

THE ACCESS TO FINANCE STUDY


Pakistan Microfinance Network
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DFID Department for International Development



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MAKING FINANCIAL MARKETS WORK FOR THE POOR



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Insights from

The Access to Finance Study

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February 12, 2009



*Selective INSIGHTS From the hearts and minds of
Pakistanis...*

- 1 Focus Group Discussions – Qualitative Research
- 2 The Survey - Quantitative Research

Composition

- 21 focus groups
- Urban and rural areas but predominantly less privileged
- Women and men
- Users of formal and informal financial services

Objectives

- Prepare a “Pakistani” questionnaire
- Understand “financial psychic” of people
- To determine who to interview : 1) head of the household or 2) Any adult family member

Who is the head of the household?

There is no clear definition of HHH.

Anyone who may be:

- Main financial contributor
 - Main decision maker
 - Eldest in the family



Who is the Most Well Informed Person about the family's financial affairs?

...Not the head of the household but neither is any other family member!

Within families, the most well informed person about financial matters varies from family to family

Policy implication...

Surveys seeking information about financial behavior of people better directed at individual respondents and not at HHH

Disclosure of financial information

High reluctance to share correct information about:

- *House rents*
- *Income*
- *Savings*
- *Investments & property*

Policy implication...

Surveys need to avoid direct questions asking money amounts for above

Selective verbatim on Loans

*'Loan is taken in a helpless situation. No one feels happy after taking a loan'
'My blood freezes at the mention of loan'*

(Males, Gujrat – Rural Punjab)

'The best use of loan is when one is able to double the money'. E.g. if I have 50,000 rupees I should be able to make it 100,000'

(Males , – Rural Sind)

'Loan is a burden – nothing else'

(Females , Nosherah – Rural NWFP)

'Loan is like a disease. It is very difficult to cure. Since one is unable to pay back the loan amount and the interest keeps on increasing'

(Males, Sukkur – Rural Sind)

Policy implication...

Need to enhance understanding about loans and how to manage them

Selective verbatim on Savings

‘Saving is both, happiness and prosperity of the family’

‘At times one think that if one had savings one would buy land’

(Males, Gujrat – Rural Punjab)

‘This is the harvesting time of the corn. Current market rates are 390 where as government rates are 450, one can stock and sell it at higher rate

(Males, Sukkur – Rural Sind)

‘Only he can save who has some income’

‘For us saving is if we can educate our children well’

(Females , Nosherah – Rural NWFP)

Policy implication...

Need for broadening appropriate savings and investment products, particularly for poor consumers

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Perceptions Regarding Formal Financial Service Providers

*Commercial Banks,
Post Office &
Microfinance Banks*

"ID documents are required"

"Permanent address is required"

"Credit reference is needed"

"They are far from where I live"

"They have too few branches"

"The interest they charge is very high"

"Not satisfied with their service"

"Not an ideal service provider"

"Staff isn't helpful"

"Hours they are open aren't convenient"

"Staff doesn't take time to explain"

"They don't make decisions very quickly"

"Our level of trust in them is low"

"Our level of trust in them is low"

Over 10,000 respondents

Women and Men

Rural and urban areas

Poor and Rich

Across the four provinces and AJK

The Survey

Areas Covered in the Questionnaire

1	Respondents Selection
2	Financial Literacy
3	Product Penetration (Formal and Informal Financial Services & Products)
4	Un-Banked
5	Banks
6	Savings and Investments
7	Loans/Credit
8	Money Transfers/Remittances
9	Insurance
10	Providers' Perception
11	Saving Committees
12	Income
13	Payments and Receipts (Use of cheques)
14	Communications
15	Psychographics
16	Risk and Mitigation
17	Socio Economic Characteristics

- **47% men - 53% women (18 and above)**
- **Almost half housewives
One third self-employed and
Some employed**
- **Largely married and single**
- **63% rural and 37% urban**
- **One third Illiterate
Half with some primary to intermediate education
Less than 20% graduates and above**
- **Predominantly in Punjab and Sind**

The Situation of
*Access to Financial
Services*
in Pakistan

Grouping the Adult Population Into:

