

FINANCIAL INCLUSION **insights**

APPLIED RESEARCH FOR  digital financial inclusion

PAKISTAN

QUICKSIGHTS REPORT FII TRACKER SURVEY WAVE 1

April 2014

THE FINANCIAL INCLUSION INSIGHTS (FII) PROGRAM

The FII research program responds to the need for timely, demand-side data and practical insights on the use of mobile money and other digital financial services (DFS), and the potential for their expanded use among the poor.

The program covers eight countries in Africa and Asia at different stages of DFS development. Research was launched in fall 2013.

FII is operated by global research group InterMedia and sponsored by the Financial Services for the Poor program of the Bill & Melinda Gates Foundation. All FII data and research is publicly available through the FII portal: www.finclusion.org

QuickSights reports provide initial findings from each FII research project. These reports feed into subsequent Wave Reports which synthesize the results from all projects conducted during a wave of research in a given FII country.

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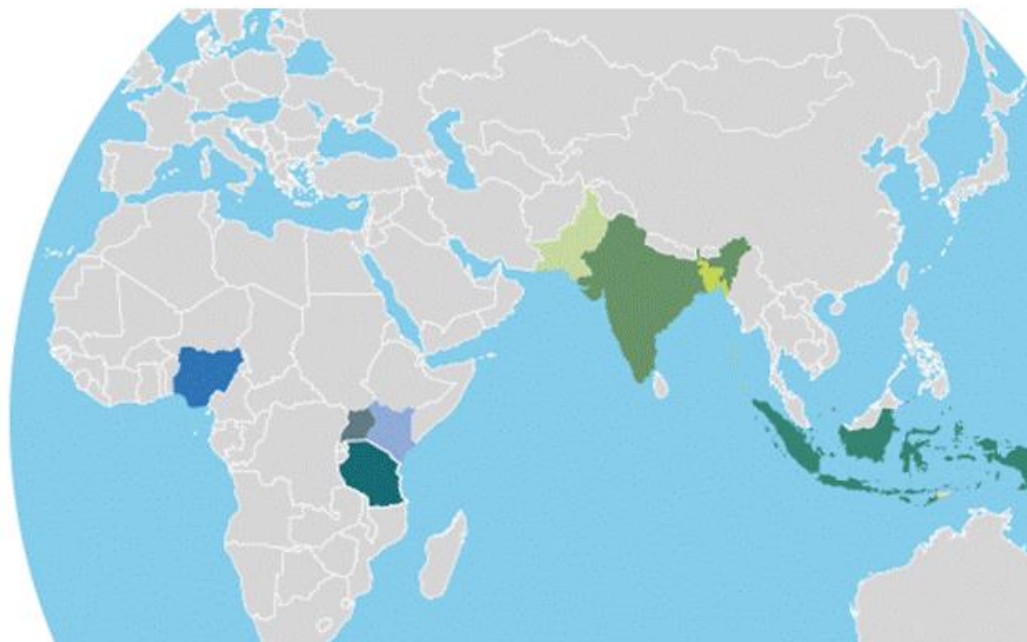
THE FII SURVEY RESEARCH PROGRAM

AFRICA

- Kenya
- Nigeria
- Tanzania
- Uganda

ASIA

- Bangladesh
- India
- Indonesia
- Pakistan



	Bangladesh	India	Indonesia	Nigeria	Kenya	Pakistan	Tanzania	Uganda
Surveys per Year	2	1	1	2	1	1	2	2
Interviews per Survey	6,000	45,000	6,000	6,000	3,000	6,000	3,000	3,000

QuickSights Report

- This report is a first look at the key characteristics of the digital financial services (DFS) market in Pakistan. In-depth analysis is presented in subsequent wave reports, which combine qualitative and quantitative insights.

Key Definitions Used in this Report

- **DFS** – Financial services provided through an electronic platform (mobile phones, electronic cards, the internet, etc.). *For this particular study, digital financial services include bank services and mobile money services.*
- **Active account holder** – An individual who has a registered DFS account and has used it in the last 90 days.

These definitions are aligned with the metrics used by the Financial Services for the Poor program at the Bill & Melinda Gates Foundation to track global developments in financial inclusion and measure the impact of interventions on poor people's lives.

Reported Data

- All percentages in this report are weighted to reflect national-level proportions.
- All bases (n=numbers) in this report are unweighted and represent the actual number of people interviewed in the survey.

THE PAKISTAN FII TRACKER SURVEY

Survey summary

- Annual, nationally representative survey (N=6,000) of Pakistani individuals aged 15+
- Face-to-face interviews lasting an average of 72 minutes
- First survey (Wave 1) conducted from 11/7/2013 to 1/3/2014
- Provides baseline measurements – subsequent annual surveys will measure trends and track market developments in DFS

Data collected

- Basic demographics
- Poverty measurement (Grameen Progress out of Poverty Index)
- Access/use of mobile devices
- Access/use of mobile money (MM)
- Access/use of formal financial services (e.g., bank accounts)
- Level of satisfaction with financial service providers and products
- Trust in financial service providers
- Over-the-counter mobile money use

Focus of Analysis

- **Analysis in this report focuses on active mobile money account holders and active bank account holders.**
- **Active account holders** were selected as they best represent what is commonly understood as financially included individuals who hold their own personal account (as opposed to using someone else's account) and use the account regularly (defined as used in the last 90 days)

