

X-FIS

KARANDA AZ
FINANCIAL INCLUSION SURVEY

February 2023



BILL & MELINDA
GATES foundation



PUTTING THE USER FRONT AND CENTER

The Karandaaz Financial Inclusion Survey (K-FIS) responds to the need identified by multiple stakeholders for timely demand-side data and practical insights into the state of financial inclusion in Pakistan, including traditional banking, mobile money, and the potential for their expanded use among the poor. The aim is to:

- **Track access to and demand** for financial services, with special emphasis on digital financial services (DFS);
- **Measure adoption and use** of financial services among key underserved groups (females, youth, poor, rural, and the financially excluded);
- **Identify drivers and barriers** to adoption of financial services and DFS; and
- **Produce actionable, forward-looking insights based on rigorous data** to support product and service development and delivery.

MAIN FEATURES OF THE CURRENT SURVEY

This survey has the following additional features as compared to previous editions:

- **Improved geographic representation (Azad Jammu & Kashmir (AJK), Islamabad Capital Territory (ICT), and Gilgit Baltistan (GB) included)**
- **Focus on Interoperability**

Committee/rotating savings and credit association (ROSCA) - monthly saving of a group of people for limited time period.

Cooperative - A financial cooperative (co-op) is a type of financial institution that is owned and operated by its members. The goal of a financial cooperative is to act on behalf of a unified group as a traditional banking service.

Cross networking Payment - financial transactions where the payer and the recipient have accounts with different financial institutions.

Digital Card - a virtual card replacing the regular ATM/VISA card.

Digital card/account – one where (1) money is stored in digital form (i.e. book entry in a computer system) (2) there is no need for paperwork or face to face interaction to initiate some common transactions, such as payment or balance check, and (3) clients can initiate a transaction to pay or be paid by a wide range of counterparties (e.g. P2P, bill pay, bulk pay) without a face-to-face transaction or paperwork. Accessing money through a digital card/account means that at a minimum, the deposit/withdrawal activities associated with the product (e.g. loan repayments or disbursements) flow through a basic digital account.

Electronic Money Institution (EMI) - entities that offer innovative, user-friendly and cost effective low value digital payment instruments like wallets, prepaid cards, and contactless payment instruments. EMIs includes Nayapay, Finja, Zong CMPECC, and SdaTech.

Financial Account - accounts that you register with financial institutions. These could be bank accounts with banks such as National Bank of Pakistan. These could also include mobile money wallet accounts registered with mobile money providers such as EasyPaiza. These could also include accounts with EMIs such as NayaPay.

Financial Institution - institutions that offer financial services, these includes banks such as Allied Bank. They also include mobile money companies such as Jazz. They also include Electronic Money Institutions (EMI) such as SadaTech.

Financial transaction - A formalized procedure by a financial institution for businesses or consumers to carry out in order to complete a financial activity. Examples: purchasing stocks, depositing funds to a bank,

transferring money from one financial institution to the other or in between accounts in a financial institution.

Formal payments - Formal payments sent to the government, educational institutions, formal financial institutions (e.g. banks) or private businesses. Non-remittances include payments of taxes, fines or fees, utility bills, goods, debt or insurance payments. Payments might include formal credit disbursements and repayments.

General Insurance - a policy or a contract between the customer and the insurance company (insurer) which is considered only after payment of the premium. The customer pays a premium amount to save him or herself from financial liability in case of loss or damage.

Informal Money Lender /Loan Shark – a person or an entity that – loans money at extremely high interest rates.

Informal payments (remittances) - Money or its equivalent (food or goods) sent from one household to another. Informal payments include any informal credit and debt repayments between family members or friends who live elsewhere, any repayment of debts, or payments for goods and services.

Interactive Voice Response (IVR) - Computerized phone systems that enables a person, typically a telephone caller, to make selections from a voice menu. The selection is made using touch phone keypad entries or voice responses.

Interoperability - allows participants in different systems to conduct clear and settle payments or financial transactions across systems without participating in multiple systems. Interoperability allows customers of different financial services providers to interact with each other, for example by making direct payments from the mobile money account of one provider to the mobile money account of another provider.

Microfinance institution (MFI) - Is an organization that provides financial services for entrepreneurs and small businesses lacking access to banking and related services; MFIs often offer financial services to low-income populations.

Mobile money - The use of a mobile phone in order to transfer funds between banks or accounts, deposit or withdraw funds or pay bills. This term is also used for the broader realm of electronic commerce; it can refer to the use of a mobile device to purchase items, whether physical or electronic.

Mobile wallet account - A mobile wallet account is a digital way to store credit, debit, ID, and gift cards so that purchases can be made using a mobile smart device rather than a physical card. Few examples are PayPak, MoneyGram, Western Union, Ria Money Transfer, HBL-Konnect, Keenu Wallet., FonePay, Virtual Card. The State Bank of Pakistan has allowed a few providers including Easypaiza, UBL Omni and Mobicash, to remotely open level 0 mobile wallet accounts in Pakistan

Money Guards - Someone at workplace or neighborhood who collects money on regular basis and give back only under few conditions to avoid over spending.

1Link - 1LINK Limited is Pakistan's first fully licensed Payment System Operator and Payment Service Provider and switch system. 1Link pioneered the development and operations of the Inter Bank Network which provides interoperability through a shared ATM network, interbank funds transfers, as well as connectivity to International Payment Schemes such as Visa, MasterCard, etc. 1LINK is owned by a consortium of 11 banks.

Post office bank - Post office providing banking services. Mainly in remote areas of Pakistan.

QR Code - QR stands for "Quick Response." While they may look simple, When scanned, the QR code allow the user to access information instantly– hence why it's called a Quick Response code.

Raast mobile app - Raast mobile app is Pakistan's first instant payment system that will enable end-to-end digital payments among individuals, businesses and government entities instantaneously. Pakistan's faster payment system used to settle small-value retail payments in real time while at the same time provide a cheap and universal access to all institutions in the financial industry including commercial banks, micro finance banks, government entities and fintechs (EMI & PSP)

Saving and Lending Group - Group of people who saves money together and take small loans from those savings.

Savings collector - Practiced mainly in Africa. A separate account is created and a collector collects and deposits the individual's savings for him/her to avoid keeping cash.

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- The survey was conducted from August-September, 2022. Six previous editions of the survey have been conducted (under the name Financial Inclusion Insights (FII) Survey); as a result, this report focuses on trends over 2013-2022
- Target population: Adults aged 15+ residing in households
- Sampling frame: Enumeration areas (EAs) prepared using the 2017 census by the Pakistan Bureau of Statistics (PBS)
- Sample design: Stratified multi-stage cluster **sample of 6,672 adults** designed by Associates in Development (AiD)
 - 1st Stage: Random selection of EAs using probability proportionate to size was proposed and an attempt was made to procure the maps of the selected PSUs from PBS. However, AiD could not procure the EA maps. As a contingency plan, 414 PSUs were selected from the recently completed national energy survey (NES) using simple random sampling. After the selection of 414 PSUs, these PSUs were mapped back on the sampling frame of population census 2017 for the purpose of calculation of sampling weights.
 - 2nd Stage: Selection of 16 households per sampled EA;
 - 3rd Stage: Random selection of one adult member per household using computer assisted personal interviewing (CAPI)
- Face-to-face interviews administered at the household using CAPI. The average interview duration was 45 minutes
- Sample based monitoring layer was added
 - 1,066 interviews in 67 PSUs were randomly selected and monitored throughout the survey by Semiotics

- The State Bank of Pakistan (SBP) launched the National Payment Systems Strategy (NPSS) in November 2019. The objectives of the Strategy were to make recommendations to design a National Payment Systems (NPS), including a retail payment system, services and payment instruments, complying with international standards and best practices, and tailored for the specific circumstances and needs for a safe, efficient and inclusive NPS in the country.
- In 2020, the Government of Pakistan launched COVID-19 emergency cash transfers to protect vulnerable people and segments of the population who were pushed below the poverty line due to loss of job or livelihood due to the pandemic. The cash disbursement took place under the existing social safety net program—*Ehsaas/BISP*—umbrella utilizing the digital cash transfer mechanism through branchless banking operators. A one-time cash assistance sum of PKR 12,000 (USD 44) was given to 7.5 million new beneficiaries who were identified through the National Socioeconomic Database (National Socio-Economic Registry (NSER)).
- SBP, with support from Karandaaz Pakistan, launched [Raast](#) in January 2021 to offer instant, reliable and free person-to-person (P2P) payment services to promote digital financial services (DFS) and financial inclusion in the country. In the first phase, Bulk Payments were introduced while P2P payments were launched in February 2022. Via Raast, customers can send and receive funds free of cost, using either their International Bank Account Number (IBAN) or their cell phone number as their alias (i.e., Raast ID). The next module to be rolled out under Raast is person-to-merchant (P2M) payments, with launch expected in the later part of CY2023.
- In 2021, SBP—as a means to expand digital financial services—introduced a directive mandating all commercial and microfinance banks (MFBs) to create an executive level Chief Digital Officer (CDO) role for steering digitization efforts within their institutions. SBP also introduced a minimum set of services to be made available on internet and mobile banking channels; along with rationalizing the use of one-time pin (OTP) and 2-Factor Authentication (2FA). To promote the use of payment cards, SBP also directed financial institutions (FIs) to ensure that all new-to-bank account holders and those customers who have not opted for a debit card previously, shall be issued a debit card.
- In September 2021, SBP in an effort to bring convenience, efficiency and effectiveness for onboarding of customers issued [Customers' Digital Onboarding Framework](#) for opening of bank accounts digitally for Resident Pakistanis. The framework sets minimum requirements and standards for the banks/Microfinance Banks (MFBs) to meet while designing and implementing a seamless and standardized digital onboarding experience for their customers. The framework was updated in April 2022.

- Post Covid-19 pandemic, the digital startup ecosystem has witnessed tremendous growth and has seen significant uptake of digital services in Pakistan. The country witnessed a number of startups emerging in the field of fintech, edtech, healthtech, agritech and ride hailing services to digitize various legacy use cases and were able to raise an all time high investment of [US\\$350 million in 2021](#). Digital Commerce player (i.e. Uber, Careem, Bykea, Foodpanda, etc.) have been introducing gig-workers in to the formal economy, as a result the gig economy as a means of earning is [becoming more popular](#) in Pakistan.
- In December 2021, SBP—under its National Financial Inclusion Strategy (NFIS)— launched the [Asaan Mobile Account](#) (AMA) scheme in collaboration with Pakistan Telecommunication Authority (PTA). The AMA scheme, through PTA’s Third-Party Service Provider (TPSP) provides an interoperable USSD channel to all providers of branchless banking in the country. By September 2022, [more than 5.5 million wallets](#) (44% women) have been onboarded through the AMA scheme. The AMA scheme also enabled
- In April 2022, SBP released comprehensive [Mobile Applications \(Apps\) Security Guidelines](#), based on international standards, for all regulated entities including Commercial Banks, MFBs, EMLs and PSOs/PSPs.

Financial institutions are required to use the guidelines for the architecture, design, development and deployment of mobile payment apps and associated environment that consumers use for digital financial services.

In December 2022 taking notice of reports of coercive recovery practices of digital lending companies, the Securities and Exchange Commission of Pakistan (SECP) issued [Requirements for NBFs Engaged in Digital Lending](#). The circular details good practices to be followed, including restrictions on deducting upfront charges from the lent amount, lending companies operating more than one digital App on Google Play Store or any other platform, etc.

- With the prime objectives of promoting financial inclusion and customer convenience, the SBP issued a [Licensing and Regulatory Framework for Digital Banks in Pakistan](#) in 2022. The regulation caters to tiered licensing for Digital Retail Banks (DRB) and Digital Full Banks (DFB). For the first cohort, for which SBP announced a cap of five (5) on licenses to be issued, 20 applications were received from local and international parties. Five non-objection certificates (NoCs) were awarded by SBP in January 2023. The NOC allows the recipients to work towards launching a pilot which, after SBP review, could lead to allowance for commercial launch.

- Following the COVID-19 pandemic and widespread floods in July 2022, at present Pakistan is also facing significant economic challenges, including low growth, high inflation and low forex reserves. These challenges, combined with a contracting global economy, and rising commodity prices will pose significant challenges for the country as well as Pakistan's financial services industry. Some key indicators reported by the Ministry of Finance are as follows*:
 - Foreign direct investment (FDI) during July-Nov 2022 was USD 461 million (compared to USD1.1 billion last year)
 - The Exchange Rate as of 27-Jan 2023 is PKR 262 to 1 USD compared to PKR 176, 12 months ago
 - The Fiscal Deficit for July-Nov 2022 was PKR 1,169 billion (compared to PKR 951 billion for the same period last year)
 - As of Jan 24, 2023, Pakistan's Forex Reserves stood at USD 3.67 billion
 - The Current Account posted a deficit of USD 3.7 billion for Jul-Dec FY2023 as against a deficit of USD 9.1 billion last year, mainly due to contraction in imports.
 - CPI YoY for January 2023 is 24-26% compared to 12% last year (at the same time)
- As of Jan 2023, the central bank raised the policy rate by 100 bps to 17%, in an attempt to rein in inflation.
- Overall, for the July-Dec 2022 period, compared to last year, there has been a contraction in imports (18.2%), exports (6.8%), FDI (58.7%) and Remittances (11.1%).

*Source: Ministry of Finance, Pakistan

FINANCIAL INCLUSION

What is financial inclusion?

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way (The World Bank). Financially included individuals are those who have an account in their name with a full-service financial institution.

How is it measured?

We measure financial inclusion as the percentage of adults (15+ years old) who report having at least one account in their name with an institution that offers a full suite of financial services and comes under some form of government regulation.

How is it created?

Financial inclusion is created through the uptake and use of individual accounts with institutions that offer a full suite of financial services – savings, credit, money transfers, insurance and investment. Full-service financial institutions include banks, mobile money service providers, and nonbank financial institutions, such as deposit-taking microfinance institutions (MFIs).

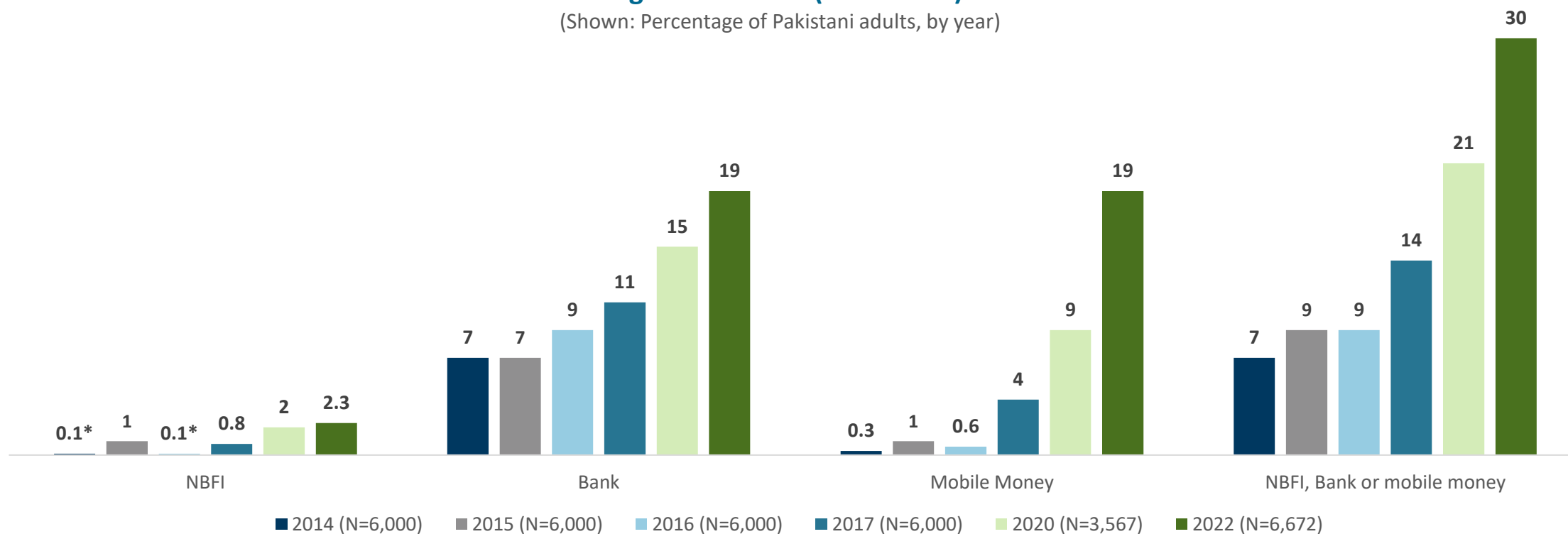
What institutions and services do not count?

Individuals who own accounts with institutions that are not full service, such as credit-only microfinance institutions (MFIs), are not considered financially included. Individuals who do not have their own full-service account or use someone else's account are not considered financially included. Individuals who only use services such as money guards, savings collectors, and digital recharge cards that are not attached to a bank or MFI account are also considered financially excluded.

REGISTERED USERS (FINANCIAL INCLUSION)

- Following a significant jump in financial inclusion between 2017 and 2020, K-FIS recorded another substantial rise in the level of financial inclusion from 21% in 2020 to 30% of adults in 2022. Registered mobile money users more than doubled with an increase from 9% to 19%, while registered bank users also increased by 4% over the same period.

Registered Users (2014-2022)
(Shown: Percentage of Pakistani adults, by year)

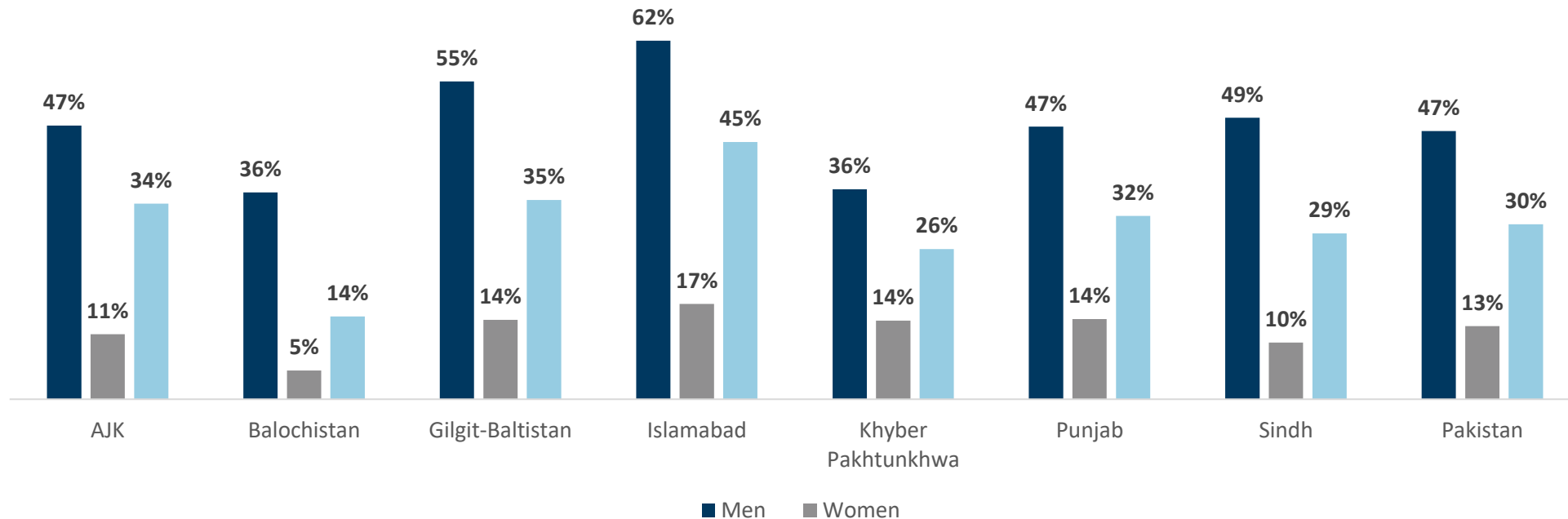


*Fewer than 50 observations

- The Islamabad Capital Territory (ICT) has the highest level of financial inclusion at 45%, followed by Gilgit Baltistan (GB) at 35% and Azad Jammu & Kashmir (AJK) at 34%.
- In terms of gender, men show a significantly higher level of financial inclusion compared to women across all regions of Pakistan. The highest level of financial inclusion of men is recorded in ICT at 62%, followed by GB at 55%. The financial inclusion of women was the lowest in Balochistan at 5%, the highest was for Islamabad at 17%.

