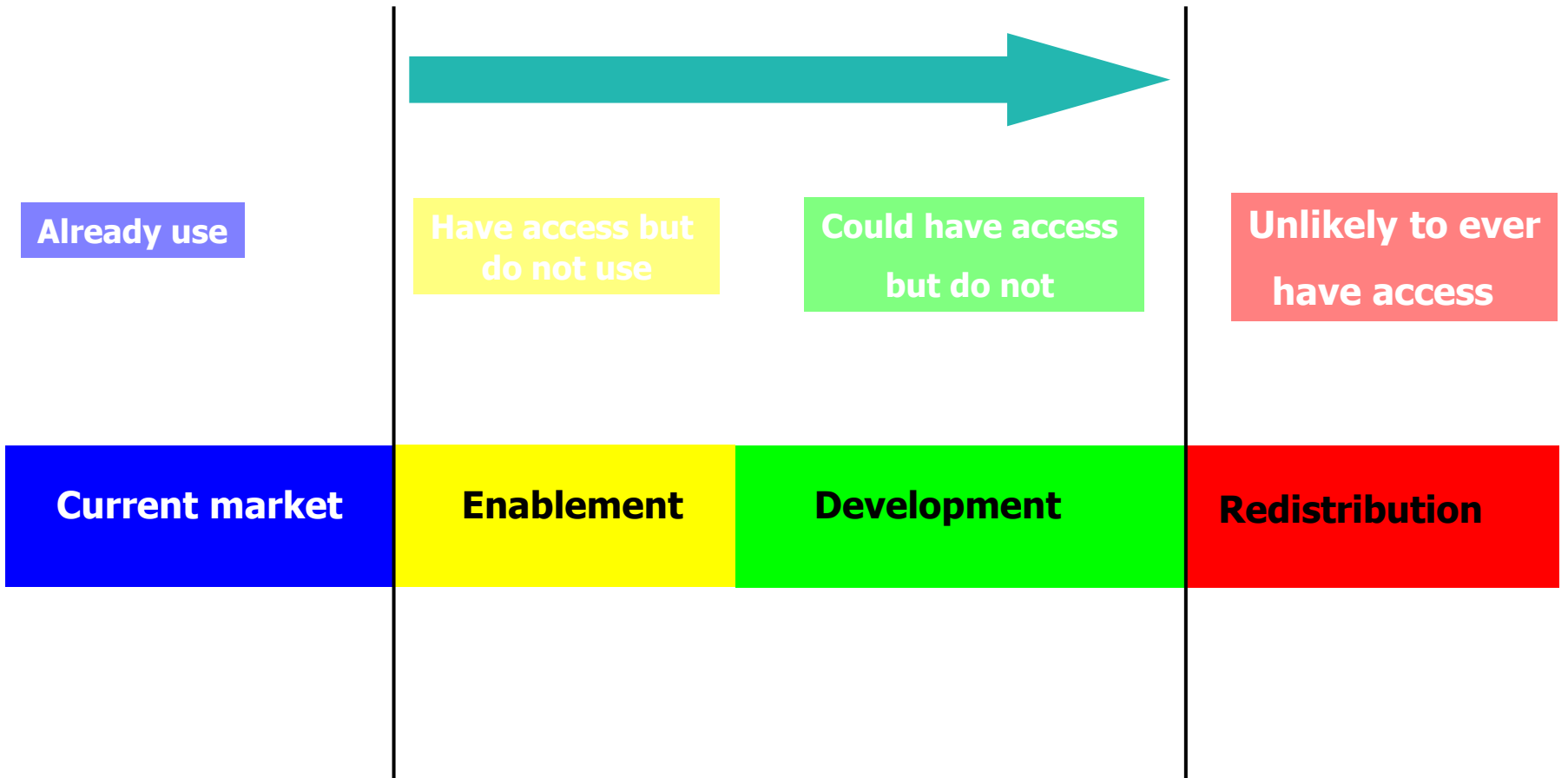
# Access Strand

The Financial Market Development Frontier

## Finscope Pakistan

■ Banked ■ Other Formal ■ Informal ■ Financially Excluded





## Reasons for not being banked

- **Too Poor**

- I don't have regular income-
- Do not have enough collateral-
- I don't have enough money to open an account-
- Cannot afford to maintain a minimum balance in the bank-
- Charges & fees are too high e.g. a/c opening etc.-
- Because I am unemployed-
- It costs too much to reach a bank-
- I don't have the time to go to a bank-
- Amount is consumed on children education-
- Household expenditures are much-

