

FINANCIAL INCLUSION insights

APPLIED RESEARCH FOR digital financial inclusion



PAKISTAN

WAVE 4 REPORT FII TRACKER SURVEY

Conducted September - October 2016

June 2017



BILL & MELINDA
GATES foundation

PUTTING THE USER FRONT AND CENTER

The Financial Inclusion Insights (FII) program responds to the need identified by multiple stakeholders for timely demand-side data and practical insights into digital financial services (DFS), including mobile money, and the potential for their expanded use among the poor.

The FII team implements nationally representative population surveys and qualitative research studies in **Bangladesh, India, Indonesia, Kenya, Nigeria, Pakistan, Tanzania and Uganda** to:

- **Track access to and demand** for financial services, especially DFS;
- **Measure adoption and use** of DFS among key underserved groups (females, poor, rural, etc.);
- **Identify drivers and barriers** to further adoption of DFS;
- **Evaluate the agent experience** and the performance of mobile money agents; and
- **Produce actionable, forward-looking insights based on rigorous data** to support product and service development and delivery.

The FII program is managed by InterMedia. Visit the FII Resource Center to learn more:
www.finclusion.org



Photo Credit: Caroline Suzman / World Bank. Photo ID: CIS_2533 [CC BY-NC-ND 2.0](https://creativecommons.org/licenses/by-nc-nd/2.0/)

CONTENTS



Executive Summary	4
Customer Journey	12
Preconditions	18
Access & Trial	26
Registration	34
Active Use	40
Advanced Active Use	43
Special Topic I: Financial Lives	46
Special Topic II: Gender	56
Key Indicators Summary	59
Methodology & Research Description	61
Glossary	63

EXECUTIVE SUMMARY

UNDERSTANDING FINANCIAL INCLUSION

What is financial inclusion?

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way (*The World Bank*). Financially included individuals are those who have an account in their name with a full-service financial institution.

How is it measured?

We measure financial inclusion as the percentage of adults (15+ years old) who report having at least one account in their name with an institution that offers a full suite of financial services, and comes under some form of government regulation.

How is it created?

Financial inclusion is created through the uptake and use of individual accounts with institutions that offer a full suite of financial services – savings, credit, money transfers, insurance and investment. Full-service financial institutions include banks, mobile money service providers, and nonbank financial institutions, such as deposit-taking microfinance institutions (MFIs) and financial cooperatives.

What institutions and services do not count?

Individuals who own accounts with institutions that are not full service, such as credit-only microfinance institutions (MFIs), are not considered financially included. Individuals who do not have their own full-service account or use someone else's account are not considered financially included. Individuals who only use services such as money guards, savings collectors, and digital recharge cards that are not attached to a bank or MFI account are also considered financially excluded.

SURVEY DEMOGRAPHICS

	Adult population (15+)
Gender	
Male	52%
Female	48%
Geography	
Urban	35%
Rural	65%
Income	
Above the \$2.50/day poverty line	53%
Below the \$2.50/day poverty line	47%

	Adult population (15+)
Age	
15-24	34%
25-34	24%
35-44	16%
45-54	17%
55+	8%
Aptitude	
Basic literacy	61%
Basic numeracy	95%

COUNTRY CONTEXT

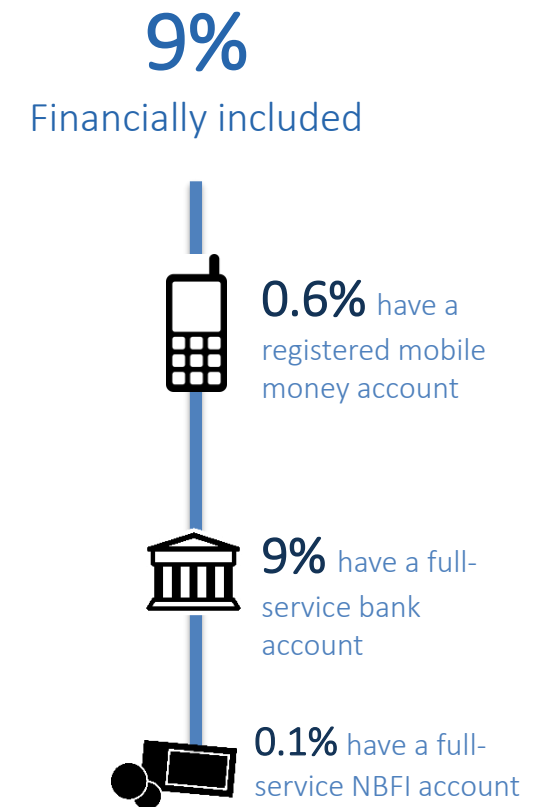
- In May 2015, the central bank, the State Bank of Pakistan (SBP), launched its National Financial Inclusion Strategy with the goal of expanding financial access to at least 50 percent of adults by 2020. This is an ambitious goal given only 9 percent of the country is currently financially included, primarily through bank account ownership.
 - In January 2016, several technical committees, including the committee on “Digital Financial Services and Payment Systems” were instituted by SBP to work toward implementation of the financial inclusion strategy.
- **In conjunction with its inclusion strategy, the SBP continues to maintain a focus on digital financial services (DFS) as a means to expand financial inclusion, and is pursuing several initiatives to help bolster DFS access through branchless banking and mobile money.**
 - In May 2016, the SBP released regulations allowing mobile money operators to issue pre-paid cards* as consumers are increasingly using these in the absence of other electronic forms of payment, such as debit or credit cards.
 - Also in May 2016, the SBP also released regulations for mobile banking interoperability. These regulations introduced a third-party service provider (TPSP) model, as stipulated in the regulations, which allows all banks and all mobile network operators to cater to each other’s customers.
 - In July 2016, the SBP also released updated branchless banking regulations to ensure greater customer protections, minimize risk factors for banks, and promote the bank-led model of branchless banking.
- By the end of the second fiscal quarter of 2016 (the latest data available), most individuals were accessing DFS via mobile money for sending or receiving money, and to make bill payments, each of which was primarily conducted through over-the-counter (OTC) transactions.
 - Mobile money OTC transactions represented 65 percent of the total value of customer transactions; m-wallet transactions, representing registered use, amounted to approximately 35 percent of the total value of transactions.
 - According to the SBP, the growth in mobile-wallet transactions was driven by cash deposits and withdrawals, followed by mobile top-ups and people to people.
- **According to the SBP, by the end of June 2016 (the latest data available), there were 14.5 million registered mobile money accounts, and an estimated 346,000 agents were operating in the country.**
 - The vast majority of registered accounts are held by Pakistan’s three main mobile money providers. Telenor Easypaisa accounted for 49 percent (7.1 million) of the registered accounts, followed by Mobilink JazzCash at 4.8 million accounts and UBL Omni at 2.2 million accounts.
 - The shares of agents in the market were dominated by Easypaisa (30 percent), JazzCash (18 percent) and UPaisa (13 percent).

**Pre-paid cards are not included in the definition of financial Inclusion.*

NOTABLE STATISTICS

- Access to financial services grew slightly in 2016, though overall financial inclusion remained unchanged vs. 2015 at 9 percent.
 - The slight growth in access to financial services in 2016 was the result of an increase in bank registration, which increased by 2 percentage points.
 - Registered bank accounts remain the primary means of financial account ownership, at 9 percent; the number of adults with registered mobile money accounts and registered NBFi accounts showed small declines.
- Despite high awareness of financial services, access to and use of banks, very low usage rates for mobile money and NBFi services showed a continuation of the pattern from previous years. Only a small fraction of OTC mobile money users converted to registered accounts, and overall mobile money registration fell from 2015 to 2016.
 - Awareness of mobile money providers remained high in 2016 at 76 percent; however, the conversion rate from awareness to use was minimal at 0.11 percent. OTC transactions are legal in Pakistan and money transfers are the dominant use case. Therefore individuals do not see the value in registering an account to use digital financial services (DFS).
 - One of the top reasons OTC users gave for their preference for OTC transactions is they believe they can take advantage of the services through an agent. Twenty-two percent of OTC users said they can have all the services through an agent, they prefer that agents perform transactions for them, don't know what they can use it for, or they do not understand the purpose of the account.
 - In 2016, the use of advanced mobile money services, such as bill pay, was less prevalent among mobile money users. For example, use of mobile money for bill payments was at 40 percent in 2015 and dropped to 29 percent in 2016.

2016: Financial Inclusion*
 (Shown: Percentage of Pakistani adults, N=6,000)

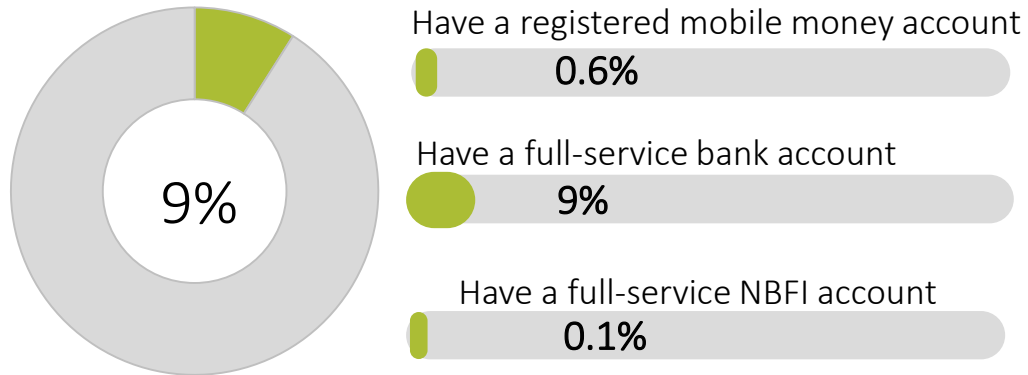


*Overlap representing those who have multiple kinds of financial accounts is not shown.

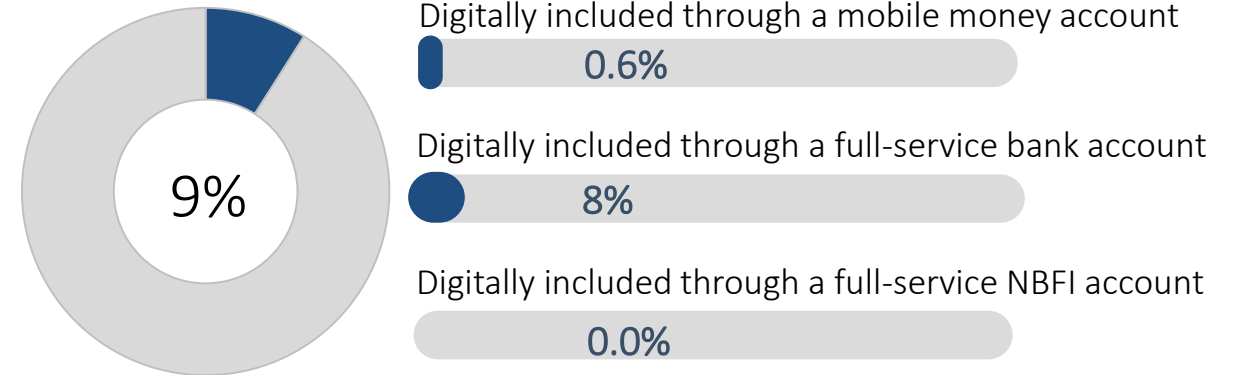
FINANCIAL AND DIGITAL INCLUSION

- Financial inclusion remains low in Pakistan.
- Bank account registration and use continues to drive financial inclusion. Mobile money registration remained very low; only 0.6% of the adult population had registered mobile money accounts.
- NBFIs accounts were almost nonexistent with only 0.1% of respondents indicating they had a registered account with an NBFIs.

Financially Included*



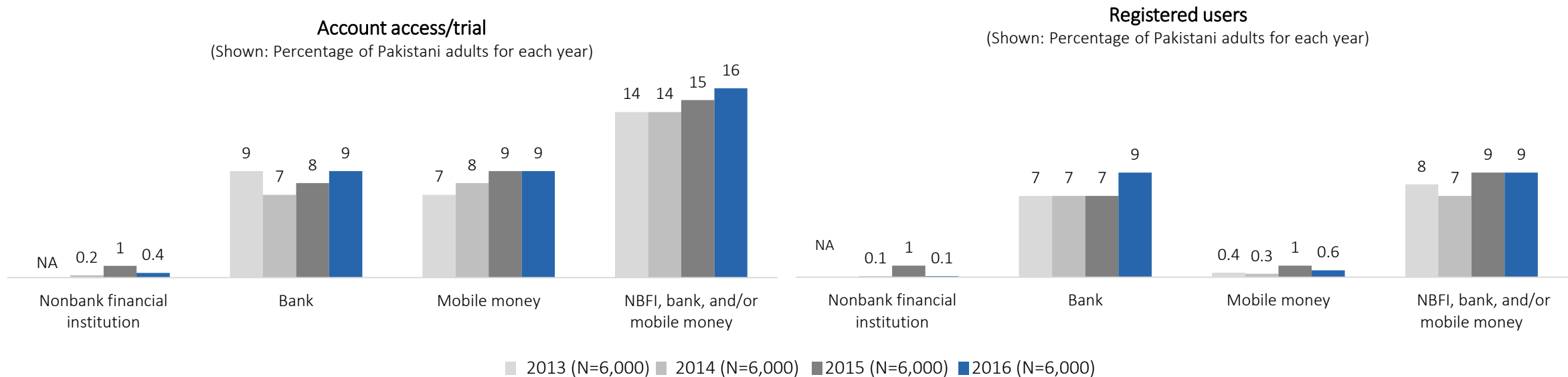
Digitally Included*



*Percentage of Pakistani adults, N=6,000

ACCESS AND REGISTRATION AT A GLANCE

- Access to financial services has steadily increased since 2014. In 2016, 16% of Pakistani adults had accessed at least one type of full-service financial institution.
- Nearly all those who have access to bank services have a registered account. Bank users register accounts at higher rates than mobile money or NBFIs users.



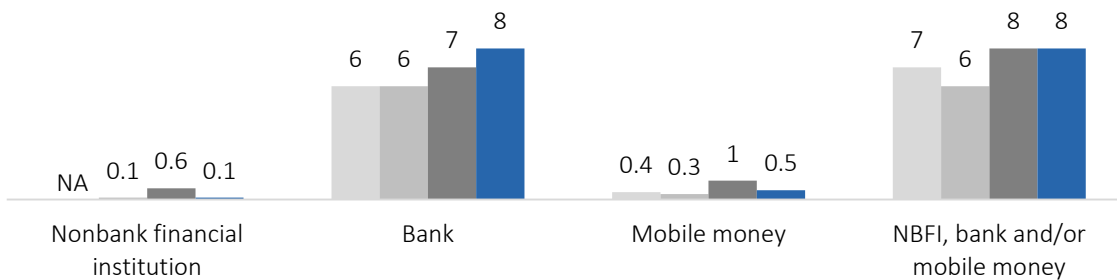
Source: InterMedia Pakistan FII Tracker surveys Wave 1 (N=6,000, 15+), November 2013-January 2014; Wave 2 (N=6,000, 15+), September-December 2014; Wave 3 (N=6,000, 15+), September-October 2015; Wave 4 (N=6,000, 15+), September-October 2016.

ACTIVE USE AND ADVANCED USE AT A GLANCE

- The majority of account holders, regardless of service type, tend to be active users of their accounts. Absolute numbers of active users are small across all types of financial institutions.
- In 2016, 62% of active users of registered bank accounts had used at least one advanced service. For NBFIs and mobile money services, too few active users have used advanced services to allow for meaningful trend analysis.

Active registered users

(Shown: Percent of Pakistani adults for each year)

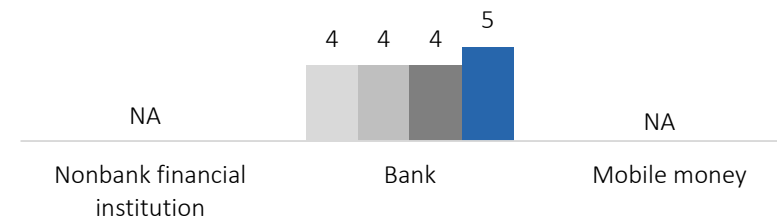


FII did not measure NBFIs in 2013.

■ 2013 (N=6,000) ■ 2014 (N=6,000) ■ 2015 (N=6,000) ■ 2016 (N=6,000)

Advanced active registered users

(Shown: Percent of Pakistani adults for each year)

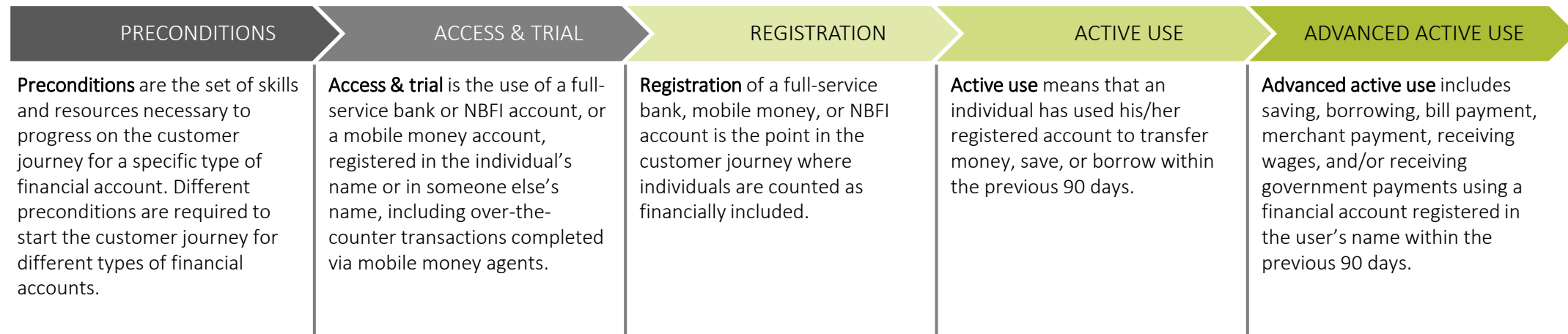


CUSTOMER JOURNEY



CUSTOMER JOURNEY

- Financial inclusion may be conceived as a process through which an individual’s needs are met by advancing step-by-step towards increasingly active engagement with a growing range of financial services.
- Understanding how different demographic groups advance on the customer journey is useful for developing strategies and interventions to assist more individuals to become users of the financial services that meet their needs.
- Five major stages in the customer journey are described in the figure below. The registration stage is where the FII program counts an individual as financially included, but the journey begins before, and extends after, registration.