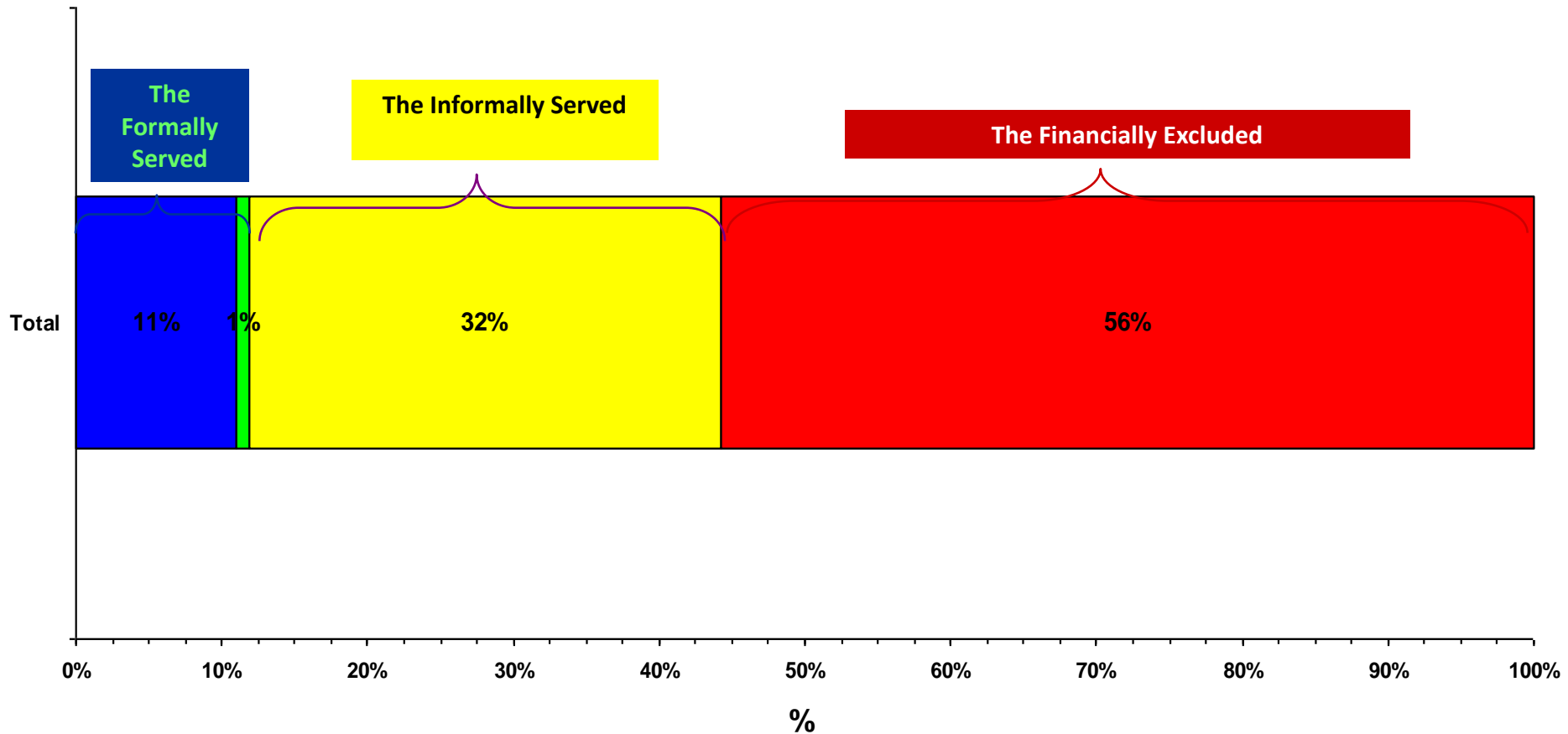
- Banked
- Non Bank Formal Financial Product and Service Users
- Informal Financial Product and Service Users, and
- Financially Excluded

