

# About

## Access to Finance Study (A2FS)



**Pakistan Microfinance Network**  
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### A Pioneer Initiative

The Access to Finance Study represents the first research effort of its kind in Pakistan, to gain comprehensive understanding about consumers' financial management practices, perceptions about financial service providers, usage of financial services and barriers faced in accessing them. The Study provides qualitative insights and empirical data covering over 10,000 respondents, poor and rich, men and women drawn from the urban and rural areas of the four provinces and Azad Jammu and Kashmir (AJK).

Contrary to traditional financial surveys the A2FS survey covers the formal and the informal financial services being used in Pakistan. In addition, it explores the psychological and behavioral factors influencing financial decision making.

### Information from the survey can assist:

- **Wide variety of financial service providers:** to improve their current services, understand their existing clientele better, innovate and gain improved understanding about new market niches
- **Policy makers:** to help shape improved policies and regulations governing the financial sector; establish benchmarks to measure progress and make cross country comparisons
- **Development practitioners:** to guide their financial market development programs and measure impact
- **Researchers:** to determine areas which require deeper probe and inquiry and inform their existing research agendas

### 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

(Base: 78.2 million total adult respondents)

### Data Availability

Survey data and study report will be available at the SBP website for all potential users to ensure that they gain maximum mileage from survey findings and use it while designing their products and services to maximize outreach.

P.T.O. >>>>

DFID Department for International Development



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# Access to Finance Study (A2FS)

## The Sponsors

A2FS has been funded jointly by the Department for International Development (DFID) Pakistan, the World Bank and the Swiss Agency for Development and Cooperation (SDC) at the request of the Ministry of Finance. The State Bank of Pakistan (SBP) is a major stakeholder and potential user of the survey findings as it implements its Financial Inclusion Program for developing financial markets in Pakistan.

## The Research Process & Quality Control Measures

- The research design of the study borrows extensively from the financial surveys (called FinScope) that have been conducted across Africa by **FinMark Trust (FMT)**. FMT is a NGO based in Johannesburg that aims to strengthen financial markets for the benefit of the marginalized. In Pakistan, FMT has provided supervisory guidance and technical assistance for ensuring quality research and analysis.
- A2FS represents the first time that the World Bank and FMT financial access surveys have been harmonized in order to avoid duplication of labor and resources and to coordinate research efforts.
- Extensive consultations with a wide variety of financial stakeholders and qualitative research including focus group discussions were held in order to prepare a survey questionnaire that meets the socio-economic context of Pakistan.
- **Federal Bureau of Statistics (FBS)** has provided the sample design and assistance with fresh listing of all the households falling in the sample area, including weighting the data to make it nationally representative.
- A multi-stage stratified area-based probability sampling technique was adopted to ensure random selection of 15 households from each of the 700 sample areas provided by FBS.
- All field work and data processing has been conducted by **Nielsen Pakistan (Private) Limited** with keen attention to comprehensive training of enumerators, in-field survey supervision and back checking.
- **Pakistan Microfinance Network (PMN)** has provided liaison support, in-country overall quality supervision and analytical inputs for research design and preparation of the report covering the study.

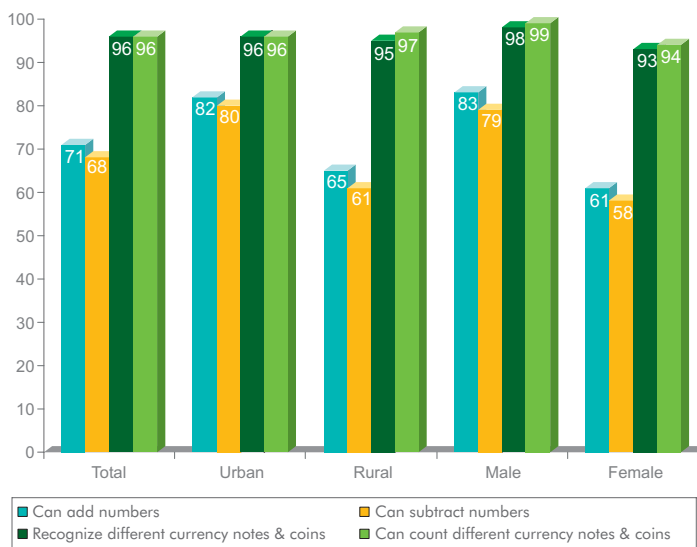
# Financial Literacy



## 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!

Financial Literacy – Numbers and Currency



## Financial Literacy – Financial Terms People Have Heard and Understand

Awareness and understanding about ...