Registered Users by Province/Region (2022)

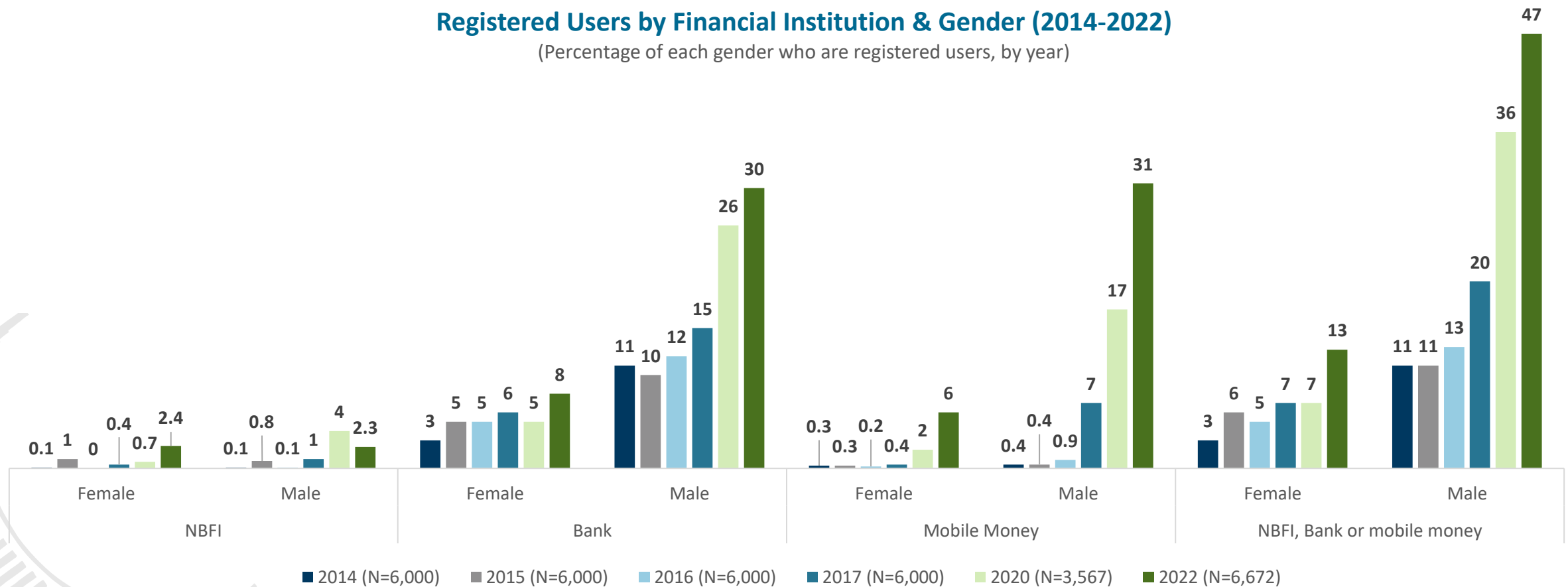
(Shown: Percentage of adults, by region)



- Male registration accounted for the bulk of financial account registrations in 2022 with 47% of adult men having at least one registered financial account, compared to 13% of women. There is, however a minor improvement in the gender gap compared to 2020; in fact, financial account registration for women has reached double digits for the first time in K-FIS’s history.
- The highest increase was recorded in male mobile money wallet registrations that increased from 17% in 2020 to 31% in 2022.

Registered Users by Financial Institution & Gender (2014-2022)

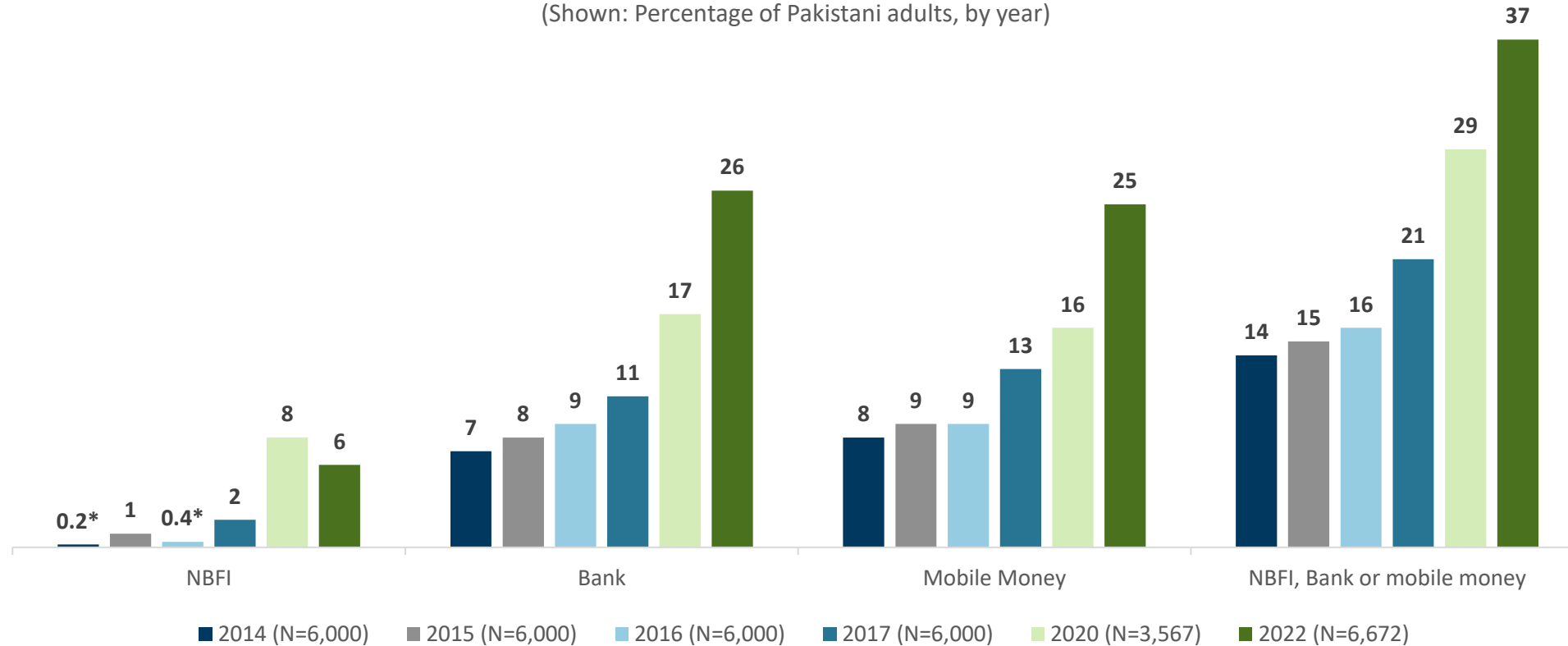
(Percentage of each gender who are registered users, by year)



- In 2022, more than one-third Pakistanis (37%) reported to ever using a full-service financial institution, up from 29% in 2020. Bank access increased from 17% in 2020 to 26% in 2022; while mobile money access grew from 16% in 2020 to 25% in 2022. However, Access to NBFIs reduced from 8% in 2020 to 6% in 2022.

Access (2014-2022)

(Shown: Percentage of Pakistani adults, by year)



*Fewer than 50 observations

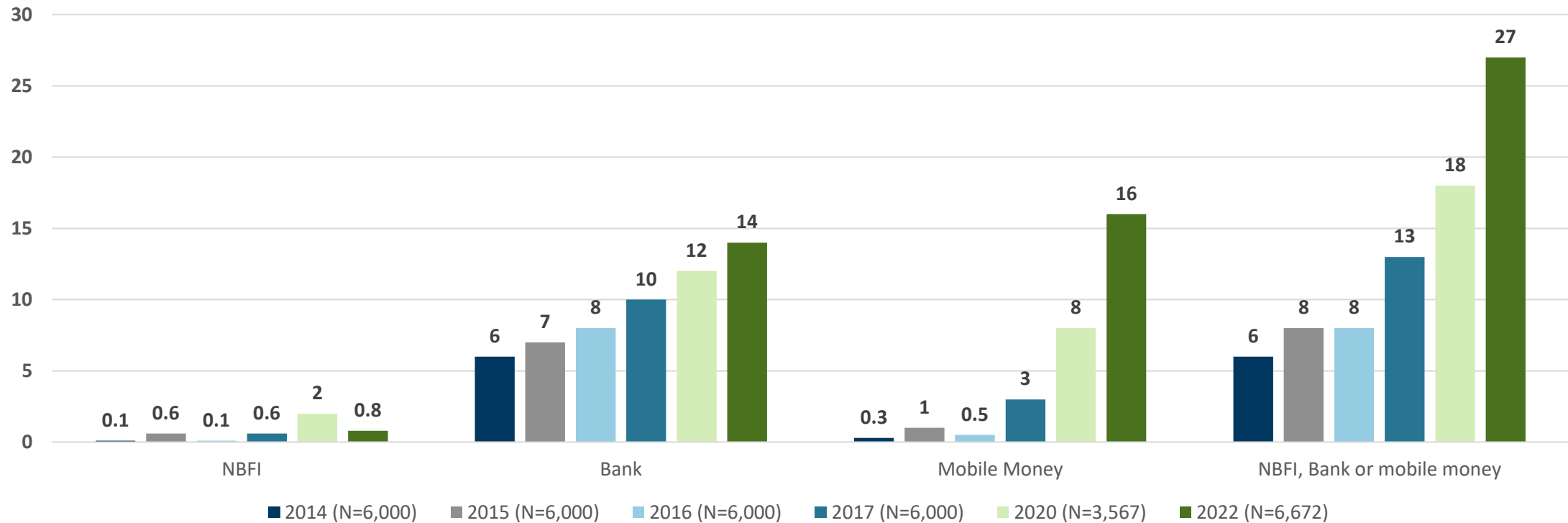
Counts individuals who ever used a full-service bank account, either registered in their name or held by someone else. Also counts individuals who have ever used a mobile money (MM) service or a full service non-bank financial institution (NBFI).

ACTIVE REGISTERED USERS (LAST 90 DAYS)

- Active registered users increased from 18% in 2020 to 27% in 2022. The largest increase was seen in mobile money wallet users, as active usage increased from 8% in 2020 to 16% in 2022. Active usage also saw an increase in bank account holders, as active users increased from 12% in 2020 to 14% in 2022.

Active Registered Users (2014-2022)

(shown: Percentage of Pakistani adults, by year)

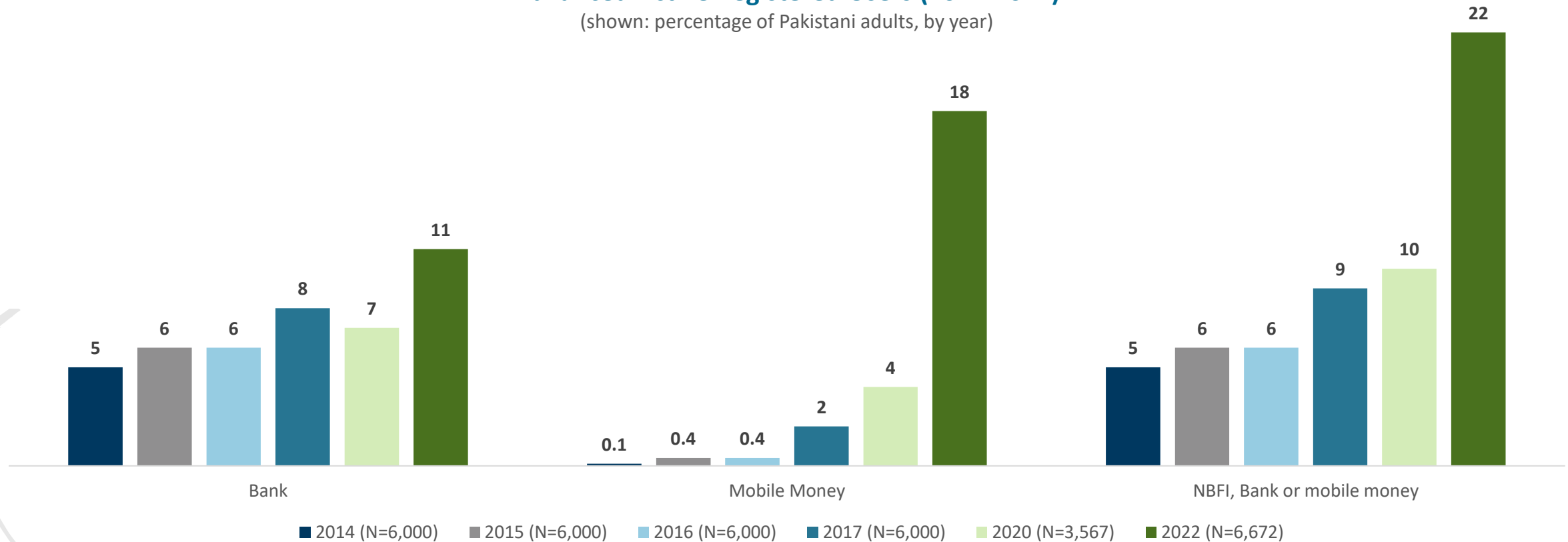


Individuals who have accounts registered in their names with a full-service financial institution and have used those account(s) in the last 90 days.

- Advanced active registered users increased from 10% in 2020 to 22% in 2022. The largest increase was seen in mobile money wallet users, as active usage increased from 4% in 2020 to 18% in 2022. Advanced active usage also saw an increase in bank account holders, as active users increased from 7% in 2020 to 11% in 2022.

Advanced Active Registered Users (2014-2022)

(shown: percentage of Pakistani adults, by year)

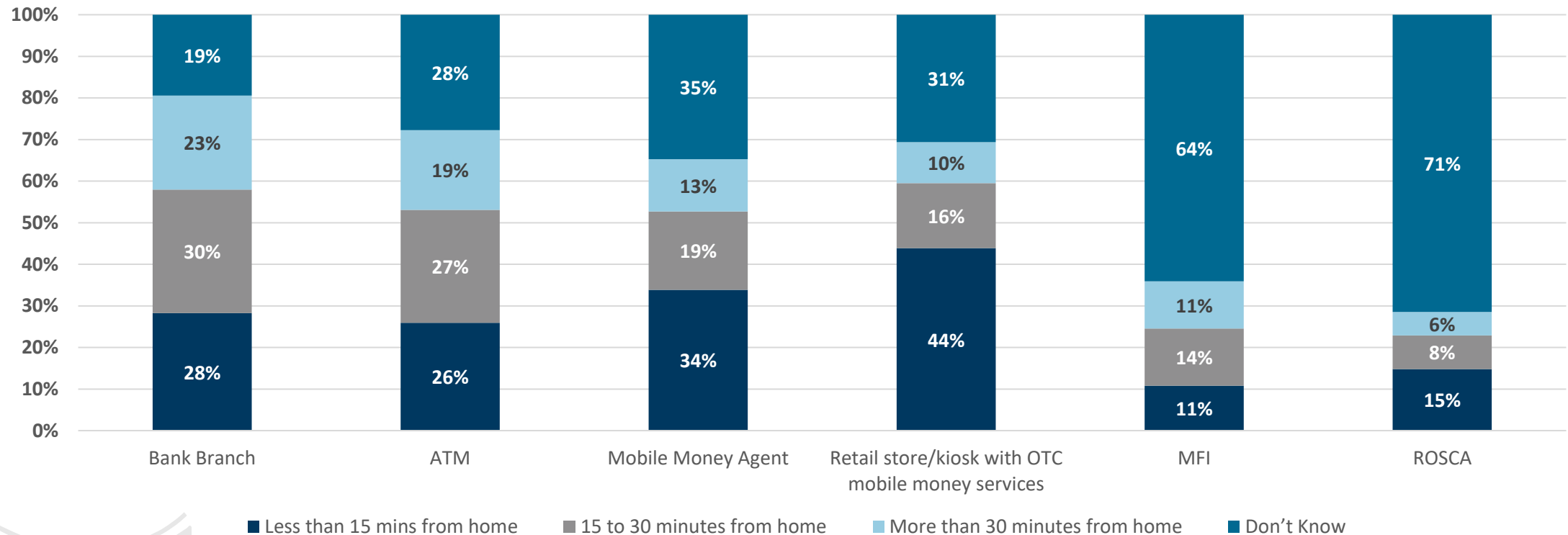


Individuals who are active registered users who have ever used their accounts for savings, borrowing, insurance, investment, paying bills, or receiving wages or government benefits. Buying airtime top ups is considered advanced use of a bank or NBFI account, but not a MM wallet account.

- Among formal financial points-of-sale (POS), bank branches remain the most widely known, as only 19% of adults did not know of a bank branch near them. Retail stores/kiosks with over-the-counter (OTC) mobile money services are the most proximate choice, as 44% of adults live less than 15 minutes from one. Distances in urban areas are shorter as 55% of adults reported living less than 15 minutes from a retail/store or kiosk offering OTC mobile money services, compared to 40% of adults in rural areas. In total, 84% of adult Pakistanis knew of at least one financial POS in the vicinity of their home.

