



Special Press Release

FINANCIAL INCLUSION INSIGHTS

Preconditions for Financial Inclusion

Issue 1

Preconditions for Financial Inclusion: Significant proportion of Pakistanis meet the necessary criteria to use digital financial services in Pakistan; 95% each have the necessary ID and numeracy skills, 77% have mobile phone access; financial literacy however is under 20%. (InterMedia/ Gallup Pakistan)

Islamabad, August 1, 2017

According to the Financial Inclusion Insights (FII) Survey by InterMedia (a global research and consultancy firm), fieldwork conducted by Gallup Pakistan, significant proportion of Pakistanis meet the necessary criteria to use digital financial services in Pakistan; 95% each have the necessary ID and numeracy skills, 77% have mobile phone access; financial literacy however is under 20%.

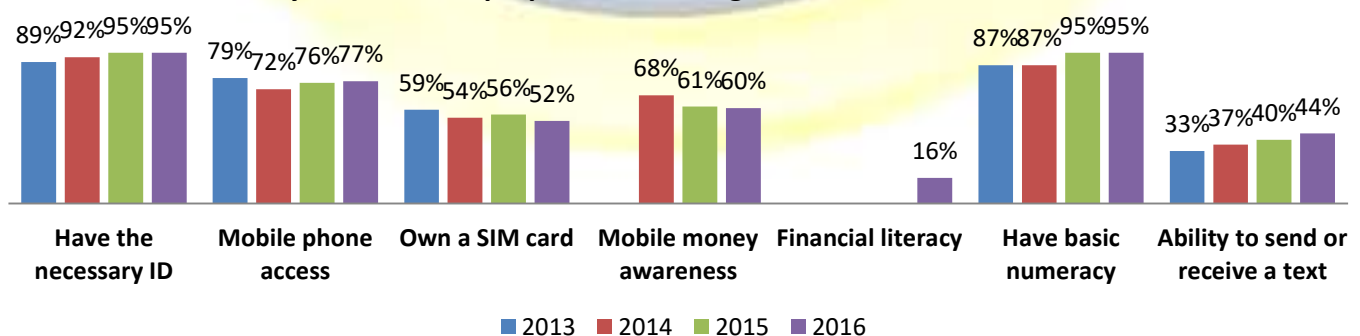
Resources (having the necessary ID card, mobile phone access, sim card ownership and geographical access) and knowledge and skills (mobile money awareness, financial literacy, numeracy and ability to send or receive a text) are some of the preconditions to financial inclusion. This press release gives an overview of these preconditions, explains the financial landscape and helps identify the barriers to financial inclusion in the country.

Key Indicator Trends:

Among developing economies, the concept of digital financial services is rapidly emerging to financially include the excluded and underserved population by providing products that are tailored to the customer's needs. How a country fares on the precondition indicators is important to measure the degree of readiness and uptake for digital financial services. In 2016, Pakistan's performance was relatively high on some precondition indicators, including having the correct ID (95%), basic numeracy skills (95%) and mobile phone access (77%). Performance on other indicators, including awareness about mobile money (60%), sim card ownership (52%), the ability to send or receive a text message (44%) and financial literacy (16%) remained low in the country.

These results indicate that a significant proportion of Pakistanis meet the necessary criteria to use digital financial services; however uptake of these services remains low.