Financial terms also commonly used in the **informal financial sector** is high.

For example:

- 89% for Loans
- 88% for Committees, and
- Over 70% for Interest and Profit.

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.

Relatively more **sophisticated formal financial terms** is even lower, even among graduates and post graduates.

For example:

- 64% have never heard about a savings and current account
- Over 70% have never heard about credit, debit and ATM cards.
- About 50% of the graduate respondents have heard about and understand what is meant by credit and ATM cards,
- Only 20% of post graduates have heard about and understand "shares".
- Only 3% people understand what is meant by mobile banking and mobile phone banking.

Awareness and understanding about **Islamic banking** is low.

For example:

- Overall, only 12% understand what is meant by Islamic banking!
- Only about half of the graduates and post graduates have heard and understand Islamic banking

# Financial Literacy

## Level of Financial Literacy Among People Who Are Banked – Terms That People Have Heard About And Understand...

	Male	Female
Bank	99%	96%
Loans	96%	94%
Interest	95%	89%
Bank Account	94%	87%
Profit	91%	80%
Money Lender	90%	75%
PLS/Savings Account	76%	60%
Current Account	67%	49%
Cheque/Cheque Book	87%	73%
Bank Charges	58%	44%
Minimum Balance	54%	38%
Post office Saving Account	58%	42%
Standing Instructions	9%	5%
Credit Card	40%	30%
ATM Card	45%	34%
Debit Card	32%	24%
Mobile Banking	15%	7%
Mobile Phone Banking	14%	6%
<b>Islamic Banking</b>	40%	20%
<b>NGO</b>	52%	38%
<b>Microfinance</b>	50%	41%
Shares	46%	22%
Stock Exchange	34%	18%
Exchange Rates	28%	14%
Tax	83%	68%
Insurance Installments	69%	58%

Base: All those who are currently banked (8,602,000)

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 women

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

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

# CONSUMER PERCEPTIONS



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## Formal Financial Service Providers (commercial banks, microfinance, & post office)

- Security of money at the banks is **high**
- First thing which come to peoples mind are the **prerequisites** for transacting with them rather than their **services**
- **Trust** in and **quality** of services of these service providers are low
- Satisfaction with services of these providers is **negligible**

## Informal Financial Service Providers

- **No requirement** of documentation, and formalities
- More people **trust** the informal sources as compared to the formal financial institutions
- **Satisfaction** with the informal service providers is high

## Perceptions about Insurance and Leasing

- Very low **awareness** and **understanding** among the less educated

## Money transfers

- Least risky & easiest** At a bank using own account
- Most risky & hardest** Using someone else's account
- Slowest** Post office
- Fastest** Family/friends
- Least expensive** Family/friends
- Most Expensive** Services such as Western Union

## Top 5: Perceived Risks

- 1 Unforeseen medical expense **(22%)**
- 2 Rise in food prices **(14%)**
- 3 Events like birthdays/marriages of relatives **(14%)**
- 4 Theft, at household/property **(12%)**
- 5 Insufficient income for family to live on **(11%)**