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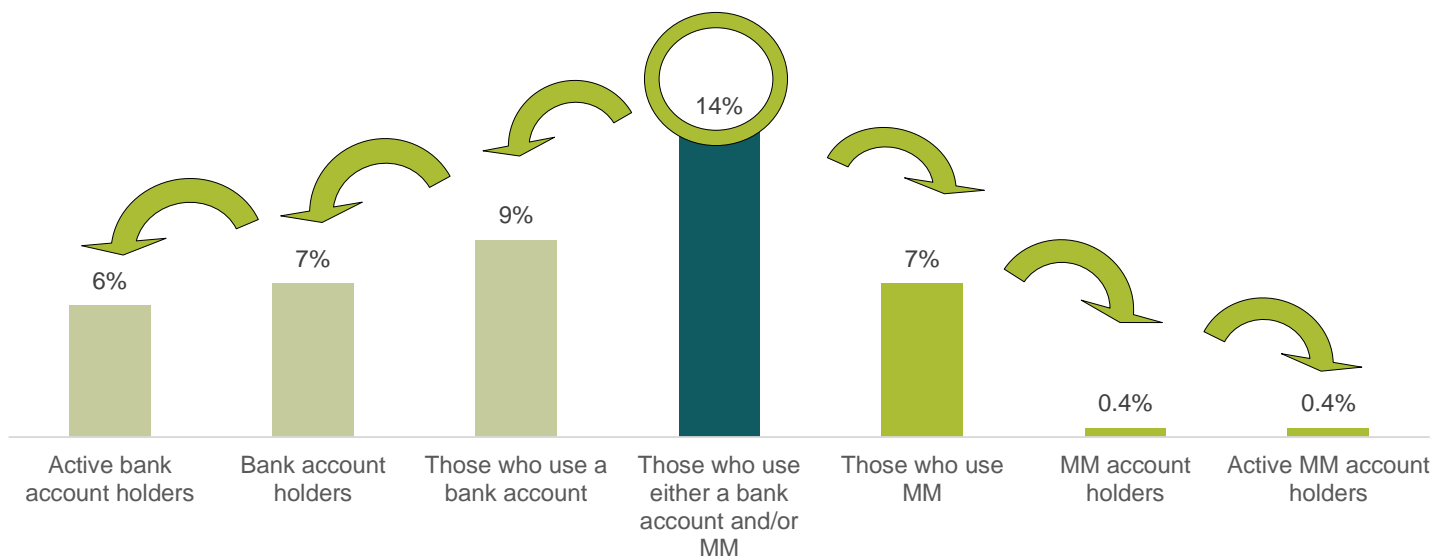
PAKISTAN FII TRACKER SURVEY – HIGHLIGHTS

- **Formal financial services have very limited reach in Pakistan.** Only 7 percent of adults actively use either a bank account or a mobile money account.
- **Bank account use is significantly higher among males.** Ten percent of adult males are active users of a bank account compared with only 3 percent of adult females.
- **Seven percent of Pakistani adults had used mobile money**, either through their own or others' accounts. **However, only 0.4% had registered mobile money accounts.**
- **Ninety-four percent of non-registered mobile money users use mobile money services over the counter with an agent.**
- **The mobile money market in Pakistan is currently dominated by Telenor Easy Paisa.** Eighty-seven percent of Pakistanis who had used mobile money had used Telenor Easy Paisa.
- **Pakistanis report less trust in mobile money services than in banks.** Both state and private banks were seen as more trustworthy than mobile money. This is possibly because mobile money services are more recent entrants into the Pakistani market.

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Use of Formal Financial Services: General Overview

Percentage of Pakistani adults who fall into each category



Key takeaways:

- Less than 10 percent of respondents have a bank account.
- Although 7 percent of the respondents use mobile money, only 0.4 percent registered their own accounts. This indicates the majority of mobile money users access the service through alternative means (over the counter).

Access to a bank account or mobile money account means a respondent can use bank/mobile money services either via their own account or via an account of another person. Active account holders are those with a registered mobile money and/or bank account who have used that account in the last 90 days.

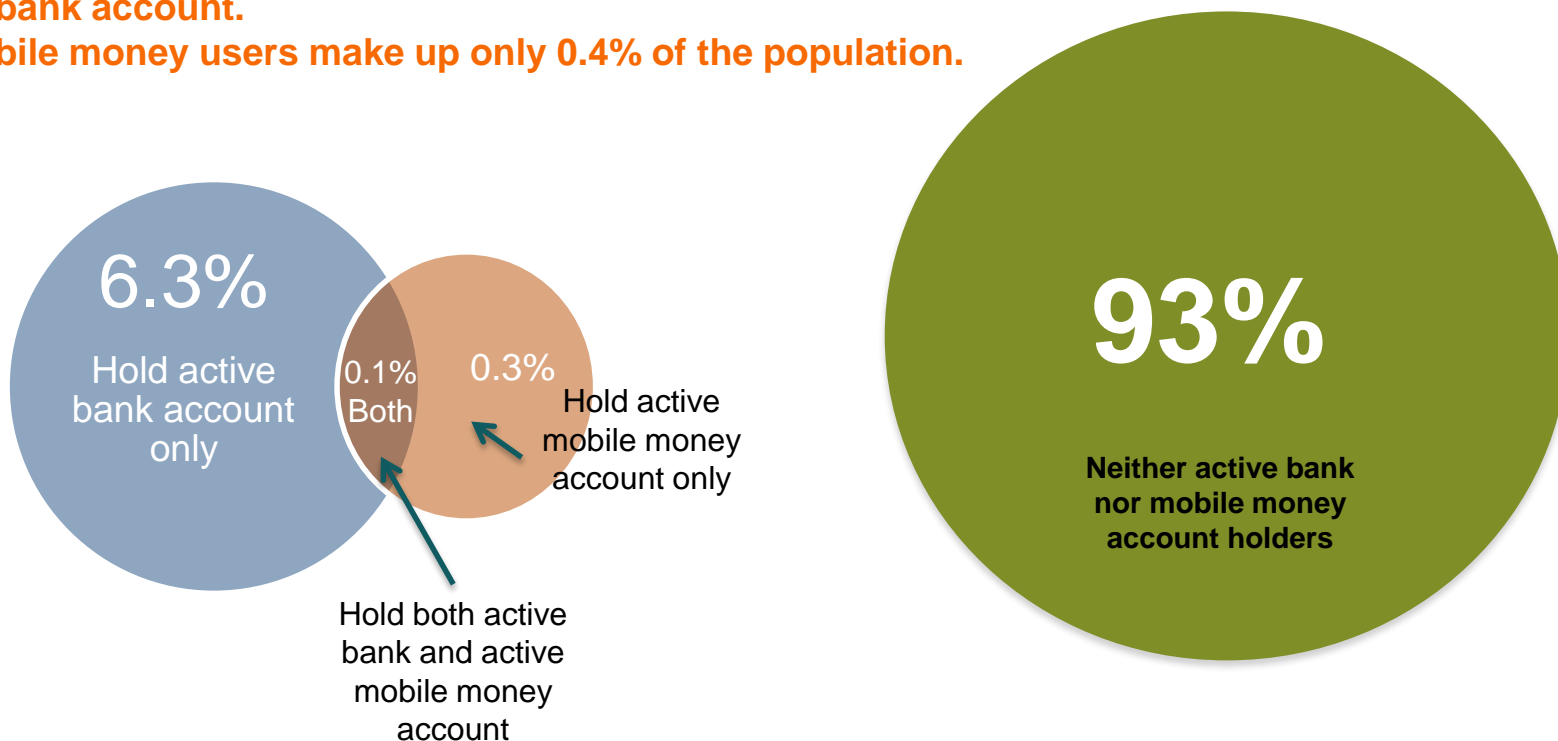
Source: InterMedia Pakistan FII Tracker survey (N=6,000, 15+) November 2013-January 2014