2022: Proximity to Financial Points-of-Service (POS)

(shown: Percentage of Pakistani Adults)



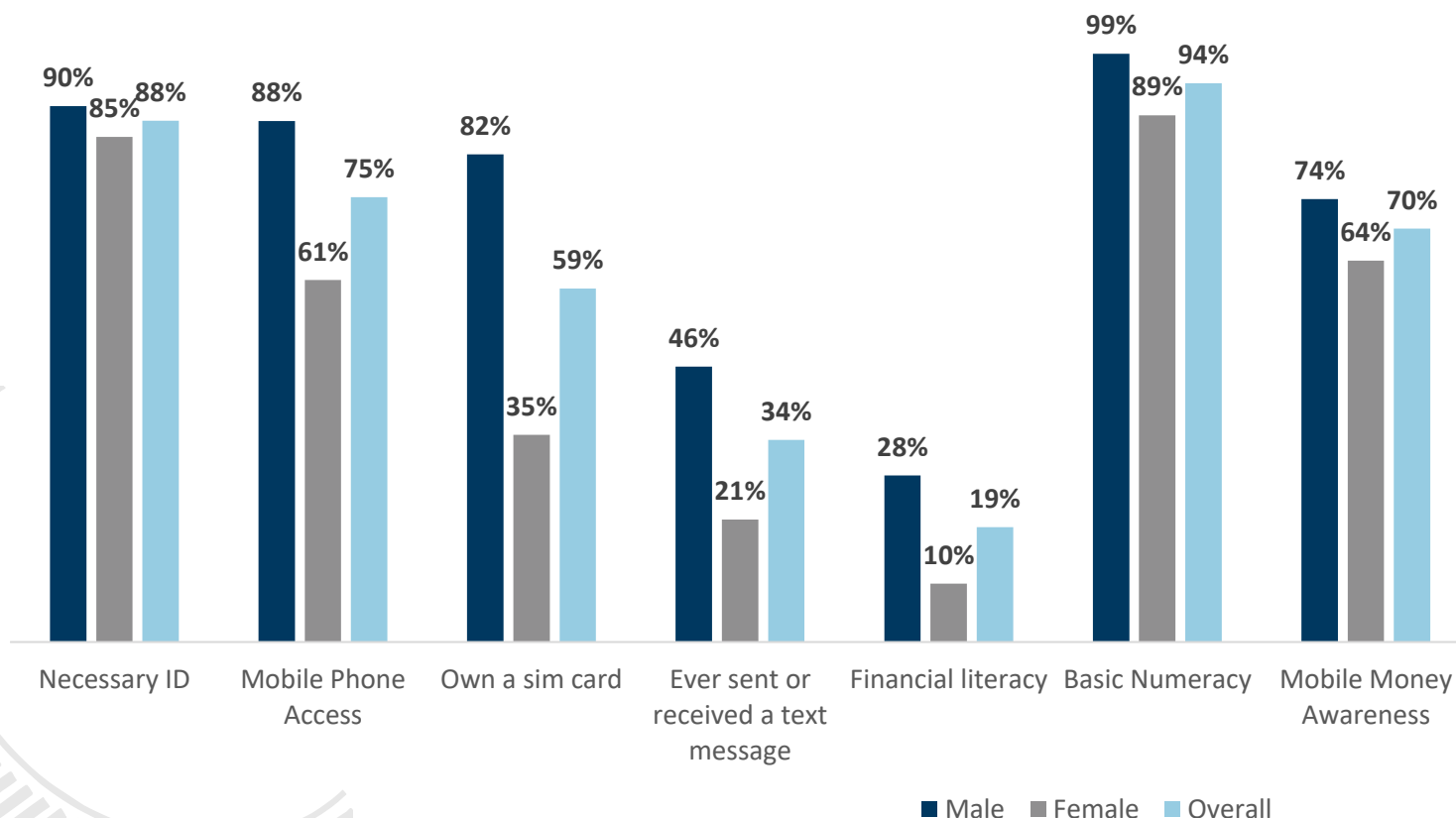
READINESS TO ADOPT DIGITAL FINANCIAL SERVICES



- The lowest scores on indicators of readiness are for financial literacy (19%), and ability to send or receive a text message (34%). The best performing indicator is basic numeracy (94%), followed by availability of necessary ID (88%). Gender gaps exist across all indicators, with the largest gender gap in financial literacy followed by sim ownership.

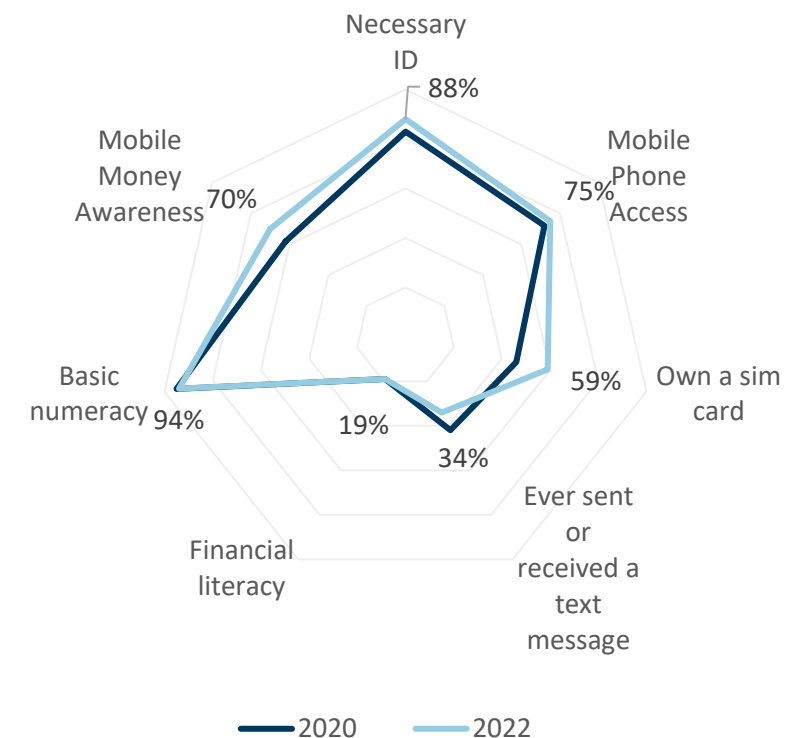
Readiness to Adopt Digital Financial Services (2022)

(Shown: Percentage of Pakistani adults)



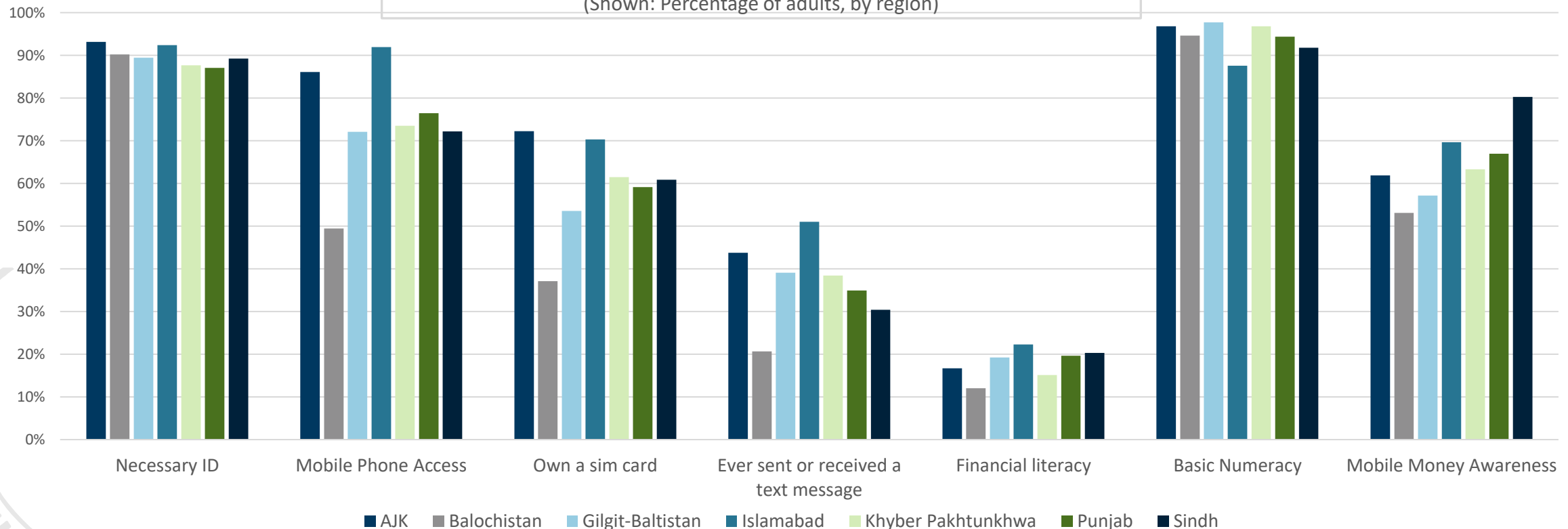
Readiness to Adopt DFS

(Shown: Percentage of Pakistani adults, overall)



- All the regions are comparable on CNIC ownership and basic numeracy. However Islamabad stands out on some of the indicators, e.g., it has the highest percentage of adults who sent or received a text message, mobile phone access, and sim card ownership. Balochistan scored the lowest on these three indicators.

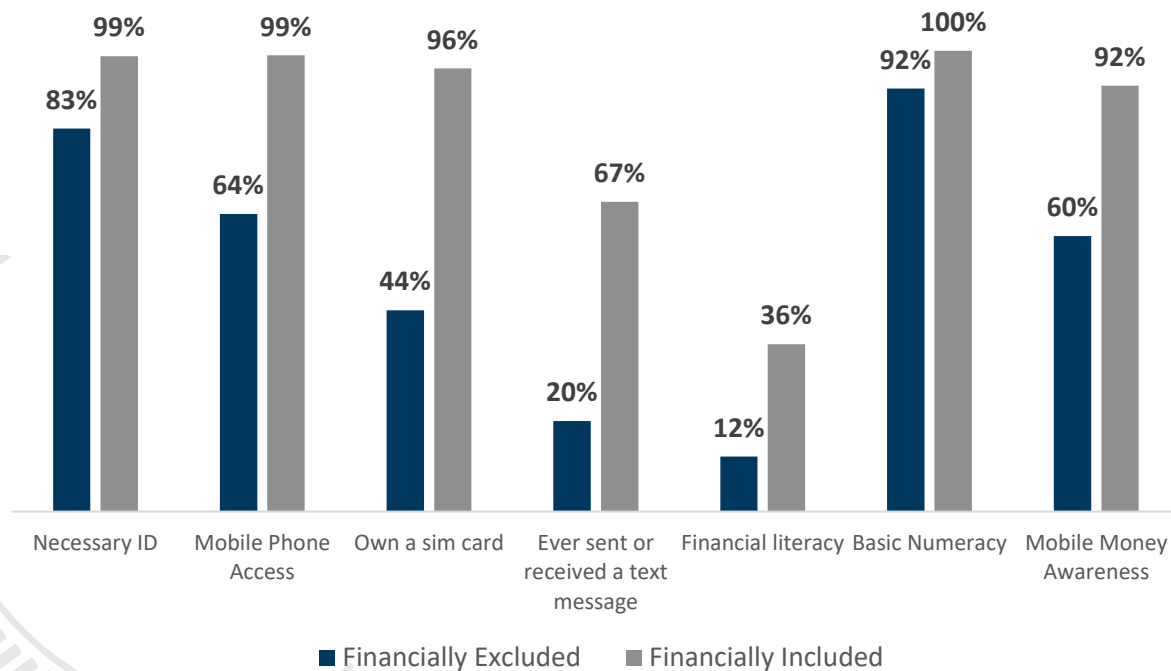
Readiness to Adopt Digital Financial Services, by Region (2022)
(Shown: Percentage of adults, by region)



- The financially excluded lag behind the financially included on many key indicators to adopt digital financial services. The biggest gap is in the ownership of SIM cards, where 96% of the financially included own a sim card, compared to 44% of the financially excluded. The second gap is in the ability to send or receive an SMS, 67% of the financially included are able to do that, in comparison only 20% of the financially excluded.

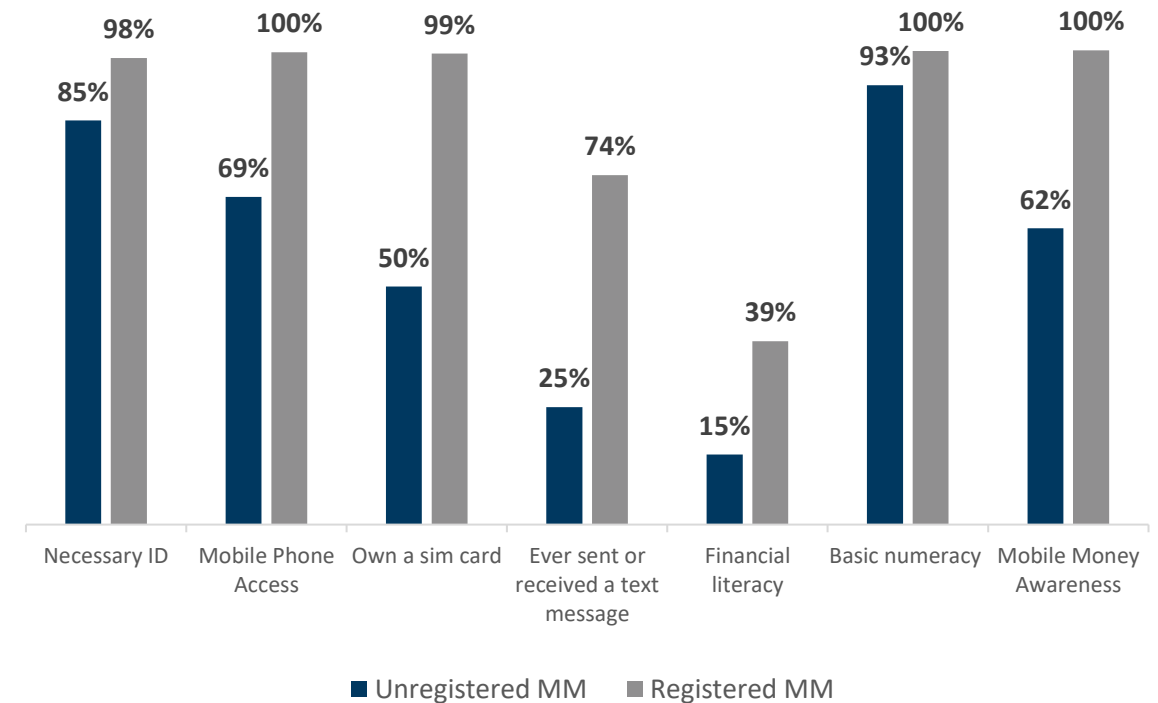
Readiness to Adopt Digital Financial Services

(Shown: Percentage of Pakistanis by financial inclusion status.)



Readiness to Adopt Digital Financial Services

(Shown: Percentage of Pakistanis by MM users and non-users)



BANKS

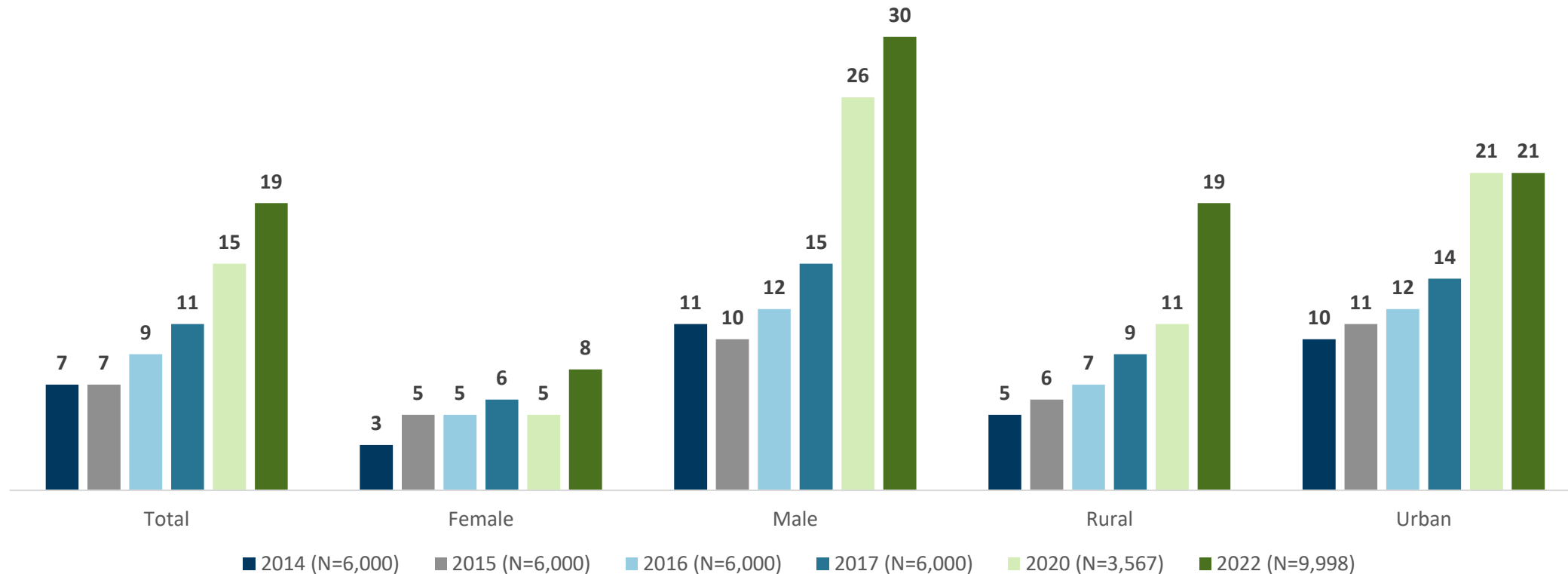
The background features a large, abstract graphic of grey dots of varying sizes, some forming faint, radiating lines. In the bottom-left corner, there is a circular graphic composed of many small, light-grey segments.

BANK USERS BY DEMOGRAPHIC GROUP

- Bank registrations increased from 15% in 2020 to 19% in 2022. While urban bank registration levels are at the same level as 2020, rural bank registrations increased sharply from 11% in 2020 to 19% in 2022. Bank registration among female adults increased from 5% in 2020 to 8% in 2022, however a significant gender gap persists.