PATHWAYS TOWARDS FINANCIAL INCLUSION

- Formal banking institutions continue to drive financial inclusion, but, overall, the number of financially included adults is low in Pakistan. Mobile money services have yet to capitalize on increases in awareness and access and to translate these gains into active registered account use.
- Only 16% of adults in Pakistan have taken the first step in the customer journey -- access and trial. The bank customer journey shows high rates of conversion to the later stages of registration and active and advanced use. While few of those who access mobile money move to registered use, those who are registered tend to become active users.
- Too few respondents have registered accounts with NBFi institutions to conduct meaningful analysis on the customer journey conversion rates.



(Percentage of Pakistani adults, N=6,000)

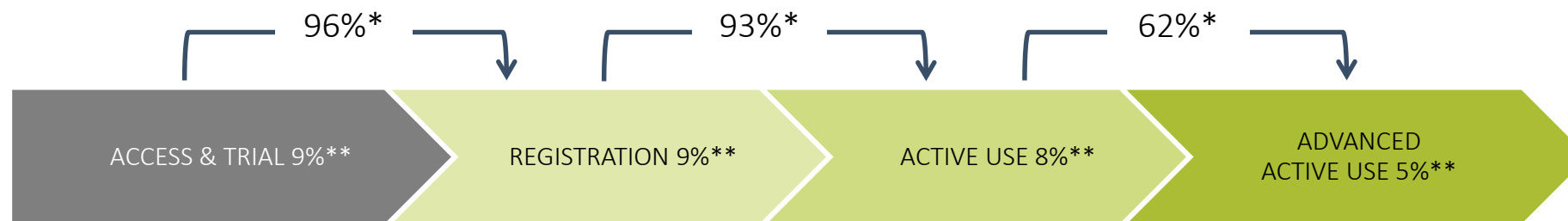
*Number too small to report

Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

THE BANKING CUSTOMER JOURNEY

- Banks are driving financial inclusion and bank users are successfully progressing along the customer journey from access to advanced active use.
- The high conversion rates from registration to active use and advanced use suggest that customers who engaged with banks have specific needs that are being met, at least in part, by bank services.
- The absolute numbers of customers at all stages of the customer journey are still low, despite high conversion rates.

2016: Conversion rate for each step in the banking customer journey
 (Shown: Percentage of Pakistani adults)



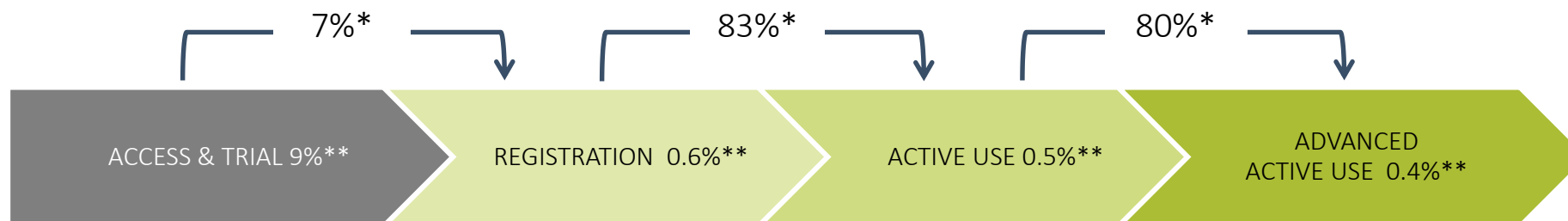
*Proportion that progressed to the next stage in the journey

**Proportion of the total population (n=6,000) at each stage in the journey

THE MOBILE MONEY CUSTOMER JOURNEY

- Mobile money use continues to be driven by OTC transactions, which is reflected by the low rate at which customers have converted from access to trial and registration.
- The number of respondents at the registration (n=36), active use (n=28) and advance active use (n=23) stages is too small to elicit meaningful conclusions about the behaviors or experiences of these customer segments.
- Among the few who have registered accounts, 83% were active users of their accounts, and 80% of active users were advanced active users in 2016.

2016: Conversion rate for each step in the mobile money customer journey
 (Shown: Percentage of Pakistani adults)



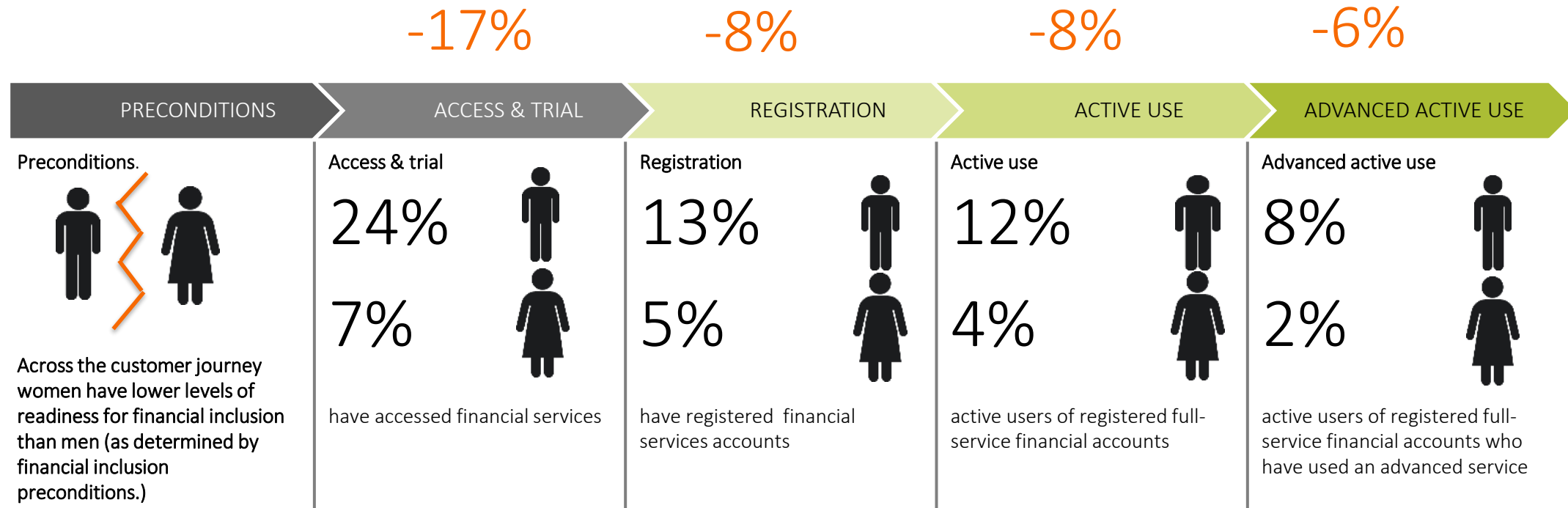
*Proportion that progressed to the next stage in the journey

**Proportion of the total population (N=6,000) at each stage in the journey

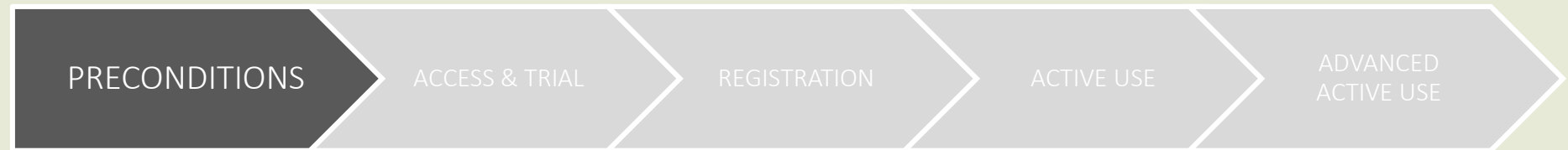
GENDER AND THE CUSTOMER JOURNEY

- In 2016, the gender gap in financial inclusion returned to the same level seen in 2014 – 8% – after falling to 5% in 2015.
- The gap is pervasive across all stages of the customer journey and across all demographics (poverty, education, geography, age and marital status).
- One of the biggest factors in the gender gap in Pakistan is a lack of agency and decision-making power among women, which is underpinned by ingrained cultural norms around the roles of women.

The gender gap is calculated simply by subtracting the percentage of the male population from the percentage of the female population counted under a specific indicator

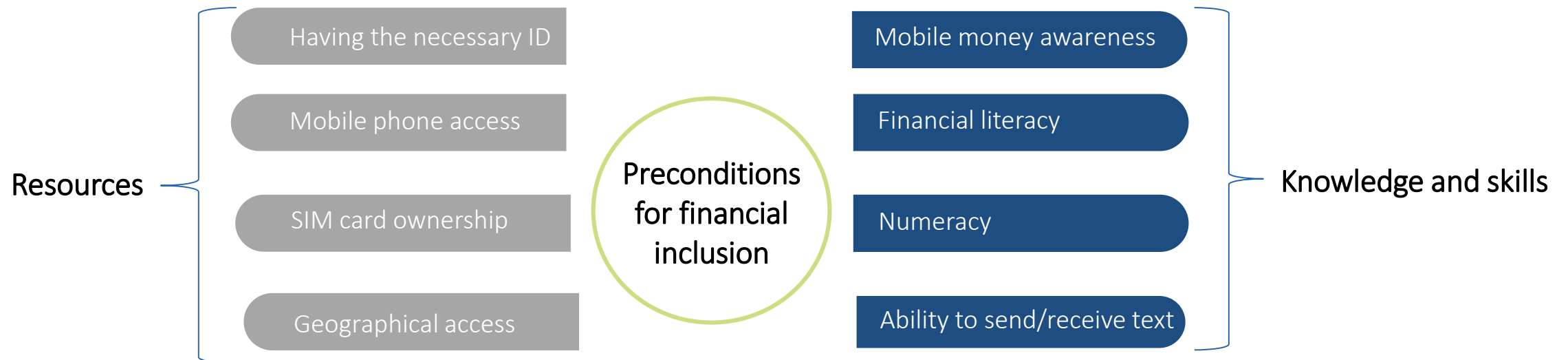


PRECONDITIONS



PRECONDITIONS FOR FINANCIAL INCLUSION

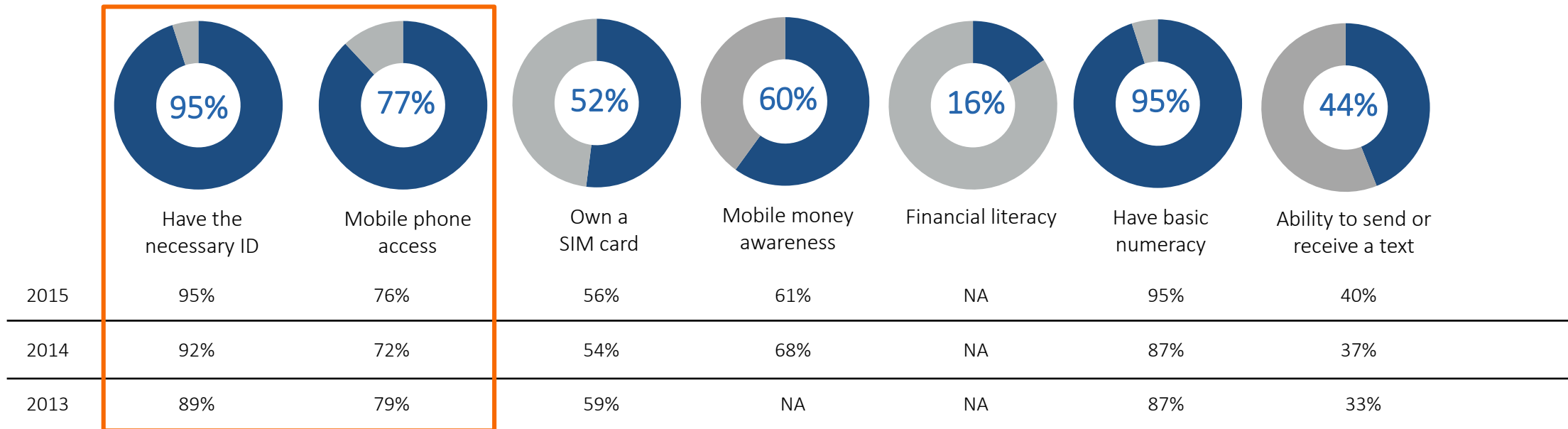
- Certain resources and skills are preconditions for advancing on the customer journey.
- While some of the following preconditions are necessary to access a financial account, others are not strictly necessary but enable a consumer to register a financial account and use it in a meaningful manner to reap the benefits of financial inclusion.



PRECONDITIONS: KEY INDICATOR TRENDS

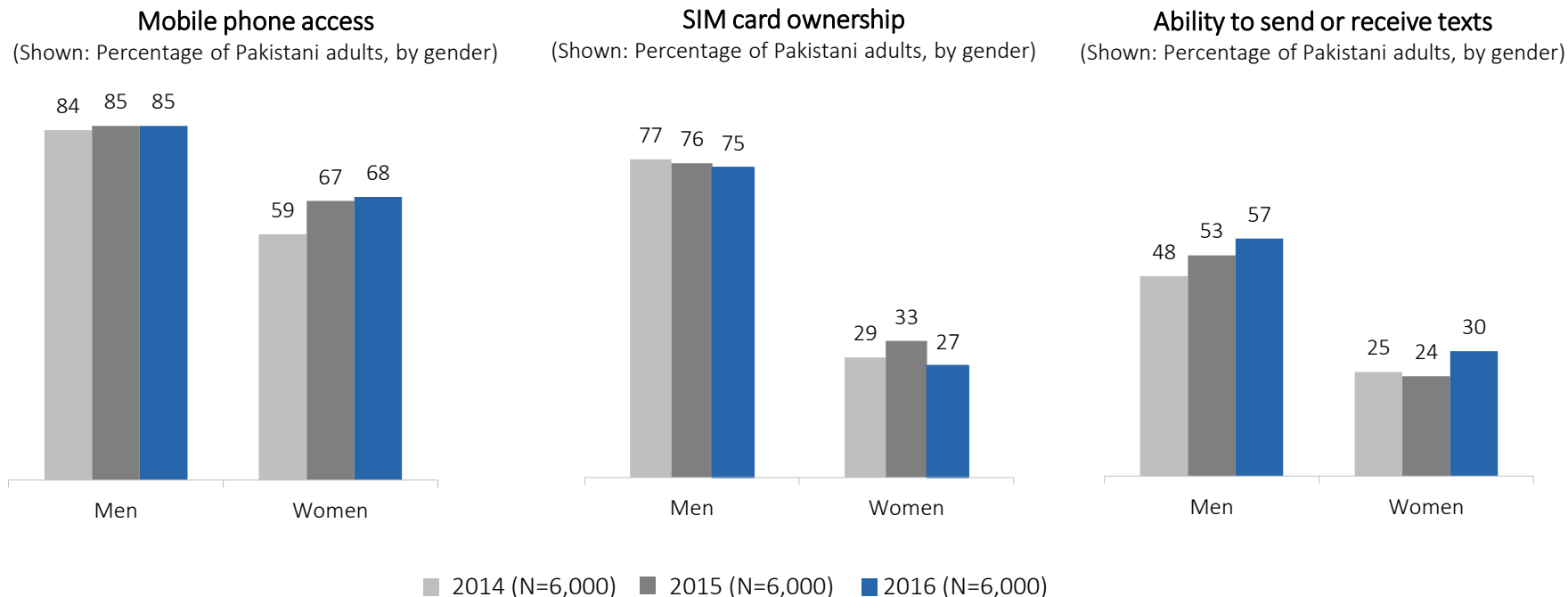
- While some precondition indicators, including levels of numeracy, having the correct ID, and access to mobile phones, are relatively high, mobile money awareness, the ability to send or receive a text message, financial literacy and SIM card ownership remain low compared to other countries. There is nevertheless a substantial population that fulfills the necessary preconditions for use of digital financial services, but has not started the customer journey.

2016: Key indicators of preparedness for digital financial services
(Shown: Percentage of Pakistani adults, N=6,000)



MOBILE PHONE ACCESS, OWNERSHIP AND USE

- Women in Pakistan are facing mixed trends in technology related preconditions. While mobile phone access and the share of the population with the ability to send or receive texts increased between 2014 and 2016, SIM card ownership decreased.
- Among men, mobile phone access and SIM card ownership was nearly unchanged from 2014 to 2016. The same period has seen a distinct upward trend in the ability to text.



Traditional values and gender roles, particularly for married women, continue to create barriers for women’s financial inclusion.