## Top 5: Attitude Related to Financial Matters

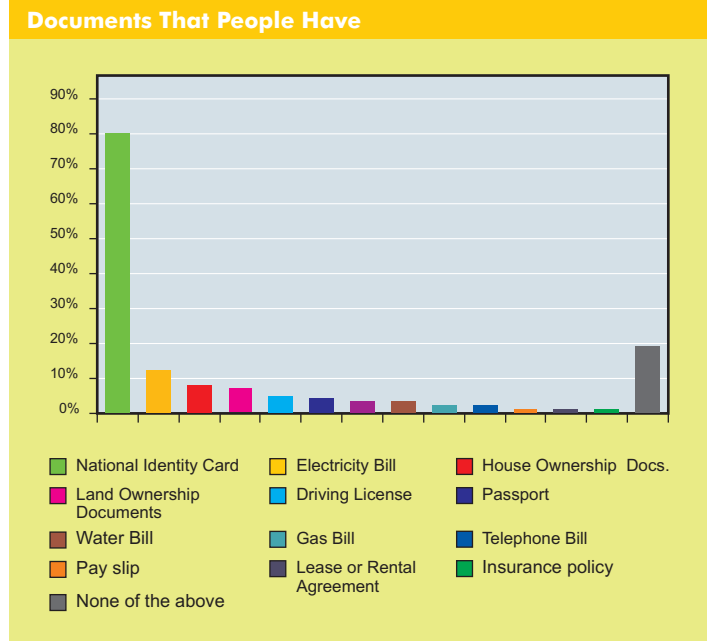
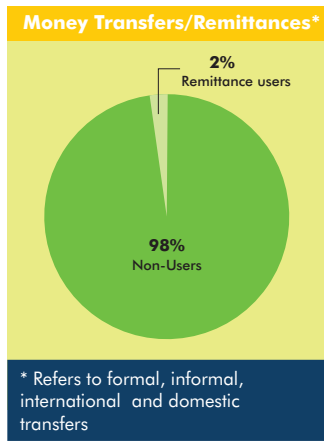
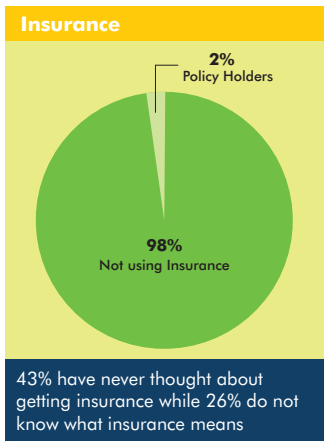
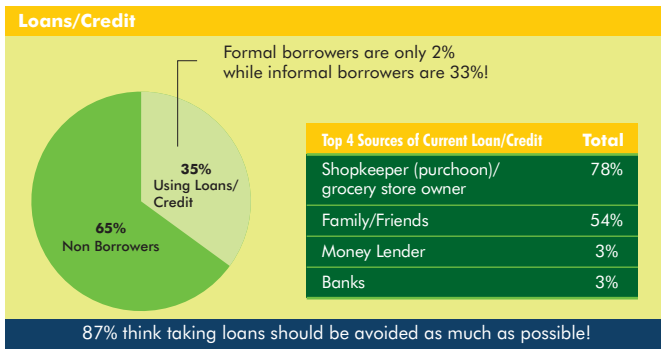
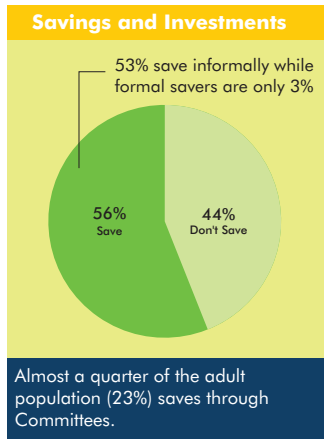
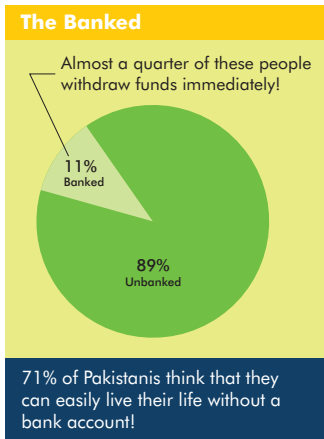
- 1 I hate owing money to anyone **(61%)**
- 2 I don't like to take debt because it means tensions & worries **(54%)**
- 3 I follow a budget **(44%)**
- 4 To get ahead in life, one needs to take some risks **(42%)**
- 5 You try to save regularly **(39%)**

The survey was completed largely between November 2007 to February 2008.