Bank Registration Demographics by Gender and Rural/Urban (2014-2022)

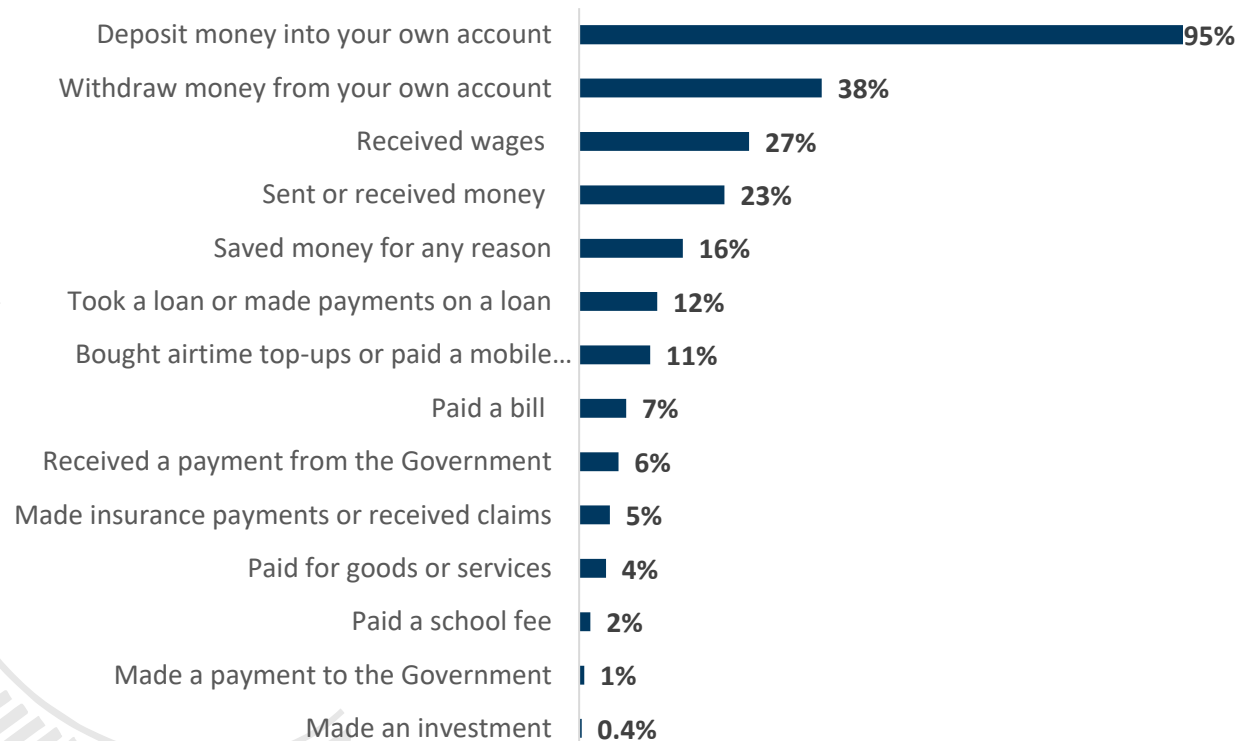
(Shown: Percentage of Pakistani adults)



- 19% of adult Pakistanis have registered a bank account. The most common use of bank accounts is depositing money into own account (95%), followed by withdrawal of money from bank account (38%), and receiving wages (27%)
- 81% of Pakistanis do not have a bank account. The leading reason for not having a bank account is “Do not need one and have never thought of using one”, reported by 68% of those without a bank account.

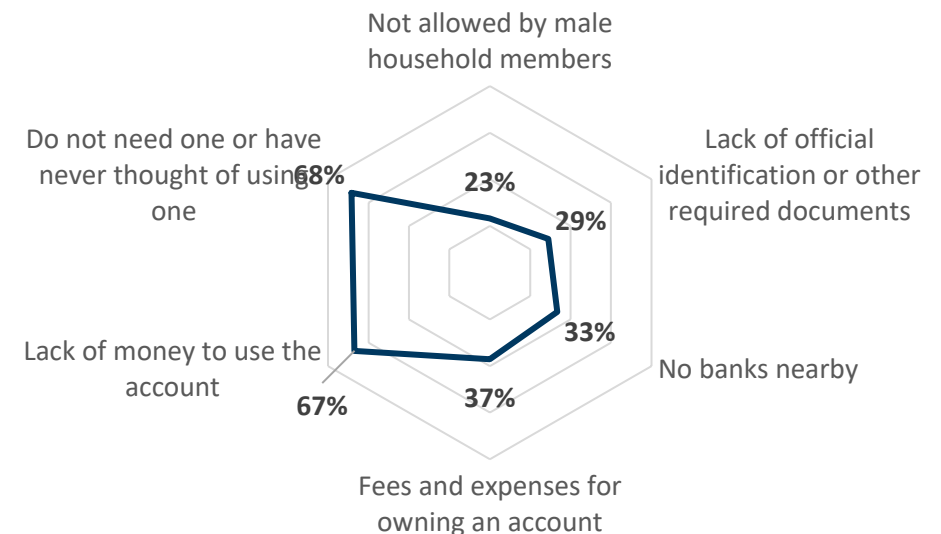
Bank Account Activities

(Shown: percentage of registered bank account holders)



Reasons for Not Having Bank Account

(shown: percentage of those without a bank account)



MOBILE MONEY

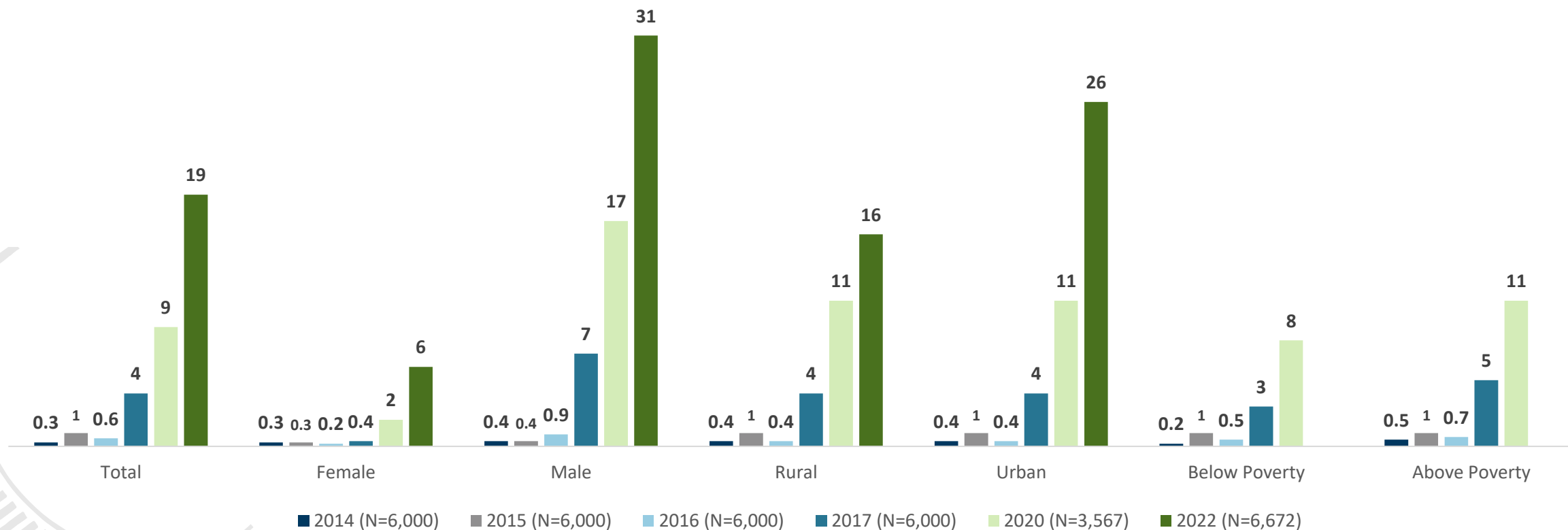
MOBILE MONEY USER BY DEMOGRAPHIC GROUP



- Mobile money wallet registrations increased substantially from 9% in 2020 to 19% in 2022. Urban mobile money wallet registrations saw an even sharper increase from 11% - 26% in the last two years. Meanwhile rural mobile wallet registrations increased more modestly from 11% - 16%. Female mobile money wallet registrations saw an increase from 2% in 2020 to 6% in 2022, resulting in some bridging of the gender gap.

Registered Mobile Money Users by Demographic Group

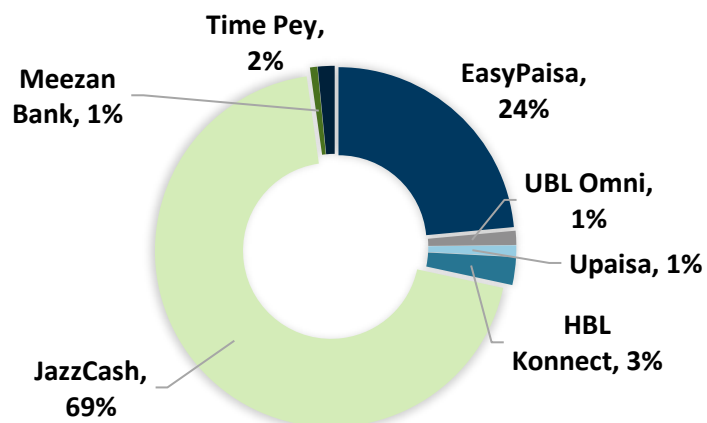
(shown: percentage of each demographic group who are registered mobile money users)



- 45% of mobile money wallet users recommended the use of MM wallets to others. Of these, 37% of users recommended a specific mobile money wallet services. JazzCash is the most recommended service as 69% of such users recommended it to others. This was followed by Telenor Easypaisa at 24%. The top reasons for recommending Easypaisa are *Easier to transact with me* (69%), *Easier to use* (27%) and *Cheaper to transact with me* (26%). In comparison JazzCash is recommended because for *Lower transaction fees* (34%), and *Used by people I socialize with* (32%).
- Recommendation of MM provider is associated with the presence of other subscribers in the recommender’s social network: 50% of those who recommended a mobile money provider had “2 to 5” other subscribers within their social network. 24% had one other subscribers in their social network. While, 15% had “6 to 10” subscribers of the same provider in their social network.

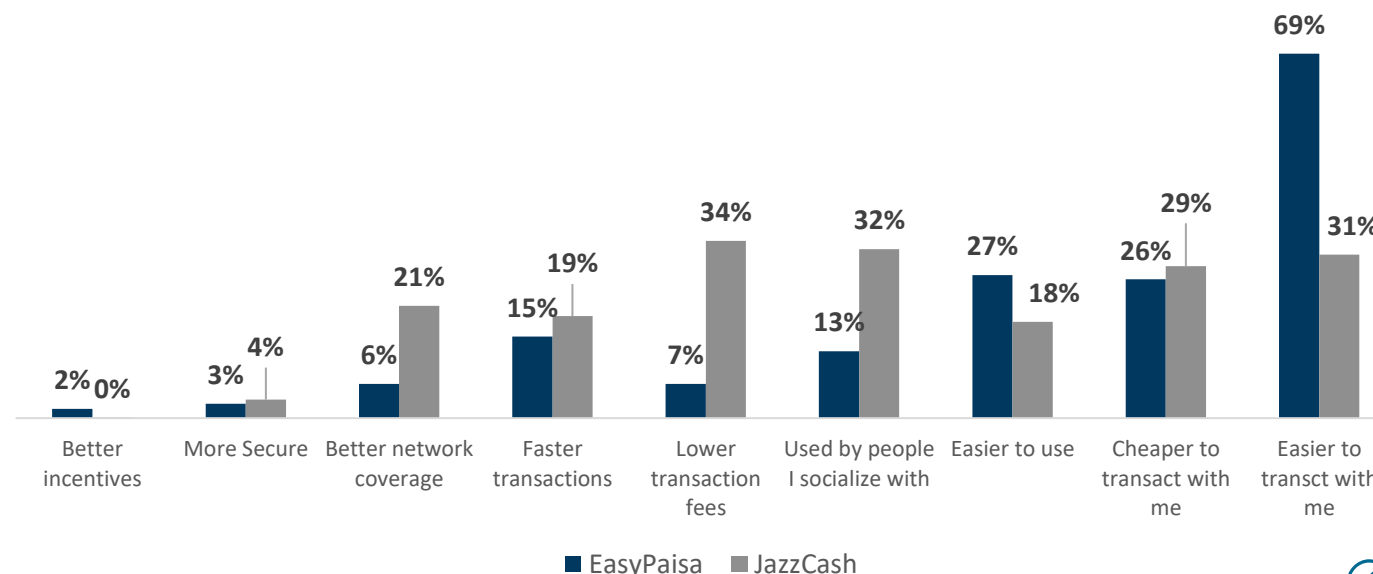
Recommended MM Services

(Shown: percent of those who recommended a MM wallet service)



Reasons for Recommendation: JazzCash and EasyPaisa

(shown: Percentage of mm wallet owners who recommend mm to others, by provider.)

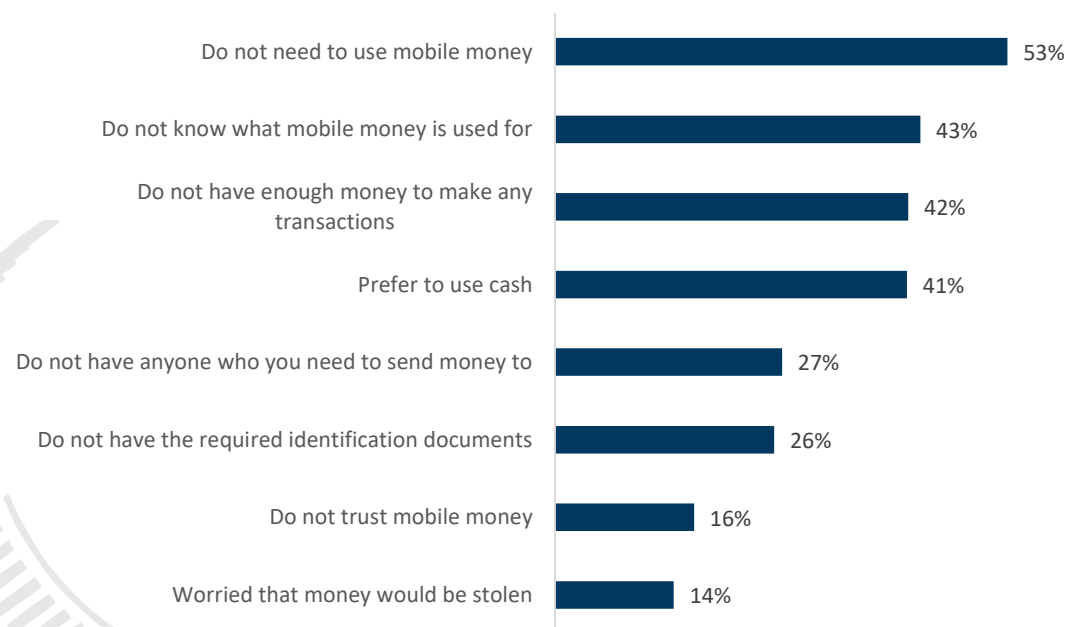


REASONS FOR NOT USING MOBILE MONEY

- 63% of Pakistani adults are not using mobile money despite being aware of the existence of at least one mobile money (MM) service. The main reason for not doing so is a *Lack of need* (53%) followed by being *Unaware of the use of mobile money* and 42% stated *Not having enough money to make mobile money transactions* (43%).
- 8% of adult Pakistanis use mobile money in an OTC manner, rather than registering their own mobile money wallet account, the leading reason being *Inability to operate a mobile money wallet account* (39%); *Ownership of a wallet by a family member or friend* was the second biggest reason, with 36% citing it as a reason.

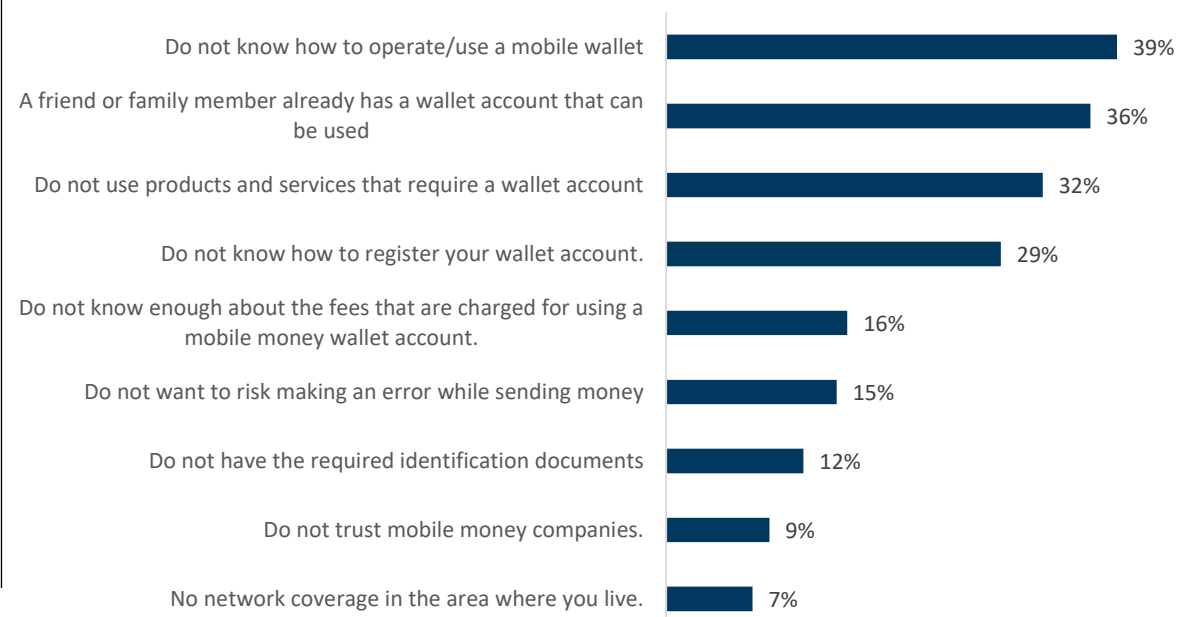
Reasons for Not Using MM

(shown: Percentage of aware non-users of mobile money)



Reasons for Continuing to Use OTC & Not Registering MM Wallet

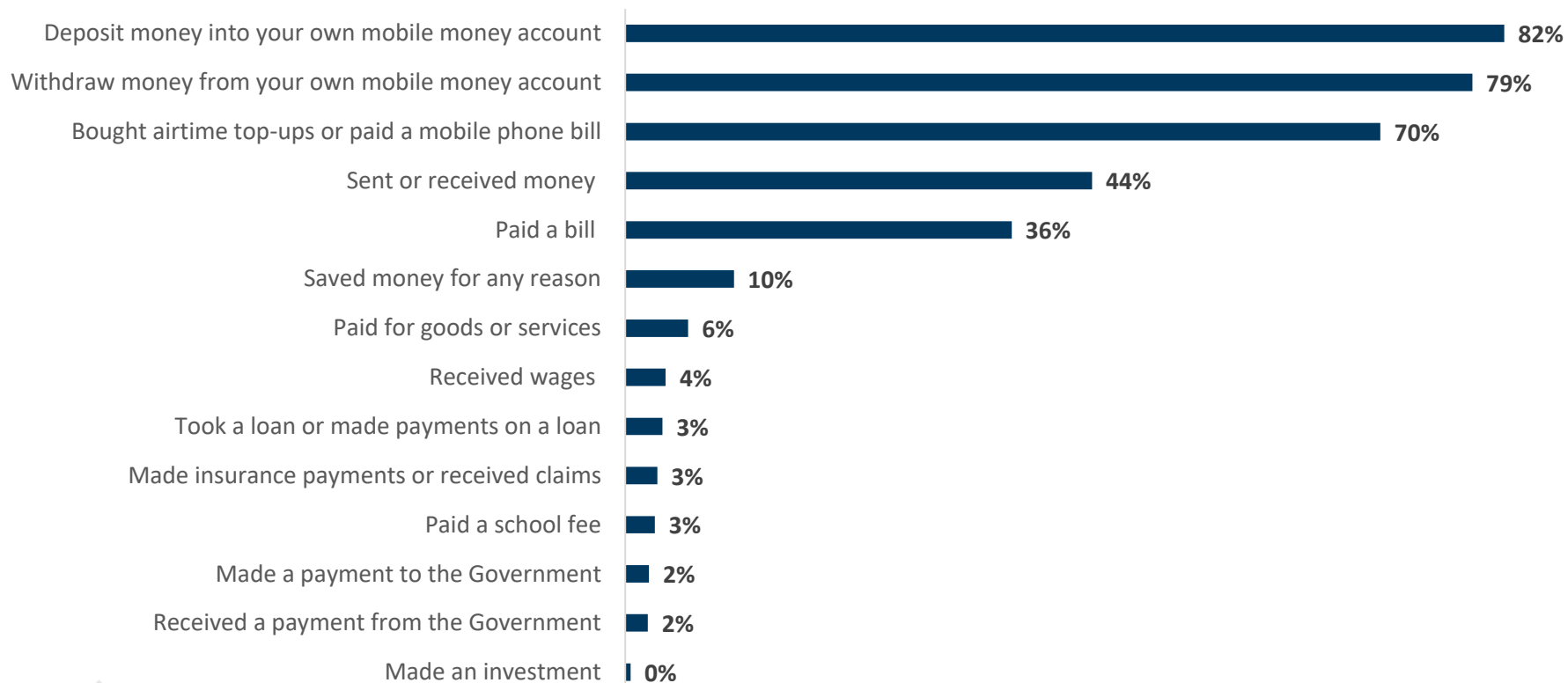
(shown: percentage of OTC users)



- 19% of Pakistani adults have mobile money wallets. The most common activity performed by the wallet holders is depositing money into their own mobile money wallet account (82%) followed by cash withdrawal from own account (79%). Topping up mobile phones was the third most common activity (70%). Sending or receiving money was preformed by 44%.