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Few Bank and Mobile Money Account Holders

Ninety-three percent of the population does not have an active mobile money or bank account.

Active mobile money users make up only 0.4% of the population.



Active account holders are those with a registered mobile money and/or bank account who have used that account in the last 90 days.

Source: InterMedia Pakistan FII Tracker survey (N=6,000, 15+) November 2013-January 2014

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The Pakistani Mobile Money Market: Telenor EasyPaisa dominates

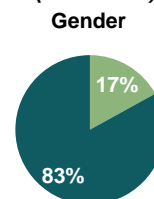
Mobile money provider	% of mobile money users who had used a provider (n=428)
Telenor EasyPaisa	87%
UBL Omni	13%
Mobilink Mobicash	9%
Ufone/Upayment	5%

**Active mobile money account holders can have accounts with more than one provider.*

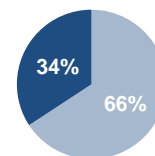
According to SBP’s Branchless Banking newsletter (July – September 2013), Telenor EasyPaisa accounted for 61 percent of the overall branchless banking transactions in Pakistan. UBL followed with 28 percent of the market. The majority of mobile money service users are male.

Demographics of Telenor and UBL customers

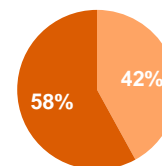
Telenor Easy Paisa
(n=366)



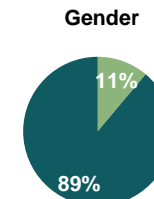
Urban/Rural



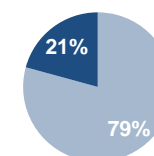
Above/Below Poverty Line



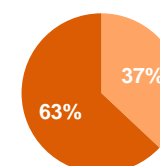
UBL Omni
(n=53)



Urban/Rural



Above/Below Poverty Line



- Male
- Female
- Urban
- Rural
- Above poverty line
- Below poverty line

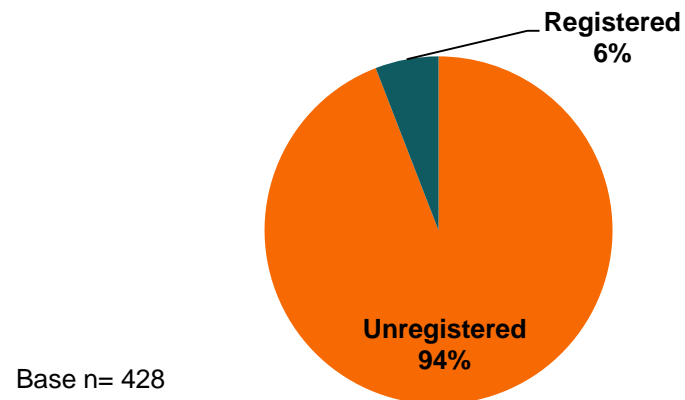
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Mobile Money Use: Few users are registered

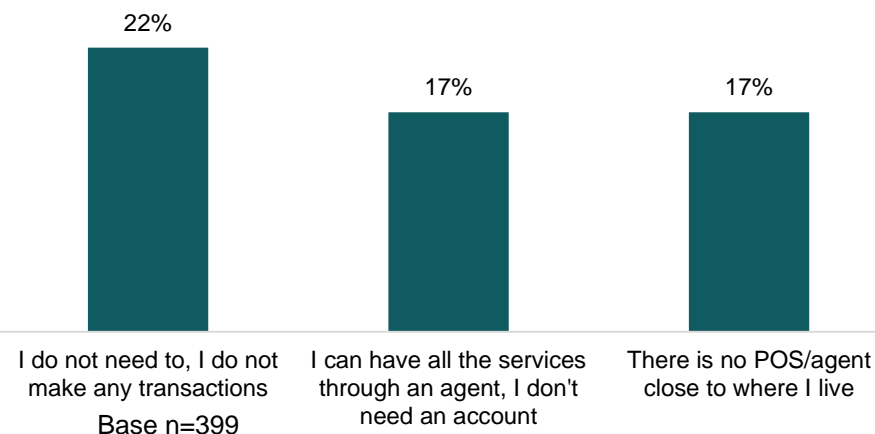
Key takeaways:

- Ninety-four percent of the respondents who use mobile money services have not registered their own accounts; instead, most prefer to conduct transactions through an agent's account.
- Although OTC agents are a prime facilitator of mobile money use, very few active mobile money account holders first heard about mobile money through an agent, and none of them said a recommendation from an agent prompted them to start using mobile money.
- Around 19 percent of mobile money users spend more than 15 minutes travelling to an agent; 21 percent use a motorcycle taxi or a minibus taxi. This suggests that there could be significant time savings for OTC mobile money users if they registered their accounts.

