

Financial Literacy and Financial Inclusion in Pakistan - Access to Finance Study 2008 by Hummayun Javed , Research Fellow at Gallup Pakistan

Gallup Pakistan and Financial Inclusion Research

Gallup Pakistan is currently the foremost Survey Research Institution in Pakistan working on understanding Financial Inclusion in Pakistan. Undergoing activity includes updating the *Access to Finance Survey 2015* together with Horus Consulting for State Bank of Pakistan. This paper has been written based on the data set available to Gallup of **Access to Finance Survey 2008** study. Similarly, Gallup Pakistan is working with Intermedia USA (end client Gates Foundation) on two studies that are tracking the growth of Digital Finance in Pakistan. One study is a three year Panel Study (also referred in this study as **FITS**) and the other is a replicate sample N 6000 Nationally Representative called as **FII Study**. Moreover , Gallup Pakistan has been involved in **Impact Evaluation** of the Largest Microfinance Institution in Pakistan (**PPAF**) since early 2000's and the last evaluation was completed in 2013. This paper although overwhelmingly draws from A2F 2008 study (not conducted by Gallup Pakistan) but it borrows from Gallup's researches in Pakistan on this issue in general.

Introduction to Financial Inclusion

Financial inclusion as a focus of international development efforts around the world focuses on two ideas: financial literacy and access to finance. Financial literacy is broadly defined as the knowledge and awareness of the general public regarding financial services, money management and concepts central to household finance such as inflation, interest rates and diversification.¹ According to the OECD, financial literacy is defined as:

“Financial literacy is the combination of consumers'/investors' understanding of financial products and concepts and their ability and confidence to appreciate financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being.”²

¹ Lusardi, Annamaria, and Olivia Mitchell. "The Economic Importance of Financial Literacy: Theory and Evidence." *Journal of Economic Literature* 52 (2014). Web. 10 Mar. 2015.

² World Bank. "The Case for Financial Literacy in Developing Countries: Promoting Access to Finance by Empowering Consumers." (2009). Web. 10 May. 2015.

Access to finance can be defined in two ways: the availability and access to financial services or the current engagement of an individual with available financial services. In the former definition, access measures the availability of the option to use financial services, and the latter understanding relies on current use of financial services such as having a deposit account as a parameter for defining if a person has access to finance.³

Literature Review

A cross-country comparison of financial inclusion found income differences to be the largest and most significant determinants. Removing income levels from the equation, income inequality plays a significant role in explaining the difference in financial inclusion between countries. On the other hand, adult literacy, unemployment levels and rural population levels do not explain differences in financial inclusion when controlling for income and income inequality.⁴

Due to the focus on microfinance as the face of financial inclusion, there are multiple studies exploring the relationship between SMEs (Small and Medium-sized Enterprises) and their access to finance.⁵ Analysis of household level access to finance is usually limited to descriptive statistics as researchers aim to determine the landscape of formal and informal financial services being used by individuals and understanding their motivations and needs for the use of different kinds of financial services.⁶

An OECD survey on financial literacy, attitudes and use across 14 countries sets up an interesting example on the impact of socio-demographic factors on financial literacy levels. The study uses age, gender, income, education and attitude towards risk as the independent variables to determine variability in financial literacy. Financial literacy in this case was defined as a combination of knowledge, behavior and attitudes. The study found that age, income and education were the most consistent and significant determinants of financial

³ Fischer, Greg. "Access to Finance: A Functional Approach to Supply and Demand." London School of Economics Asia Research Center (2012). Web. 09 May. 2015.

⁴ Sarma, Mandira, and Jesim Pais. "Financial Inclusion and Development: A Cross Country Analysis." (2008). Web. 07 May. 2015.

⁵ Khanam, Rasheda, and Tarek Zarook. "The Impact of Demographic Factors on Accessing Finance in Libya's SMEs." International Journal of Business Management (2013). Web. 09 May. 2015.