*The Formally
Served*

Access to Financial Services in Pakistan

Finscope Pakistan

■ Banked ■ Other Formal ■ Informal ■ Financially Excluded



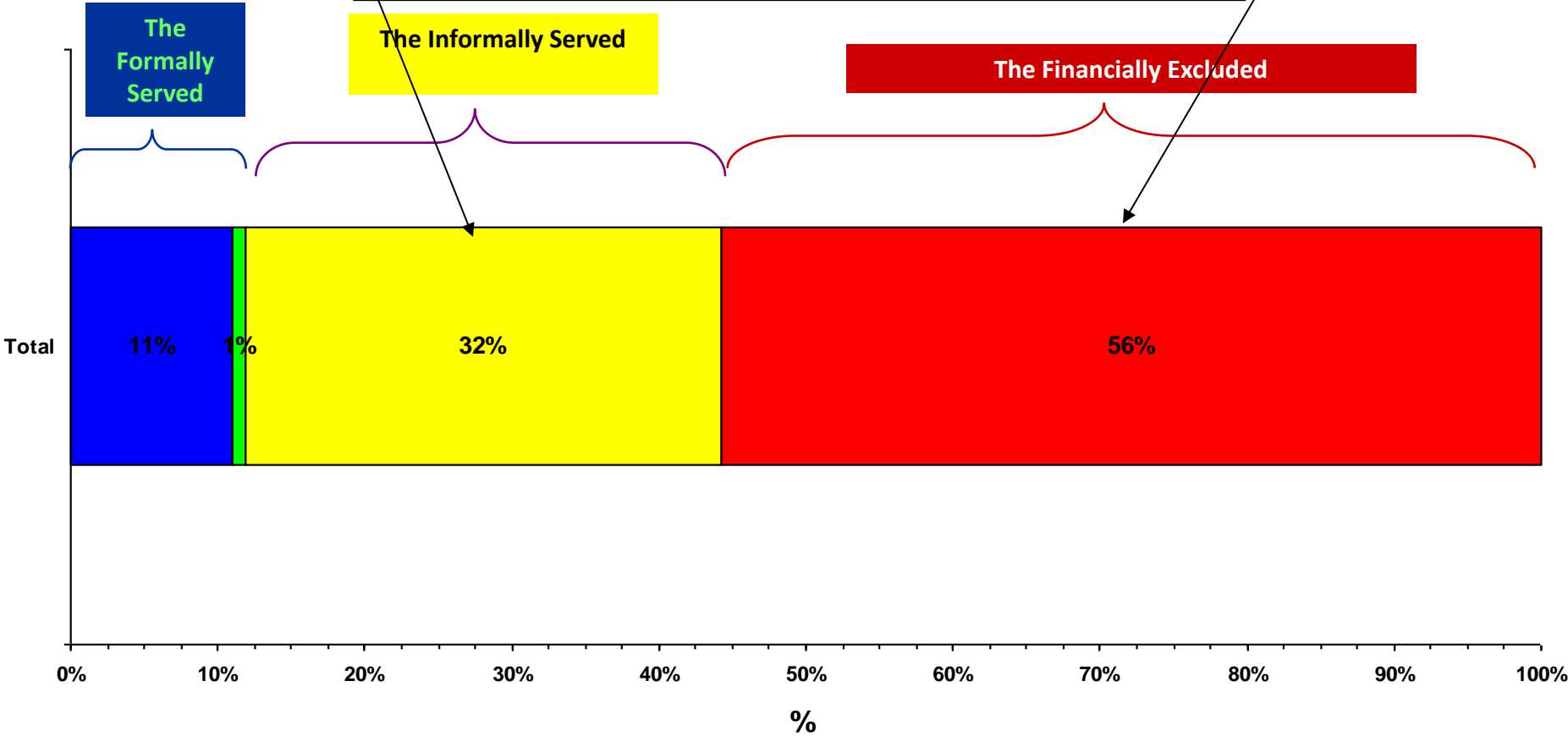
Access to Financial Services

48% or 12 million would like to have a bank account

31% or 13 million people say they would like to have their own bank account

Finscope Pakistan

■ Banked ■ Other Formal ■ Informal ■ Financially Excluded



Gender