Mobile Money Wallet Activities

(shown: Percentage of mobile money wallet owners)

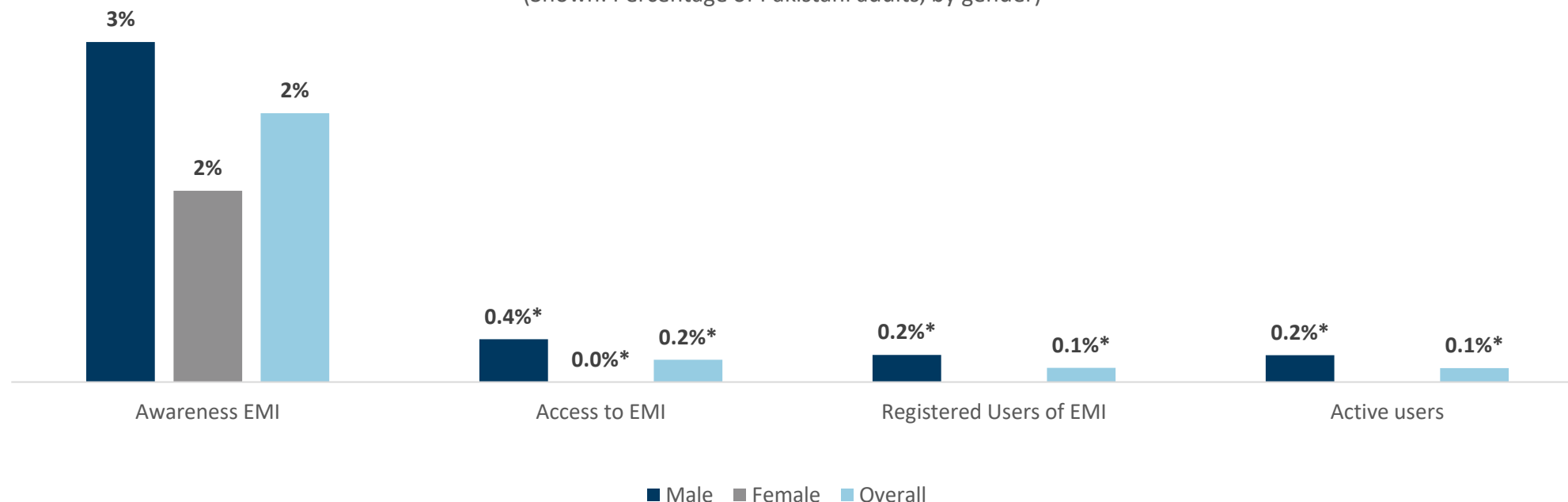


ELECTRONIC MONEY INSTITUTIONS (EMI)

- Awareness of electronic money institution (EMI) accounts is very low, as only 2% of Pakistani adults could recognize at least one EMI brand. NayaPay was the most recognized at 1.6%, followed by SadaPay at 1.1%.
- Only 0.2% of Pakistani adults used EMIs and these were all men. A negligible 0.1% of Pakistani adults have registered EMI accounts, and all these EMI account holders had either a mobile money wallet or a bank account. The average amount sent through EMI accounts is estimated to be PKR 18,000, while the average amount received was approximately PKR 20,000.

EMI Awareness and Usage (2022)

(Shown: Percentage of Pakistani adults, by gender)



*Fewer than 50 observations

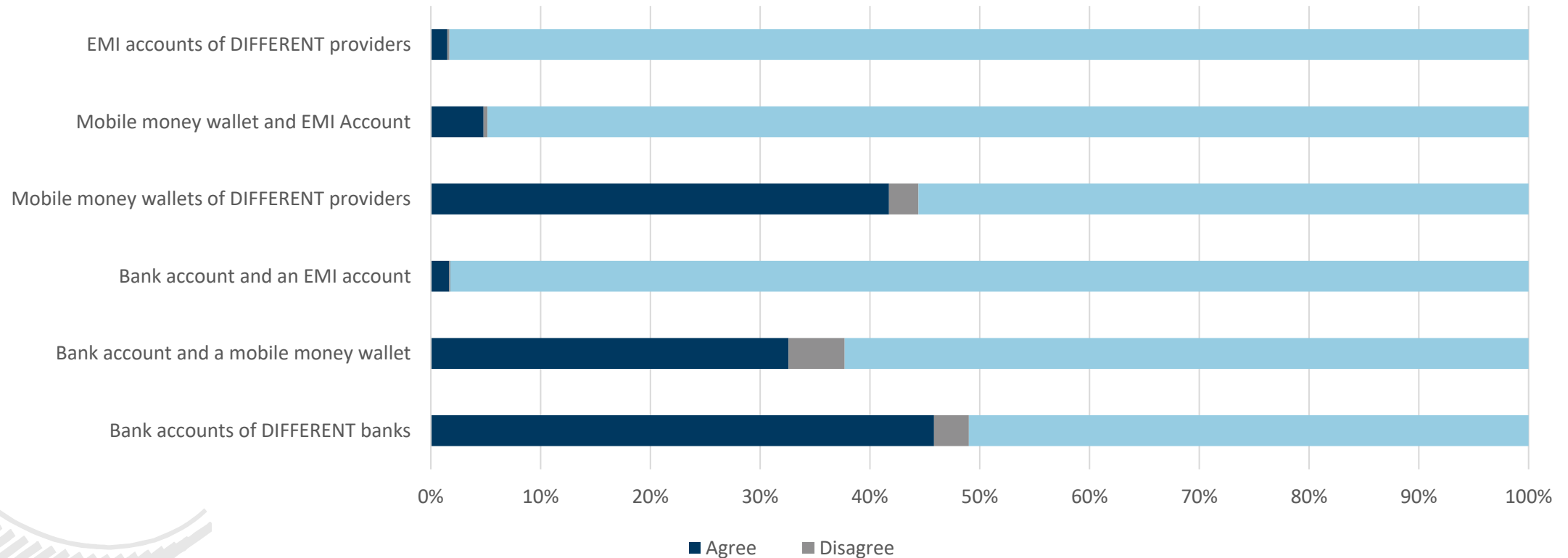
INTEROPERABILITY

This section of the survey was designed in consultation with Innovations in Poverty Action (IPA).

- Knowledge of interoperability varies according to the type of financial service provider. The least known are EMI transactions. Bank account interoperability is comparatively well known as interoperability between accounts of two different banks was acknowledged by 47% of Pakistani adults. Interoperability between mobile money wallet accounts of different providers was only marginally less well known, as 42% of Pakistani adults were aware.
- Interoperability between a bank account and a mobile money wallet however, had a lower recognition at 33%.

Awareness of Interoperable Transactions

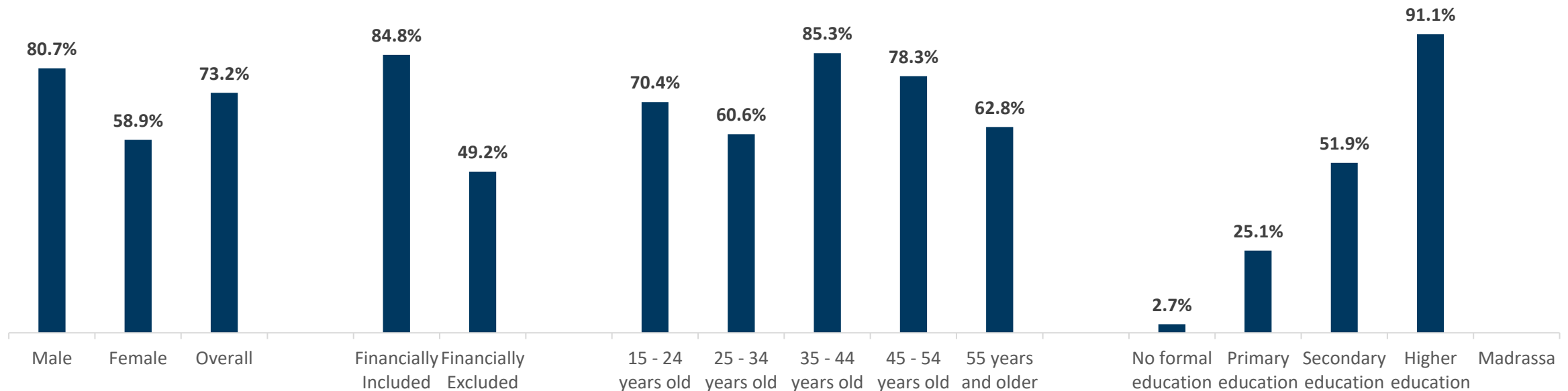
(shown: Percentage of Pakistani adults)



- The interoperability knowledge index measures the level of knowledge about interoperability between different types of financial accounts. The index score ranges from 0-100. In overall terms, there is a gender gap in scores, as men have an average score of 81 while women scored an average of 59. Similarly, the financially included have a higher score (85) compared to that of the financially excluded (49). The 35-45 year age group scored the highest at 85 while the 55+ age group scored the lowest (63). Education levels also show to be highly correlated with knowledge about interoperability, as those with higher education had an average score of 91, compared to < 3 for those with no formal education.

Average Scores on Interoperability Knowledge Index*

(Shown: Percentage of Pakistani adults)

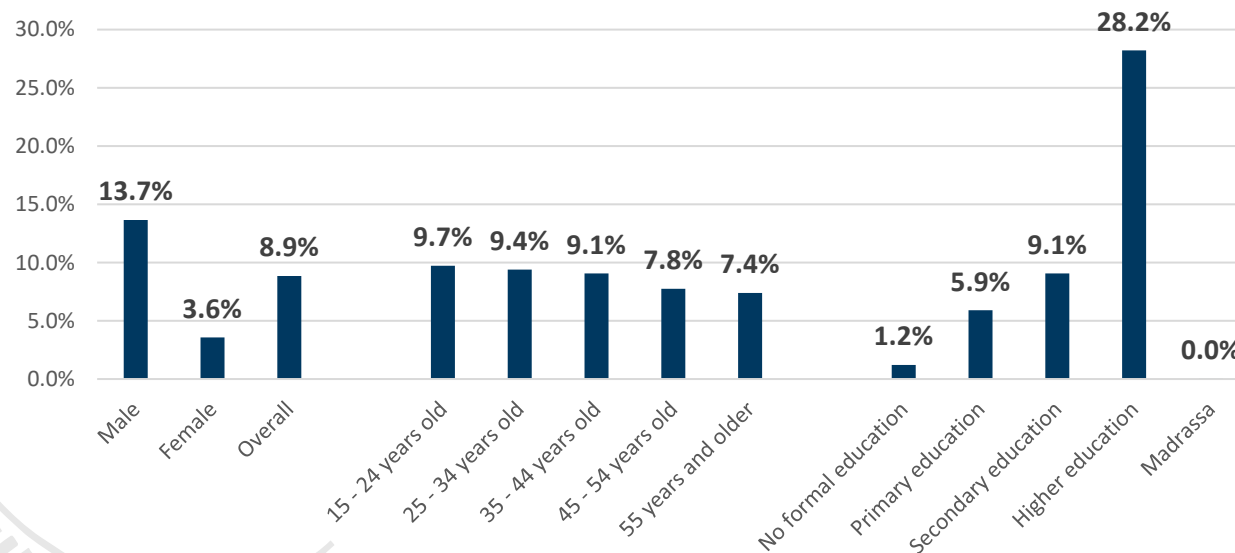


*The Interoperability Knowledge Index assess the awareness level regarding interoperability of transactions between bank accounts, mobile money wallet accounts and EMI accounts. This is an equal weighted index that awards one point for knowledge of particular type of interoperability and zero point in case of a lack of awareness.

- 9% of adult Pakistanis have multiple financial accounts. Multiple accounts are more common for mobile money wallets at 8%; this was significantly higher than for banks, as only 2% of adult Pakistanis had multiple bank accounts. Men are more likely to have multiple accounts as 14% of adult Pakistani men had multiple financial accounts compared to 4% of women. Younger Pakistanis are relatively more likely to have multiple accounts compared to older Pakistanis. However, education seems to be the deciding factor, as 28% of those with higher education had multiple financial accounts, compared to only 1% of those with no formal education.
- The biggest reason for holding multiple accounts is the ability to transact with individuals and organizations with financial accounts from different providers (32%). This was followed by the ability to take advantage of promotions from different providers (25%)

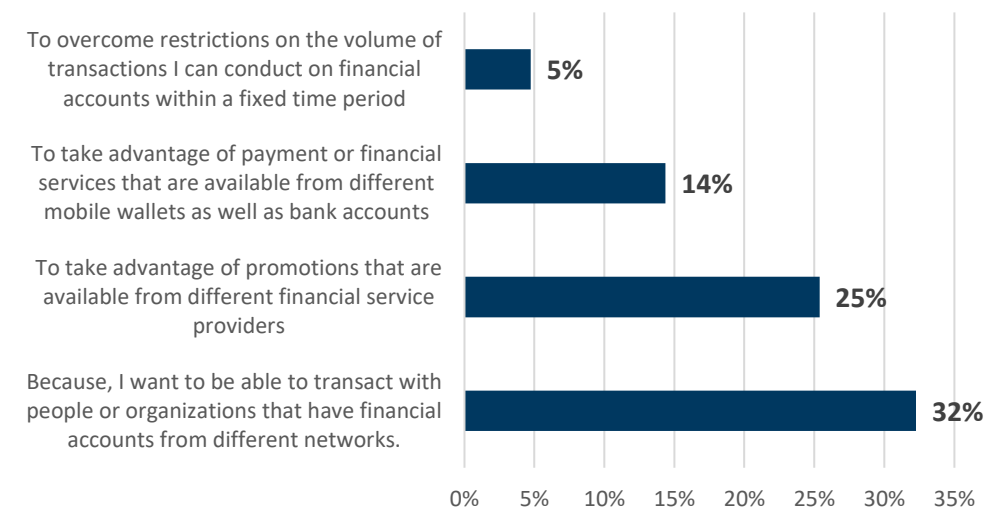
Demographics of Multiple Financial Account Holders

(Shown: Percentage of adult Pakistanis)



Reasons for Multiple Financial Accounts

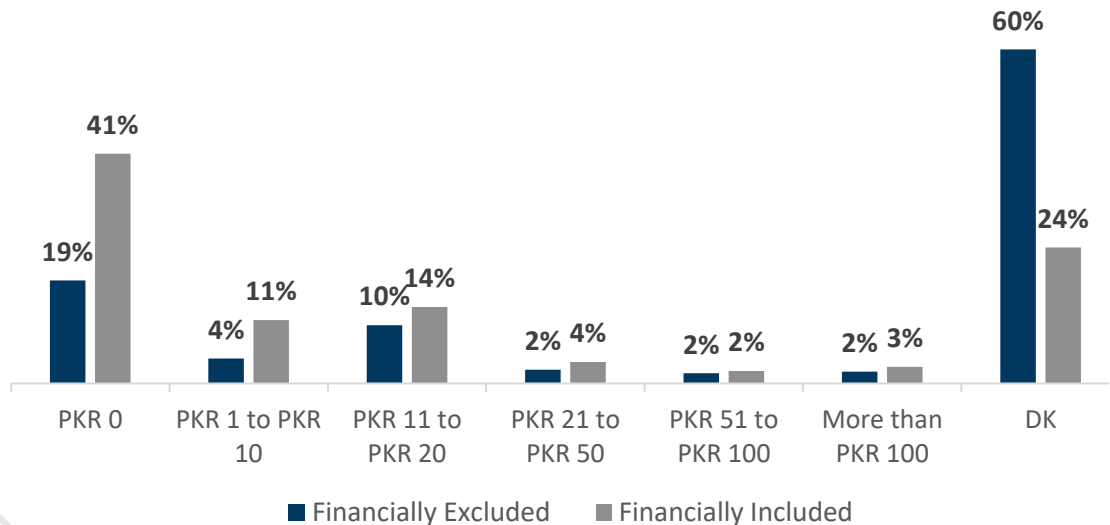
(shown: Percentage of users with multiple financial accounts)



- Perceptions about costs associated with P2P transfers vary widely between the financially excluded and included. In response to the costs associated with a transfer of PKR 1,000 between two accounts of the same institution, 85% of the financially excluded responded that they did not know about the costs, in comparison 37% of financially included stated the same. Furthermore, 41% of the financially included responded correctly that such a transaction will have no costs.
- When asked about the fees for a transfer of PKR 1,000 to a financial account in a different financial institution, 28% of the financially included responded that they would expect to not pay any fees on such a transaction; 35% responded that they would pay between PKR 1 -10 for such a transaction.