Percentage of Mobile Money Users with Registered Accounts



Reasons for not signing up for a mobile money account



Point of Sale (POS)

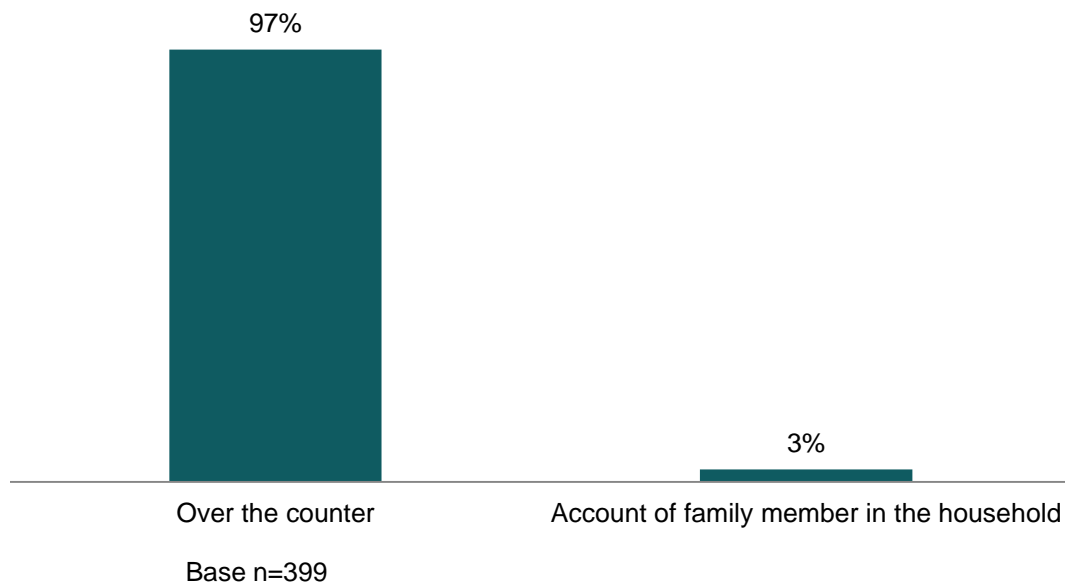
Source: InterMedia Pakistan FII Tracker survey (N=6,000, 15+) November 2013-January 2014

Mobile Money Use

Pakistanis use OTC as the primary mobile money transaction method.

Among the 94 percent of mobile money users who utilize the services without registering an account, the vast majority do so through an agent over the counter (OTC) rather than through others' personal accounts. There are low-levels of personal, unassisted mobile money use.

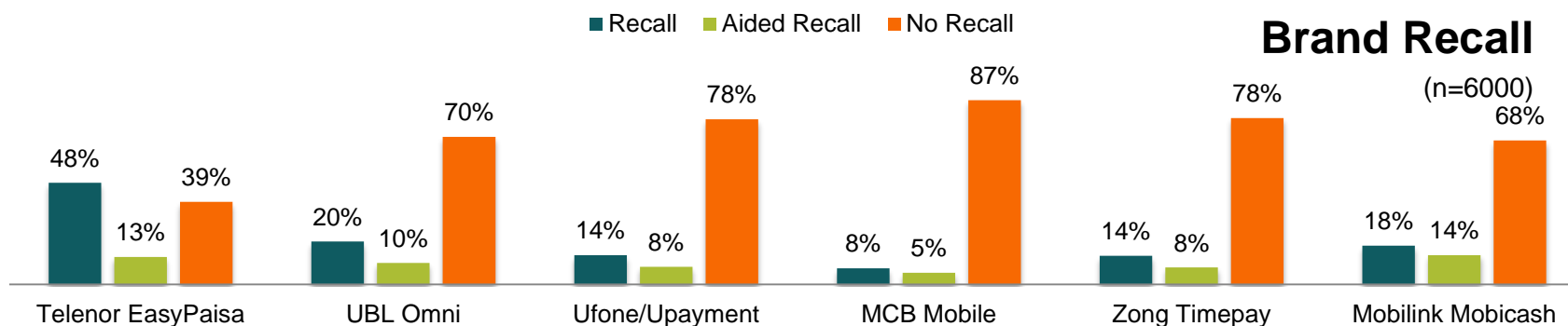
Means Through Which Nonregistered Users Access Mobile Money Services



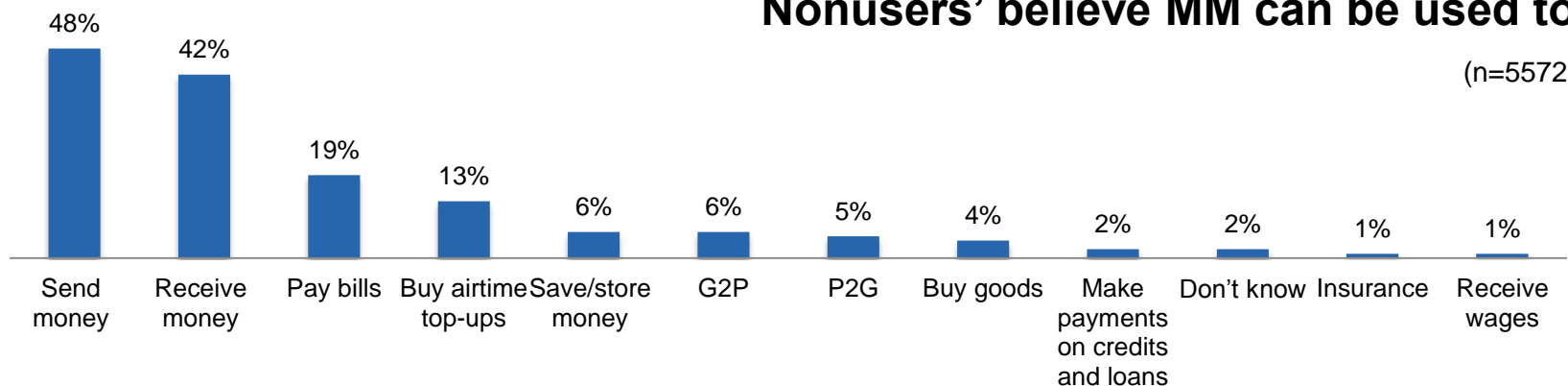
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Awareness of Mobile Money Brands and Services

Telenor EasyPaisa is the most recognized brand. Mobile money is mostly seen as a way to send money.