Urban/rural

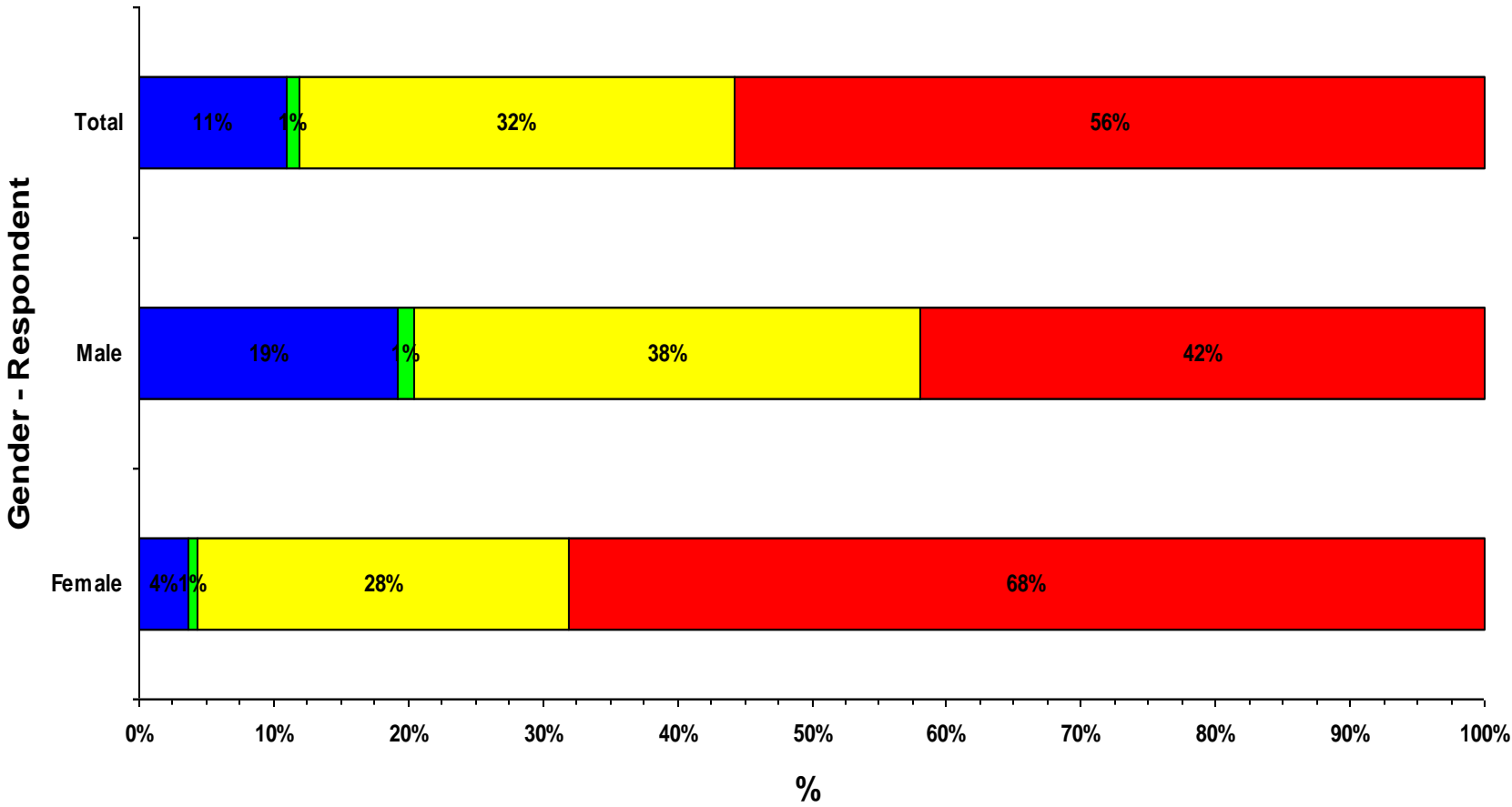
Province

Education

Financial Access - Gender

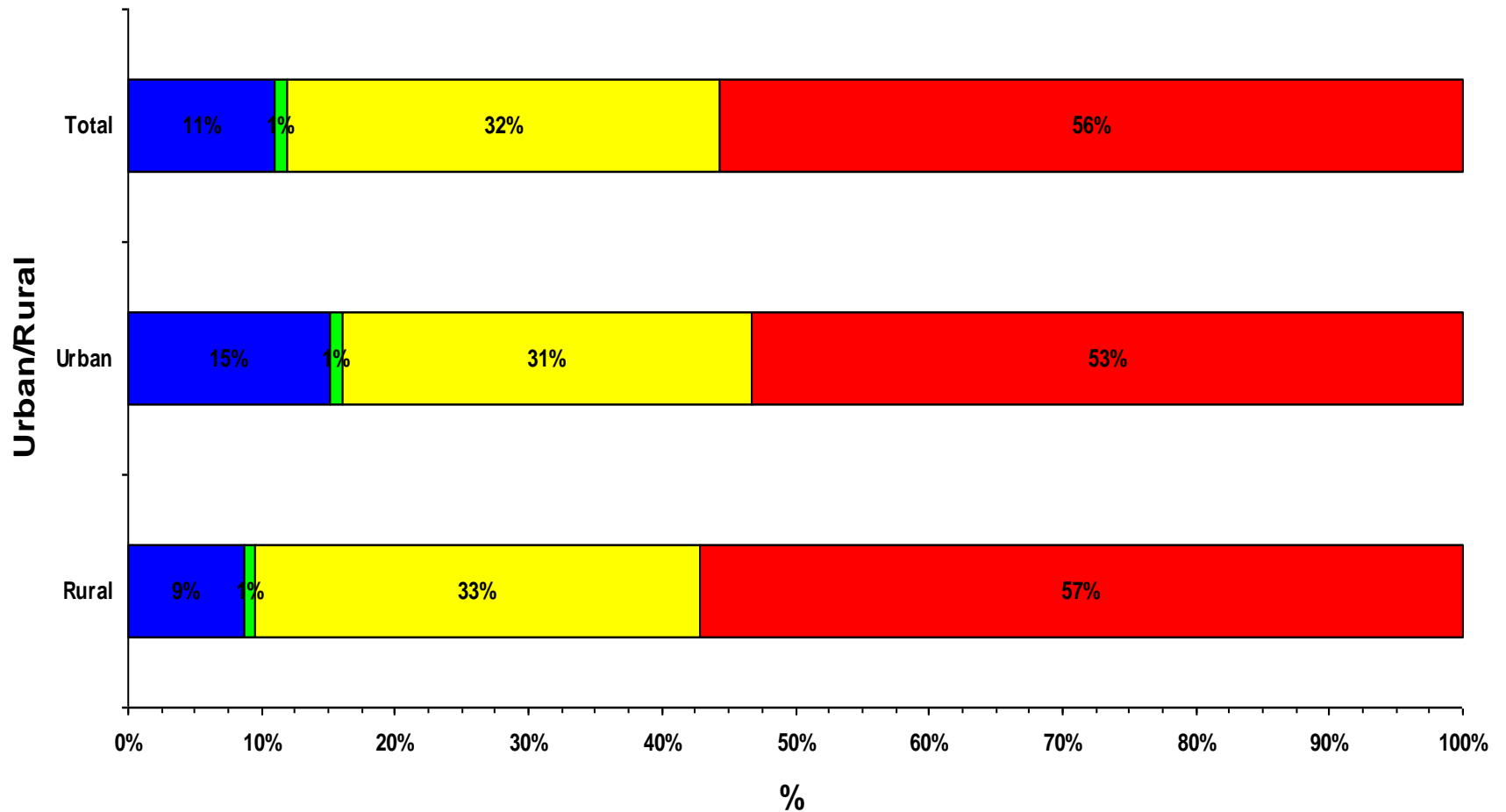
Finscope Pakistan

Banked Other Formal Informal Financially Excluded



Financial Access - Urban/Rural

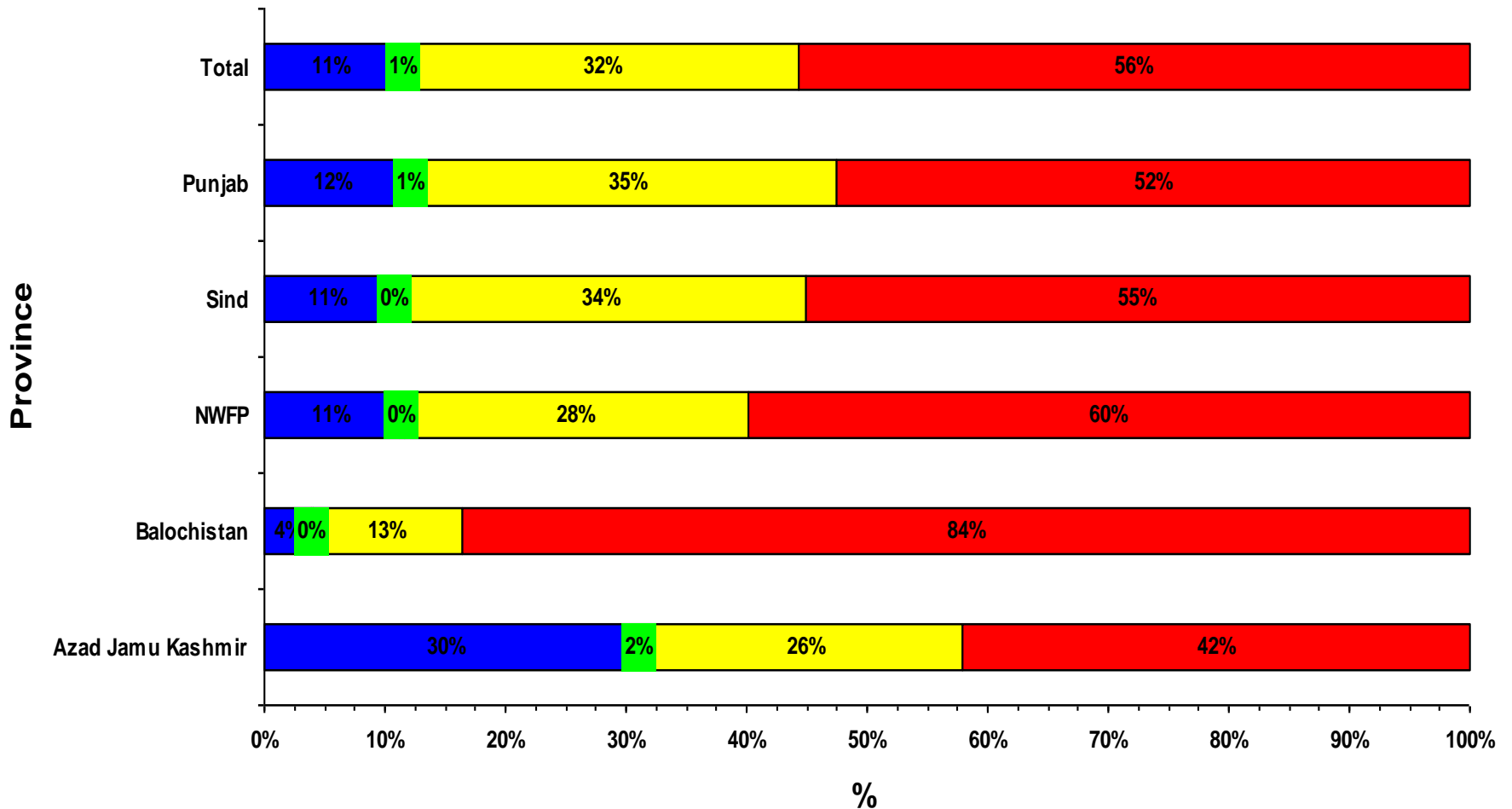
Finscope Pakistan



Financial Access - Province

Finscope Pakistan

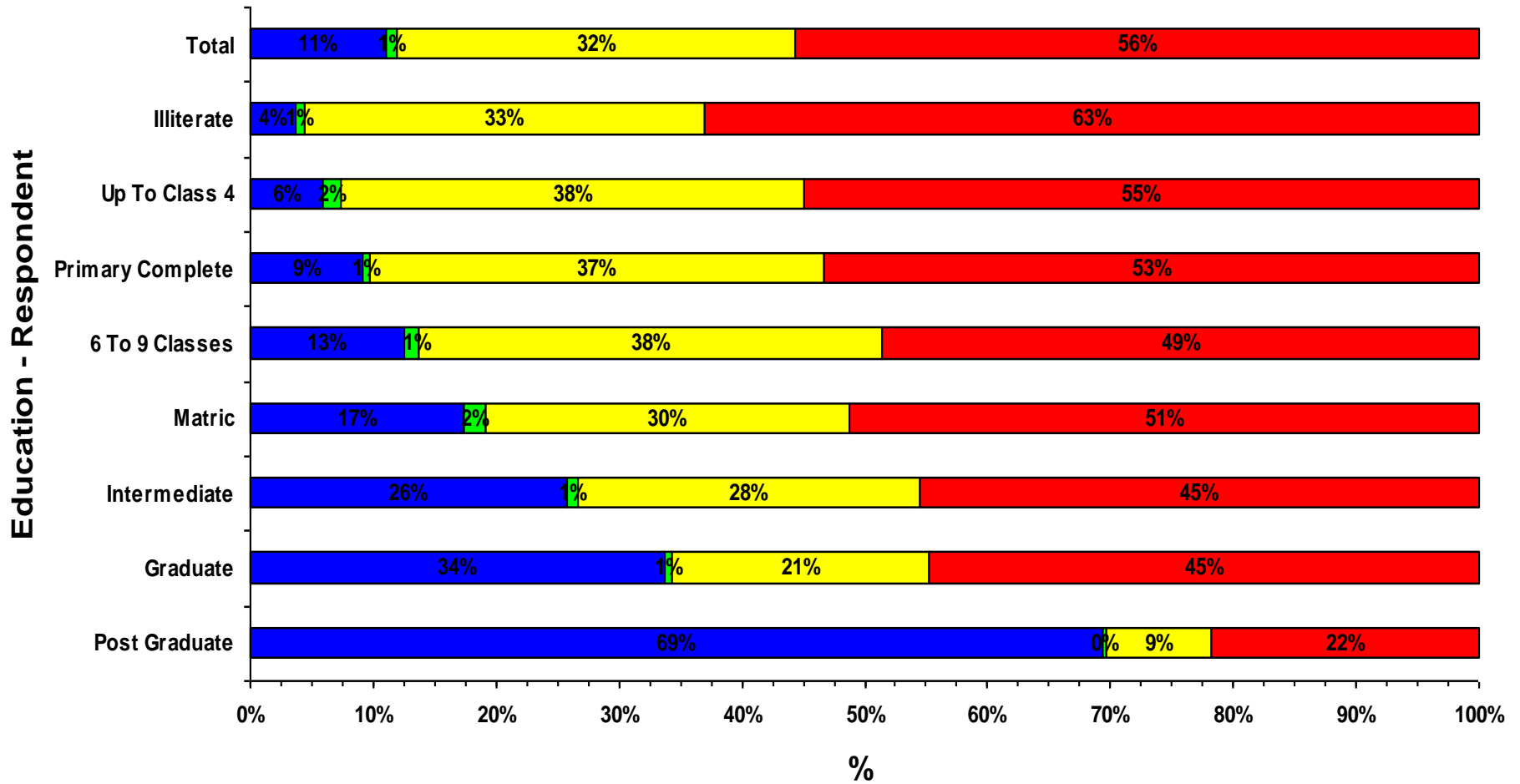
Banked Other Formal Informal Financially Excluded