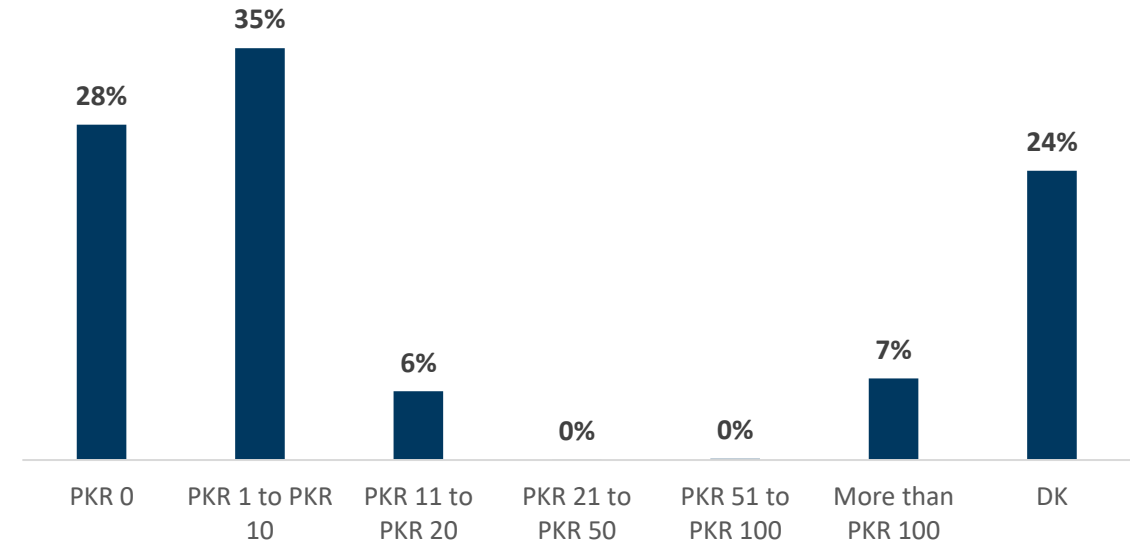
Cost Perception About Transactions Between Accounts of DIFFERENT Financial Institutions

(Shown: Percentage of Pakistani Adults)



Willingness to Pay Fees on PKR 1,000 Transaction

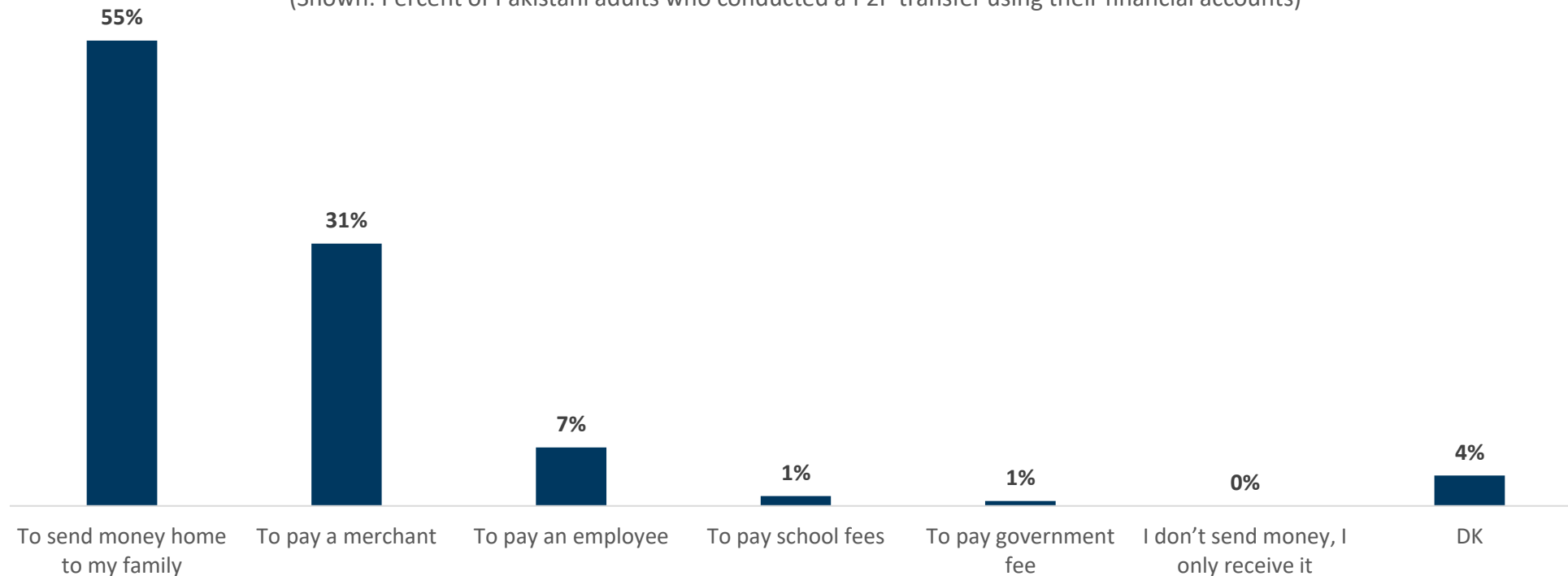
(Shown: Percentage of Financially Included Pakistani adults.)



- 13% of the financially included used their financial accounts to transfer money to an account in a different financial institution from their own. The top reason for doing so was *To send money to family* (55%). The second most likely reason was *To pay a merchant* (31%) followed by *Payment to employees* (7%).
- The average transaction size for such transactions was more than PKR 5,000 for 28% of respondents, while another 25% reported sending between PKR 1,000 - 5,000.

Reasons for Making Cross Institution Transfers

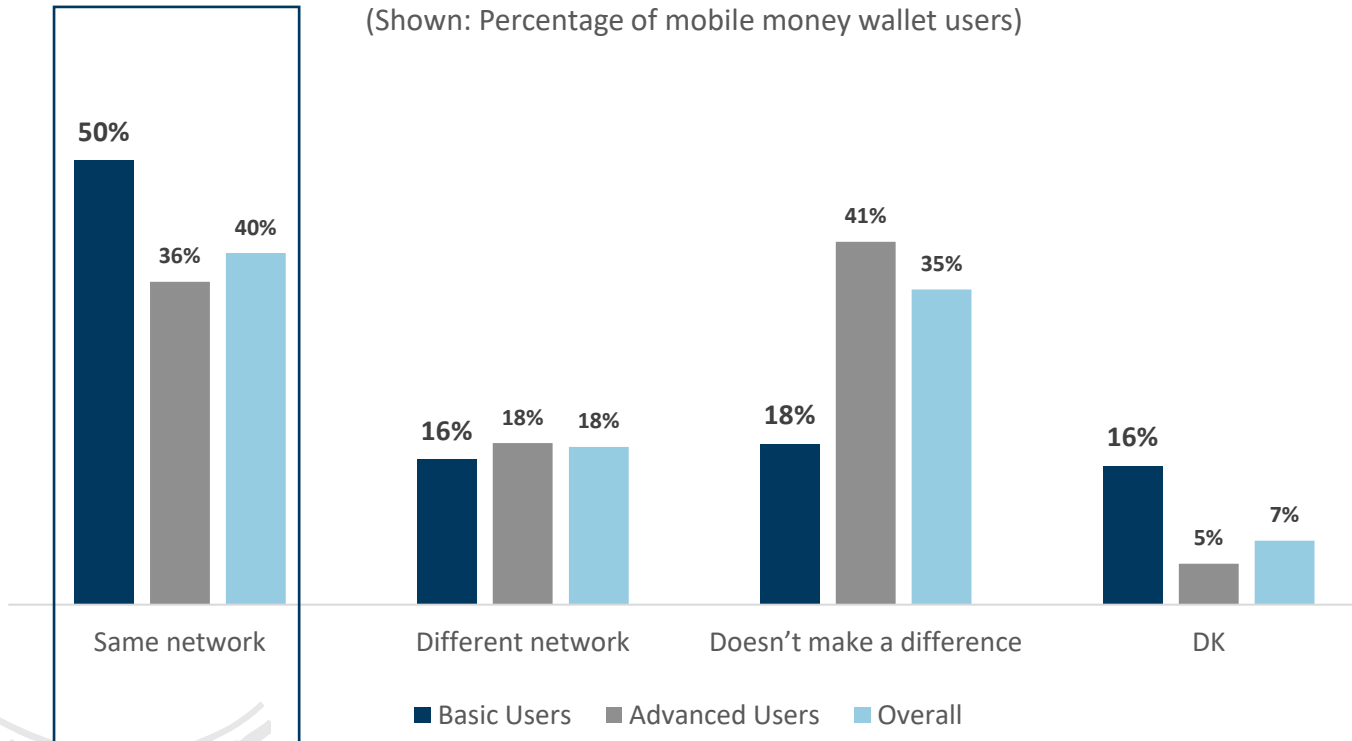
(Shown: Percent of Pakistani adults who conducted a P2P transfer using their financial accounts)



- Overall 40% of mobile money wallet users preferred to transact within their own network, followed by 18% of respondents to whom it didn't make a difference. However, the preferences of advanced wallet users differ from those of basic users—to 41% of advanced users there seems to be no difference between using their own network or another network, compared to 18% of basic users who think the same.
- Ease of use* is the top reason for mobile money wallet users preferring to transact with wallets over their own network rather than with wallets from a different network.

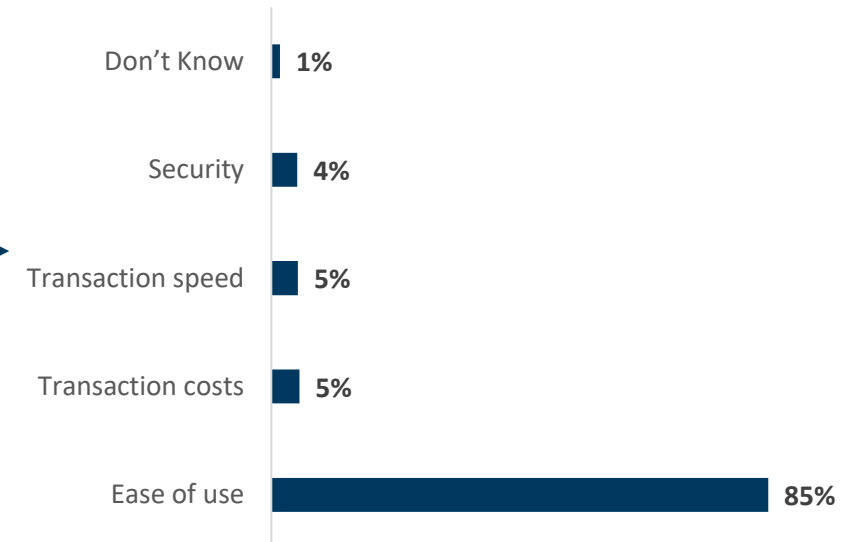
Network Preference

(Shown: Percentage of mobile money wallet users)



Reasons for Preferring Same Network

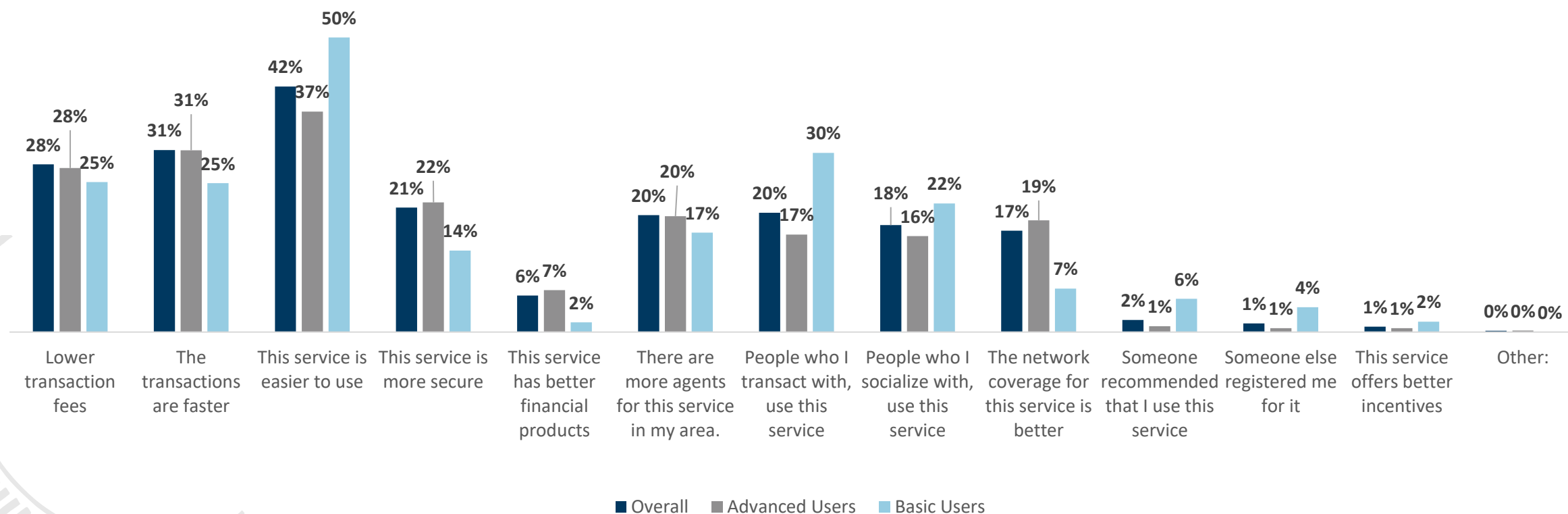
(Shown: Percentage of mm wallet users preferring same network)



- Overall, the main reason for not using multiple MM wallet accounts is ease of use (42%). However, this was a greater influencing factor for basic users (50%) as compared to advanced users (37%). Basic users also tend to prefer one account because people they transact with use that service, 30% quoted this as a reason, in comparison only 17% of advanced users. It is important to highlight that 77% of those who are using a single MM wallet account have SIMs of more than one mobile phone network.

Reasons for Not Having Multiple MM Accounts

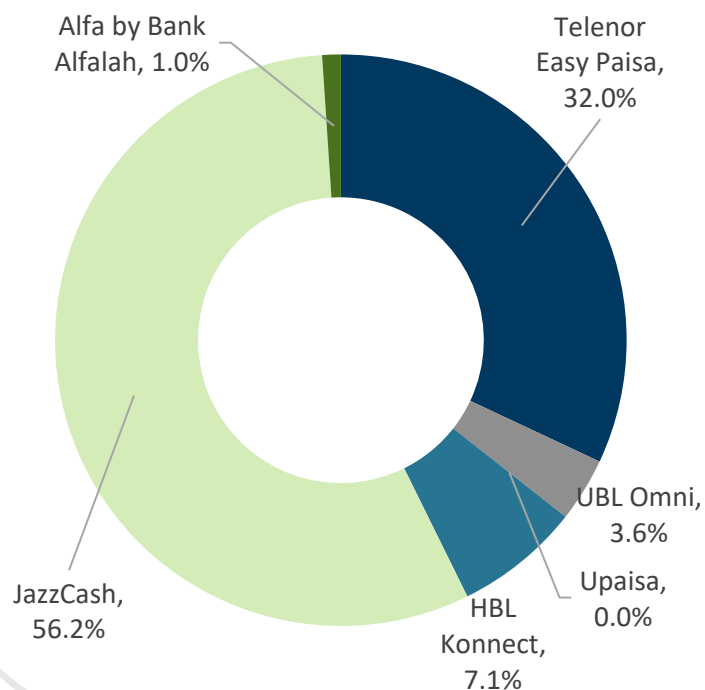
(Shown: Percentage of Pakistanis with one mobile money wallet account)



- Amongst owners of multiple MM wallet accounts, JazzCash wallets were reported to be the most popular as 56% of multiple MM wallet owners preferred to use it; followed by Telenor Easypaisa (32%).
- For JazzCash the leading reason for a preference is *Ease of use* (45%) followed by *Used amongst social circle* (44%). For Easypaisa the main reason is *Lower transaction fees* (44%), followed by *Faster transactions* (42%), and *Ease of use* (42%).

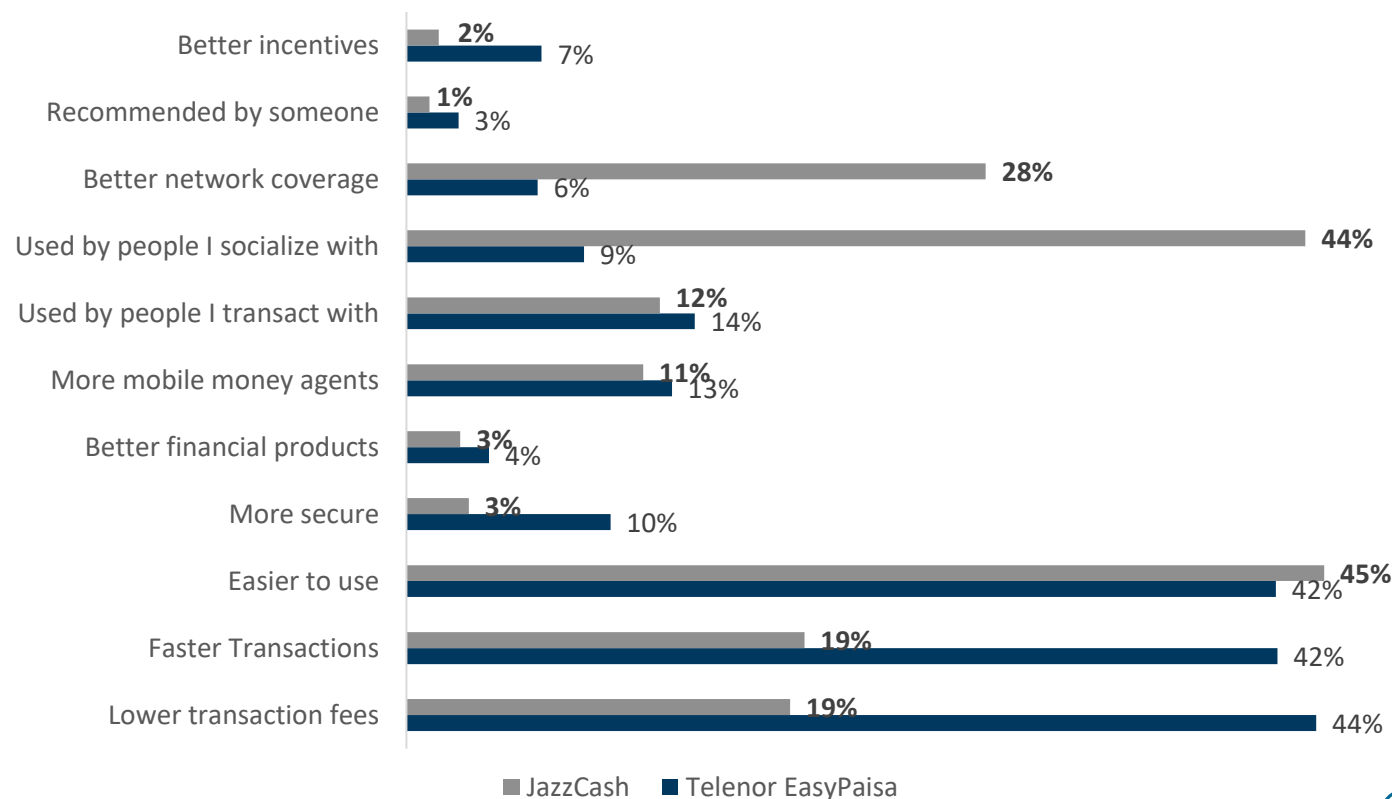
MM Wallet Preferences

(Shown: Percent of multiple mobile money wallet owners)



Reasons for Preference Between Top 2 MM Wallet Providers

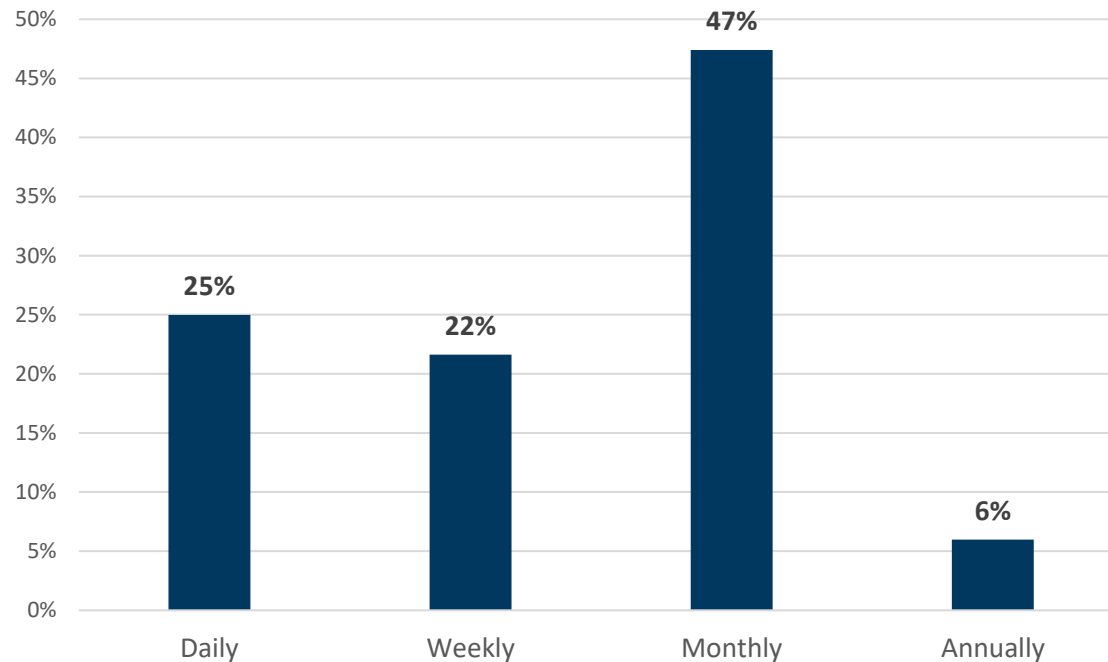
(Shown: Percentage of multiple mobile money wallet owners, by preference)



- 2% of adult Pakistanis use the financial account of an intermediary, such as a friend or a MM agent for financial transfers. 47% of such individuals use the arrangement on a monthly basis, while 25% use it on a daily basis. When they were asked whether they would like to do financial transfers using an alias such their CNIC or phone number, 93% responded that they would be interested in such an arrangement.