⁶ Ellis, Karen, and Juan-Pablo Rud. "Investigating the impact of access to financial services on household investment." Overseas Development Institute (2010). Web. 01 May. 2015.

literacy across all 14 countries. When controlling for these factors, gender was not a significant factor in 6 out of the 14 countries.⁷

Financial Inclusion in Pakistan

In Pakistan, there have been various studies in the past 15 years looking at various aspects of financial inclusion. The Pakistan Poverty Alleviation Fund regularly conducts studies (2003, 2005 and 2009) to understand the impact of providing microcredit services to low-income households. The studies consistently found that using microcredit services improved income and consumption levels of the target households versus the control group.⁸

In terms of assessing the level and use of financial services, the Access to Finance Survey in 2008 (data set used in this paper) was the first broad survey of its kind of financial knowledge, habits and usage patterns of households. The study found that only 14 percent of the population is formally included and 40 percent are not part of the formal or informal financial services circle. The study also includes several regression models using age, gender, education, rural, types of employment, unemployment and other socio-economic factors to explain differences in financial inclusion as well as behaviors, borrowing patterns and attitudes.⁹

More recent surveys and studies, such as the Financial Inclusion Tracker Surveys (FITS) Project¹⁰, Promoting Financial Inclusion and Literacy in Pakistan via G2P Payments¹¹ and Financial Inclusion Insights (FII) Program 2014¹², look at mobile technology and use of government to people payment programs as tools for promoting financial inclusion and literacy in the country. This shift from looking at the traditional microfinance institutions to mobile financial services is reflective of the change in supply side institutions' focus and tools to improve their reach to low-income households in developing countries.

⁷ Ellis, Karen, and Juan-Pablo Rud. "Financial Literacy and Inclusion: Results of OECD/INFE Survey across Countries and By Gender." Financial Literacy and Education – Russia Trust Fund (June 2013). Web. 05 May. 2015.

⁸ PPAF. "PPAF Microcredit Financing: Assessment of Outcomes 2009." Pakistan Poverty Alleviation Fund (2009). Web. 04 May. 2015.

⁹ Ahmad, Anjum, and Tatiana Nenova. "Bringing Finance to Pakistan's Poor: A Study on Access to Finance for the Underserved and Small Enterprises." World Bank (2010). Web. 04 Jan. 2015.

¹⁰ InterMedia. "Mobile Money: Use, Barriers and Opportunities." (2013). Web. 04 Mar. 2015.

¹¹ Pakistan Microfinance Network. "Promoting Financial Inclusion and Literacy in Pakistan via G2P Payment Programs." World Bank (2012). Web. 04 Mar. 2015.

¹² InterMedia. "Pakistan: FII Survey Wave 1 Report." (Sep, 2014). Web. 04 Mar. 2015.

A2F Study in Pakistan

According to the World Bank, “(t)he A2F household survey is a comprehensive national household survey of all the main financial services (transaction banking, savings, credit and insurance), needs, and usage among consumers, in both the formal and informal sectors. The survey design is based on a joint methodology developed by FinMark Trust (South Africa) and the World Bank, and rooted in economic fundamentals. The design has benefited from continuous improvements as the survey has been used in several large countries around the world, as well as from careful customization to Pakistan conditions via focus-group discussions and piloting. The aim of this demand-side study is to establish credible benchmarks and highlight opportunities for innovation in product and delivery, as well as suggest promising avenues for deepening and broadening access to finance.”¹³

The A2F household survey in Pakistan was conducted from 10,305 households forming a nationally representative sample. The original analysis focuses on the “Access Strand” – classifying the respondents into four categories depending on which financial products and services they say they currently use or have used in the past.¹⁴ The four categories are:

1. Banked – have a bank account or loan from a financial institution
2. Other Formal Services – other financial services such as insurance
3. Informal Services – saving with assets, borrowing from family and friend
4. Financially Excluded – no access to informal or formal sources of credit

The original descriptive statistical analysis on the Access Strand draws comparisons of the four categories across a range of demographic indicators as well as their responses to other sections of the questionnaire about their reasons or details about how and why they use different financial services.¹⁵

The questionnaire was conducted from a member (chosen at random) of the target household in order to capture variations within the household on these issues. The questionnaire is divided into **seventeen** sections:

¹³ Ahmad, Anjum, and Tatiana Nenova. "Bringing Finance to Pakistan's Poor: A Study on Access to Finance for the Underserved and Small Enterprises." World Bank (2010). Web. 04 Jan. 2015.

¹⁴ Ibid.

¹⁵ Ibid.