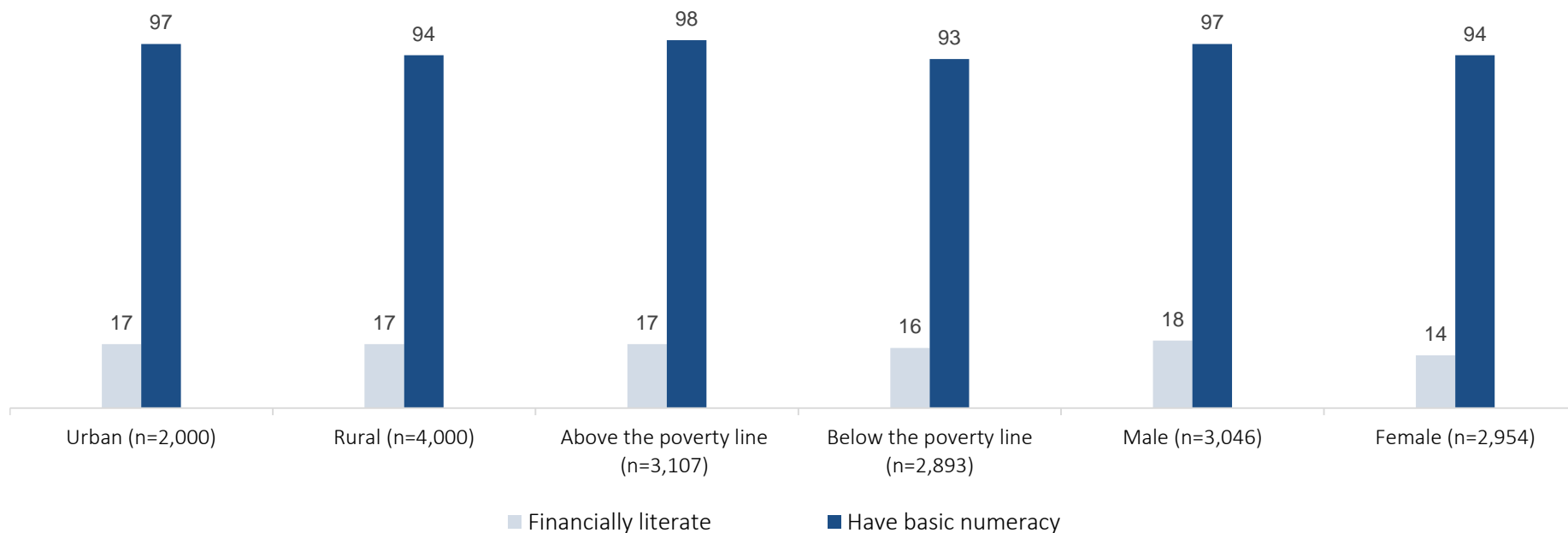
The percentage of women respondents with access to mobile phones dropped 9 points among married women vs. single women (74% of single women and 65% of married women have access). The percentage of men with access to mobile phones increased 7 points between single and married men (81% and 88%, respectively).

Source: InterMedia Pakistan FII Tracker surveys; Wave 2 (N=6,000, 15+), September-December 2014; Wave 3 (N=6,000, 15+), September-October 2015; Wave 4 (N=6,000, 15+), September-October 2016.

FINANCIAL LITERACY AND NUMERACY

- While numeracy is high in Pakistan, financial literacy is under 20% across all demographics.
- The level of financial literacy is relatively constant across demographic groups suggesting there is a pervasive lack of knowledge and understanding of financial services concepts, which may contribute to continued low levels of financial inclusion.

2016: Numeracy and financial literacy by demographic
 (Shown: Percentage of Pakistani adults in each category)



Financial Literacy Index

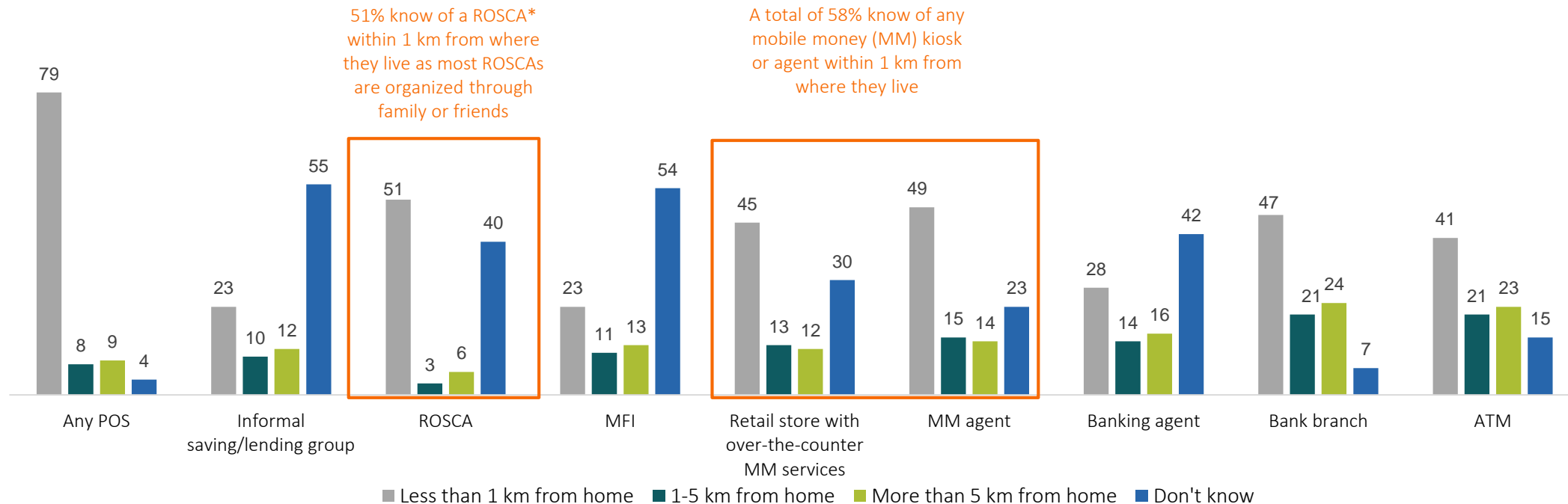
New to the FII survey in 2016, the financial literacy indicator uses a combination of survey items that measure basic knowledge of four fundamental concepts in financial decision-making (interest rates, interest compounding, inflation, and risk diversification) following the Standard and Poor’s Rating Service’s Global Financial Literacy Survey methodology.

GEOGRAPHICAL ACCESS

- Seventy-nine percent of adults know of a point of service within 1 kilometer of their homes.
- Bank branches, mobile money agents, and ATMs all have similar levels of reported proximity to households.

2016: Proximity to points of service (POS) for financial institutions

(Shown: Percentage of Pakistani adults, N=6,000)



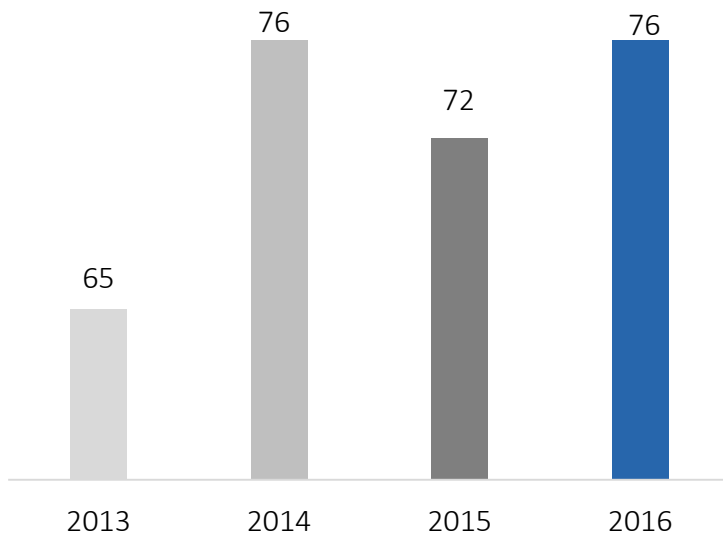
*Rotating savings and credit association

Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

MOBILE MONEY AWARENESS

- Awareness of mobile money providers is higher than understanding of mobile money as a concept. This is particularly true among respondents living below the poverty line. Less than 50% of poor respondents knew of mobile money as a concept.

Mobile money provider awareness
 (Shown: Percentage of Pakistani adults, N=6,000)



60%

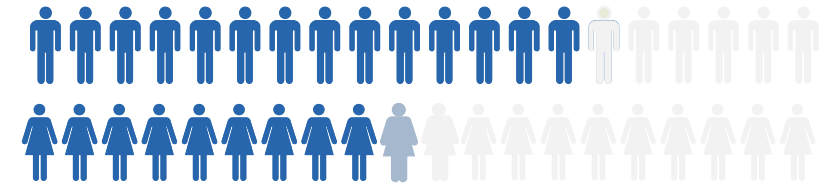
of adults understood the concept of mobile money in 2016

2016: Mobile money concept by poverty level
 (Shown: Percentage of Pakistani adults, N=6,000)

69% of those above \$2.50/day poverty line knew of mobile money as a concept

49% of those below \$2.50/day poverty line knew of mobile money as a concept

2016: Mobile money concept by gender
 (Shown: Percentage of Pakistani adults, N= 6,000)



70% of men knew of mobile money as a concept

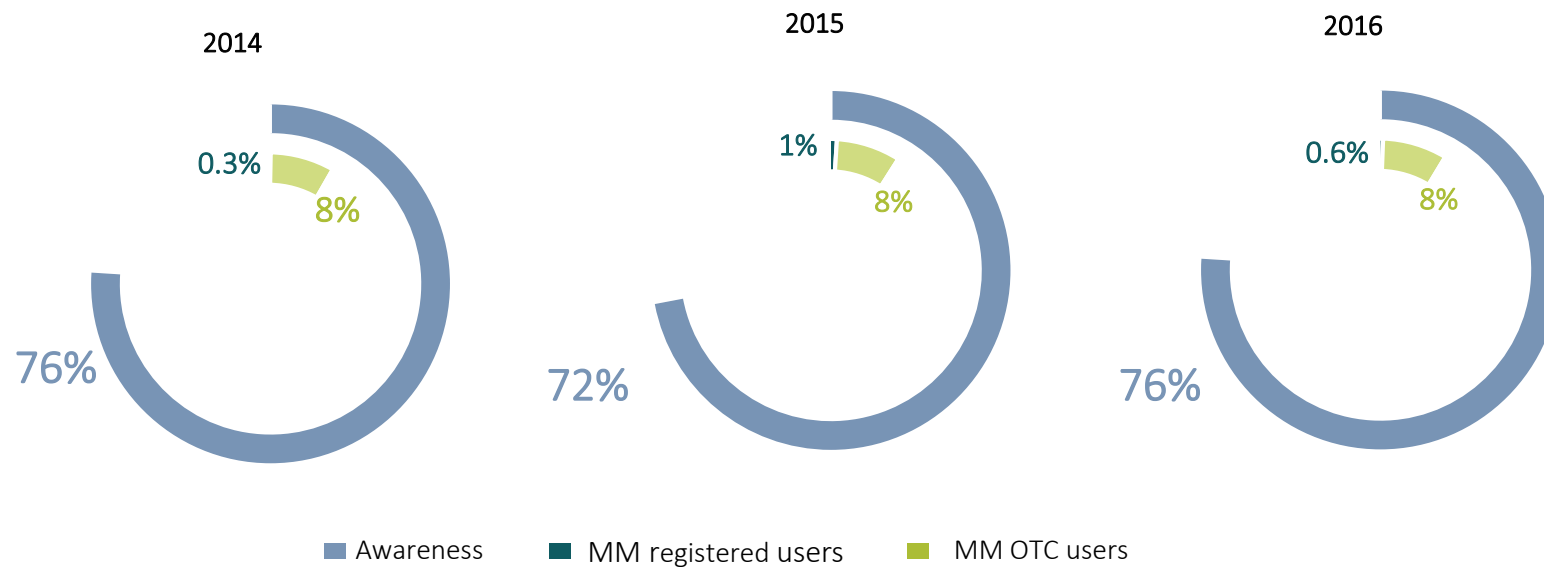
49% of women knew of mobile money as a concept

AWARENESS OF MOBILE MONEY PROVIDERS VS. USE

- Awareness of mobile money providers has increased from 2015, but it has not yet translated into wider use (both OTC use and registered use), due, in part, to a lack of awareness of the providers’ mobile money (MM) service offerings.
- This gap is one of the factors contributing to the low access and trial rate (9%).

Conversion from awareness of mobile money (MM) providers* to mobile money use

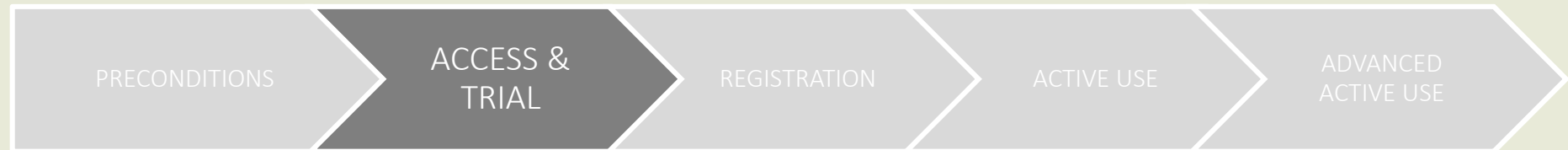
(Shown: Percentage of Pakistani adults for each year)



*Aware of at least one mobile money provider. Percentages add up to 8 percent due to statistical rounding.

Source: InterMedia Pakistan; Wave 2 (N=6,000, 15+), September-December 2014; Wave 3 (N=6,000, 15+), September-October 2015; Wave 4 (N=6,000, 15+), September-October 2016.

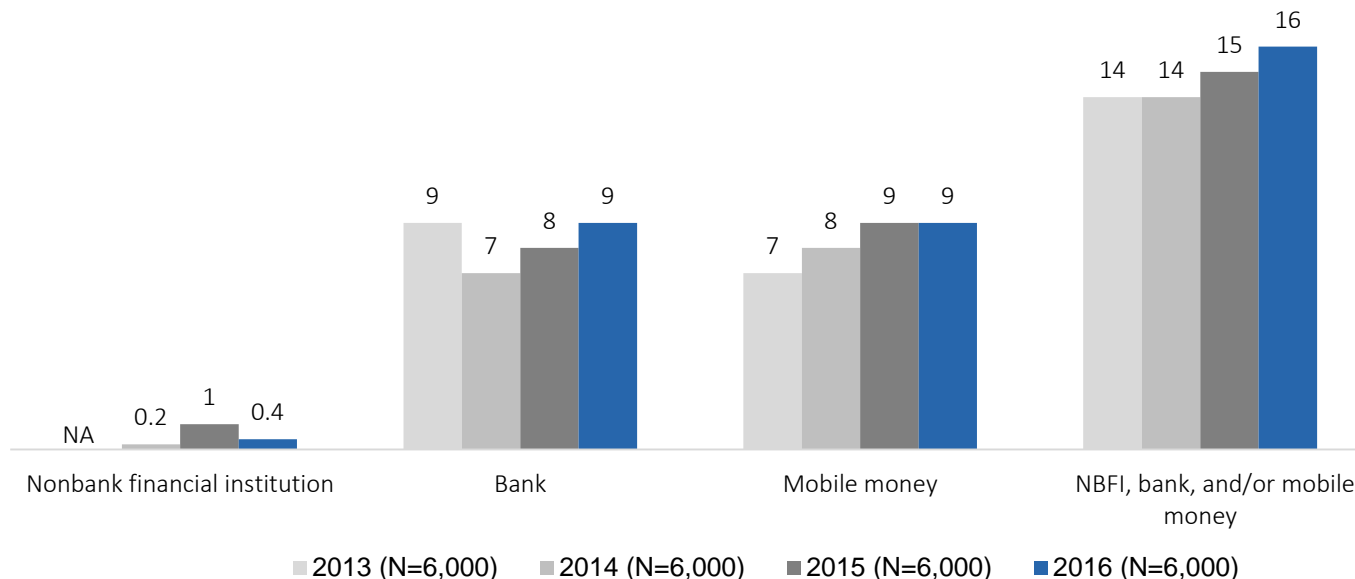
ACCESS & TRIAL



ACCESS AND TRIAL OF FINANCIAL SERVICES

- In 2016, 84 percent of the adult population had never accessed any formal financial services account (either their own or one belonging to someone else). While the number without access has decreased slightly since 2014, it is clear that there has been no broad-based adoption of financial services across the population.
- Banks and mobile money are the most frequently accessed services.
- The slight increase in access to banks caused a corresponding increase in overall access to financial services accounts.

Account access/trial
 (Shown: Percentage of Pakistani adults for each year)



79% of adults are aware of a point of service less than 1 km from their home, but only

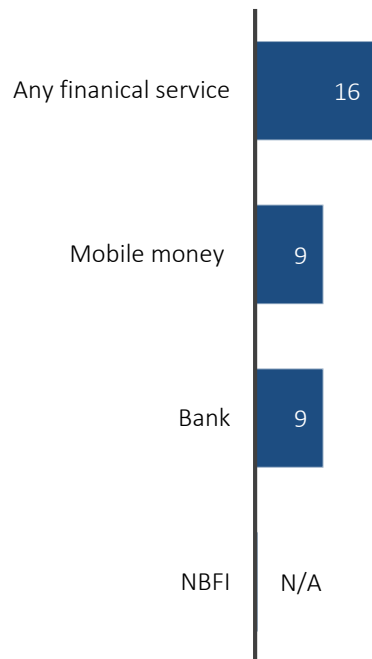
16% of adults have tried to use a financial service

Source: InterMedia Pakistan FII Tracker surveys Wave 1 (N=6,000, 15+), November 2013-January 2014; Wave 2 (N=6,000, 15+), September-December 2014; Wave 3 (N=6,000, 15+), September-October 2015; Wave 4 (N=6,000, 15+), September-October 2016.

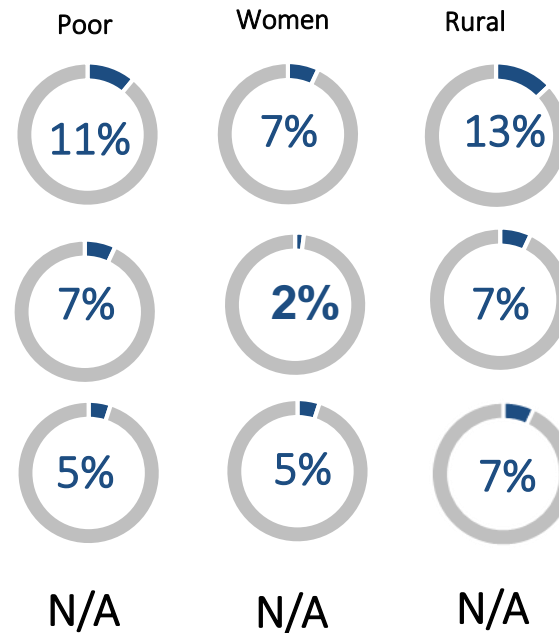
ACCESS TO FINANCIAL SERVICES

- Access to financial services is highest among urban men living above the poverty line.
- Mobile money is the most frequently accessed financial service type for adults living below the poverty line.