Key Indicators of preparedness for Digital Financial Services



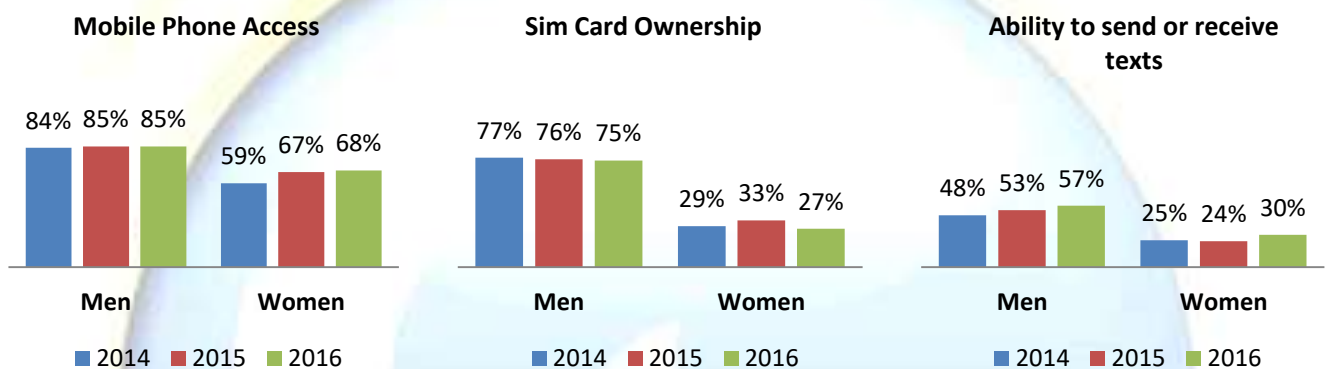
Source: InterMedia Pakistan FII Tracker surveys Wave 1 (N=6,000, 15+), November 2013-January 2014; Wave 2 (N=6,000, 15+), September-December 2014; Wave 3 (N=6,000, 15+), September-October 2015; Wave 4 (N=6,000, 15+), September – October 2016
(Field work conducted by Gallup Pakistan)



Mobile Phone Access, Ownership and Use: 2 in 3 women in Pakistan have access to a mobile phone; sim card ownership remains low at 27%.

Mobile phone access and sim card ownership for males in Pakistan has been fairly similar between 2014 and 2016. The ability to send or receive a text has seen a 9% increase among males for the same period.

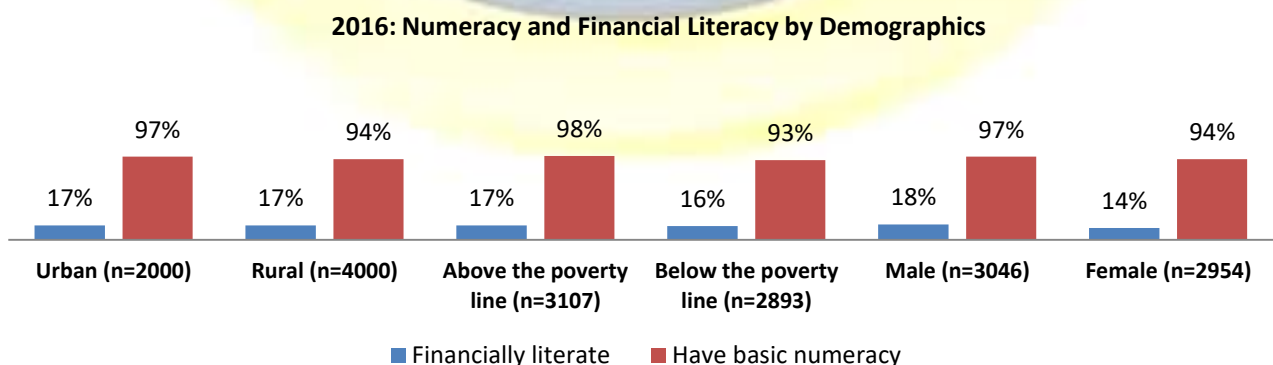
On the other hand, mobile phone access has observed a 9% increase for females in Pakistan between 2014 and 2016, and the ability to send or receive texts has increased by 5%. Sim card ownership has decreased by 2% among females for the same period. Female mobile phone access, sim ownership and mobile literacy measured through ability to send sms, appears as primary bottle necks in terms of Digital Financial Service use in Pakistan.



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
(Field work conducted by Gallup Pakistan)

Financial Literacy and Numeracy: Basic numeracy is high across all demographic groups in Pakistan; financial literacy is under 20%

The financial literacy index, introduced in wave 4 of FII tracker measures the basic knowledge of four fundamental concepts in financial decision-making i.e. interest rates, interest compounding, inflation, and risk diversification. Across all demographic groups in Pakistan, levels of financial literacy have been low (under 20%), pointing towards a lack of knowledge and understanding of formal financial concepts. If the aim is to increase financial inclusion in the country, it is imperative to increase the scope of Financial Literacy Initiative to create financial awareness among the masses and educate the financially illiterate.