Nonusers' believe MM can be used to:



Source: InterMedia Pakistan FII Tracker survey (N=6,000, 15+) November 2013-January

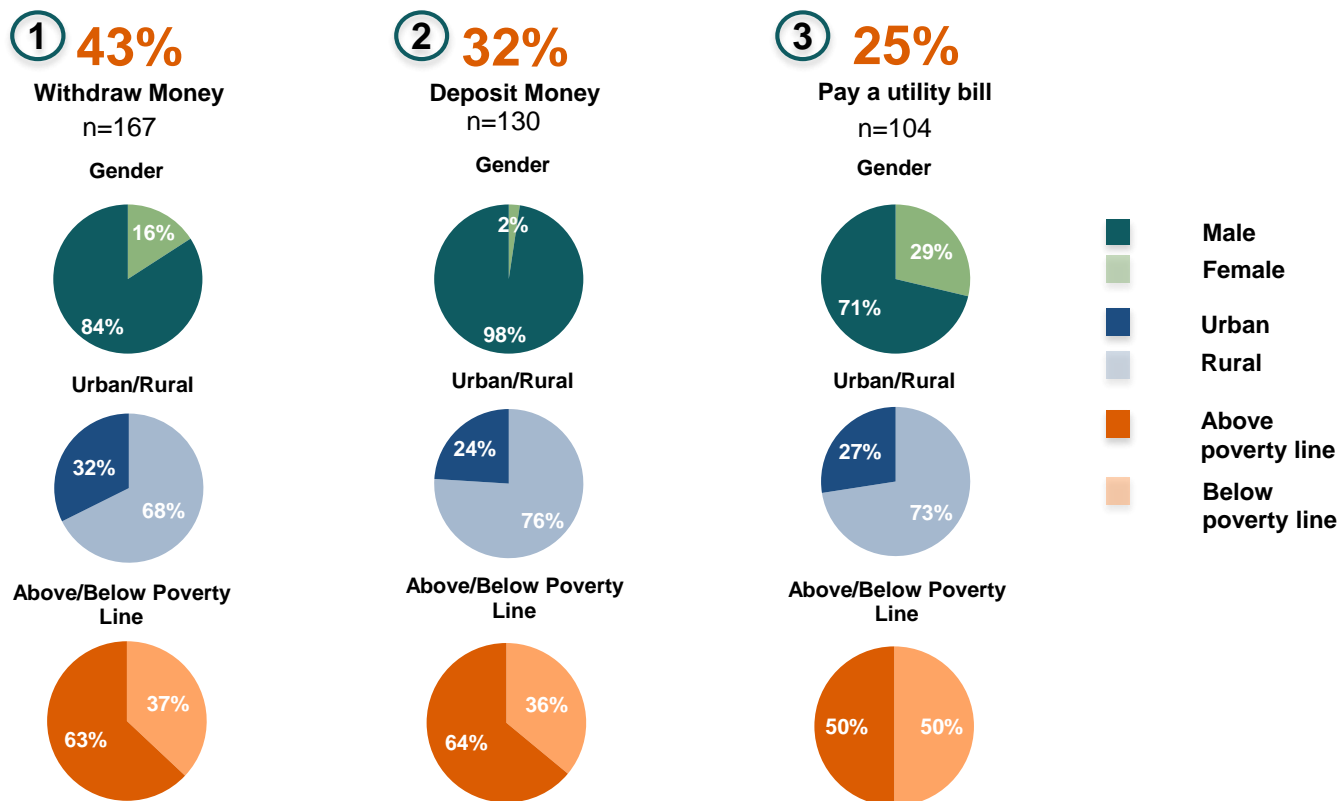
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Mobile Money Use: Top uses by demographics

Cash-in-cash-out transactions dominate.

Top three mobile money uses with demographic breakdown

(Percentage of respondents with access to mobile money accounts, n=428)



Source: InterMedia Pakistan FII Tracker survey (N=6,000, 15+) November 2013-January 2014

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Mobile Money Use: Need to receive money tops reasons for starting use

Rank	Top 5 reasons for starting to use a Mobile Money account (percentage of those with access to a mobile money account. N=428)*	%	Top 5 uses for Mobile Money account (percentage of those with access to mobile money accounts, n=428)*	%
1	I had to receive money from another person	49	Withdraw Money	42
2	I had to send money to another person	39	Deposit Money	31
3	I had to send money to an organization /government agency (e.g., had to pay a bill).	20	Pay a utility bill	25
4	A person I know, who uses mobile money, recommended I use mobile money because it is better than other financial instruments I use	2	Send money to family members, friends, workmates or other acquaintances to help with emergencies	11
5	I saw other people using it and wanted to try by myself	1	Send money to family members, friends, workmates or other acquaintances for regular support/allowances	9

*Of the 428 respondents, 29 were registered mobile money users, while 399 had over-the-counter access or access via someone else's account. The question for banks did not allow for multiple responses, while that for mobile money did allow for multiple responses.