# A SNAPSHOT

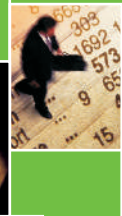
## SELECTIVE SURVEY FINDINGS



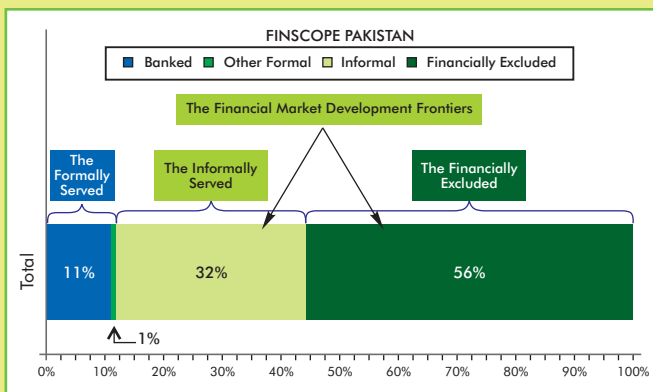
- ### Overall, people's preparedness to use cellular technology for banking is low.
- 13% of the people think cell phone banking can be trusted if backed by a mobile phone company.
  - 10% people think cell phone banking can be trusted if backed by a bank.
  - 8% think cell phone banking will make banking more affordable to use.
  - 8% think with cell phone banking their money will be as secure as with other banks
  - 6% would consider having their salary or main source of income paid into a cell phone bank account
  - 11% are prepared to use technology

# THE SITUATION

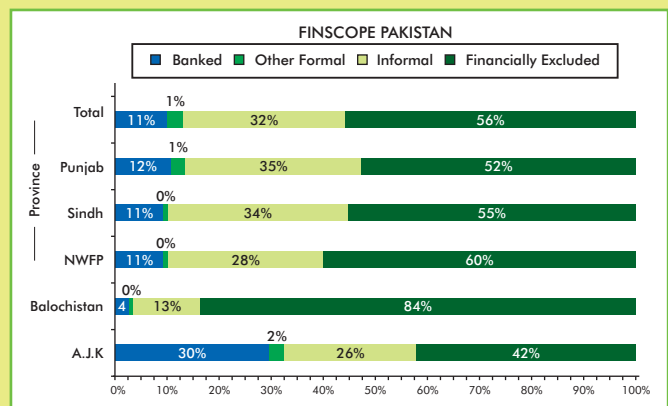
## of Access to Financial Services in Pakistan



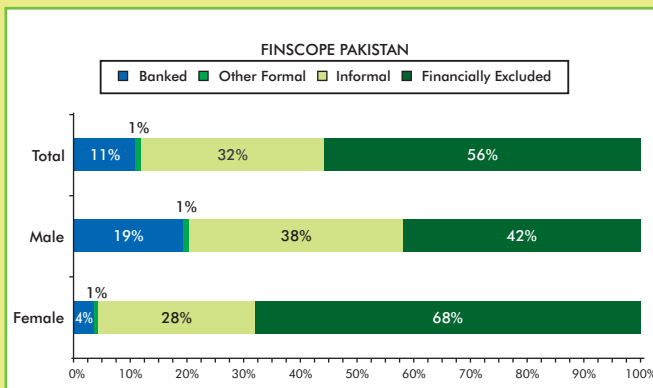
### The situation of access to financial services in Pakistan as seen through the following Access Strand



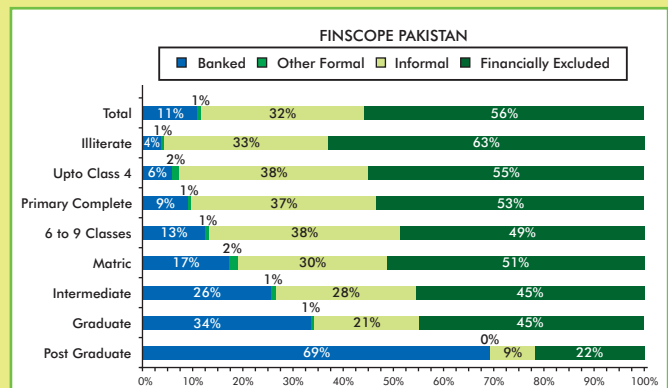
### Access Standard by Province



### The Access Strand Across Gender



### Access Standard by Education



### 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.

\* The Access Strand is a methodology developed by FinMark Trust (FMT) based in South Africa which helps to assess the levels of financial inclusion and exclusion in a given market. The Strand is based on data obtained from FMT financial surveys called FinScope.

# The Situation of Access to Financial Services in Pakistan

## 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.