1. **Demographic:** age, gender, marital status, relation with head of household, education, cast/ethnicity, occupation, income earners, name of province, urban/rural, household size.
2. **Financial literacy:** interest in financial matters, source of financial information, numeracy, knowledge of financial concepts, product and services (formal and informal), demand for financial education, ID documents, financial decision making.
3. **Product penetration:** formal and informal – 80 in total.
4. **Reasons** for not having a bank account
5. **Banked population:** bank name, distance from bank, cost of commuting and reasons for using
6. **Savings and investments:** reasons for saving, instruments for investing, places for saving, reasons for that choice
7. **Loans and credit:** reasons for loan rejection, reasons for borrowing, sources of credit, requirements for borrowing, factors for deciding to borrow – for informal and formal
8. **Money transfers:** domestic and international, how and how frequent, comparison on trust, cost, speed and usability of different mediums of money transfer, speed of transfer, use of that money
9. **Insurance:** Which company, reasons for not using insurance
10. **Provider perceptions:** comparison on 39 statements between formal and informal institution types
11. **Committees:** types, number of, frequency, trend, motivation
12. **Income:** personal, household, frequency, source, main income earner
13. **Payments and Receipts:** cheques
14. **Communication and Mobile Phones:** use, network, who pays, purpose,
15. **Psychographic/Attitudinal:** 35 statements about financial behavior, 28 more on that, 37 more on psycho stuff, religion, kind of locality
16. **Risk and coping strategies:** emergency expenses, how, who
17. **Socioeconomic characteristics:** household assets, fuel, source of drinking water, toilet, access to facilities, rent/ownership, description of house, employment status, and total estimated household income.

Econometric Analysis

As stated earlier in this paper, this household dataset has been analyzed in multiple ways through regression analysis including multinomial logit regression between the access strands on socio-demographic factors as well as linear regression on various behavioral questions on those same factors. This paper aims to enrich the statistical analysis done for this dataset in two ways:

1. Develop a single indicator for financial literacy and determine its relationship with demographic indicators
2. Identify the key demographic indicators and financial literacy index that explain the variation in the Access Strand

Financial literacy and education are considered to be the gateway to improving financial inclusion in various studies.^{16 17}

This analysis would not only help understand the drivers of financial literacy in Pakistan but also identify the impact that increasing financial literacy can have on access to finance when controlling for socio-demographic factors.

Part One: Financial Literacy Index

The dataset and questionnaire used for the A2FS Survey focuses on the knowledge aspect of financial literacy in a simple manner. Without testing any financial concepts, numeracy or understanding of financial terms, it allows respondents to provide their own judgement or perception of their knowledge/capability. For example, the question for numeracy does not ask the respondent to add/subtract two numbers but instead asks them if they could if they had to.

The responses to the questions in the financial literacy section were combined to form a single indicator of the level of financial literacy of each respondent. Equal weightage was given to the following metrics:

1. Interest in financial matters (Scale of 1 to 5)
2. Following financial matters (Scale of 1 to 4)
3. Sources of financial news (number of external mass media sources of news – 0 to 5)

¹⁶ Cohen, Monique, and Candace Nelson. "Financial Literacy: A Step for Clients towards Financial Inclusion." Global Microcredit Summit (2011). Web. 04 May. 2015.

¹⁷ Atkinson, Adele, and Flore-Anne Messy. "Promoting Financial Inclusion through Financial Education." OECD Working Papers on Finance, Insurance and Private Pensions No. 34 (2013). Web. 04 May.

4. Numeracy (4 questions)
5. Knowledge of basic commonly used financial terms (Bank, Pension, Interest, Bank Account, Profit, Loans, Committee, Money lenders)
6. Knowledge of formal financial services (Money order, collateral, minimum balance, Islamic banking, Saving Account, Bank service charges, post office savings account, tax)
7. Knowledge of formal financial service mechanics (Debit card, ATM, Credit Card, Standing Instructions, Swift transfer)
8. Knowledge of new financial services (NGOs, Microfinance, Mobile Banking, Mobile Finance Banking)
9. Knowledge of sophisticated financial terms and services (Insurance, Shares, Investment, Insurance Premiums, Stock Exchange, Exchange Rate, Assets)
10. Financial decision making (showing confidence in financial skills and knowledge)

Using the criteria described above, a financial literacy index score (on a scale of 0 to 100) was calculated for the entire dataset.