Financial Access - Education

Finscope Pakistan

■ Banked ■ Other Formal ■ Informal ■ Financially Excluded



Low Uptake of Formal Services

- **Banked:** 11%
- **Formal Savers:** 3%
- **Formal Borrowers:** 2%
- **Population serviced by the MF sector :** Less than 0.5%
- **Islamic finance:** 0.1% (mostly high income urban males).
- **Senders/Receivers of remittances:** less than 2%.
- **Insured:** 2%
- **Housing Finance:** Less than 1%

92% of the adult Pakistanis receives income in cash

- “Some” goes into a bank – almost 50% respondents
- “None” of it is deposited in a bank by one third respondents

71% Pakistanis think they can live their life without a bank account!!

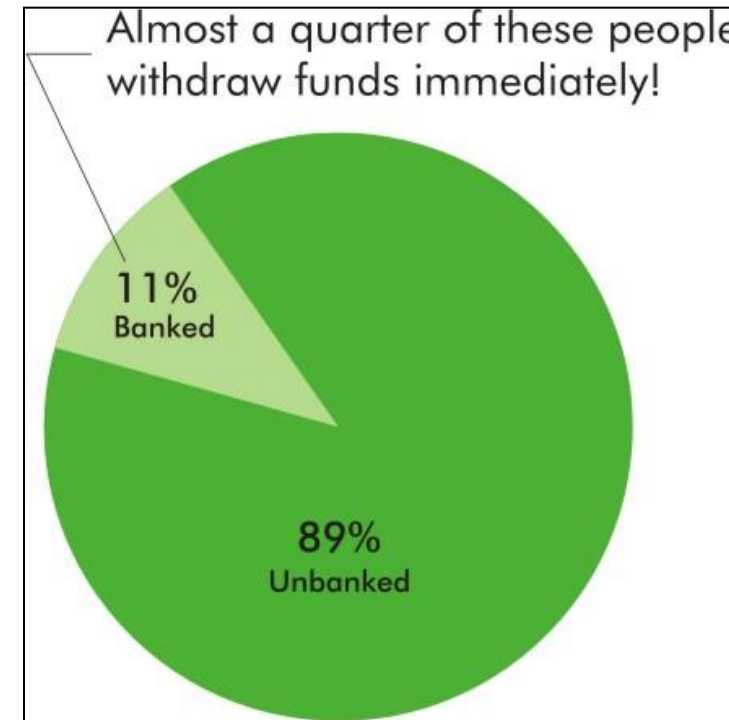
11% Banked *BUT...*

- Uptake of **banking products other than Bank Accounts** is very low – particularly among women