2016: Access to financial services,
 (Shown: Percentage of Pakistani adults)



2016: Access to financial services, by demographics
 (Shown: Percentage of Pakistani adults)



67%

of adults with access to financial services live above the poverty line

63%

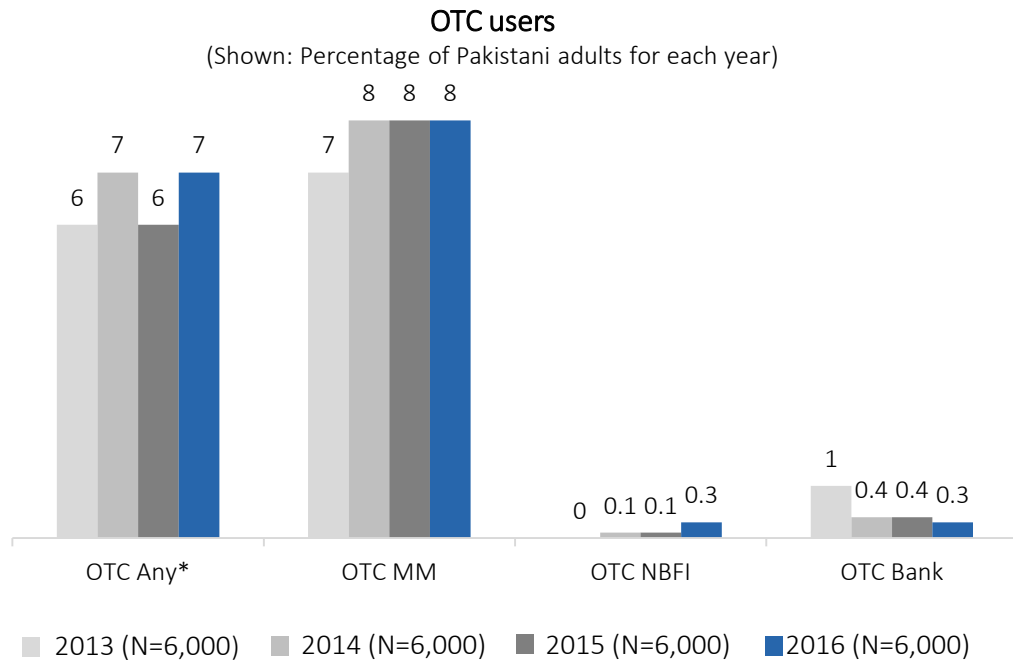
of adults with access to mobile money live above the poverty line

73%

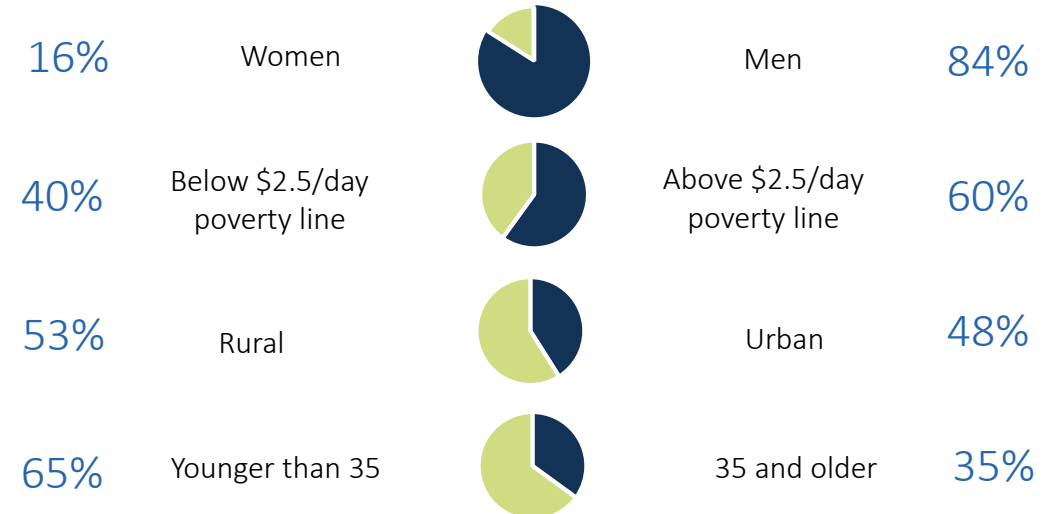
of adults with access to bank accounts live above the poverty line

OVER-THE-COUNTER USE

- Over-the-counter (OTC) use is driven by mobile money. OTC users tend to be rural, male, young, and above the poverty line. It is difficult to access bank services without a registered account, therefore, most bank customers use registered accounts rather than OTC services. A very small segment of the population uses NBFi services OTC.
- Men dominate OTC use across all service types. Although OTC use of any financial service type increased in 2016, the percentage of female OTC users of any financial service decreased from 23% to 16%.



2016: OTC users of any financial service, by demographic
 (Shown: Percentage of Pakistani adults who accessed any financial service over the counter, n=411)



*Does not include OTC mobile money users who have registered bank accounts.

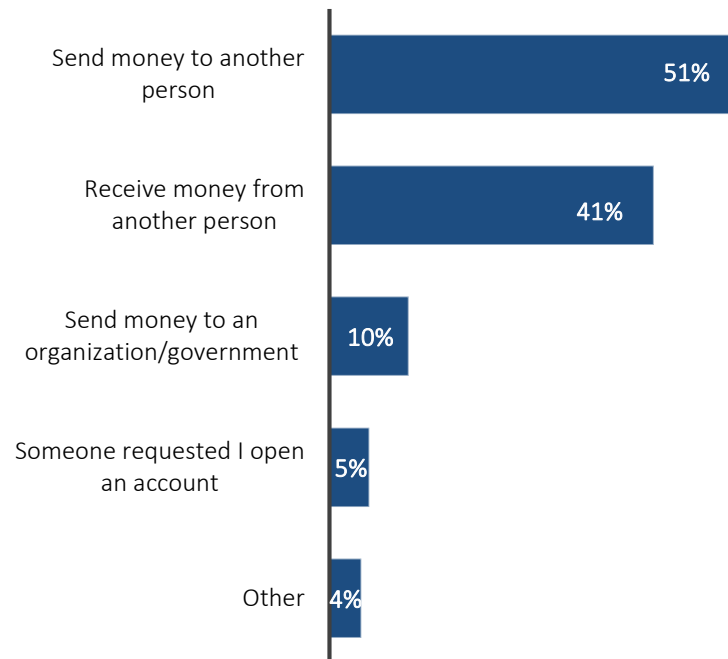
Source: InterMedia Pakistan FII Tracker surveys Wave 1 (N=6,000, 15+), November 2013-January 2014; Wave 2 (N=6,000, 15+), September-December 2014; Wave 3 (N=6,000, 15+), September-October 2015; Wave 4 (N=6,000, 15+), September-October 2016.

REASONS FOR USING MOBILE MONEY

- The driving factor to start using mobile money is overwhelmingly peer-to-peer money transfers.
- While P2P is also the top reason for continued use of mobile money, bill pay, deposits and withdrawals are also frequently reported reasons for continued use, suggesting that customers use mobile money to meet their financial service needs beyond P2P transfers.

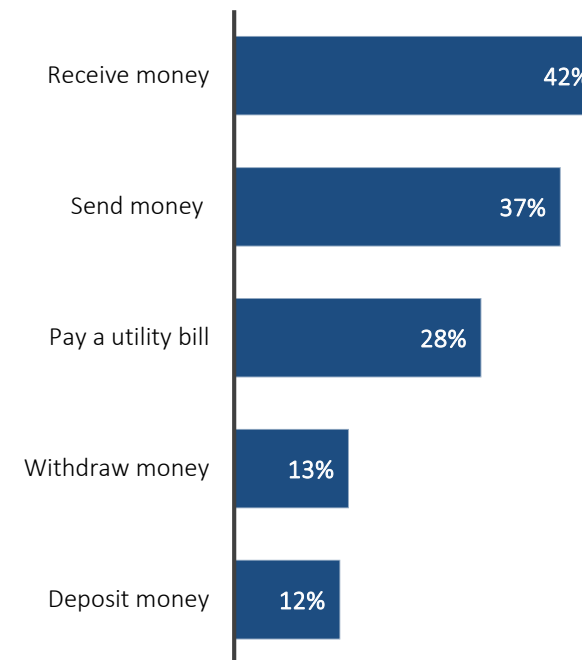
2016: Main reason to start using mobile money

(Shown: Percentage of Pakistani adults with access to mobile money, n=505)



2016: Top uses of mobile money among mobile money users

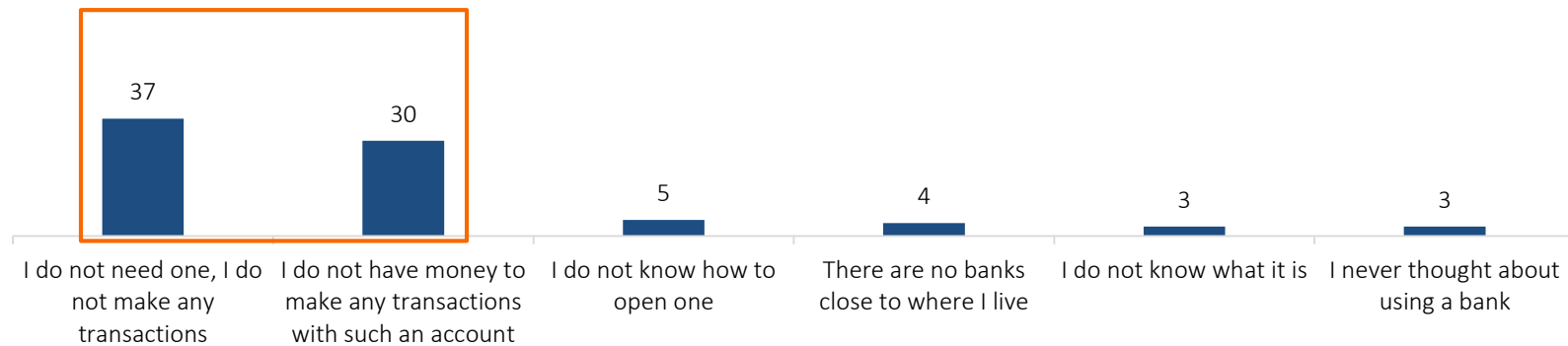
(Shown: Percentage of Pakistani adults with access to mobile money, n=505)



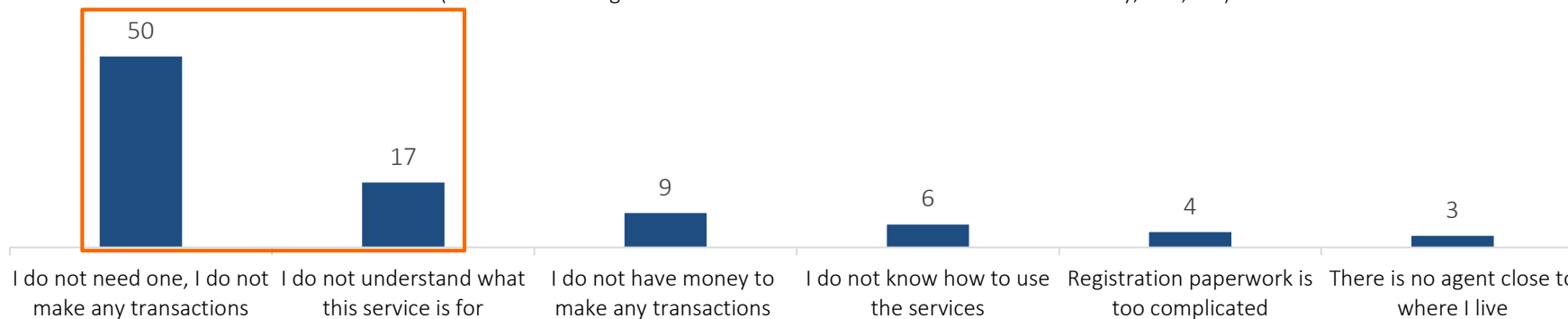
Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

BARRIERS TO ACCESS: BANKS AND MOBILE MONEY

2016: Main reason for not opening a bank account
 (Shown: Percentage of Pakistani adults without bank accounts, n=5,405)



2016: Main reason for not using a mobile money account
 (Shown: Percentage of Pakistani adults without access to mobile money, n=4,042)



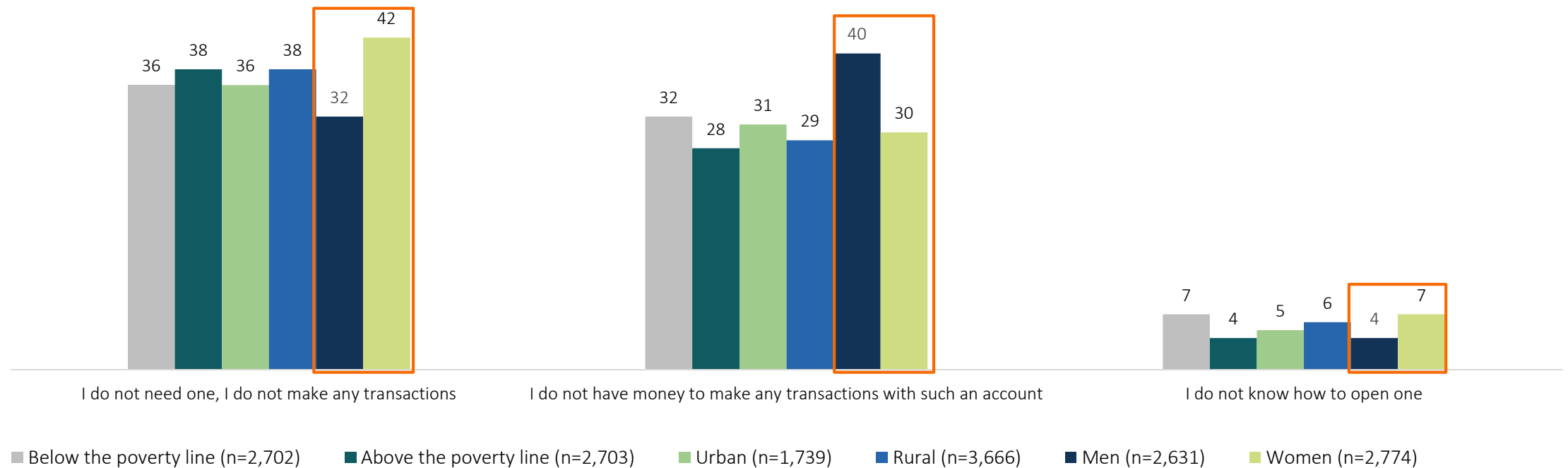
Low perceived need for financial services leads to low registration of accounts

- Of the 84% of Pakistanis without access to financial services, the most frequent reason given for not opening a bank or using a mobile money service was that they *did not see a need*.
- Respondents' second most cited reason for not opening a bank account was the perception that they did not have enough money to take advantage of the service.
- The second most cited reason for not using mobile money was not understanding what the service is or how it can be used.

BARRIERS TO ACCESSING BANKS

- There is a big difference in how men and women experience barriers to bank access. Men reported being more concerned about having enough money to use a bank vs. women who cited a perceived lack of need.

2016: Main reason for not opening a bank account
 (Shown: Percentage of Pakistani adults without access to banks, by demographic)



Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

BARRIERS TO ACCESSING MOBILE MONEY

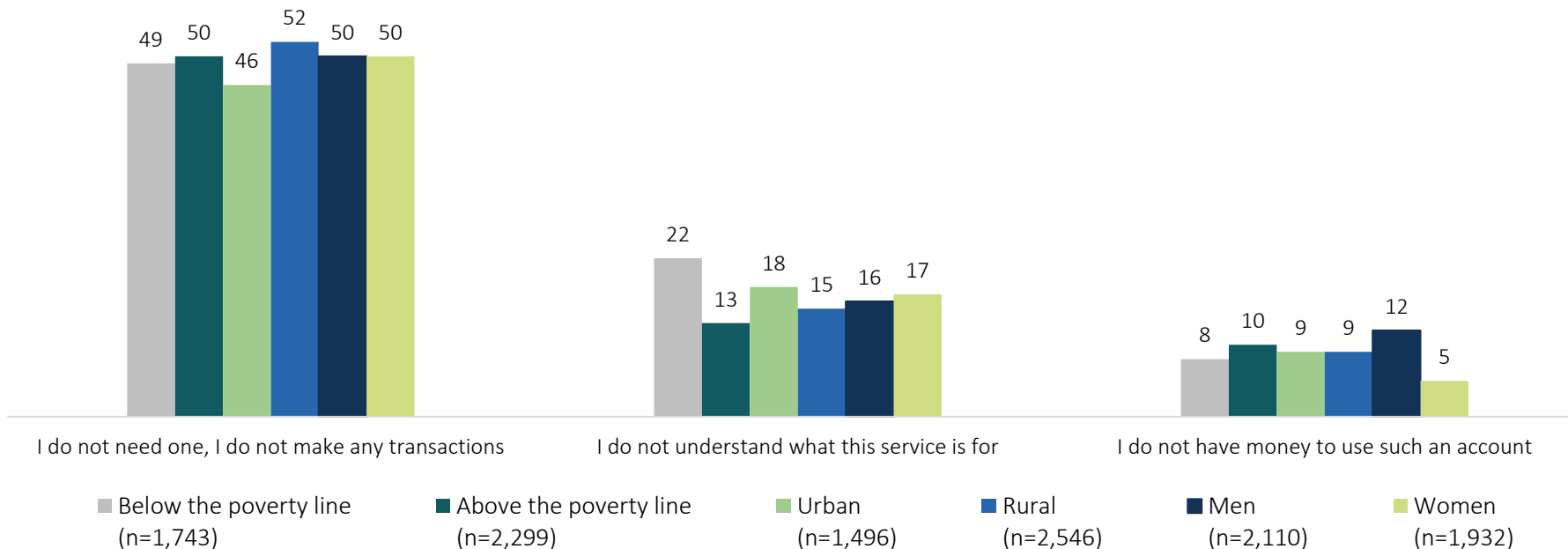
- The reasons for not using mobile money are more homogeneous across the different demographics than the reasons for not using banks.
- As with banks, more men than women cited a lack of money as the main reason for not accessing the service.