A multivariate linear regression was run with the financial literacy index score as the dependent variable and the following independent variables:

1. Age (4 age groups based on Generation X (younger than 27 years), Generation Y (between 27 and 28 years), Baby boomers (between 48 and 63 years old) and the Silent Generation(older than 63 years old))
2. Gender
3. Marital status (married versus everyone else)
4. Head of the household
5. Education level – illiterate versus high school versus college
6. Household size greater than 7 (national average)
7. Employment status: Employed (full-time or self-employed) versus Student versus Housewife versus all other categories
8. Urban household

The results of the regression are as follows:

Linear regression

Number of obs = 9369
F(13, 9355) = 522.92
Prob > F = 0.0000
R-squared = 0.4339
Root MSE = 12.393

finlit	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
age127	.3332163	.6398506	0.52	0.603	-.9210301	1.587463
age2748	2.139315	.5970648	3.58	0.000	.9689386	3.309692
age4863	1.391641	.6363869	2.19	0.029	.1441836	2.639097
gender	-5.88441	.5431123	-10.83	0.000	-6.949029	-4.819792
married	.8440784	.3397722	2.48	0.013	.178051	1.510106
hhh	4.036196	.3883771	10.39	0.000	3.274893	4.7975
edusch	11.72869	.4151398	28.25	0.000	10.91493	12.54246
educol	25.64316	.6267988	40.91	0.000	24.4145	26.87183
hhsiz7	-1.026104	.2653393	-3.87	0.000	-1.546227	-.5059813
urban	5.392035	.2819098	19.13	0.000	4.839431	5.94464
employed	3.577504	.4093299	8.74	0.000	2.775128	4.37988
student	.7799496	.9852823	0.79	0.429	-1.151418	2.711317
housewife	-2.002158	.5582453	-3.59	0.000	-3.09644	-.9078758
_cons	34.78421	.7257983	47.93	0.000	33.36148	36.20693

The R-squared of the regression showed that 43% of variation in the financial literacy index score was explained by variation in the independent variables. Education had the largest impact on the score for a respondent, with education beyond high school yielding a 25 point dividend on average and any schooling yielding a 12 point increase in the score. Being the head of the household, employed and living in a urban area were also significant in a substantive and statistical sense, adding 4, 3.6 and 5.4 points on the financial literacy score respectively.

Being female reduced the score by around 6 points while being a housewife or being a part of the household of more than 7 people reduced the score by 2 and 1 points respectively.

The results indicate that in terms of interest in financial matters, financial decision making and knowledge of different kinds of financial services, education was the key driver. Most of the financial services and terms included in the questionnaire related to formal financial services and having an understanding of how these institutions and their service works is helped through literacy as well as higher level education. Employment and therefore having an income did not impact financial literacy as much indicating that this knowledge and

interest in formal financial services is not borne out of need to explore these services for your borrowing or saving needs but through institutional education.

Part Two: Access Strand Analysis

The four-part access strand provides a tricky situation as the dependent variable as it takes on four categorical values that are not quantitatively or directly comparable across the categories. While one option for regression analysis is to use multinomial logistic regression, in the interest of being able to quantify the constant marginal effect of the independent variables, this analysis was performed through linear probability models by segmenting the sample by access strands to compare various categories and creating dummy variables each comparison group in the dependent variable.

The same demographic factors from Part One were used as independent variables, listed here again:

1. Age (4 age groups based on generation X (younger than 27 years), Generation Y (between 27 and 28 years), Baby boomers (between 48 and 63 years old) and the Silent Generation(older than 63 years old))
2. Gender
3. Marital status (married versus everyone else)
4. Head of the household
5. Education level – illiterate, some schooling or college,
6. Household size greater than 7 (national average)
7. Employment status: Employed (full-time or self-employed), Student, Housewife
8. Urban household

In light of the fact that the “Other Formal Services” part of the access strand forms a negligible portion of the results, we are limiting the access strands used for this analysis to three: Banked, Informal Services, Financial Excluded.

There are three sets of comparisons:

1. Banked v. Informal Services
2. Informal Services v. Financially Excluded
3. Banked v. Financially Excluded

1. Banked v. Informal Services

The first comparison is between parts of the sample that uses banking services and the part that uses informal sources of financing and credit for their needs. This is an important part of the financial inclusion analysis as the people using informal services are considered to be on the frontier of using formal services or the most likely part of the un-banked population to convert to the formal services.