- ATM cards: 15%
- Personal loan from bank: 5%
- Debit and credit cards: 4%
- Vehicle lease and loan: 2%

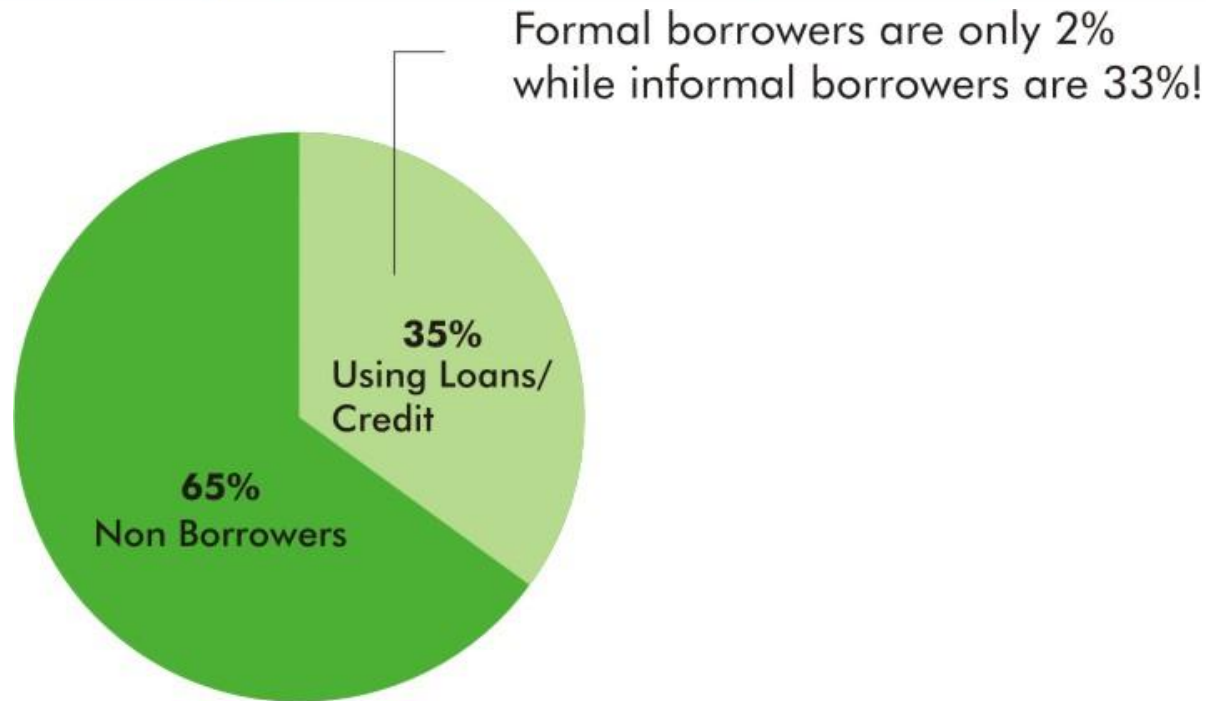
- **Informal saving** is high even among banked

- 43% save at home and
- Almost a quarter save through committees (2x more in urban than in rural areas)



Strong Bias Against Borrowing!

***87% think taking loans should be avoided
as much as possible!***



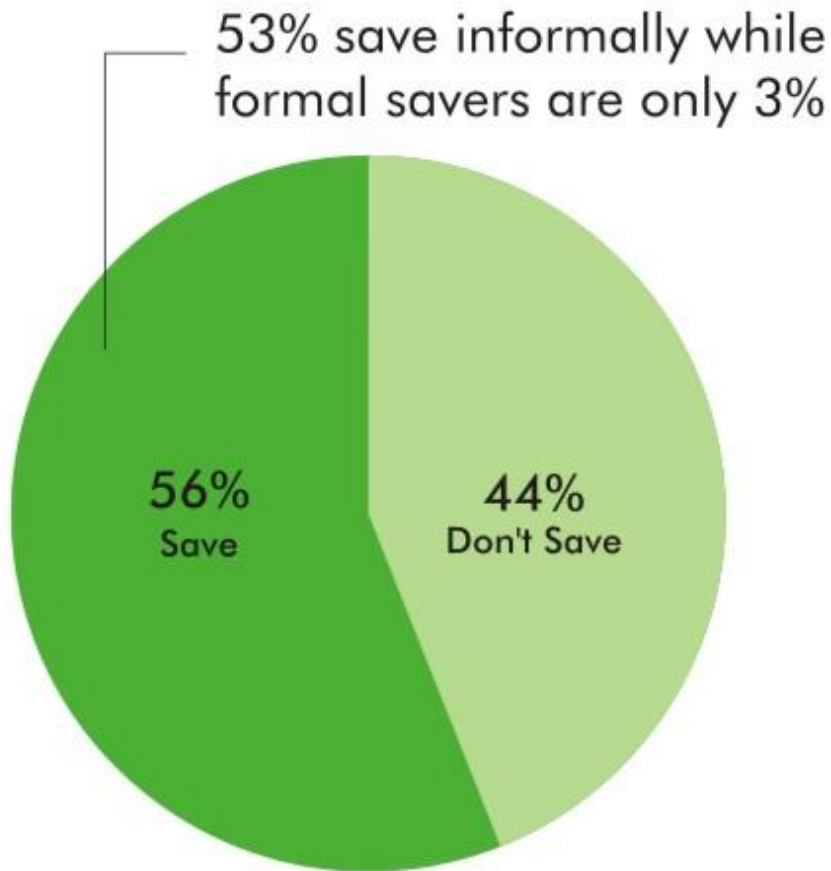
- More than two third never applied for a loan (particularly the underserved (women, rural areas))
- Almost a third consider interest rates against religious principles (twice as many as those who think that interest rates are not a problem)