Low levels of financial knowledge lead to low rates of access

The high frequency of respondents who reported they do not see a need for financial services, combined with low levels of financial literacy, suggests there is a gap in knowledge about the value of financial services, which in part, is driving low access and inclusion rates.

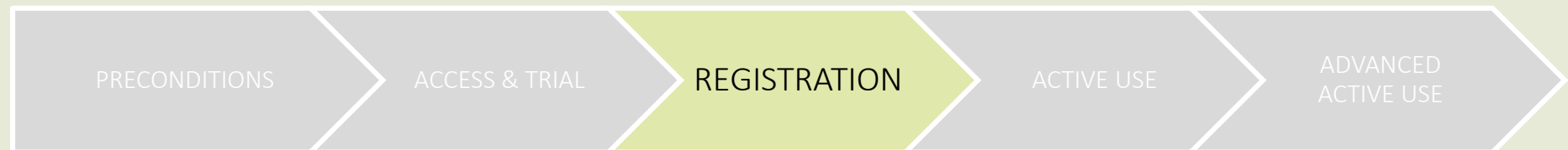
2016: Main reason for not using mobile money

(Shown: Percentage of Pakistani adults without access to mobile money, by demographic)



Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

REGISTRATION



BANK ACCOUNT USE

- The main reasons respondents accessed a bank account in 2016 was to receive wages and to save and store money. These are services that are geared to people living above the poverty line.
- While saving is also a factor for adults below the poverty line, the costs, logistics and requirements of opening a bank-owned savings account may be prohibitive.



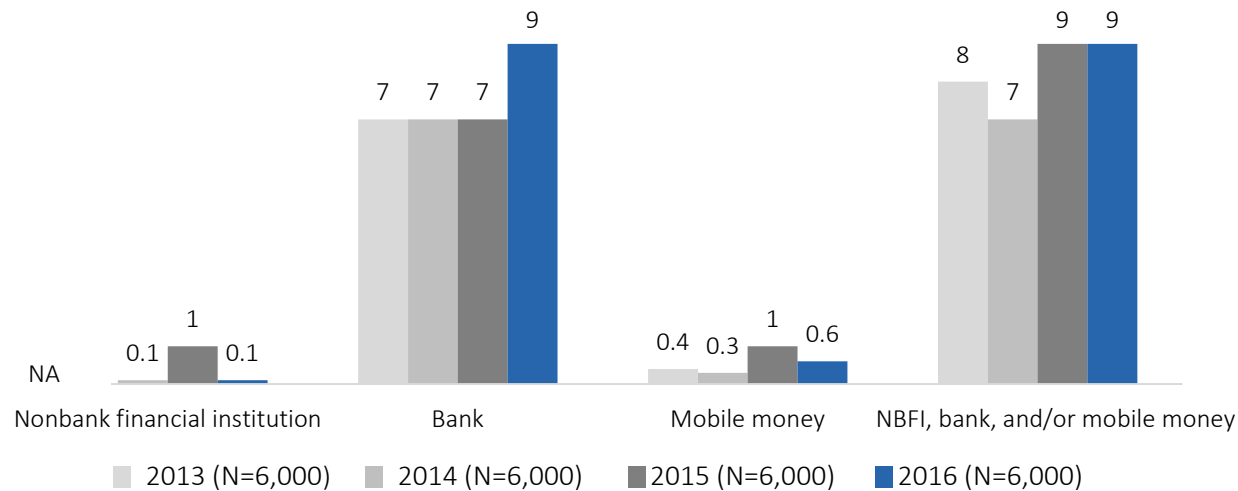
*As bank account trial and use was nearly equal to registration the report uses data from questions about opening/registering bank accounts as a proxy for why respondents decided to first use a bank account.

Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

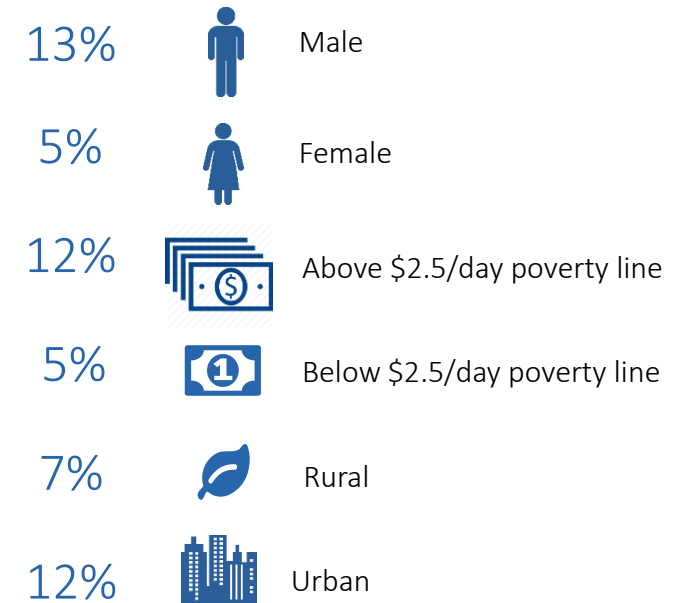
REGISTERED FINANCIAL ACCOUNT OWNERSHIP

- Bank registration accounts for 99% of registered accounts in Pakistan. Ninety-nine percent of registered accounts in Pakistan are registered bank accounts.
- Bank account registration increased between 2015 and 2016, from 7% to 9%.
- There was a slight drop in mobile money registration from 2015 to 2016. This may be due to the end of the free and automatic one-year registration promotion run by major providers in 2014 and 2015.

Registered financial account owners (any financial service type)
 (Shown: Percentage of Pakistani adults for each year)



2016: Registered financial account owners (any financial service type), by demographic
 (Shown: Percentage of Pakistani adults who have registered financial accounts)

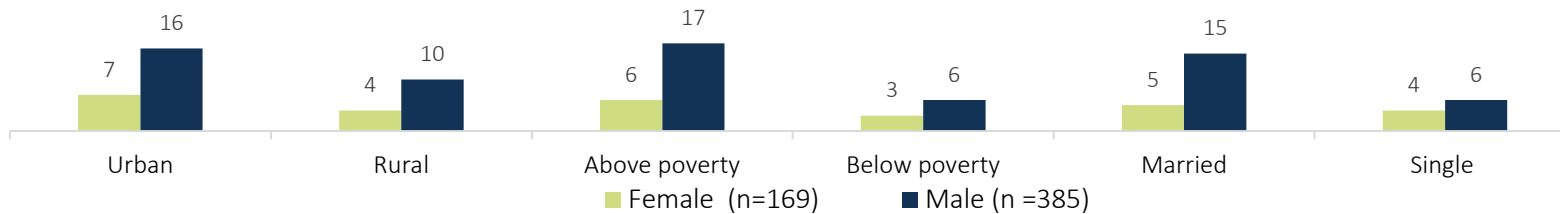


Source: InterMedia Pakistan FII Tracker surveys Wave 1 (N=6,000, 15+), November 2013-January 2014; Wave 2 (N=6,000, 15+), September-December 2014; Wave 3 (N=6,000, 15+), September-October 2015; Wave 4 (N=6,000, 15+), September-October 2016.

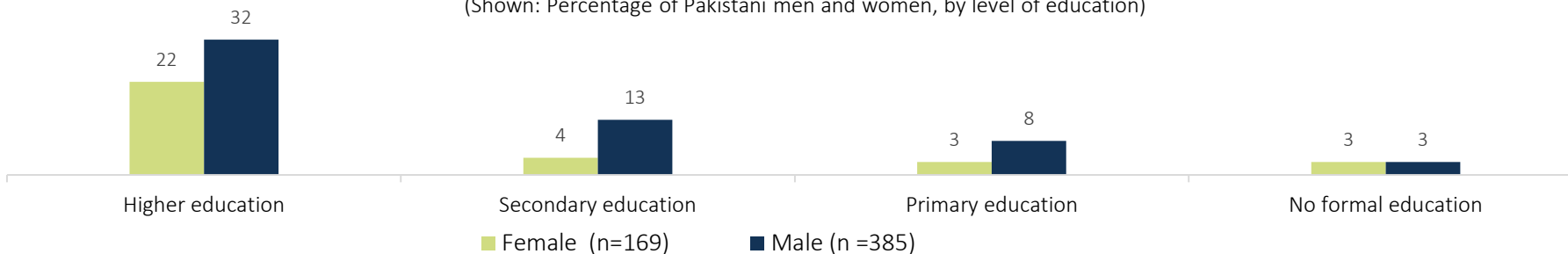
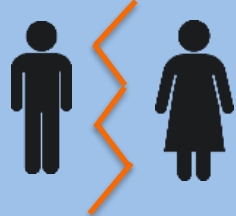
REGISTERED BANK ACCOUNT OWNERS

- Men dominate bank account registration compared to women. However, across gender, registered bank account owners are primarily married and living above the poverty line.
- Educational status, geography and poverty are the main differentiators for bank account registration for both men and women. The concentration of banks in urban areas and the perception of banks servicing the elite help to drive the demographic splits.

2016: Registered bank account owners
 (Shown: Percentage of Pakistani men and women, by demographic)



2016 Registered bank account owners
 (Shown: Percentage of Pakistani men and women, by level of education)

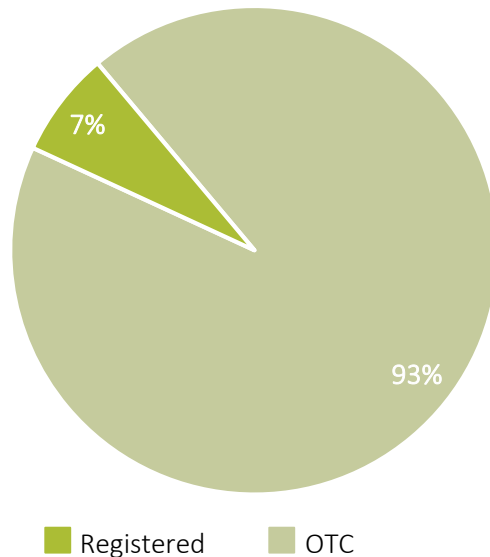



Gender continues to be a key demographic differentiator in bank account registration. The gender gap in bank account registration increased from **5% to 7%** between 2015 and 2016. Urban, wealthy and highly educated women reported registering most frequently. However, women within these privileged demographics reported registering less frequently than poor, rural men.

TOP REASONS FOR NOT REGISTERING MM ACCOUNTS

- The majority of mobile money (MM) users do not see the value in registering an account and continue to use the services over the counter.

2016: Mobile money use: registered vs. OTC
 (Shown: Percentage of mobile money users, n=505)



Reasons for OTC use/not registering a mobile money account

(Shown: Percentage of OTC users, n=469)

Reasons for OTC use/not registering a mobile money account	%
I don't need to, I don't make any transactions	33
I never have money to make a transaction	14
I can have all the services through an agent, I do not need an account	14
I do not see any additional advantages to registration	10
Using such an account is difficult/I do not know how to use it on my own	7
I prefer that agents perform transactions for me	5
I do not understand the purpose of this account	3
I do not know what I can use it for	3

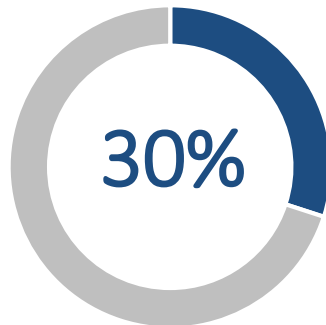
MOBILE MONEY MISPERCEPTIONS

- The survey respondents showed pervasive misperceptions about what it costs to register mobile money accounts and a perception there is no added value to registering an account vs. simply using OTC services. In Pakistan, mobile money accounts can be opened **without any deposit money and there are no monthly deductions for operations**. However, only 6% of adults without a mobile money account were aware of this.
- Taken together, the misperception of the cost of using a mobile money account is a major stumbling block to expanding mobile money registration, which has seen a mere 7% conversion rate from access to registration.

2016: Mobile money registration requirements

(Shown: Percentage of Pakistani adults who are aware of mobile money but do not have a registered account, n=4,512)

Percentage of adults who think they know the cost of mobile money registration



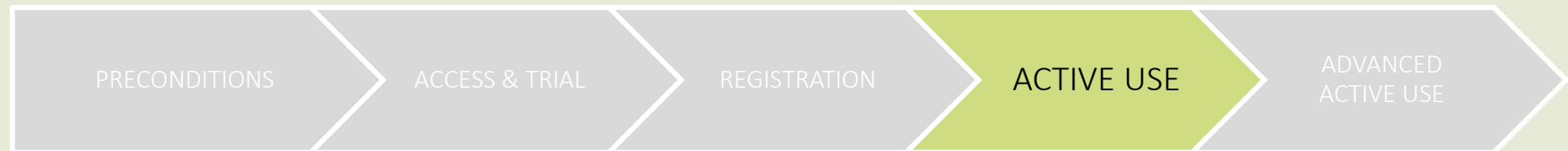
70% of respondents who are aware of mobile money but did not have an account, did not know the cost of registering an account.

Minimum range of perceived costs of mobile money registration



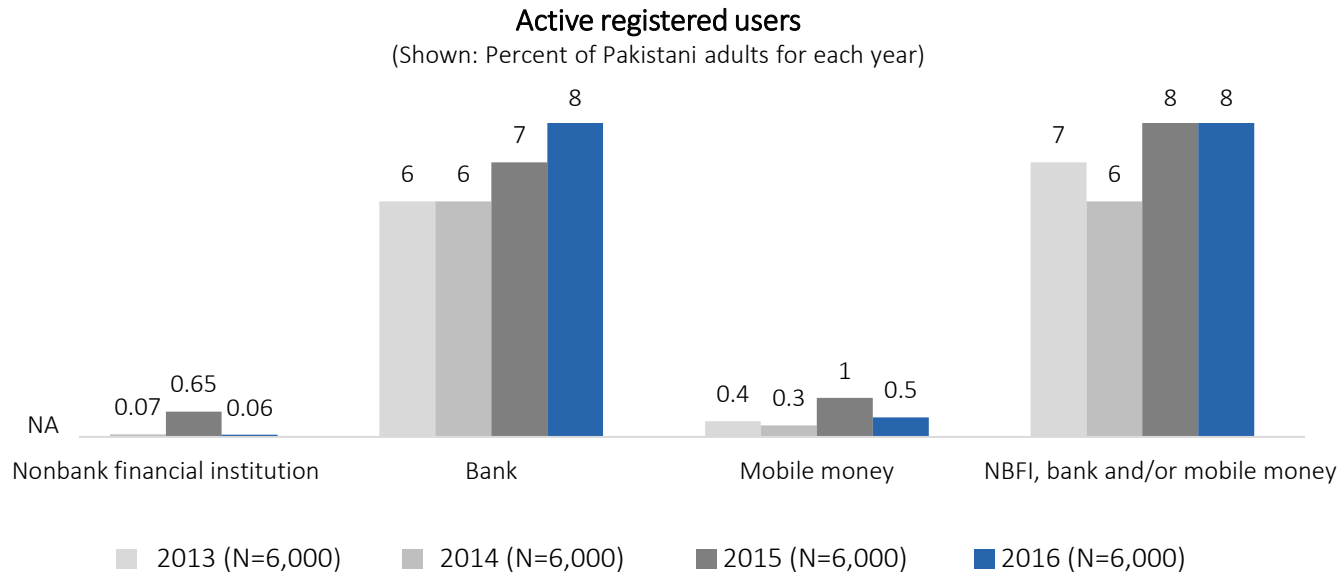
Of the 30% of adults who thought they knew the requirements for opening an account, 78% believed there was a registration fee involved and gave fee estimates ranging from PKR 15,000 to PKR 10, averaging at PKR 207.

ACTIVE USE



ACTIVE USE

- Over 90% of registered bank account users were active users; however, the sample sizes for NBFIs and mobile money active users are too small to be conclusive.

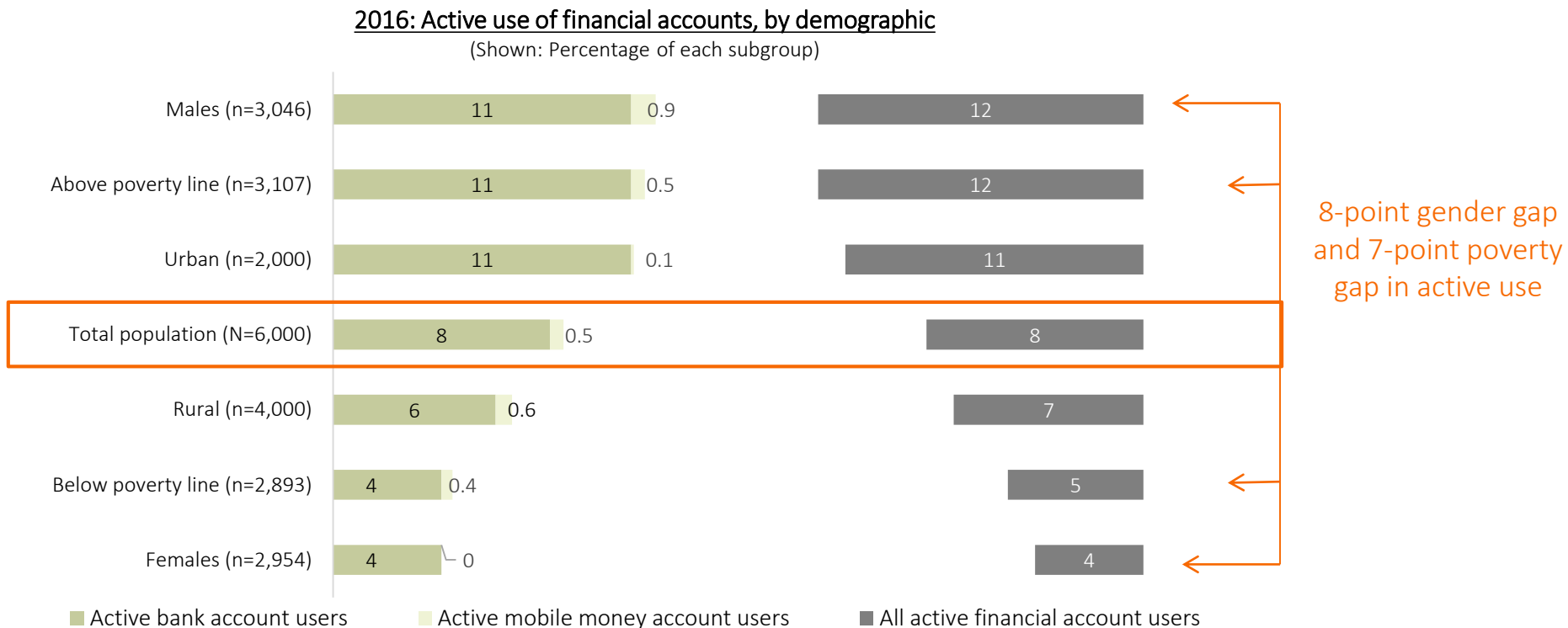


93%

of adults with registered bank accounts are active users, suggesting there are very few dormant personal bank accounts

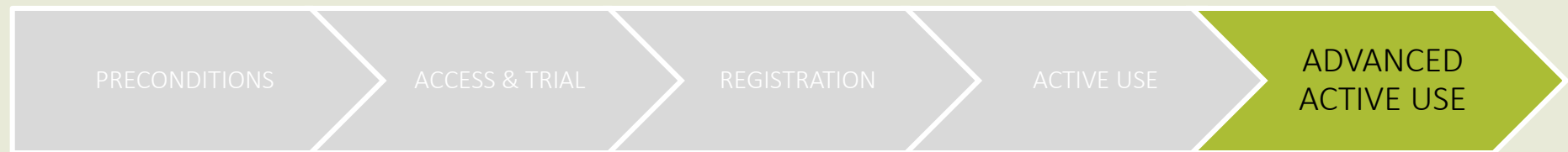
ACTIVE USE AMONG DEMOGRAPHIC GROUPS

- The largest disparities in active account use are seen in poverty and gender. There is an 8-point gender gap in active use and a 7-point poverty gap in active use (of all financial services).
- The demographic gaps follow similar patterns regardless of financial service type.



