PRESS RELEASE (Also emailed*/faxed separately)

Special Press Release

FINANCIAL INCLUSION INSIGHTS
A Significant Increase in Financial Inclusion
Issue 1

Pakistan achieved substantial gains in financial inclusion; the percentage of financially included citizens increased from 9% of all adults in 2016 to 14% in 2017. (InterMedia/ Gallup Pakistan)

Islamabad, October 30, 2018

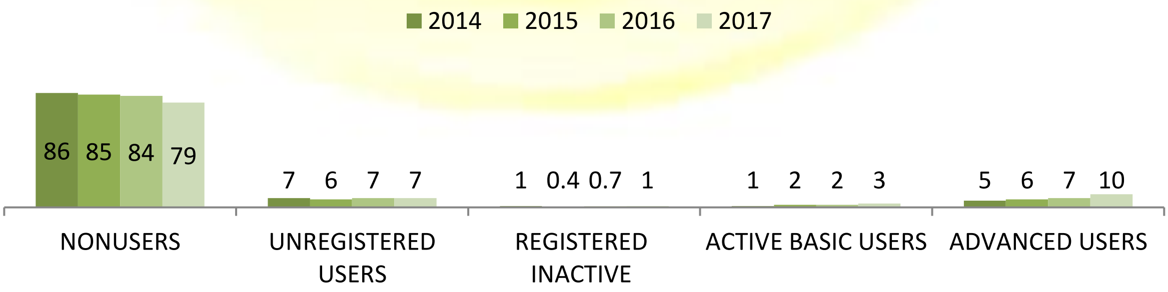
According to the Financial Inclusion Insights (FII) Survey conducted in Pakistan by InterMedia USA (www.finclusion.org), with fieldwork conducted by Gallup Pakistan, Pakistan achieved substantial gains in financial inclusion in 2017. The percentage of financially included citizens increased from 9% of all adults in 2016 to 14% in 2017, the first statistically significant change that the FII program has recorded during five years of annual surveys in the country. These results indicate that Pakistani citizens are making tangible progress along the customer's journey towards greater financial inclusion. Bilal Gilani, Executive Director at Gallup Pakistan, says, "This is great progress with respect to year on year progress, and it testifies that the National Financial Inclusion Strategy is finally beginning to bear fruit."

For complete report on Pakistan, please click here.

1. **The Customer Journey Trend in Pakistan: Financial inclusion increased by 5 percentage points from 2016 to 2017; this growth was driven by the increased usage of banks as well as mobile money.**

   For the InterMedia/Gallup study, those individuals are considered to be **financially included** who have an account in their name with a full-service financial institution, such as a **bank, mobile money service, or a non-bank financial institution**. To be financially included implies that individuals and businesses can access affordable financial services, delivered in a responsible and sustainable way, to meet their needs. In Pakistan, both registered and access-and-trial users of financial services have seen a statistically significant increase since 2013. The following chart provides a visual representation of the decline in nonusers of financial services from 86% to 79% over this time period. **It is important to note, however, that sustaining this growth momentum will prove to be a challenge, given the worsening economic indicators.**

Figure 1: Change over time in each segment of the customer journey for all financial institutions (Shown: Percentage of Pakistani adults, by year)



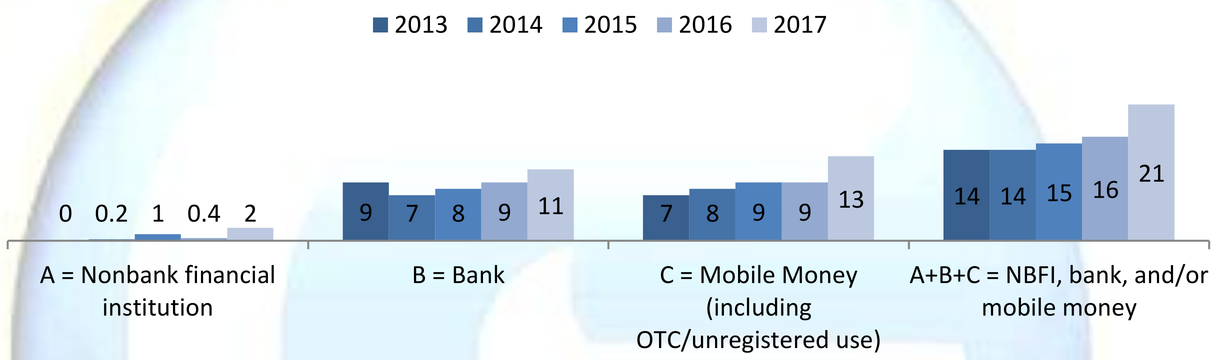
Source: InterMedia Pakistan FII Tracker surveys Wave 1 (N=6,000, 15+), November 2013-January 2014; Wave 2 (N=6,000, 15+), September-December 2014; Wave 3 (N=6,000, 15+), September-October 2015; Wave 4 (N=6,000, 15+), September – October 2016; Wave 5 (N=6,000, 15+), September – October 2017 (Field work conducted by Gallup Pakistan)

2. **Access and Trial of Financial Services: The percentage of adults who have ever used a full-service financial institution increased from 16% in 2016 to 21% in 2017, a marked and statistically significant rise.**

The percentage of adults who have ever used a full-service financial institution rose from 16% in 2016 to 21% in 2017. In other words, in 2017, every one in five adults made use of a financial service.

While only 7% of Pakistani adults had ever used **mobile money** in 2013, this percentage increased to 13% in 2017. Similarly, while only 9% of adults had accessed **banks** in 2013, and this percentage fell in the years 2014-15, it rose to incorporate 11% of all adults in 2017. Access of **non-bank financial institutions** also showed a statistically significant increase in 2017 as compared to previous years.

Figure 2: Access & trial (Shown: Percentage of Pakistani adults, by year)



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3. **The Financially Excluded and the Barriers to Their Inclusion: If 14% of Pakistani adults are financially included, 86% continue to be financially excluded.**

It is important to note that while the financial inclusion of 14% of Pakistani adults is a positive outcome, the figure calls attention to the persistent barriers that continue to bar Pakistanis from partaking of financial services. These tend to exclude members of specific demographic groups, particularly women, rural residents, and individuals living below the poverty line. Later issues in this series will take a closer look at the demographic groups that are lagging behind on the consumer journey, and why.

4. **The Peculiarity of Low Financial Inclusion in Pakistan in Global and Regional Context**

Pakistan represents a peculiar outlier case in terms of its financial inclusion numbers when compared to the global average, and the average of countries with similar income-levels. In India, for example, financial inclusion stands above 60%, compared to 14% in Pakistan, even though both countries are fairly similar in terms of their per-capita incomes and education profiles, not to mention their shared geographies and histories.

Despite the progress that has been made over the years, Pakistan's underperformance compared to the global average and to countries with similar profiles can be attributed to the following factors. In the global context, the limited incomes and savings of Pakistanis lower the opportunity cost of using financial services, while poor financial literacy, as well as overall literacy issues, limit the use case of financial services. Moreover, low mobile literacy, as well as the high incidence of fees on financial services including taxes, further discourages their generalized use.

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*