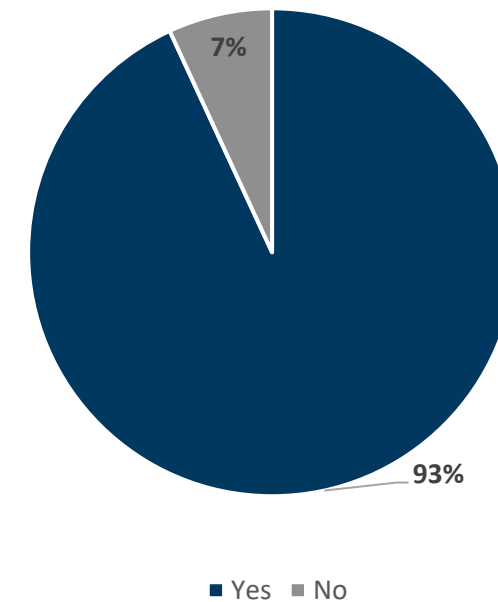
Frequency of Use

(Shown: Percentage of those who use someone else's financial account for financial transfers)



Interested in Using Alias for Financial Transfers

(Shown: Percentage of those who use someone else's financial account for financial transfers)



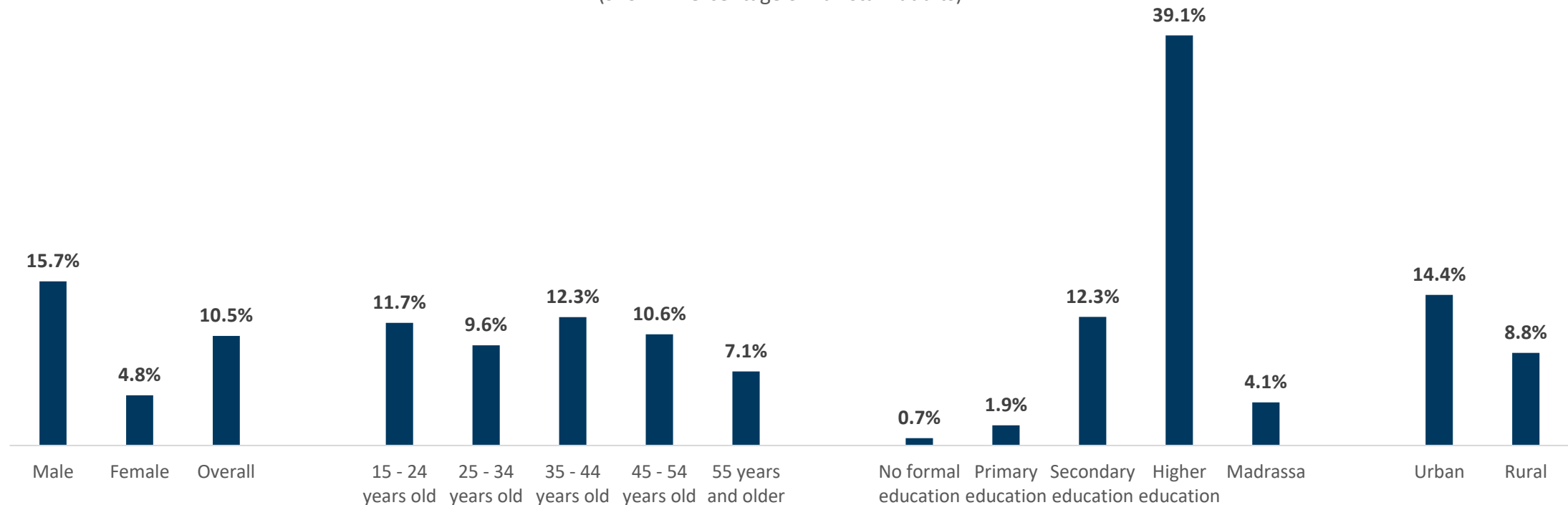
RAAST

The background features a large, faint circular graphic on the left side, composed of many small grey dots arranged in a spiral pattern. The word 'RAAST' is prominently displayed in the center-left area in a bold, dark blue font.

- 11% of adult Pakistanis knew about the brand of Raast. There is a significant gender gap in awareness as 16% of men and only 5% of women were aware of Raast. Within age groups, the 35 - 44 year age group had the highest level of awareness; the lowest level of awareness was within the 55+ age group.
- Level of education had a high correlation with awareness of Raast—39% of those with higher education were aware of Raast, compared to only 1% of those with no formal education. Further, Raast has a higher brand recognition in urban areas (14%) when compared to rural areas (9%).

Awareness of Raast

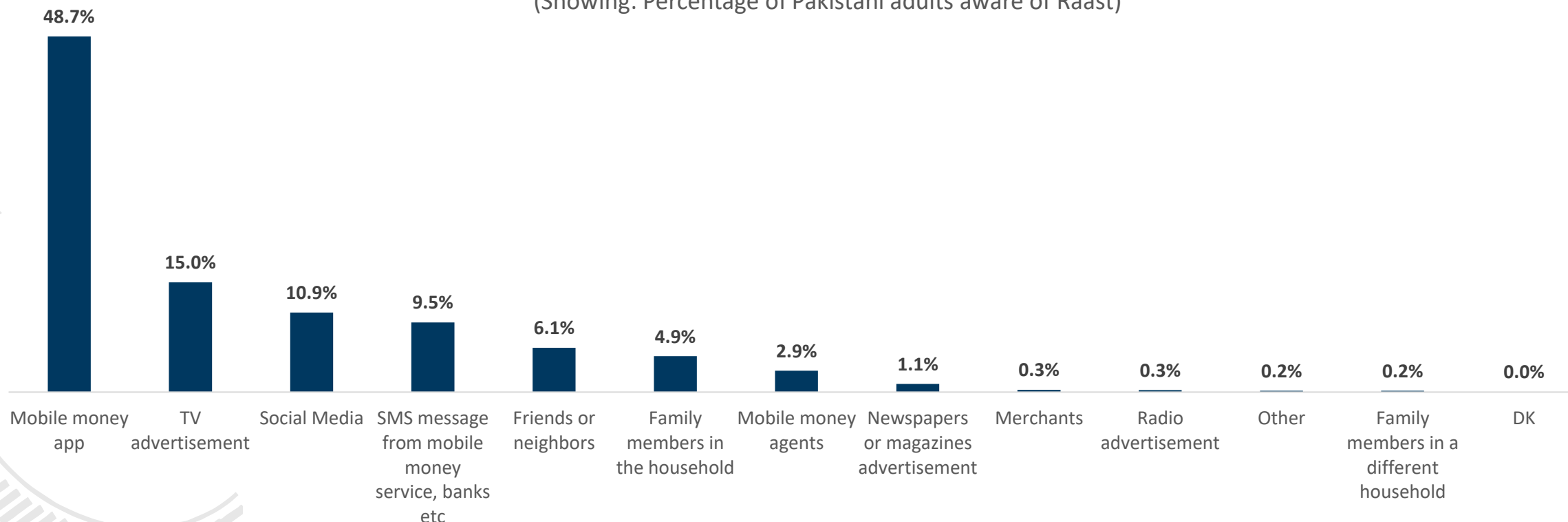
(shown: Percentage of Pakistani adults)



- 49% of the respondent group that was aware of Raast heard of it through a mobile money app, followed by TV advertisements at 15% and social media at 11%.
- However, within various demographic groups, the source of information varied considerably. For the Higher Education group, which is also the most informed group, the top source of information was a mobile money app (47%); however for those with no formal education, the main source are TV advertisements (40%).

Source of Awareness of Raast

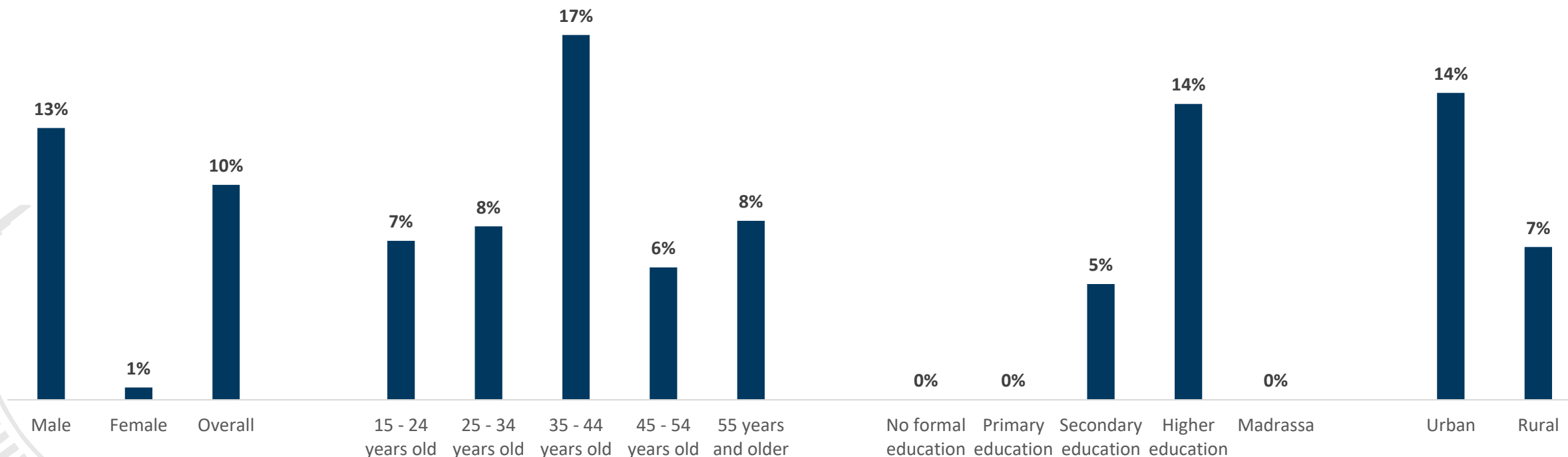
(Showing: Percentage of Pakistani adults aware of Raast)



- In overall terms, 10% of adult Pakistanis have used Raast. Users are predominantly men, as 13% of men and 1% of women are Raast users. The 35-44 year age bracket shows the highest use of Raast at 17%. In terms of education, users were predominantly in the higher education (14%) and secondary education (5%) categories. Urban areas had a higher percentage of Raast users (14%) compared to rural areas (7%).

Raast Users by Gender and Socioeconomic Groups

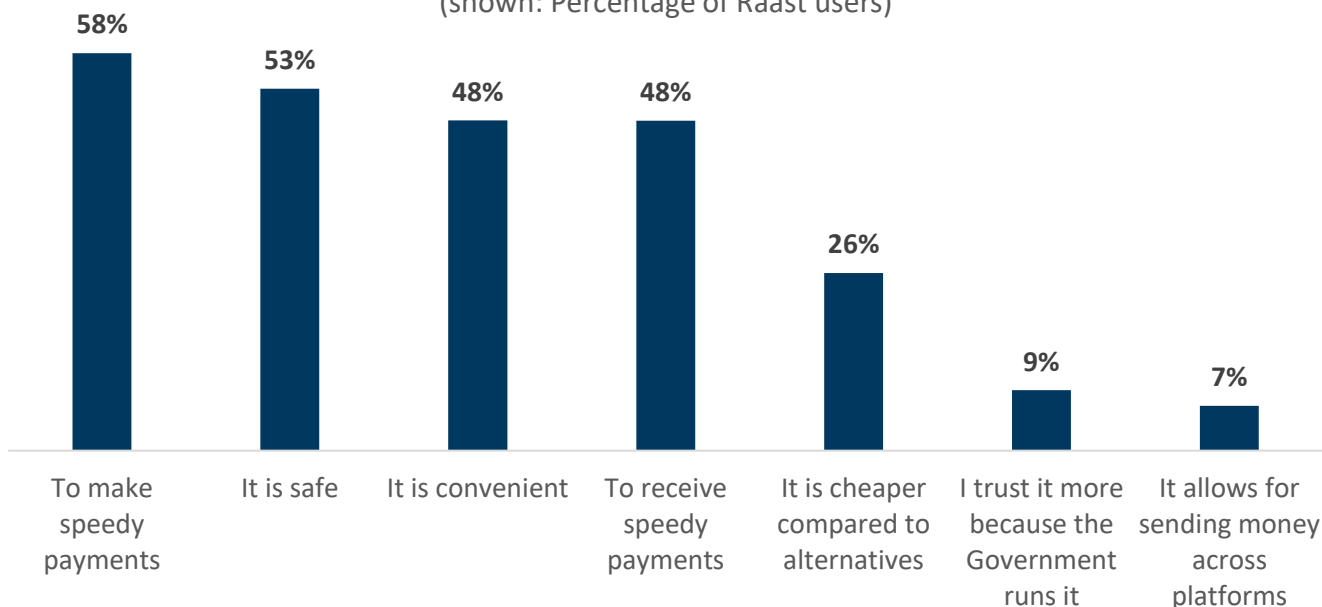
(shown: Percentage of Pakistani adults)



- The most common reason for using Raast is to *Make speedy payments*, which was reported by 58% of Raast users. This was followed by the *Safety of Raast infrastructure* (53%).
- Raast users tend to have a high frequency of usage as 66% of users use Raast on a weekly basis. For this category of users, their main reasons for opting for Raast were; *Convenience* (28%), *Safety* (28%) and *Lower cost* (35%). For those who used it “once a month”, the lower costs was the major reason (39%) followed by high trust due to Government ownership (31%). Although there are relatively fewer daily users, they provided the most interesting response where 99.9% quoted *Raast interoperability* as the main reason they used Raast.

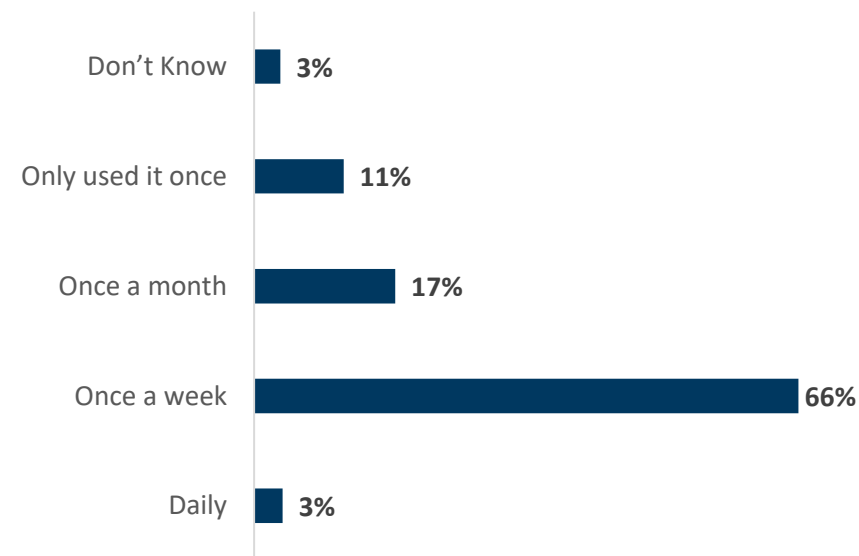
Reasons for Using Raast

(shown: Percentage of Raast users)



Frequency of Using Raast

(Shown: Percentage of Raast users)

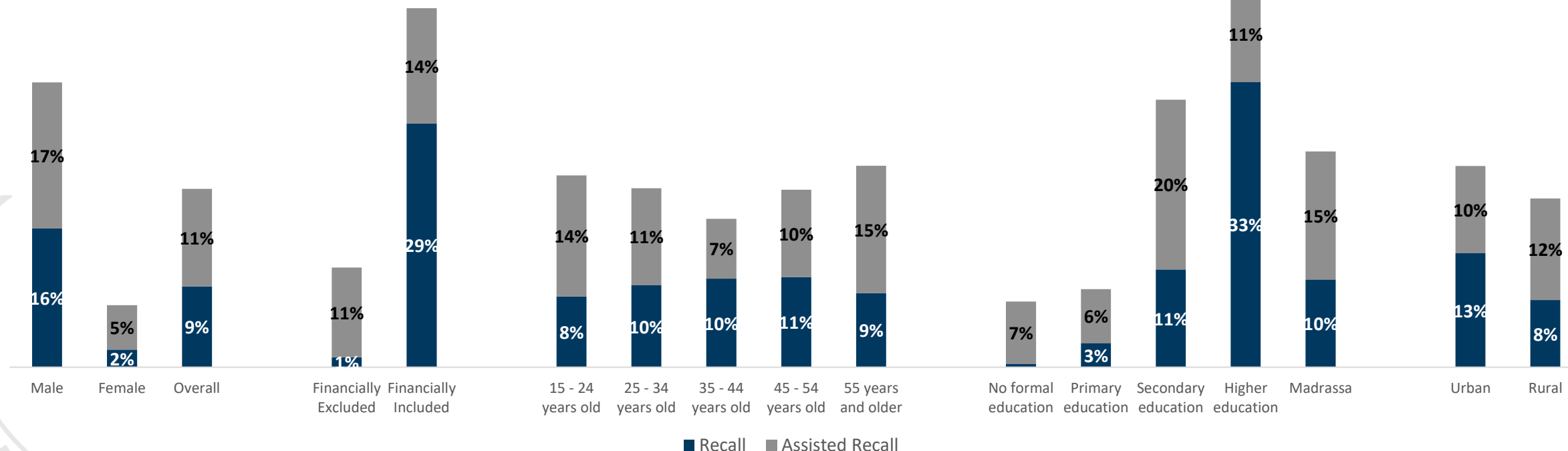


1LINK

- In overall terms, 20% Pakistani adults recognized the 1Link brand. With unassisted recall, recognition dropped to 9%; assisted recall through the logo of 1Link increased recognition by 11%.
- The level of recall was the highest among those with higher education, as 33% recognized 1Link without seeing its logo, while another 11% recognized the logo. The lowest recognition was among those with no formal education, as only 0.4% recognized the name of the brand, however the logo increased its recognition by 7%.