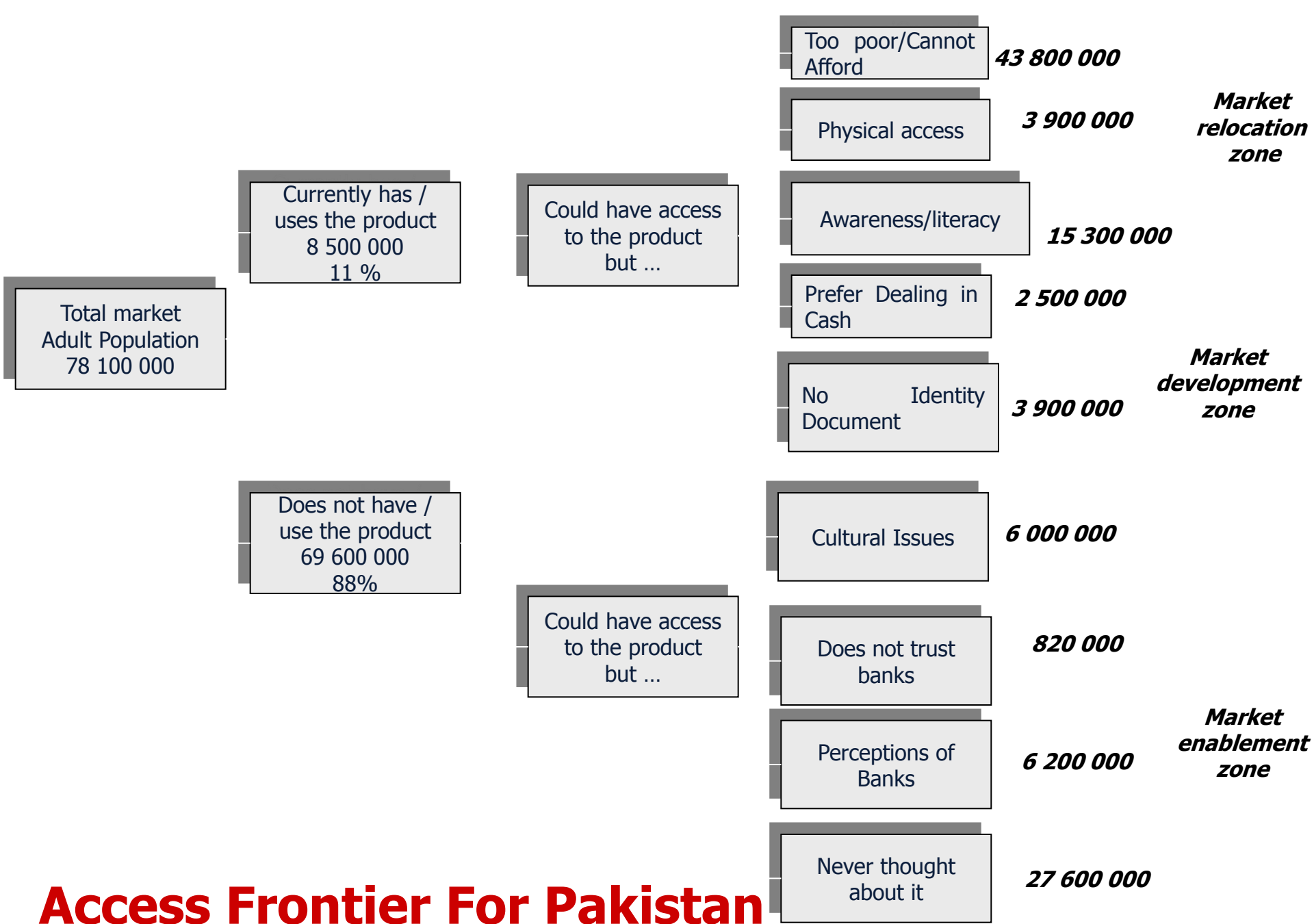
# Reasons for not being banked

- **Physical Access**
  - Bank is far away-
  - There is no any bank in our area-
  - I prefer dealing in cash
- **I don't have an identity document**
- **Never thought about it/no need for it**
- **Cultural issues**
  - I'm not allowed to go to a bank-
  - Payment & receiving of interest stops me from going to bank-
- **Awareness/literacy issues**
  - Lack of information about bank products and services-
  - Don't know how to open an account-
  - Scared or uneasy in a bank environment-
  - Don't have the self confidence-



# Reasons for not being banked

- **Lack of trust**
  - Don't trust banks or other financial institutes-
  - Too much corruption (e.g. bribes)
- **Perceptions about banks**
  - Too much documentation involved-
  - I don't have a reference for the bank-
  - Profit/return is low-
  - Banks are over crowded/long queues-
  - Staff speaks in complicated terms-
  - They don't give importance to me-
  - Feel unsafe when leaving bank with money-
  - Staff doesn't understand my needs-
  - Hours of operation not convenient/processing takes too long-
  - Snobbish staff/not helpful-



The End