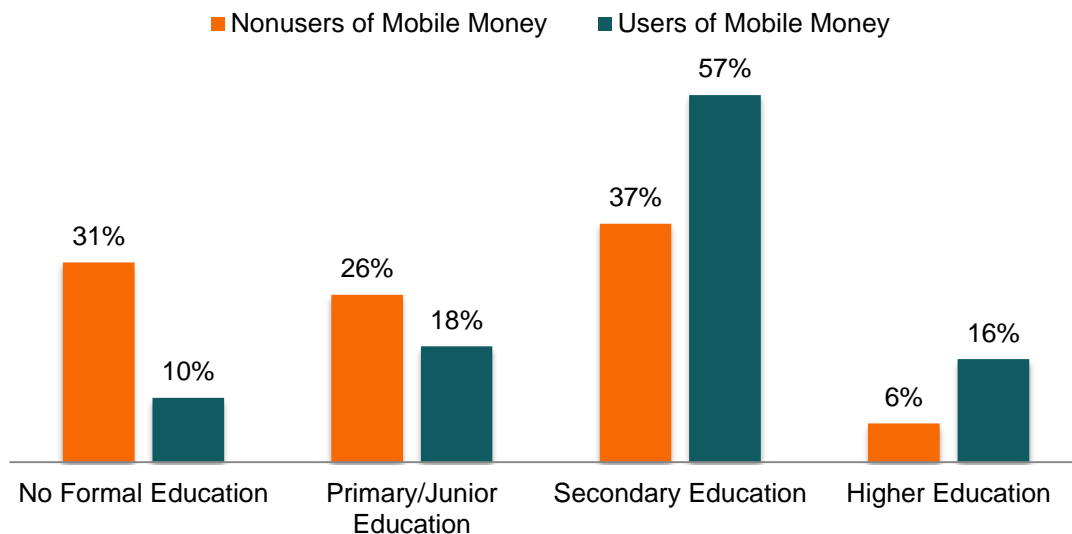
Source: InterMedia Pakistan FII Tracker survey (N=6,000, 15+) November 2013-January 2014

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Mobile Money Use and Education

Mobile money users tend to have more formal education than nonusers.

Percent of mobile money users and nonusers by level of education



- Higher education is also associated with higher mobile ownership: 90 percent of those with higher education own a mobile phone vs. only 31 percent of those with no formal education.

Users of mobile money base: n= 428

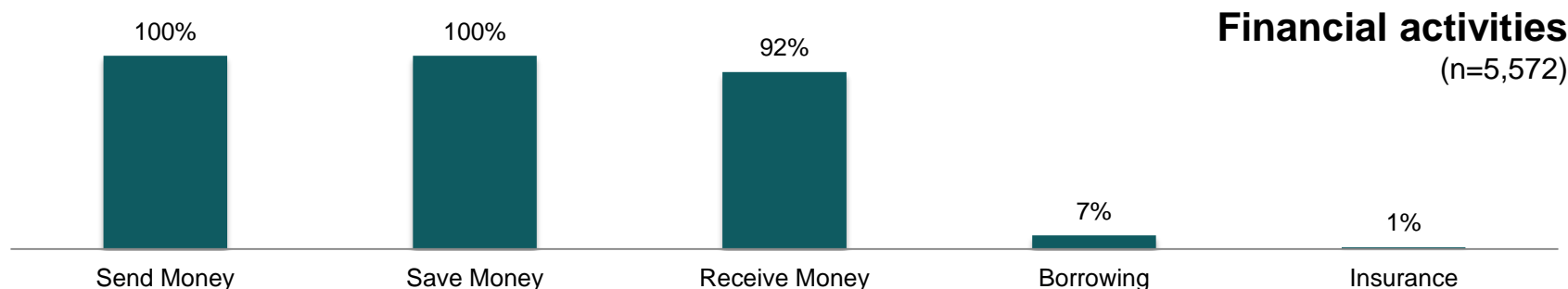
Nonusers of mobile money base: n= 5,572

Source: InterMedia Pakistan FII Tracker survey (N=6,000, 15+) November 2013-January 2014

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Financial Activities of Nonusers of Mobile Money

100 percent of nonusers had financial savings, 64 percent chose to store them as cash at home. Half of those who borrowed did so from family members.



FINANCIAL ACTIVITIES AND PREFERRED OPTIONS

Financial Activity	Option
Send Money*	In person (87%) (n=5,552)
Receive Money*	In person (86%) (n=5,484)
Saving	Cash at home (64%) (n=1,982)
Insurance	Life Insurance (91%) (n=51)
Borrowing	Shopkeeper (43%) (n=406)

Seventy-eight percent of RECEIVE money transactions were done between members of the same household, 94% of whom lived within 2 km of each other. (n=5,484)

64% of SEND money transactions were done with members of the same household, 93% of whom lived within 2 km of each other. (n=5,572)

*Latest transaction

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Mobile Phone Capabilities of Mobile Money Nonusers

Nonusers are more at ease with making and receiving phone calls than sending and receiving text messages (SMS).

Task	Without Help
Receive phone calls	67%
Make phone calls	66%
Send and Receive SMS	29%
(Mobile money nonusers, base: n=5,572)	

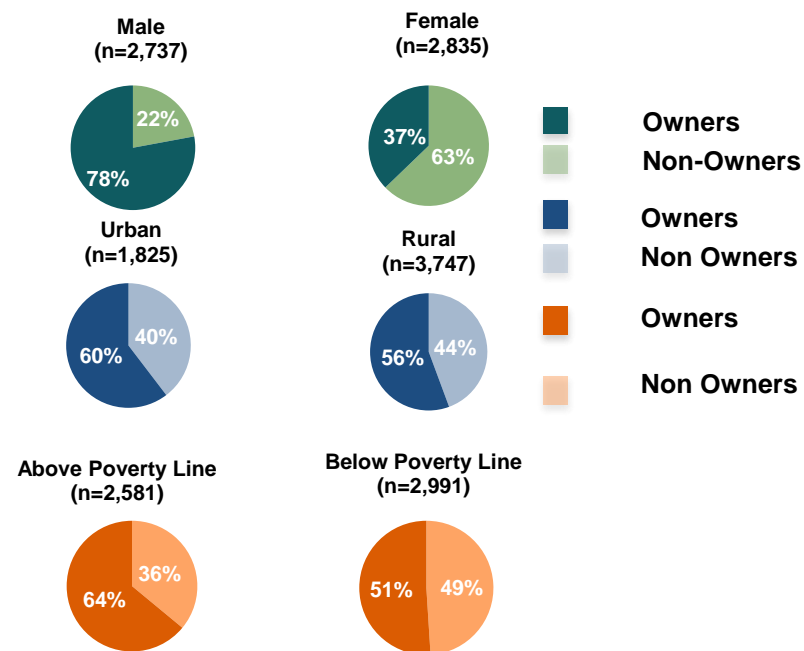
Male mobile money nonusers are more likely to own a mobile phone than are female nonusers. But the distinction was not that stark between urban nonusers and rural nonusers.