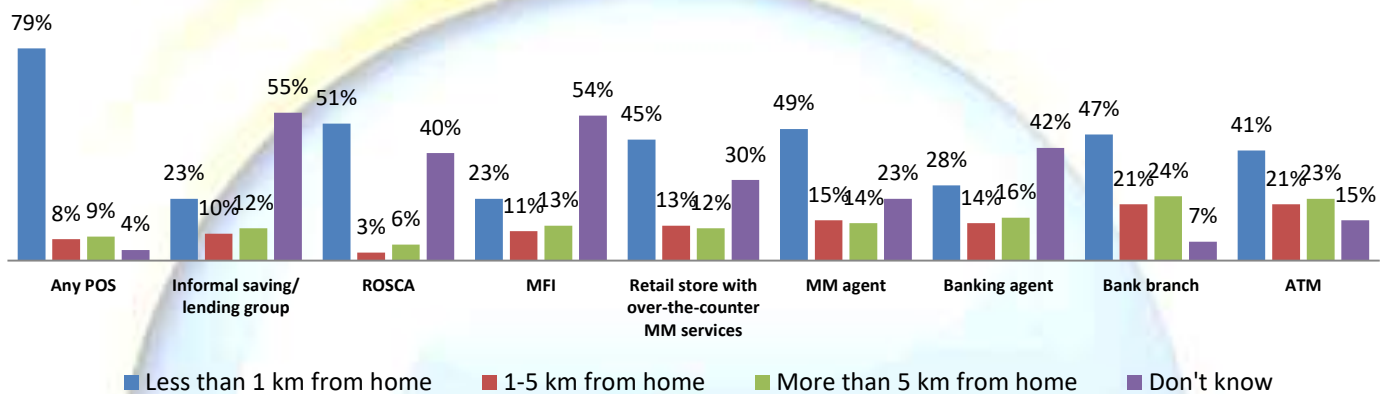
Source: InterMedia Pakistan FII Tracker surveys; Wave 4 (N=6,000, 15+), September – October 2016
(Field work conducted by Gallup Pakistan)



Geographical Access: 79% Pakistanis know of a point of service within 1 km of their homes

79% Pakistani adults know of any point of service within 1 km of their home, 8% said 1 to 5 km from their home, 9% said more than 5 km, while 4% did not know. 23% knew of informal saving / lending groups operating within 1 km of their home, 10% said 1 to 5 km from their home, 12% said more than 5 km, while 51% did not know. 51% know of a ROSCA (rotating savings and credit association) within 1 km from where they live, 23% of a MFI (microfinance institution), 45% know of a retail store with over-the-counter MM service, 49% of a MM agent, 28% of a banking agent, 47% of a bank branch and 41% know of an ATM.

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

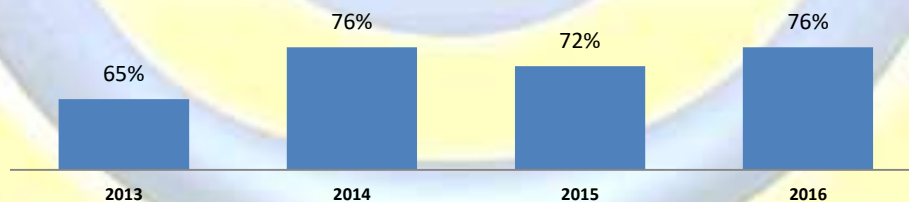


Source: InterMedia Pakistan FII Tracker surveys; Wave 4 (N=6,000, 15+), September – October 2016
(Field work conducted by Gallup Pakistan)

Mobile Money Awareness: Awareness of mobile money providers is higher than understanding of mobile money as a concept in 2016 (76% vs. 60%)

In 2013, 65% of adult Pakistanis were aware of mobile money providers. Awareness increased by 11% in 2014, decreased to 72% in 2015 and increased by 4% in 2016 to 76%.