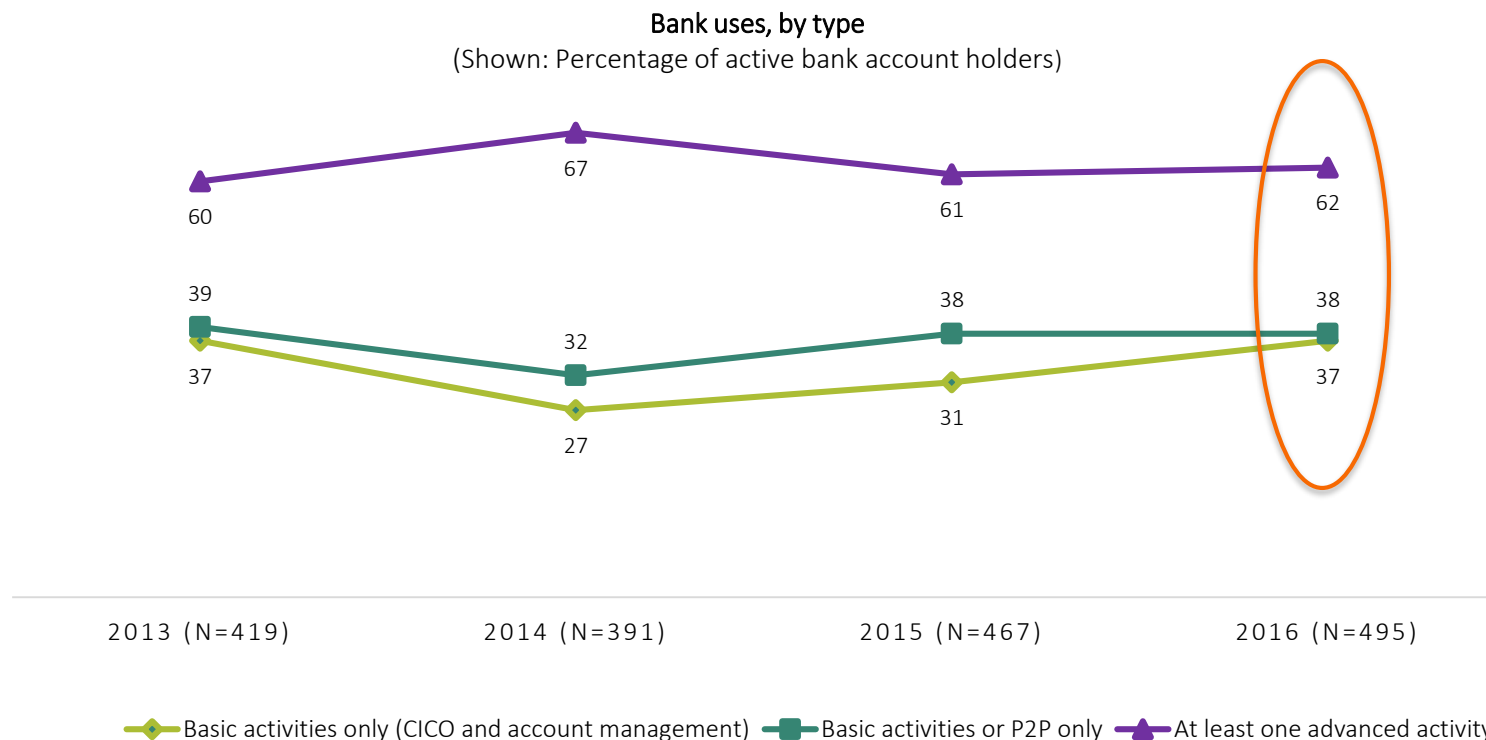
Types of accounts are not mutually exclusive. NBFi active use is not shown because active use is <0.1%
 Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

ADVANCED ACTIVE USE



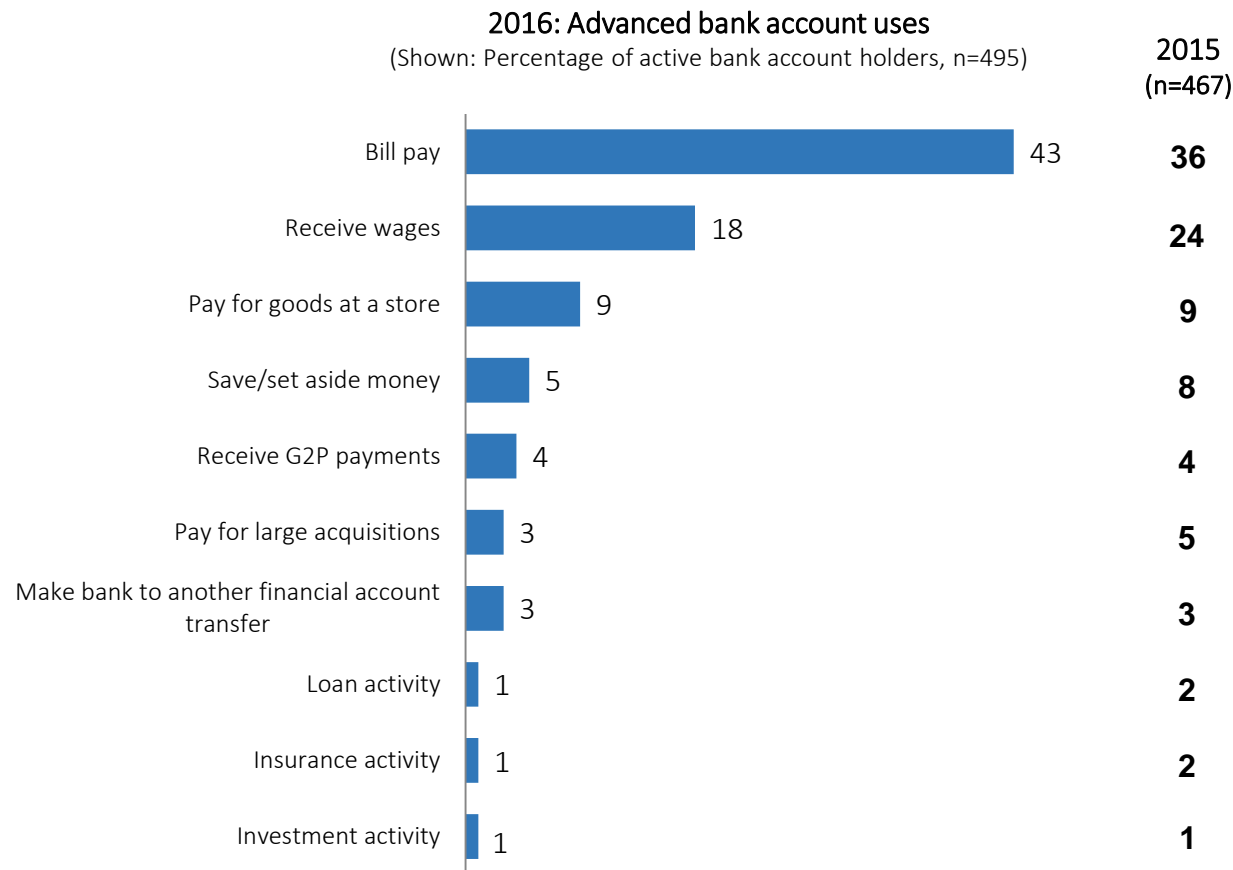
ACTIVE BANK ACCOUNT USE

- The proportion of account holders who have used an advanced service remained essentially unchanged vs. 2015.
- Active users using only basic banking activities increased 6 percentage points, from 31 percent to 37 percent, between 2015 and 2016.



ADVANCED ACTIVE BANK ACCOUNT USE

- Active bank account holders utilize their accounts for a variety of advanced uses; bill payments and receiving wages were the top advanced uses in 2016.



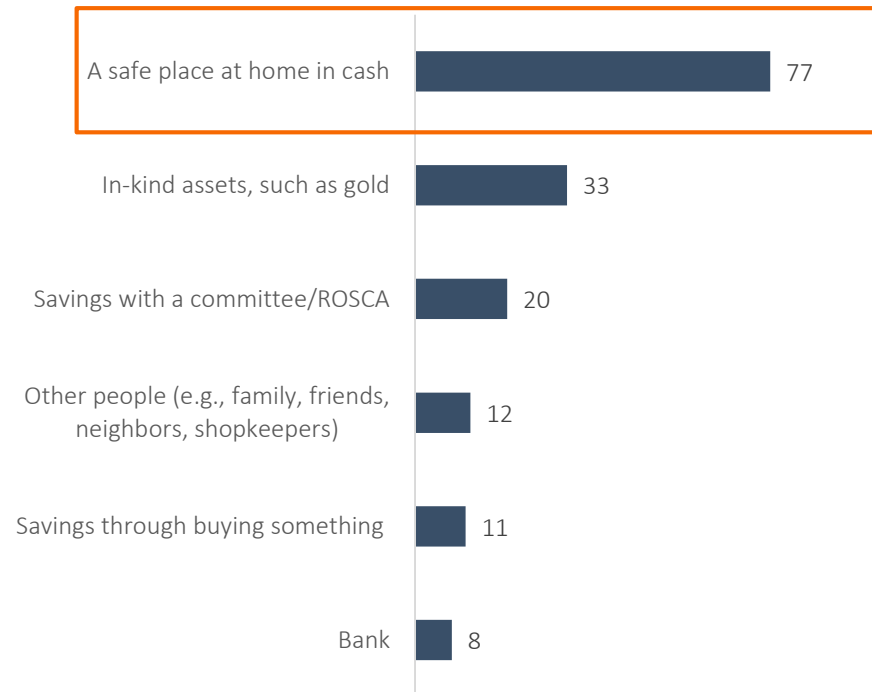
62%
 of active bank account holders have used at least one advanced banking feature
 (vs. 61% in 2015, 67% in 2014, and 60% in 2013)

SPECIAL TOPIC I: FINANCIAL LIVES

SAVING NEEDS AND PREFERENCES - OVERVIEW

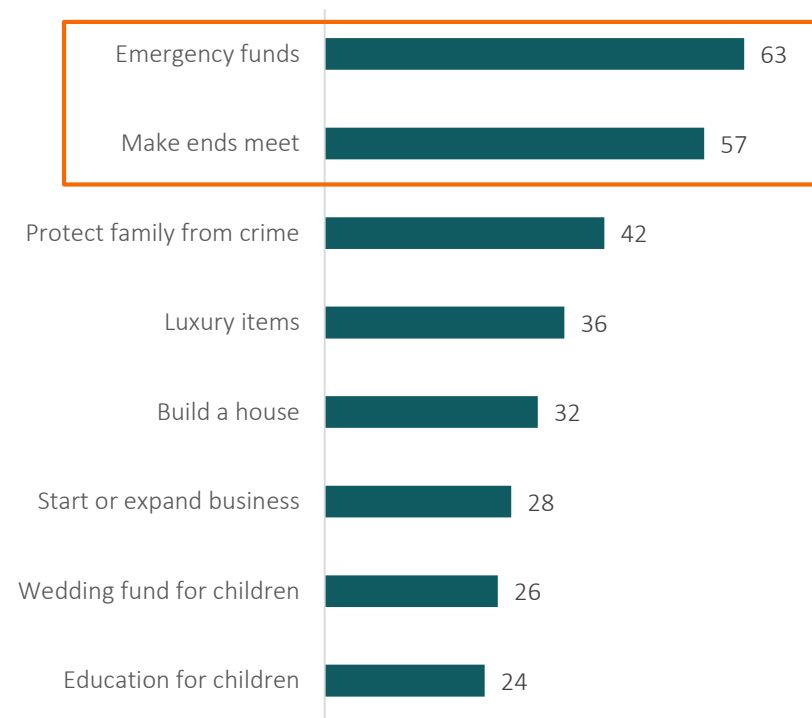
2016: How adults save money

(Shown: Percentage of Pakistani adults who save, n=3,238)



2016: Why adults save money

(Shown: Percentage of Pakistani adults who save, n=3,238)



- Fifty-three percent of survey respondents have saved at least once in their lives: Seventy-four percent of adults with access to financial services have saved, and 49% of adults without access to financial services have saved.
- Emergency services and local merchants frequently do not have digital payment options and only accept cash, making current digital financial services (DFS) like digital wallets and mobile money inappropriate mechanisms to meet these demands. ATMs are scarce even in urban areas making saving with banks unrealistic.
- This mismatch between Pakistanis' saving needs and the usability of DFS is one key roadblock to the growth of financial inclusion.

Question allowed for multiple responses.

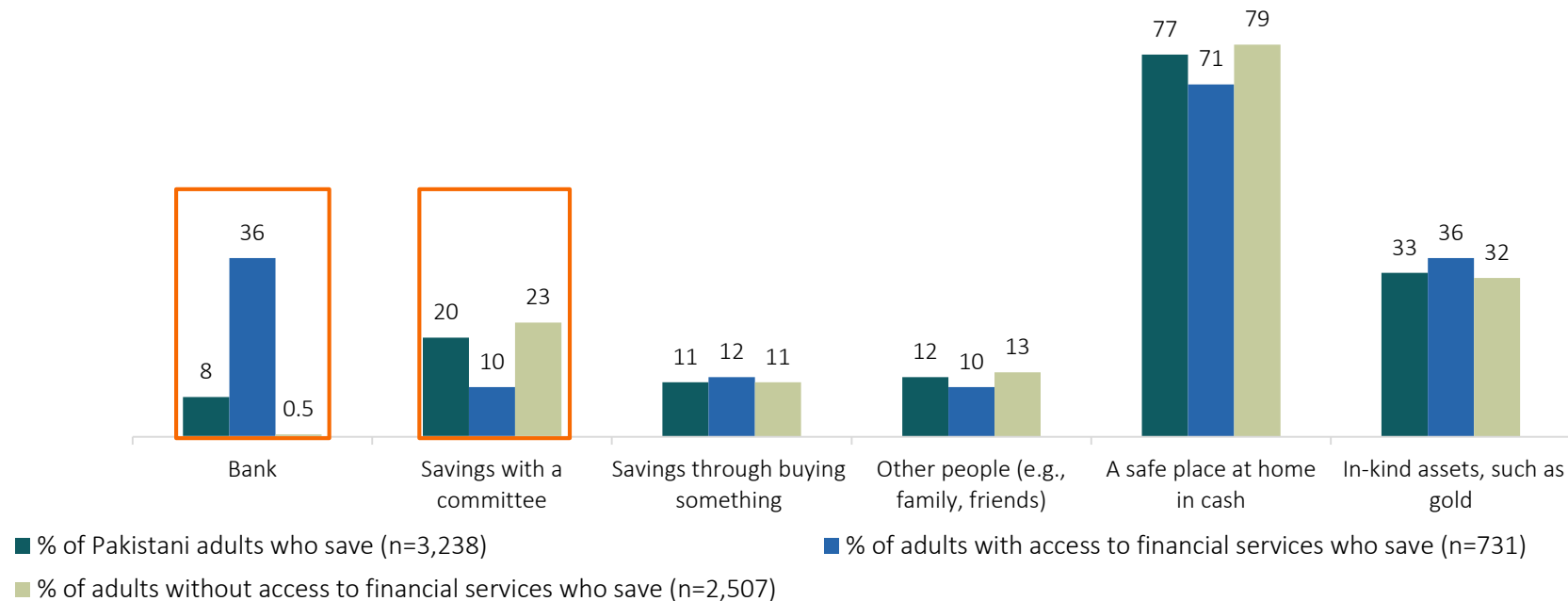
Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

SAVING PREFERENCES BY LEVEL OF FINANCIAL ACCESS

- Adults with and without access to financial services show strong preferences for saving in cash.
- For those with access to formal financial services, banks remain the leading channel for savings (after saving in cash), while committees (ROSCAs) remain the provider of choice for those without access to formal services.

2016: How adults save money

(Shown: Percentage of Pakistani adults who save, by access to financial services)



Saving with informal institutions

Twenty percent of Pakistanis who saved used a Rotating Credit And Savings Association (ROSCA). One of the major attractions of ROSCAs is the ability to access cash. Eighty-two percent of ROSCA users reported having no difficulty immediately accessing cash.