Sixty percent of nonusers had access to a basic phone, while 22 percent had access to a feature phone.*

It was relatively easier for non users to make and receive phone calls than to send and receive SMS.

Mobile phone ownership among mobile money nonusers, by demographics

50% of mobile money nonusers who did not own a mobile phone still had access to one.



*Some respondents had access to more than one type of phone.

Source: InterMedia Pakistan FII Tracker survey (N=6,000, 15+) November 2013-January 2014

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Bank Account Use: Bank accounts are being opened and used to receive money in the form of wages or from other persons

Rank	Top 5 reasons for starting to use a BANK account (percentage of active account holders, n=419)	%	Top 5 uses for BANK accounts (percentage of active account holders, n=419)	%
1	An organization/government agency requested I sign up for an account	25	Withdraw Money	81
2	I had to receive money from an organization/government agency (e.g., pension or unemployment payment)	23	Deposit Money	58
3	I had to receive money from another person	16	Receive wages for primary job	39
4	I wanted a safe place to store my money	9	Pay a utility bill	16
5	Somebody requested I open an account	6	Pay for goods at a grocery store, clothing shop or any other shop/store	7

**Of the 428 respondents, 29 were registered mobile money users, while 399 had over-the-counter access or access via someone else's account. The question for banks did not allow for multiple responses, while that for mobile money did allow for multiple responses.*

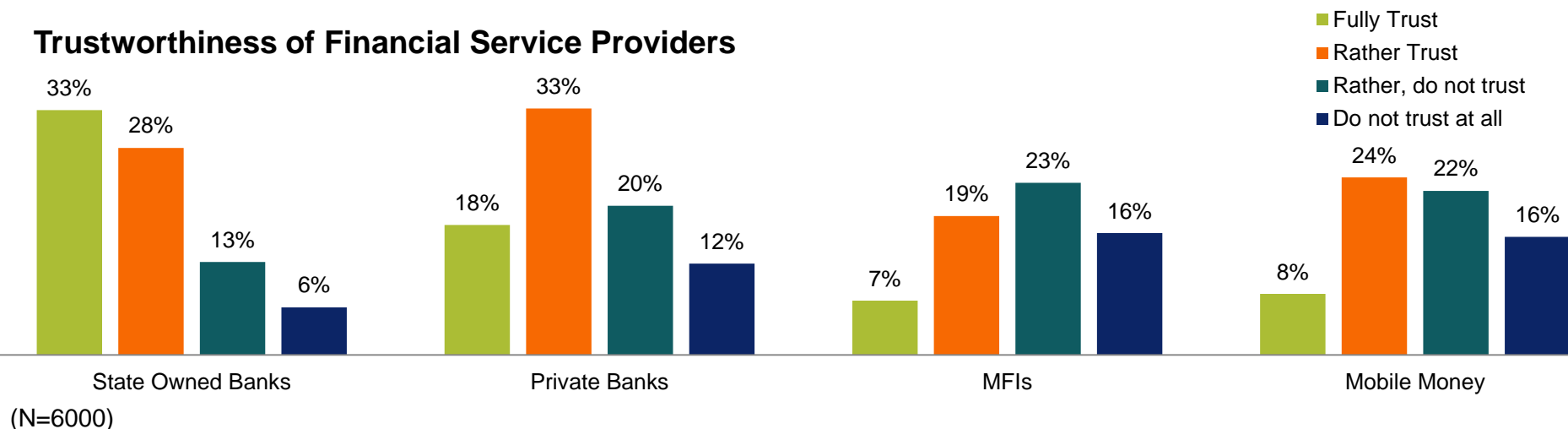
Source: InterMedia Pakistan FII Tracker survey (N=6,000, 15+) November 2013-January 2014

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Level of Trust in Financial Institutions

State-owned banks enjoy high levels of trust. Mobile money trust levels are lower than those of both state and private banks.

Trustworthiness of Financial Service Providers



The level of trust in mobile money services is considerably lower when compared with state-owned and private banks. This could be because of the fact that mobile money providers are much more recent entrants into the market when compared with state and privately owned banks.

Percentages do not add up to 100% as some respondents were not familiar enough with the financial service providers to respond.

Source: InterMedia Pakistan FII Tracker survey (N=6,000, 15+) November 2013-January 2014

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Demographic Trends: Active bank account use shows gender divide

Financial Inclusion Measures by Key Demographic (percentage of each sample)				
Demographic	Active Bank Account Holder	Active MM Account Holder	Both	Neither
Total Population N= 6,000	6	0	0	93
Male n=3,076	10	0	0	90
Female n=2,924	3	0	0	97
Urban n=1,990	9	1	0	90
Rural n=4,010	5	0	0	95
Above Poverty Line n=2,823	9	1	0	91
Below Poverty Line n=3,177	4	0	0	96

Above/below poverty line is defined by those respondents living on more/less than \$2.50 a day, as classified by the Grameen Progress Out of Poverty Index (PPI).

Source: InterMedia Pakistan FII Tracker survey (N=6,000 15+) November 2013-January 2014.