The results of the regression are as follows:

Linear regression					Number of obs = 3848	
					F(14, 531) = 147.41	
					Prob > F = 0.0000	
					R-squared = 0.3580	
					Root MSE = .35423	
(Std. Err. adjusted for 532 clusters in cityvill)						
bankvinf	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
finlit	.0091743	.000571	16.07	0.000	.0080527	.0102959
age127	-.208578	.0277857	-7.51	0.000	-.2631614	-.1539945
age2748	-.122428	.0260398	-4.70	0.000	-.1735817	-.0712743
age4863	-.0295915	.0282939	-1.05	0.296	-.0851732	.0259902
gender	.029808	.0254211	1.17	0.241	-.0201303	.0797464
married	-.0049739	.0177327	-0.28	0.779	-.0398088	.0298611
hhh	.0352372	.016033	2.20	0.028	.0037414	.066733
edusch	.1061593	.0187538	5.66	0.000	.0693185	.143
educol	.3175748	.0278244	11.41	0.000	.2629153	.3722343
hhsiz7	-.0082658	.0123282	-0.67	0.503	-.032484	.0159523
urban	.023764	.0189023	1.26	0.209	-.0133685	.0608964
employed	.0916463	.0189547	4.84	0.000	.0544109	.1288816
student	-.0688439	.044405	-1.55	0.122	-.1560749	.0183872
housewife	-.0581575	.0284807	-2.04	0.042	-.1141061	-.0022088
_cons	-.1234446	.0343872	-3.59	0.000	-.1909963	-.055893

Similar to the financial literacy regression the most influential factor driving the use of banks versus sticking to informal options was education. Having a high school education increased your odds by approximately 10% and having a college education by 32% versus having no education. In comparison, increasing the financial literacy score by 10 points would only increase the odds by 1%. In terms of age, being older increased the chances of being banked versus using informal services.

The respondents' gender, being married, a current student, housewife, living in an urban area or in a household larger than 7 were all statistically insignificant in this regression analysis. This really brings out the issues that determine the difference between the banked population and those just using informal services.

2. Informal Services v. Financially Excluded

This frontier looks at the part of the respondent population that does not use formal financial services and attempts to distinguish between those who use informal financial services such as community lending and those who don't even have access to informal financial services.

The results of the regression are as follows:

Linear regression				Number of obs = 8146		
				F(14, 552) = 24.86		
				Prob > F = 0.0000		
				R-squared = 0.0851		
				Root MSE = .45583		
(Std. Err. adjusted for 553 clusters in cityvill)						
infvexcl	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
finlit	.0073924	.0006694	11.04	0.000	.0060775	.0087073
age127	.0275658	.0233864	1.18	0.239	-.0183715	.0735031
age2748	.0589331	.0225505	2.61	0.009	.0146379	.1032283
age4863	.0168387	.0253355	0.66	0.507	-.0329271	.0666045
gender	-.0538843	.0246671	-2.18	0.029	-.1023372	-.0054313
married	.0531046	.0136459	3.89	0.000	.0263004	.0799089
hhh	.0084046	.0179321	0.47	0.639	-.0268188	.043628
edusch	-.0694835	.0186484	-3.73	0.000	-.1061139	-.0328531
educol	-.238199	.0325528	-7.32	0.000	-.3021416	-.1742565
hhsiz7	-.0014011	.0133079	-0.11	0.916	-.0275414	.0247391
urban	-.0164058	.0213832	-0.77	0.443	-.0584081	.0255966
employed	.009041	.0209399	0.43	0.666	-.0320906	.0501726
student	-.1461888	.0316096	-4.62	0.000	-.2082786	-.0840991
housewife	-.0748014	.0259601	-2.88	0.004	-.125794	-.0238088
_cons	.0972172	.035099	2.77	0.006	.0282732	.1661612

The R-squared in this regression was only 8.5%, showing the little impact of socio-demographic partners in determining the difference between the two categories. Financial

literacy had a statistically significant impact but substantively a 10 point increase in the score would only increase chances of using informal financial services by 0.7%.

The results showed a strong negative impact of education and being a student on chances of using informal services – this points to the fact that in Pakistan, students at all levels of education are financially dependent on their parents and are not earning any sort of income or taking on loans to complete their education from financial institutions. Being female also reduced your chances of using informal financial services by 5.4 percentage points.

3. Banked v. Financially Excluded

This comparison looked at the parts of the population that were banked versus those that are financially excluded from both the formal and informal services– the most disparate portions of the respondents. Financially excluded part of the population is the focus of development efforts and bringing them into the fold through institutional efforts such as mobile financial services or microfinance institutions are at the center of those efforts.