<i>Sources of Loan/Credit</i>	<i>Total Respondents</i>
Shopkeeper (<i>Purchoon</i>)/grocery store owner	78%
Family/Friends	54%
Money Lender	3%
Banks	3%

92% of those who borrowed from shopkeepers and moneylenders borrowed more than once in the past one year!

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Savings/Investment The Most Popular Financial Service!



Almost 40% Pakistanis save regularly!

“Saving” The prime reason for desiring a Bank account



Informal Ways Highly Preferred!

- | | |
|----------------------|-------|
| 1 At home | (59%) |
| 2 Land and livestock | (36%) |
| 3 Savings Committees | (23%) |

Savings Committees

- Almost a quarter of the savers using SC
- More of an urban phenomenon
- Equally popular among men and women
- Usage of formal financial services among SC users low
- Also popular among banked

Among formal savings, GoP instruments more popular but uptake is low i.e. 1-2%

Why Unbanked?

- 1 Income related reasons 55%
- 2 Choice based 43%
- 3 Access related reasons 31%

Why Banked?

- 1 To save 56%
- 2 Keep money safe 32%
- 3 Deposit money from business 15%.

Why Saving?

- 1 To buy food 43%
- 2 Buy household goods 38%
- 3 For family incase something happens to self 32%

Why Borrowing?

- 1 Food 66%
- 2 For household goods 37%
- 3 Unforeseen emergencies 9%

Unbanked due to income reasons

Low understanding & awareness about banking

Banking for very basic reasons

Saving and borrowing to meet consumption needs

Other reasons for saving and borrowing can be met through insurance

Financial Literacy

The Promising Factors

Considerable people interested in financial matters including women!

60% follow financial news “sometimes, often and always” rather than never!

High numeric literacy

- Almost all (over 90%) can recognize and count currency notes and coins
- Ability to add and subtract also good (70%) though low among illiterate

The Problem!

Awareness and Understanding Regarding Financial and Money Management Terms & Concepts!

Awareness and Understand About **Terms and Concepts...**

- **Common to the Informal Sector is High**

E.g.: “Loans, Committees, Interest and Profit”

Banked (90-95%)

Overall (70-80%)

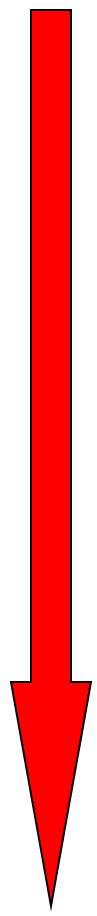
- **Associated with the Formal Financial Services is low even among the banked**

E.g.: Only half of the banked understand “Minimum Balance, Bank Charges”

- **Relatively more “Sophisticated” is striking low**

E.g.:

	Overall	Banked
- Debit Card	8%	30%
- Islamic Banking	12%	36%
- Mobile Phone & Mob. Banking	3%	12% & 13%



Understanding yet lower in rural areas and among women

Thank you!

&

Enjoy Data Exploring!!

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Informal Product Users *Significant Describers...*

Contrary to expectations,
socio-cultural reasons are
barriers to being banked for
only 12% women!

- Self-employed (Informal Sector)
- Male
- Jobs Related To:
 - Agriculture;
 - Laborer/Worker for Daily Wages;
 - Self-employed (Formal Sector);
 - Cart Holder/Hawker;
 - Services Selling Workers i.e. Carpenter, Barber, Ironsmith etc
 - Unemployed - Looking For A Job
- Punjab; Sind
- Married
- 4 to 9 Classes, Primary complete
- Rural

Financially Excluded *Significant Describers...*

- Female
- Only Household Work (Housewife)
- Housewife - Earn Income
- Student – Not earning income
- Single or widowed
- Balochistan and NWFP
- Illiterate
- Rural