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Demographic Trends: Youth Under 25 Lag in Active Bank Account Use

Financial Inclusion Measures by Key Demographic (percentage of each sample)				
Demographic	Active Bank Account Holder	Active MM Account Holder	Both	Neither
Total Population N= 6,000	6	0	0	93
Ages 15-24 n=1,417	2	0	0	98
Ages 25-34 n=1,753	9	1	0	91
Ages 35-44 n=1,548	8	0	0	92
Ages 45-54 n=857	8	0	0	92
Ages 55+ n=425	7	0	0	92

Source: InterMedia Pakistan FII Tracker survey (N=6,000 15+) November 2013-January 2014. Categories are not mutually exclusive.

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Numeracy Rates Similar Among User Segments

National average
(n=6,000)

Active BANK account holders
(n=419)

Access to Mobile Money accounts (n=428)*

Numeracy

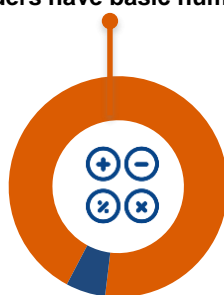
87%

of Pakistani ADULTS have basic numeracy



94%

of active BANK account holders have basic numeracy



94%

Of those with access to Mobile Money accounts have basic numeracy



Basic numeracy
Lack of basic numeracy

Key takeaways:

Active bank account holders and those with access to mobile money are more likely to have basic numeracy.

Definition of basic numeracy: the ability to apply simple mathematical concepts by correctly answering at least two out of three simple arithmetic questions in the survey.

*Of the 428 respondents, 29 were registered mobile money users, while 399 had over-the-counter access or access via someone else's account.

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Survey Sample Demographics

Demographic	% of Sample (N=6,000)
Male	51%
Female	49%
Urban	33%
Rural	67%
Above the \$2.50/day poverty line	47%
Below the \$2.50/day poverty line	53%
Ages 15-24	30%
Ages 25-34	28%
Ages 35-44	17%
Ages 45-54	15%
Ages 55+	10%

Source: InterMedia Pakistan FII Tracker survey (N=6,000, 15+) November 2013-January 2014

SAMPLING APPROACH

Sample size

The sample size is 6,000 respondents.

Sampling frame

- A nationally representative sample of adults (defined as those aged 15 or above) was developed using 2011-12 national population projections based on 1998 Census Data.
- The total sample was distributed proportionally to the size of the population within urban and rural strata in each of Pakistan's four provinces – Excluding the federally administered tribal areas
- The total population is further administratively divided into 5,000 census defined urban circles and 48,000 rural mouzas.

Primary sampling units (PSUs)

- Within urban strata, census circles and within rural strata, mouzas were selected proportionally to their population size.
- 10 interviews were conducted in each selected urban circle and mouza primary sampling unit.
- For security reasons, PSUs were divided randomly between male and female interviewing teams

Sampling start-points, households and respondents

- The census circles and villages to which sampling points are assigned were mapped into blocks and a block was randomly selected. The household within the selected block from which interviewing commenced was selected by generating a random number between one and 10, and skipping that number of households from the first household that interviewers encounter when entering the block.
- After completing an interview at the randomly selected first household, subsequent households were selected using the right-hand rule (every fifth household in urban areas and every third household in rural areas)
- One respondent from each household was selected using the Kish Grid method, and relevant consent for eligible respondents under 18 years of age was obtained.

GLOSSARY OF TERMS

- **Access** to a bank account or mobile money account – Access to one or both of these accounts means a respondent can use bank/mobile money services either via their own account or via an account of another person.
- **Active account holder** – An individual who has a registered DFS account and has used it in the last 90 days.
- **Active user** – An individual who has used any DFS for any type of transaction in the past 90 days via his/her own account or somebody else's account.
- **Adults with DFS Access** – Adults who either own a DFS account or have access to someone else's account.
- **Agent** – A person or business contracted by a DFS provider to provide services to DFS customers using their own bank or mobile money account.
- **Banked** – An individual with a registered account at a formal financial institution. For this particular study, banked are all individuals with their own bank accounts.
- **Basic literacy** – The ability of an individual to read and understand a short, simple statement with no or minimal help from another person.
- **Basic numeracy** – The ability to apply simple mathematical concepts. In the survey, basic numeracy refers to the ability of an individual to correctly answer at least two out of three simple arithmetic questions.
- **Below the Poverty Line** - In this particular study, adults living on less than \$2.50 per day, as classified by the Grameen PPI.
- **Digital financial services (DFS)** – Financial services that are provided through an electronic platform (mobile phones, electronic cards, the internet, etc.). **For this particular study, digital financial services include bank services and mobile money services.**
- **Digital stored-value account (DSVA)** – An account in which funds or monetary value are represented in a digital electronic format and can be retrieved/transferred by the owner of the account remotely, without him/her physically present at a branch of a financial institution providing the account. For this particular study, DSVAs include a bank card (debit or credit) and a mobile money account.

GLOSSARY OF TERMS (CONT.)

- **Financial inclusion** – A state in which all people who are able to use them have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner, and with dignity for the clients.
- **Financially included** – An adult who owns or has access to digital financial services.
- **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 the poverty line (less than \$2.50 per day).
- **Households** – All those who satisfy at least two of the following three conditions: (1) share the same food pot, (2) share the same roof or (3) have a common decision maker.
- **Interoperability** – The ability of users of different digital financial services (e.g., MTN Money and Airtel Money) to transact directly with each other without the use of intermediary organizations.
- **Lapsed registered/non-registered user** – An individual who has used a DFS on their own or somebody else's account, but has not done so in the last 90 days.
- **Mobile money (MM)** – A service in which a mobile phone is used to access financial services.
- **PKR** – The national currency of Pakistan
- **Registered active user** – A person with a registered DFS account that has used it in the last 90 days.
- **Services beyond basic wallet** – DFS transactions that go beyond simple deposits, withdrawals, or money transfers.
- **SIM card** – A removable micro-card that contains a subscriber identity module that securely stores the electronic codes used to verify subscribers' identities on mobile phones and computers.
- **Unbanked** – Individuals without a registered bank account.
- **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.

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