The regression results are as follows:

Linear regression				Number of obs = 6336		
				F(14, 552) = 141.76		
				Prob > F = 0.0000		
				R-squared = 0.3728		
				Root MSE = .29129		
(Std. Err. adjusted for 553 clusters in cityvill)						
bankvexcl	Coef.	Robust Std. Err.	t	P> t	[95% Conf. Interval]	
finlit	.0080335	.0003695	21.74	0.000	.0073077	.0087592
age127	-.0818972	.0199511	-4.10	0.000	-.1210866	-.0427079
age2748	-.0380934	.0195531	-1.95	0.052	-.0765009	.0003142
age4863	.0033601	.0209096	0.16	0.872	-.0377121	.0444323
gender	.001143	.0155239	0.07	0.941	-.0293502	.0316363
married	.0317257	.0097231	3.26	0.001	.0126269	.0508245
hhh	.0627152	.0143837	4.36	0.000	.0344618	.0909686
edusch	.0437565	.0152973	2.86	0.004	.0137084	.0738045
educol	.1935241	.0310919	6.22	0.000	.1324512	.254597
hhsiz7	.0040664	.0074789	0.54	0.587	-.0106242	.0187569
urban	-.0053467	.0119619	-0.45	0.655	-.0288432	.0181498
employed	.1033709	.0173594	5.95	0.000	.0692724	.1374694
student	-.1520548	.0228132	-6.67	0.000	-.1968662	-.1072435
housewife	-.0455621	.0153254	-2.97	0.003	-.0756655	-.0154588
_cons	-.159198	.0240661	-6.62	0.000	-.2064702	-.1119257

The most significant factor bringing up chances of being banked were having a college education. The second most significant was being employed full time. This comparison was similar to the banked versus informal service users' comparison, which shows that the difference between these two comparisons is not significant. There might be a case for segmenting the non-banked population in another way that would be more meaningful in terms of understanding the divide in terms of using banking services.

The biggest negative factor was being a student – the rationale of students being financially dependent on their parents till they finish their education has been explained earlier in this paper.

Gender, household size greater than 7 and living in an urban area didn't matter in this comparison as the coefficients were statistically insignificant. Substantively, being married and having a high school education didn't matter in terms of chances of being banked versus being financially excluded.

Shortcomings

There were three key shortcomings of the dataset as well as the analysis:

1. Financial Literacy Index construction: The financial literacy index was constructed in an arbitrary fashion, in order to give an overall picture of the financial literacy indicators that were available in the questionnaire. The methodology was partly driven by the availability of
2. Income as an indicator: As seen in the literature review, on the macro-level income levels were a big determinant of financial inclusion and it is possible that the same would have been true for this micro-level household dataset. However, the information regarding income was not complete or reliable. There was also an issue in choosing between household income versus the individual's income. Employment was included as a proxy for income levels but the downside of that was that while it distinguished individual levels between employed and unemployed respondents, it did not capture different income levels. It can be argued, however, that education also provides a proxy for individual income levels.
3. Questionnaire: The questionnaire was extremely lengthy and complicated and that could have potentially compromised the accuracy of some sections or questions as

the respondents grow weary after being set to the task of answering hundreds of questions in one sitting, a lot of which related to personal information that is usually kept extremely private.

Conclusions

This analysis had two aims: define financial literacy and determine its socio-demographic drivers; and determine the drivers of access to finance by assessing socio-demographic factors as well as financial literacy.

On the first count, the financial literacy index was able to successfully summarize the various questions and angles covered in the questionnaire in that category onto one quantitative scale. This scale can be used to categorize respondents for descriptive statistical analysis but in this case we looked at the drivers of this score through regression analysis. It was determined that education (high school and college) were the biggest drivers of financial literacy.

In the second stream of analysis, the three main categories of the access strand were put up against each other to understand the three frontiers of access moving from banking to informal financial services to neither of them. Financial literacy was statistically significant but substantively less impactful in all three cases. Education and employment were the key drivers across all frontiers, in a negative way in the informal financial services versus excluded frontier due to the financial dependency of students in Pakistan on their parents, and in a positive way in the other two comparisons. Gender was not a major driver of access, and living in an urban or a rural locality did not significantly impact your chances to be on a higher level in the access strand.

In conclusion, key social, economic and demographic factors are driving the choices and the knowledge regarding financial services in Pakistan. Improvement in education levels as well as income levels can be seen as the biggest source of improvement in access in the future while financial education programs are not as promising tools for change in this sphere as would have been imagined.

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