Mobile money provider awareness



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
(Field work conducted by Gallup Pakistan)

Mobile Money Concept: 6 in 10 Pakistanis understand the concept of mobile money; less than 50% of the poor and females knew of mobile money as a concept

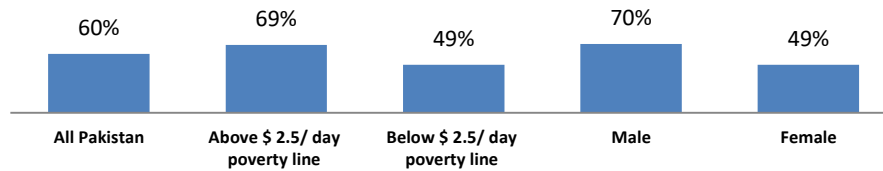
60% of adult Pakistanis knew the concept of mobile money in 2016, while 40% did not.

Breaking the results by poverty levels reveals that 69% above the \$2.5 per day poverty line understood the concept of mobile money, while 31% did not. On the contrary, only 49% below the poverty line knew of the concept; 51% did not.

Gender breakdown of the results shows that 70% of men knew of mobile money as a concept; 30% did not. On the other hand, 49% females knew of mobile money as a concept, 51% did not. These figures point towards a gender gap of 21% between males and females on understanding of the mobile money concept.



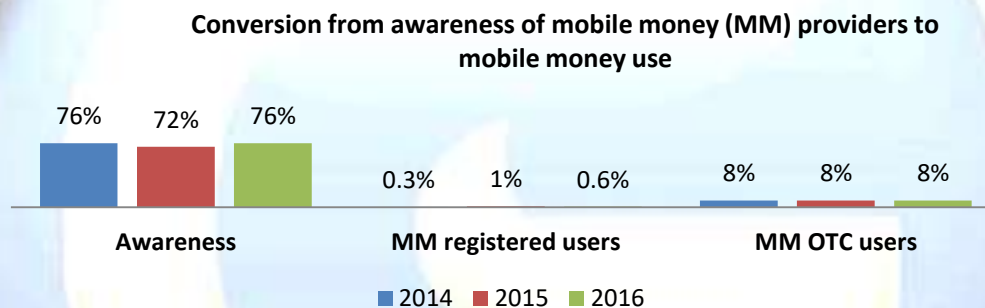
Understanding concept of mobile money



Source: InterMedia Pakistan FII Tracker surveys; Wave 4 (N=6,000, 15+), September – October 2016
(Field work conducted by Gallup Pakistan)

Awareness of Mobile Money Providers vs. Use: **3 in 4 Pakistanis are aware of mobile money providers; mobile money use however is low in the country**

Awareness of mobile money providers in Pakistan was at 76% in 2014, which declined by 4% in 2015 and increased to 76% again in 2016. Although awareness of mobile money providers has observed a 4 point increase, mobile money use including both registered users (0.6% in 2016, a 0.4% decline compared to 2015) and OTC users (8% in 2016, consistent with the previous waves figures) has not improved. While majority Pakistanis are aware of mobile money providers, they still lack awareness of the various offerings offered by these mobile money providers explaining the low usage.



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
(Field work conducted by Gallup Pakistan)

The Survey findings are from FII series which aims to provide demand-side insights into consumer's financial behaviors, and identify pathways so those most in need have the financial tools necessary to improve their economic stability. The survey was conducted among a sample of 6000 men and women in both rural and urban areas across the four provinces in the country. For more details, please visit international website: <http://finclusion.org/>

Introduction to the series on Financial Inclusion Research:

This press release is part of a special series that aim to foster an empirical understanding of financial inclusion in Pakistan and that hopes to create a collaborative network of individuals working on the topic. Before starting any conversation on developing a methodology of increasing financial inclusivity in Pakistan, it is vital to be aware of the perceptions that the general public has with regards to banks, other formal financial institutions as well as individual and household decisions on financial matters.

Furthermore, this analysis can also help in producing consumer insight to support product and service development and delivery.

For more survey data on social and other issues see website www.gallup.com.pk

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