ROSCAs are more common among women and adults without access to services; 14% of women have saved with ROSCAs vs. 7% of men. Among women, poverty and marital status are the largest demographic gaps in ROSCA use. Sixteen percent of women living above the poverty line report saving with ROSCAs vs. 11% of poor women. Sixteen percent of married women report using ROSCAs vs. 7% of single women. There was little difference in reported usage across education levels or location.

Question allowed for multiple responses.

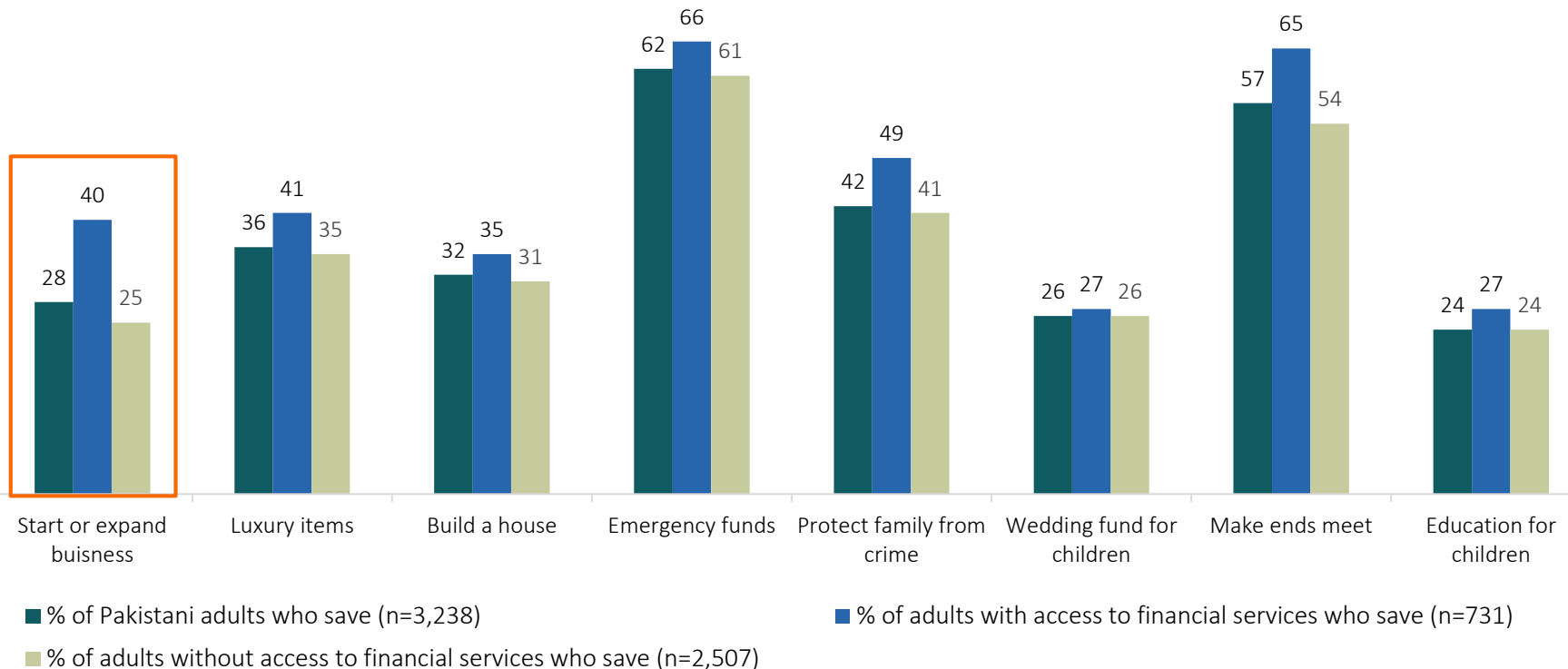
Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016

SAVING NEEDS BY LEVEL OF FINANCIAL ACCESS

- Among all adults, emergency funds and daily expenses are the most frequently cited reasons to save, regardless of access to financial services.

2016: Why adults save money

(Shown: Percentage of Pakistani adults who save, by access to financial services)



Access and advanced savings



Adults with access to financial services more frequently reported saving for reasons beyond day-to-day expenses – for example, to start or expand a business – than adults without access to financial services.

However, there are still demographic gaps in advanced saving behavior. Not surprisingly, of adults with access, more men than women reported saving to open or expand a business (36% vs. 8%).

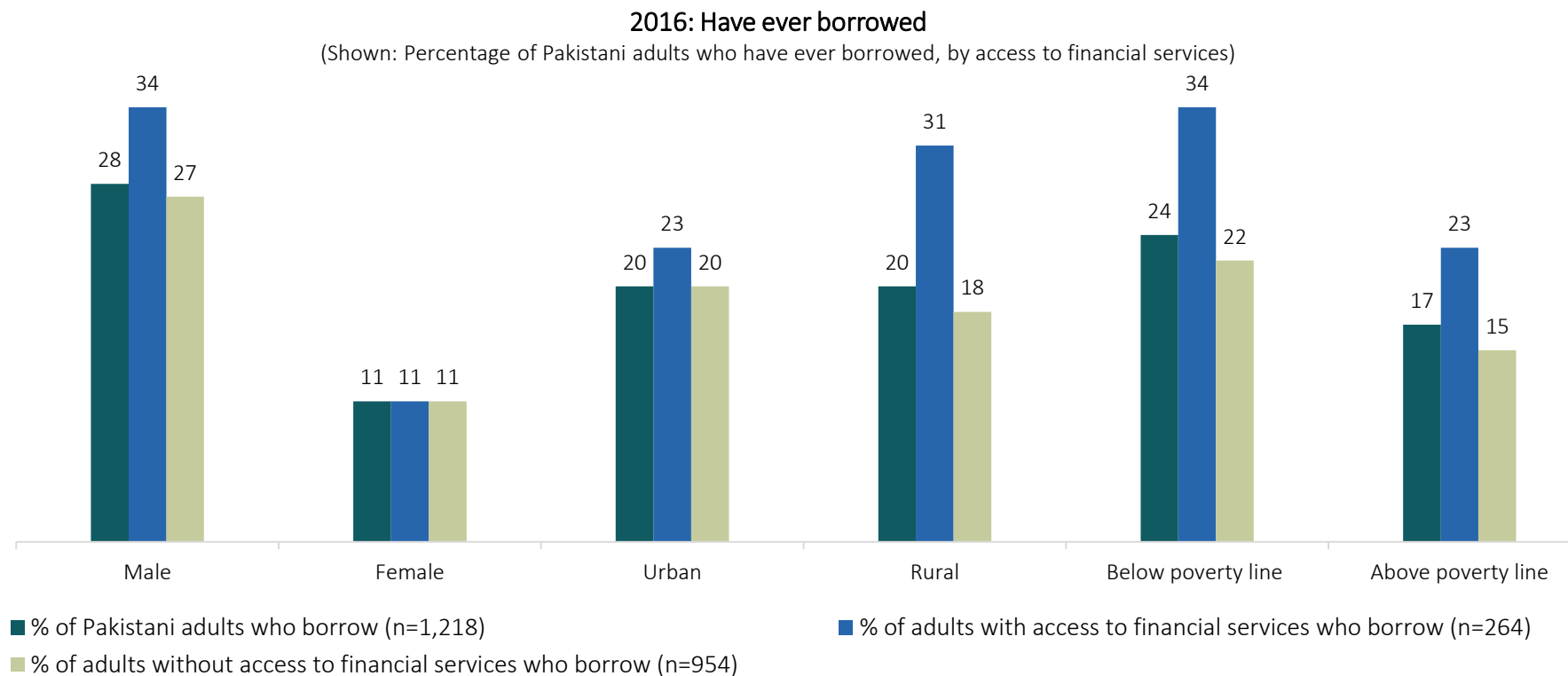
More rural respondents reported saving for businesses with much higher frequency than did urban respondents (38% vs. 21%).

Question allowed for multiple responses.

Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

BORROWING BEHAVIORS

- Only 20% of Pakistani adults reported having ever borrowed money. Among those with access to financial services, only 27% have borrowed.
- Adults with access to financial services more frequently reported borrowing than adults without access to financial services across all demographics besides gender.

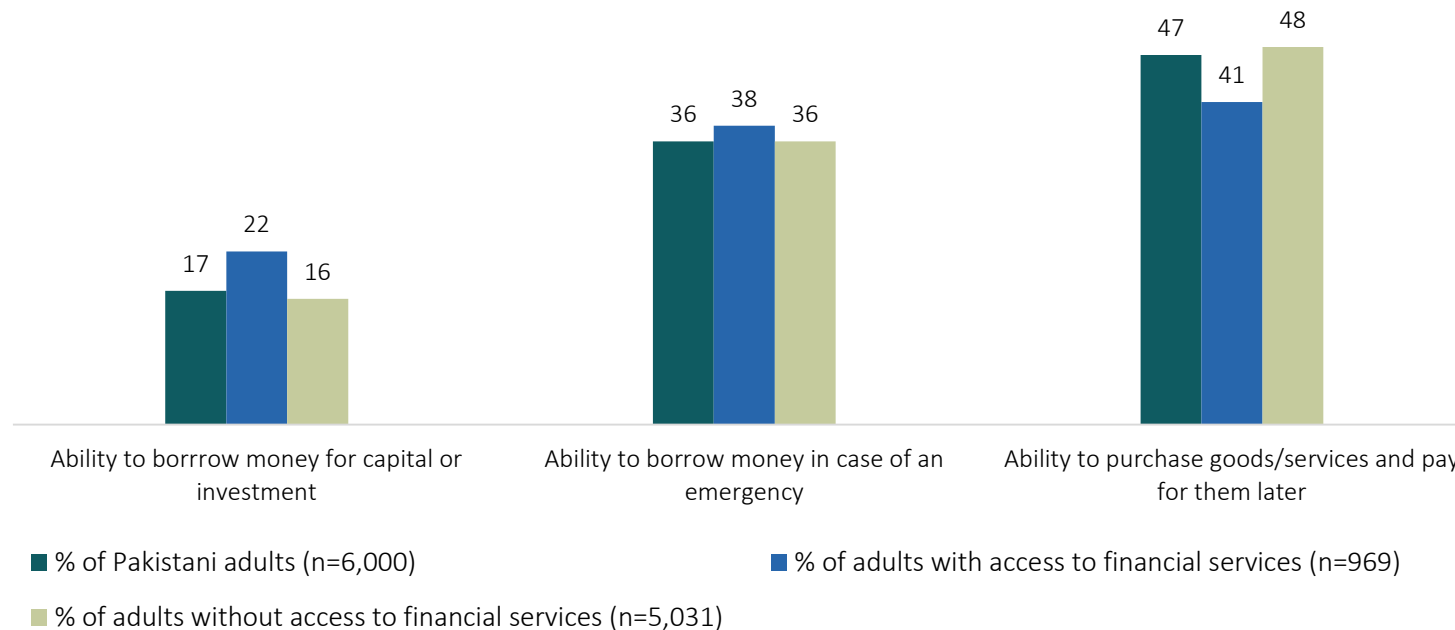


Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

BORROWING NEEDS

- Respondents indicated their main borrowing priorities stem from the need for short-term and quick-issue credit services for emergency spending and daily purchases.
- The range of credit needed by individuals is on a small scale (just enough to get a family out of an emergency or for a little extra help in purchasing food for the month). The low value and volume of individual loans suggest formal financial institutions have not had the incentive to create tailored products for personal credit use.

2016: Motivation to borrow money
 (Shown: Percentage of Pakistani adults, by access to financial services)



Meeting demand?

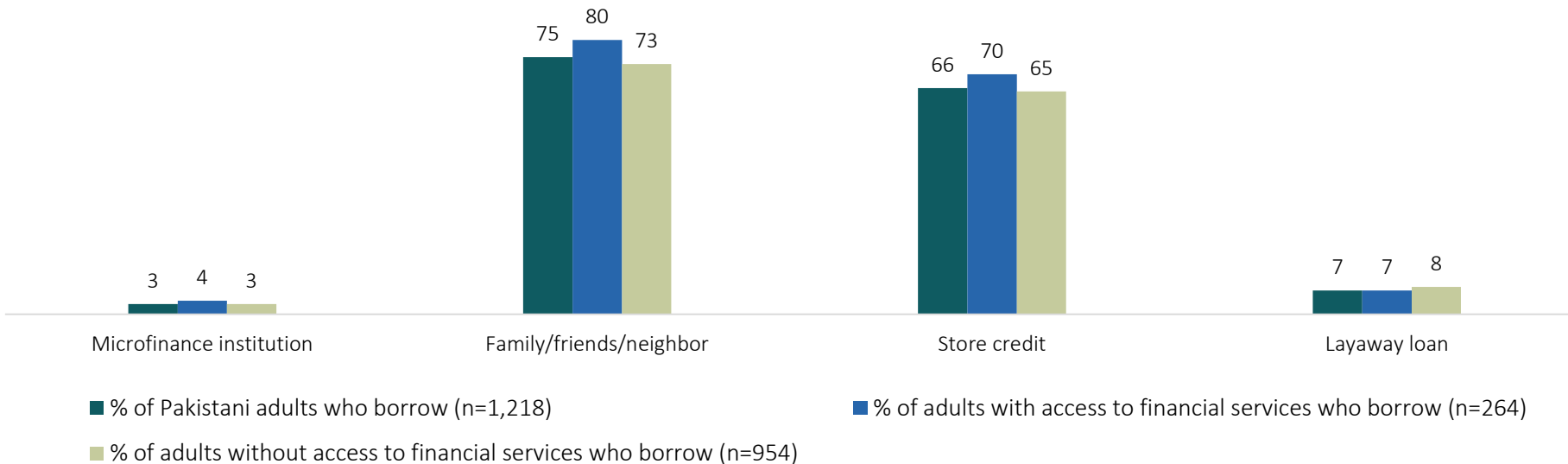
The FII survey data suggests that current formal credit and loan products may not meet the demands of Pakistani adults. When products do meet these needs they are not accessible for the historically unbanked and underprivileged populations.

Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

BORROWING PREFERENCES

- Pakistanis rarely use formal financial services to access credit. The most common forms of credit are informal short-term loans from friends and family and store credit/layaway.
- There are strong cultural and religious biases against interest payments among many Muslim Pakistanis leading to a lack of acceptance of credit and interest. Sixty-four percent of the financially included and 68% of the financially excluded disagreed with the statement that paying back credit included paying back interest.

2016: How adults borrow money*
 (Shown: Percentage of Pakistani adults who ever borrowed, by access to financial services)



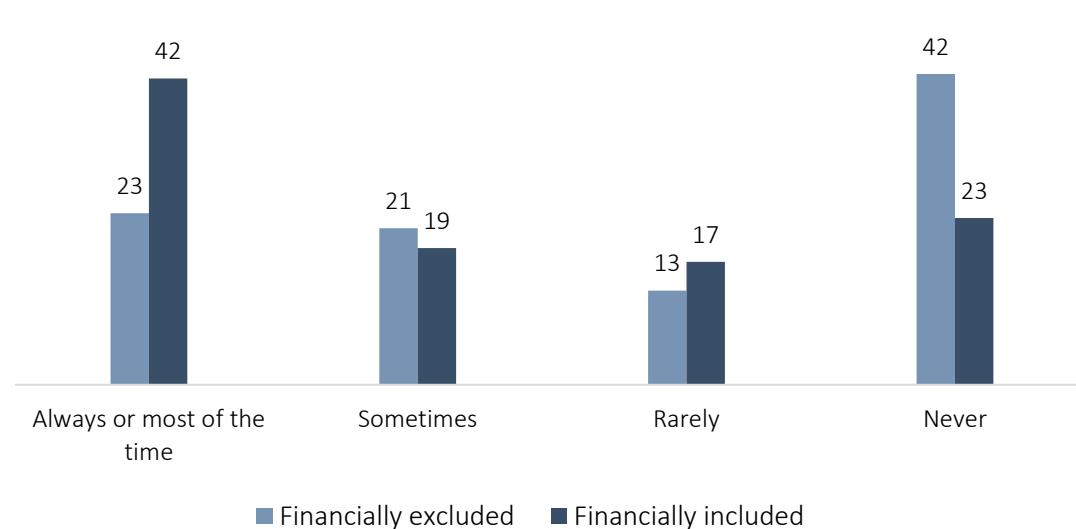
Question allowed for multiple responses.

Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

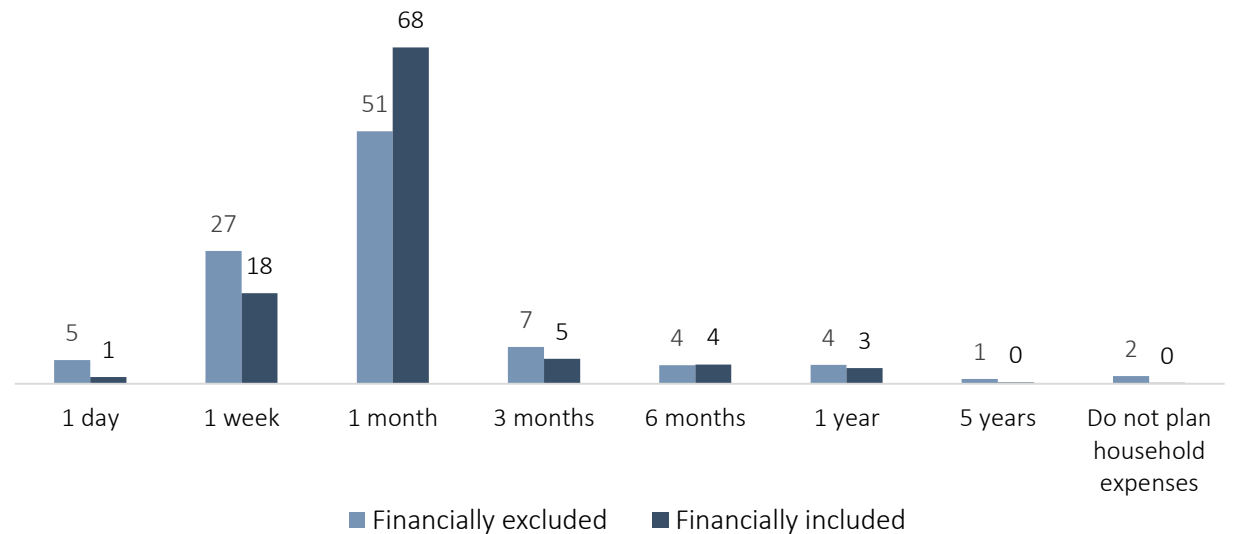
FINANCIAL PLANNING: FINANCIAL INCLUSION

- Financially included adults are more likely to plan their spending than are financially excluded individuals.
- Of those who have a financial plan, the majority plan their household expenses one month in advance, regardless of inclusion.

2016: How often do you have a plan for your finances?
 (Shown: Percentage of Pakistani adults n=6,000)



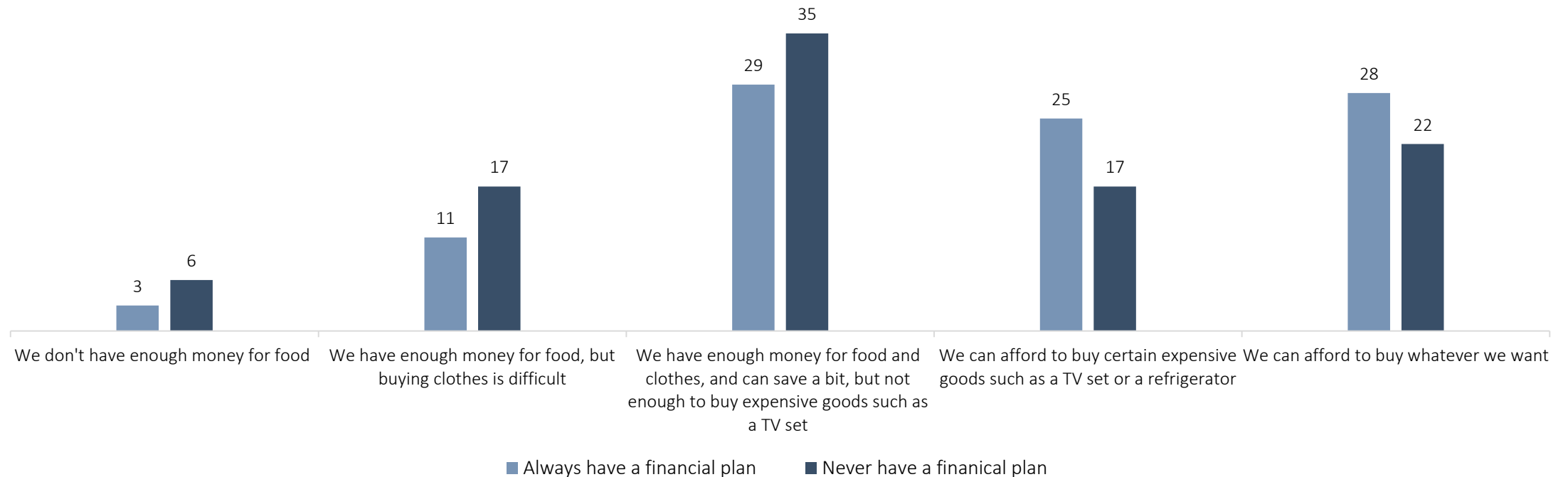
2016: For what period do you plan your household expenses?
 (Shown: Percentage of Pakistani adults who have a financial plan, n=3,150)



FINANCIAL PLANNING AND ECONOMIC CONDITIONS

- Households that plan their expenses tend to have greater financial means than those who do not.

2016: Household economic conditions
 (Shown: Percentage of Pakistani adults, N=6,000)

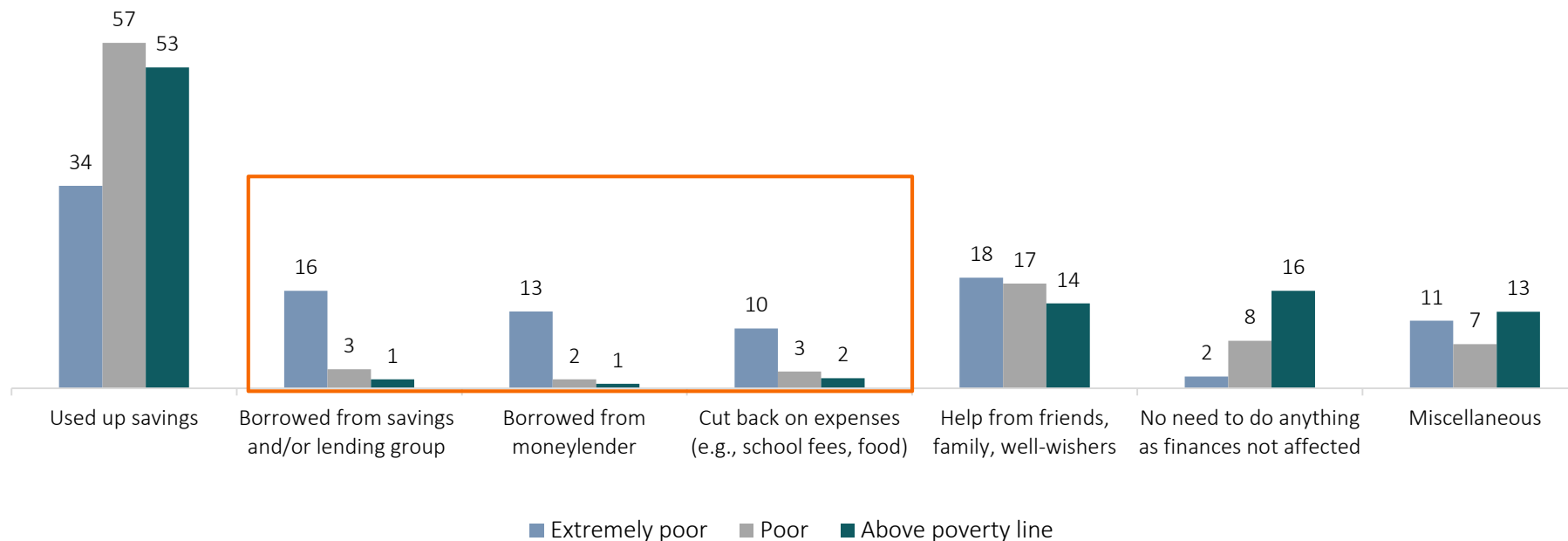


Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

COPING WITH NEGATIVE SHOCKS

- Sixteen percent of adults experienced at least one negative shock that affected their household incomes.
- To cope with negative shocks, the extremely poor (those living on less than \$1.25 a day) relied on borrowing from savings or lending groups or money lenders, or cutting back on expenses more than the poor (those living on less than \$2.50 a day), or those above the poverty line (those living on more than \$2.50 a day).

2016: Main option for coping with negative economic shocks
 (Shown: Percentage of Pakistani adults who experienced economic shocks)



Shock absorption?

The extremely poor have a limited ability to absorb financial shocks through their own means or through their immediate social networks. Therefore, the extremely poor are pushed into borrowing more than other economic groups, however they are not using formal financial services to borrow. This leaves them both excluded and vulnerable.

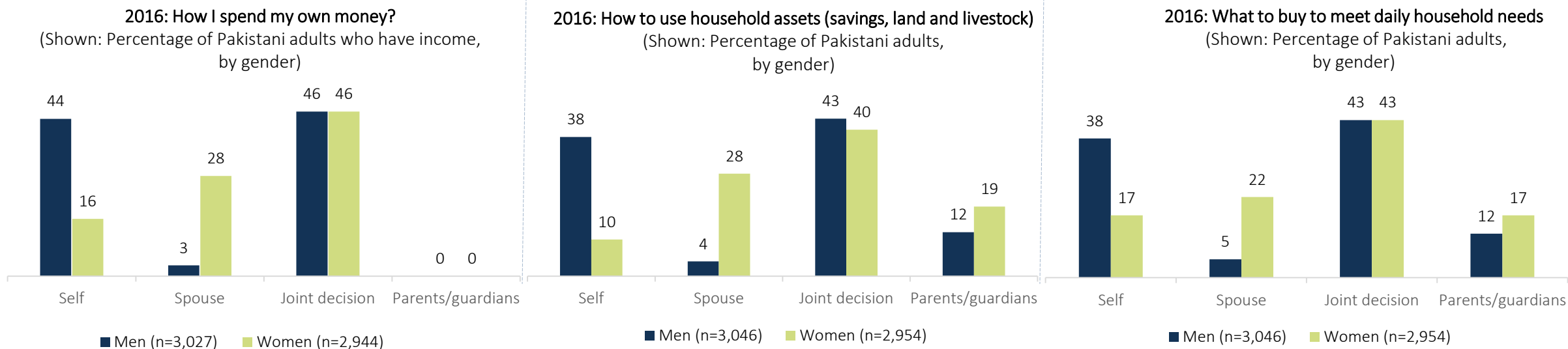
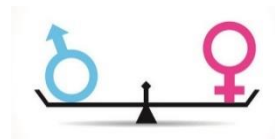
Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

SPECIAL TOPIC II: GENDER

SOCIAL NORMS AND DECISION-MAKING POWER

- Only 16% of women who have income reported they have sole control over how they use their money vs. 44% of men. Less than 20% of women have control over how to use household assets or household spending. Conversely, 38% of men reported they have sole control over household assets and sole decision-making power over household spending.

Who Decides ...



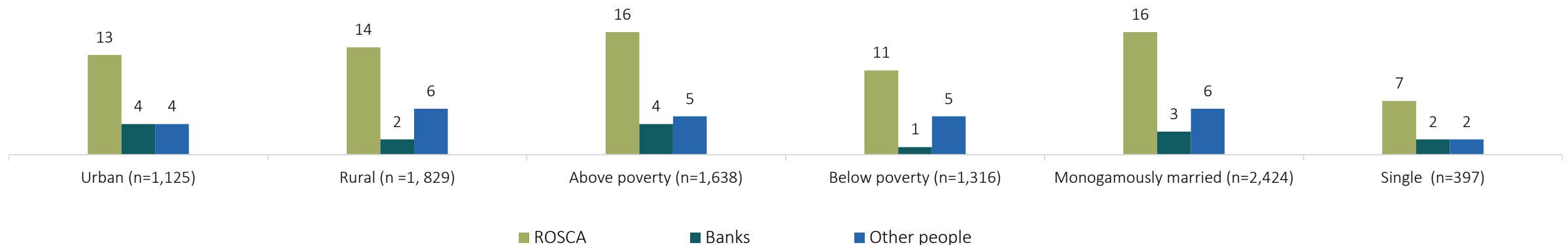
Source: InterMedia Pakistan FII Tracker survey Wave 4 (N=6,000, 15+), September-October 2016.

GENDER AND INFORMAL FINANCIAL INSTITUTIONS

- Beyond limited decision-making power, Pakistani women are also faced with physical barriers that prevent them from being financially included. Adherence to ultraconservative customs including the complete separation of men and women in all spheres of life and male guardianship have created barriers for women that cross income, age, geographic and educational demographics.
- This segregation of women is a large driver of the popularity of ROSCAs among women as the majority of ROSCAs are comprised of and run by women within a local community.

2016: Women who have savings other than cash or goods (such as jewelry)

(Shown: Percentage of Pakistani women, by demographic)



KEY INDICATORS SUMMARY

KEY INDICATORS SUMMARY

Key Indicators	Year				Base Definition
	2013	2014	2015	2016	
Adults who have active digital stored-value accounts	7%	6%	8%	8%	All adults (15+)
	6000	6000	6000	6000	
Poor adults who have active digital stored-value accounts	4%	4%	5%	4%	Adults (15+) <\$2.5/day
	3177	3102	3074	2893	
Poor women who have active digital stored-value accounts	2%	1%	3%	2%	Women (15+) <\$2.5/day
	1537	1300	1426	1316	
Rural women who have active digital stored-value accounts	2%	2%	3%	3%	Rural women (15+)
	1763	1760	1745	1829	
Adults who have active digital stored-value accounts and used advanced financial services (beyond basic wallet & P2P)	4%	4%	5%	5%	All adults (15+)
	6000	6000	6000	6000	
Poor adults who have active digital stored-value accounts and used advanced financial services (beyond basic wallet & P2P)	3%	3%	3%	2%	Adults (15+) <\$2.5/day
	3177	3102	3074	2893	
Poor women who have active digital stored-value accounts and used advanced financial services (beyond basic wallet & P2P)	1%	0.8%	0.9%	0.6%	Women (15+) <\$2.5/day
	1537	1300	1426	1316	
Rural women who have active digital stored-value accounts and used advanced financial services (beyond basic wallet & P2P)	1%	1%	1%	1%	Rural women (15+)
	1763	1760	1745	1829	

Digital stored-value accounts: accounts in which a monetary value is represented in a digital electronic format and can be retrieved/transferred by the account owner remotely. For this particular study, DSVAs include a bank account or NBFi account with digital access (a card, online access or a mobile phone application) and a mobile money account.

Source: InterMedia Pakistan FII Tracker surveys Wave 1 (N=6,000, 15+), November 2013-January 2014; Wave 2 (N=6,000, 15+), September-December 2014; Wave 3 (N=6,000, 15+), September-October 2015; Wave 4 (N=6,000, 15+), September-October 2016.

METHODOLOGY & RESEARCH DESCRIPTION

FII BANGLADESH TRACKER SURVEY DETAILS

SURVEY SUMMARY

- Annual, nationally representative survey (N=6,000) of Pakistani adults aged 15+
- Face-to-face interviews lasting, on average, 73 minutes
- Fourth survey (Wave 4) conducted from September - October 2016
- Tracks trends and market developments in DFS based on the information gathered in the first survey, conducted in 2013, second survey, conducted in 2014, and third survey, conducted in 2015

DATA COLLECTION

- Basic demographics and poverty measurement (Grameen Progress Out of Poverty Index)
- Access/use of mobile devices
- Access/use of mobile money
- Access/use of formal financial services (e.g., bank accounts)
- Access/use of semi-formal and informal financial services (e.g., MFIs, cooperatives, village savings groups)
- Financial literacy and preparedness
- General financial behaviors

GLOSSARY

Access to mobile money or NBFI – Counts individuals who have ever used a mobile money service or a full-service NBFI account.

Access to bank – Counts individuals who have a full service bank account registered in their name or report use of a full service bank account that belongs to someone else.

Active registered user – An individual who has an account registered in their name and has used it in the last 90 days.

Adults with DFS access – Adults (15+) who either own a DFS account or have access to someone else’s account.

Advanced active registered user – An active registered user who has ever used at least one advanced financial service.

Advanced DFS use – Advanced use of digital financial services includes activities other than basic cash-in, cash-out and person-to-person transfers, such as savings, bill pay, investment, and insurance.

Basic use – The use of an account to cash-in (deposit) or cash-out (withdraw), transfer money to another individual, or conduct account maintenance.

Below the poverty line – In this particular study, adults living on less than \$2.50 per day, as classified by the Grameen Foundation’s Progress out of Poverty Index.

Cooperative – Typically, a business or other professional organization that is owned and run jointly by its members, who share profits or benefits. Cooperatives may release some of the profits/funds as loans to its members.

Customer journey – An illustration of progressive stages through which consumers become more active users of more sophisticated financial services.

Credit-only nonbank financial institutions – Financial institutions that only disburse loans to their customers.

Digital financial services (DFS) – Financial services provided through an electronic platform (e.g., mobile phones, debit or credit electronic cards, internet).

Dormant account – Financial accounts that were registered but never used.

Financial inclusion – Individuals who have an account with an institution that provides a full suite of financial services and comes under some form of government regulation. Services include savings, money transfers, insurance or investment. Institutions that only offer loans to consumers, such as some MFIs, are not considered to be full-service institutions.

Financial literacy – Basic knowledge of four fundamental concepts in financial decision-making (interest rates, interest compounding, inflation, and risk diversification) as measured by the Standard and Poor’s Rating Service’s Global Financial Literacy Survey.

Full-service financial institutions – Financial institutions that offer loans to their customers and at least one of the following additional services: savings, money transfers, insurance, or investments.

Grameen Progress out of Poverty Index (PPI) – A poverty measurement tool from the Grameen Foundation wherein a set of country-specific questions are used to compute the likelihood that a household is living below a specific income threshold.

Microfinance institution (MFI) – An organization that offers financial services to low-income populations. Almost all give loans to their members, and many offer insurance, deposit and other services.

Mobile money (MM) – A service in which a mobile phone is used to access financial services.

Nonbank financial institution (NBFI) – A financial organization that is not formally licensed as a bank or a mobile money provider, but whose activities are regulated, at least to some extent, by the central bank within the country. Such financial institutions include microfinance institutions (MFI), cooperatives, Post Office (Savings) Banks and savings and credit cooperatives (SACCOs).

Numeracy – The ability to use basic math skills, including counting, addition, division, multiplication and computing short- and long-term interest rates.

Post Office (Savings) Bank – A bank that offers savings and money transfers and has branches at local post offices.

Registered user – Counts individuals who have a financial account registered in their name.

Savings and credit cooperative (SACCO) – A unique member-driven, self-help group owned and managed by its members, who have a common bond. Its main purpose is to build up funds through regular contributions by each member, with the aim of providing affordable credit and collective investments for its members.

Unregistered/over-the-counter (OTC) user – An individual who has used DFS through someone else’s account, including a mobile money agent’s account or the account of a family member or a neighbor.

Urban/rural – Urban and rural persons are defined according to their residence in urban or rural areas as prescribed by the national bureau of statistics.

For more information, contact:

Nadia Van de Walle, Senior Research Manager
vandewallen@intermedia.org

Samuel Schueth, Director of Research
schueths@InterMedia.org

Imran Khan, Consultant
ikhan@intermedia.org



www.finclusion.org | Twitter: @finclusion_FII

The Financial Inclusion Insights program is operated by InterMedia and supported by the Bill & Melinda Gates Foundation. All data and materials resulting from the program are the property of the Gates Foundation, but the findings and conclusions within are those of the authors and do not necessarily reflect positions or policies of the foundation.

Headquarters
Washington, D.C.
Tel: +1.202.434.9310

InterMedia Africa
Nairobi, Kenya
Tel: +254.720.109183