Recognition of Brand 1Link

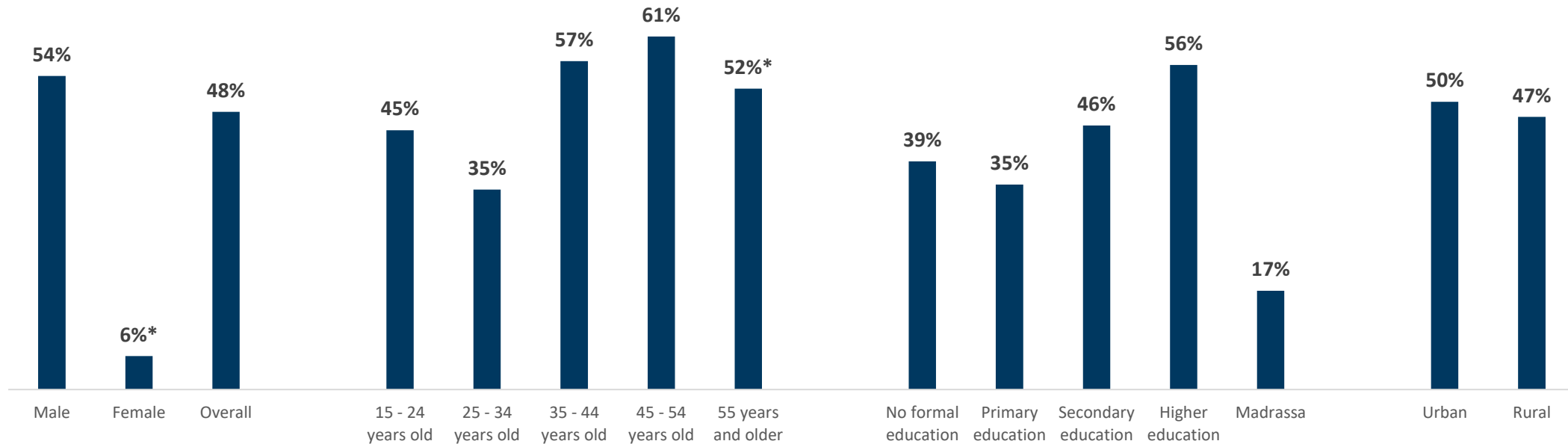
(Shown: Percentage of Pakistani adults.)



- In overall terms 48% of adult Pakistanis who recognized 1-Link, reported using it. There is a substantial gender gap in usage of 1-Link as 54% men and only 6% women, who recognized 1-Link, also reported its use. Those with Higher Education reported the highest level of usage (56%). The lowest usage category, after women, was the *Madrassa* category, as only 17% from this group reported to using 1-Link.

Users of 1Link by Gender and Socioeconomic Group

(Shown: Percentage of those who recognized 1-Link)



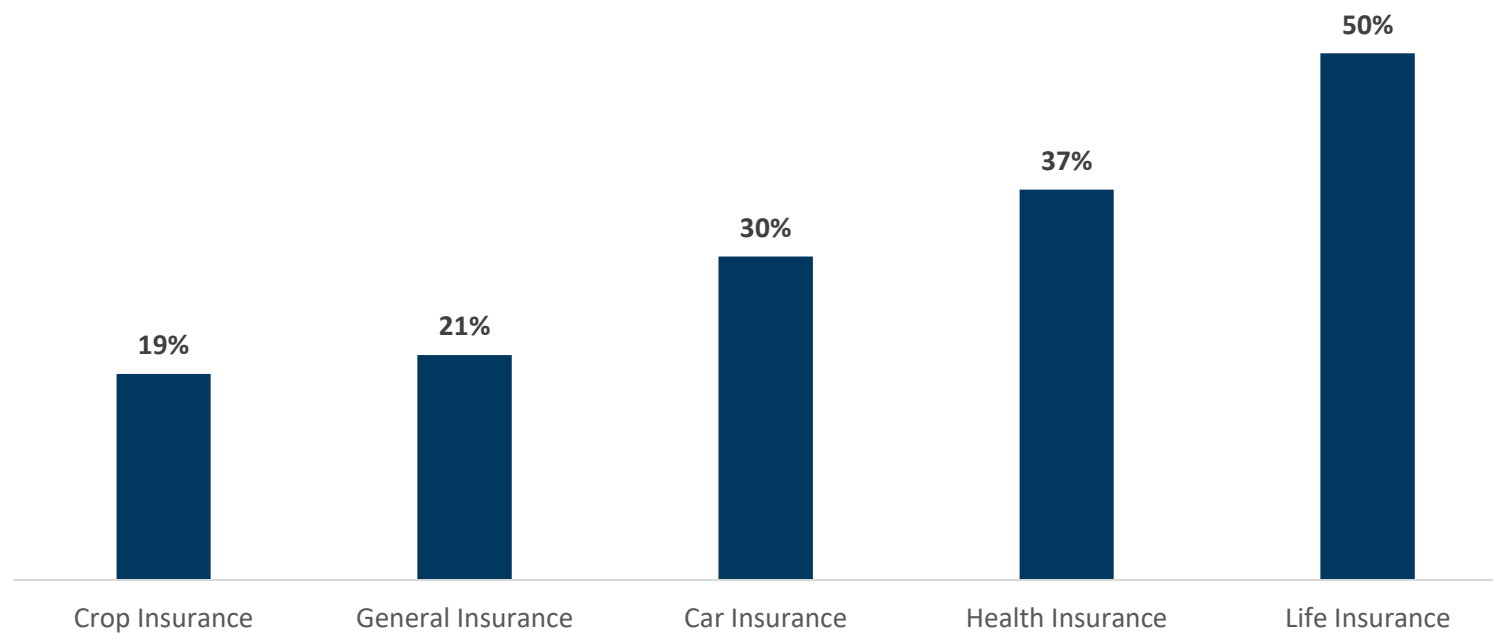
*Fewer than 50 observations

INSURANCE

- Knowledge of different types of insurance products varied significantly: 50% of Pakistani adults were either “Very Familiar” or “Familiar” with Life Insurance. Familiarity with health insurance was reported amongst 37% of Pakistani adults. The lowest level of awareness was of crop insurance at 19%.

Familiarity with Types of Insurance Products

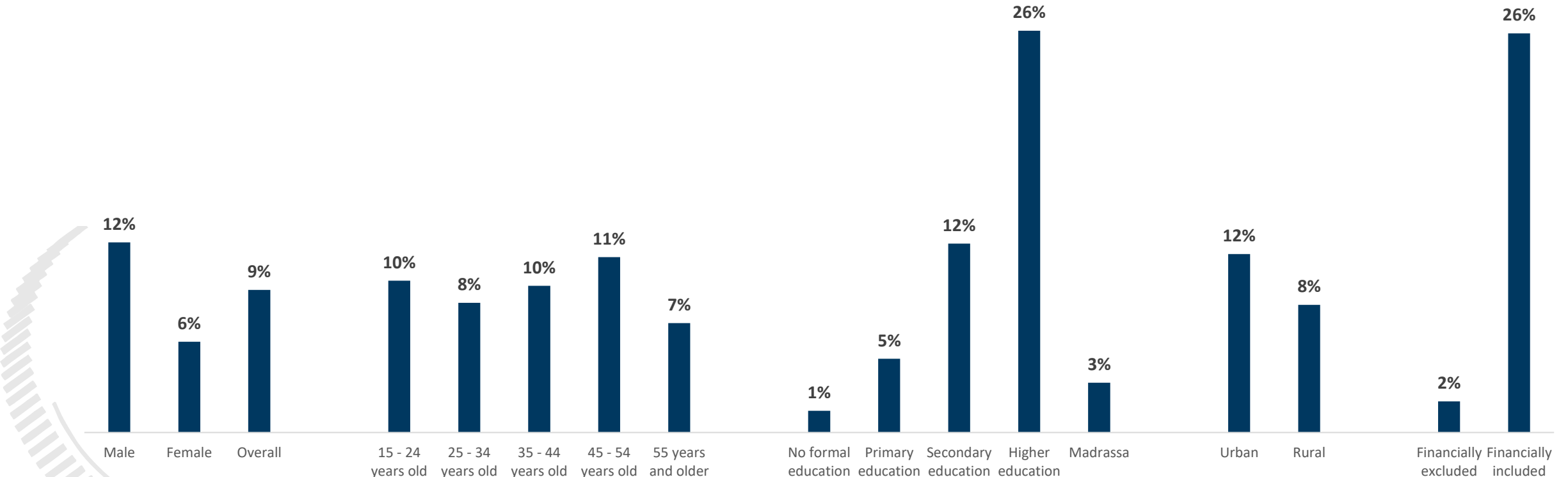
(shown: Percentage of Pakistani adults)



- In overall terms, 9% of Pakistani adults have insurance policies. As is the case with using bank accounts and MM wallets, a gender gap also exists in the adoption of insurance policies—12% men and only 6% women have insurance policies. The highest adoption rates are for those with higher education (26%) and the financially included (26%). The lowest adoption levels are for those with no formal education (1%) and the financially excluded (2%).

Insurance Adoption by Gender and Socioeconomic Group

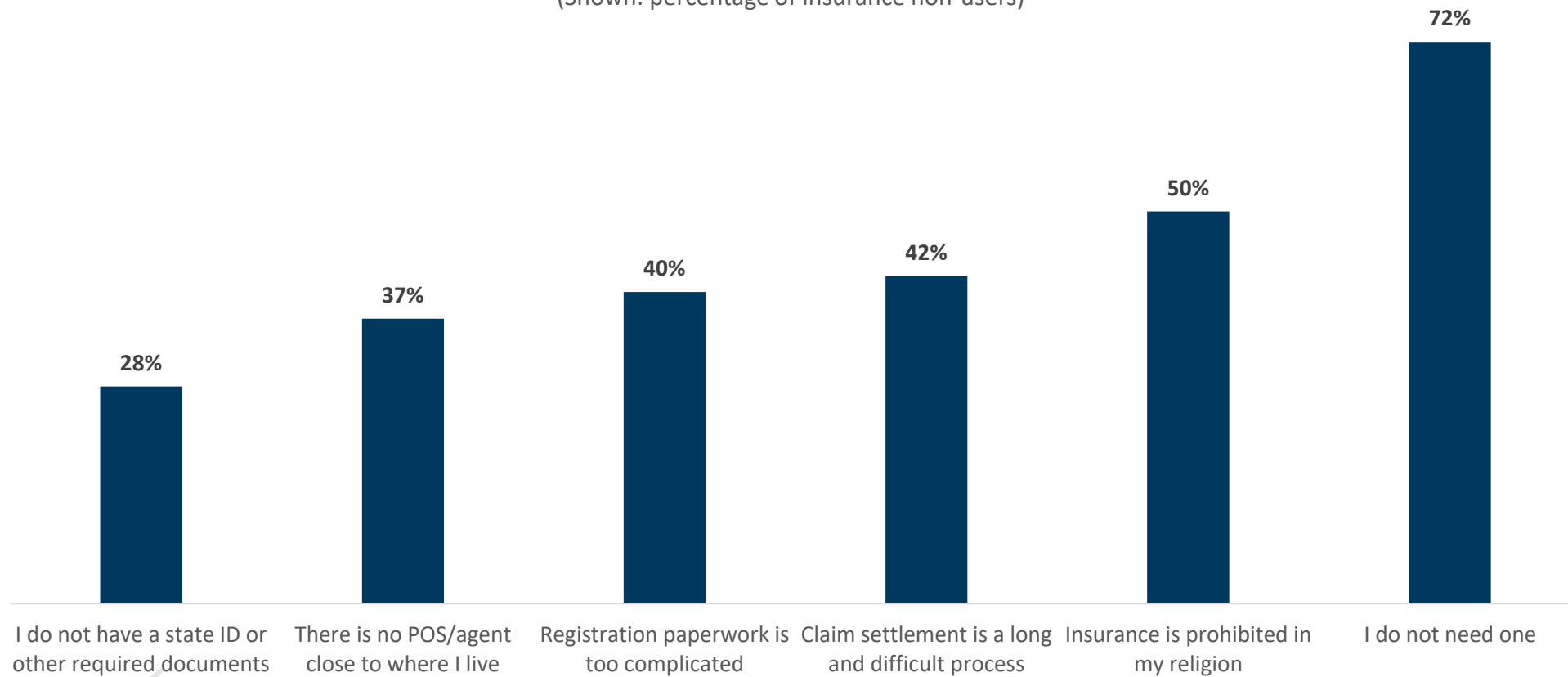
(shown: Percentage of Pakistani adults)



- The major reason for not registering for insurance was reported as *No need* by 72% of insurance non-users. The second most common reason is the presence of *Religious objections*, which was reported by 50% of insurance non-users. *Worries about claim settlement process* are the third most common obstacle (42%).

Reasons for Not Registering for Insurance

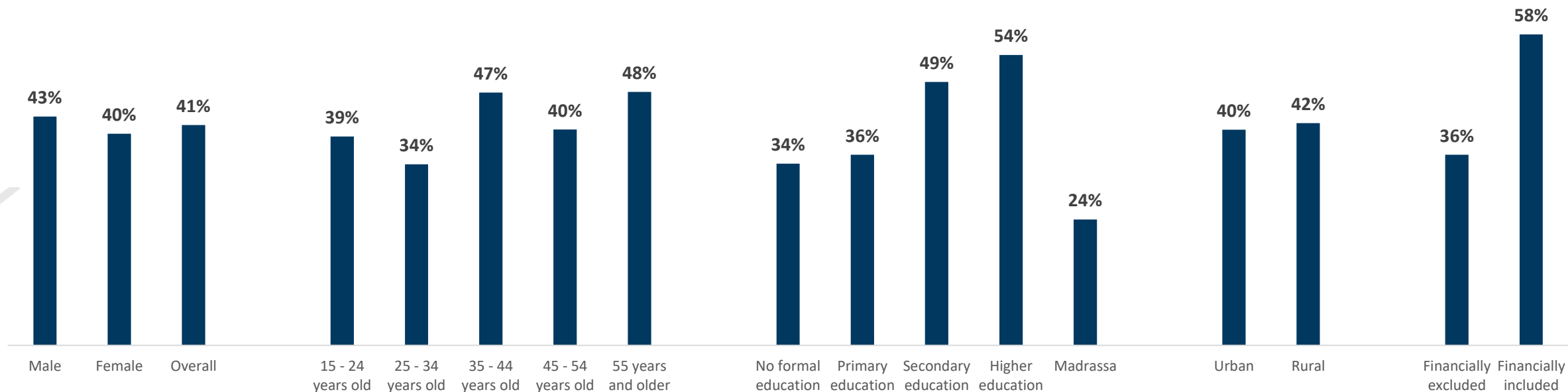
(Shown: percentage of insurance non-users)



- When non-users of insurance products were explained the concept of insurance, their interest in purchasing insurance products was as follows: in overall terms, 41% of Pakistani non-users of insurance products were interested in using them. The highest interest was shown by the financially included (58%) and those with higher education (54%). The lowest interest was shown by those with No Formal Education (34%), 25 to 34 year olds (34%) and the financially excluded (36%).

Non-user Interest in Insurance Products

(shown: Percent of non-users who were "Interested" or "Very Interested" in purchasing insurance products)

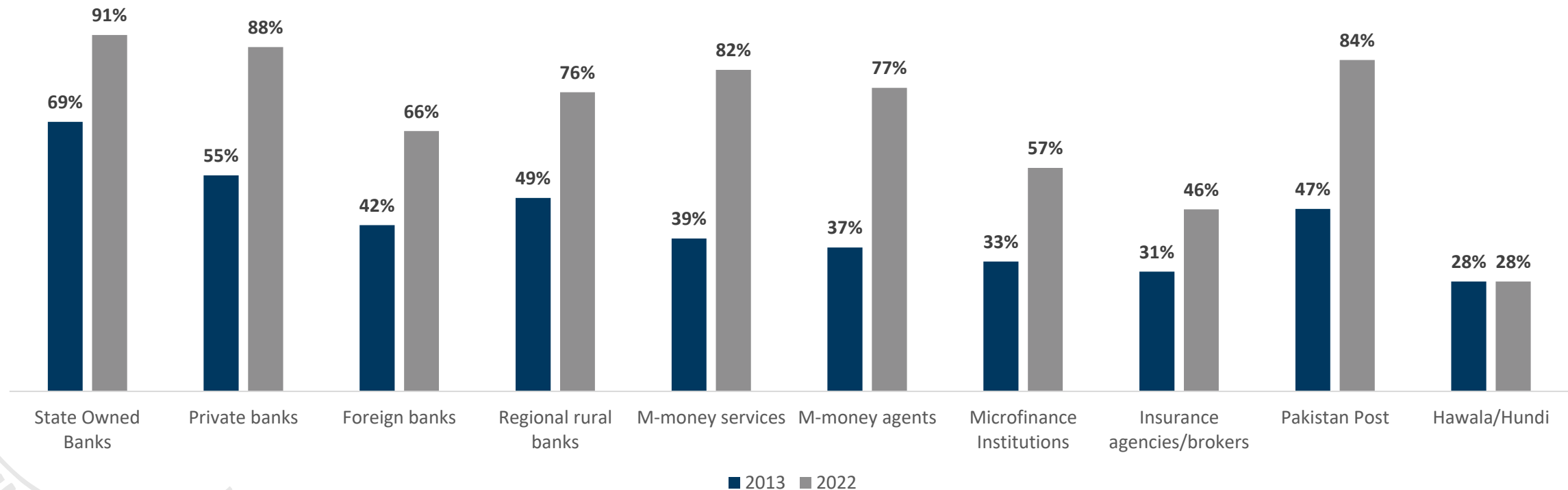


TRUST IN FINANCIAL INSTITUTIONS

- Trust levels* have increased for all types of financial institutions in the last nine years. The largest increase can be noticed for Mobile Money Services—the level of trust has increased from 39% in 2013 to 82% in 2022. Trust in Mobile Money Agents also increased from 37% in 2013 to 77% in 2022. Pakistan Post showed the third highest increase, from 47% in 2013 to 84% in 2022.
- Interestingly trust in the *hundi/hawala* system remained stagnant over the course of the last nine years.

Trust Levels by Financial Institution Type (2013-2022)

(Shown: Percentage of Pakistani adults who knew about each institution)

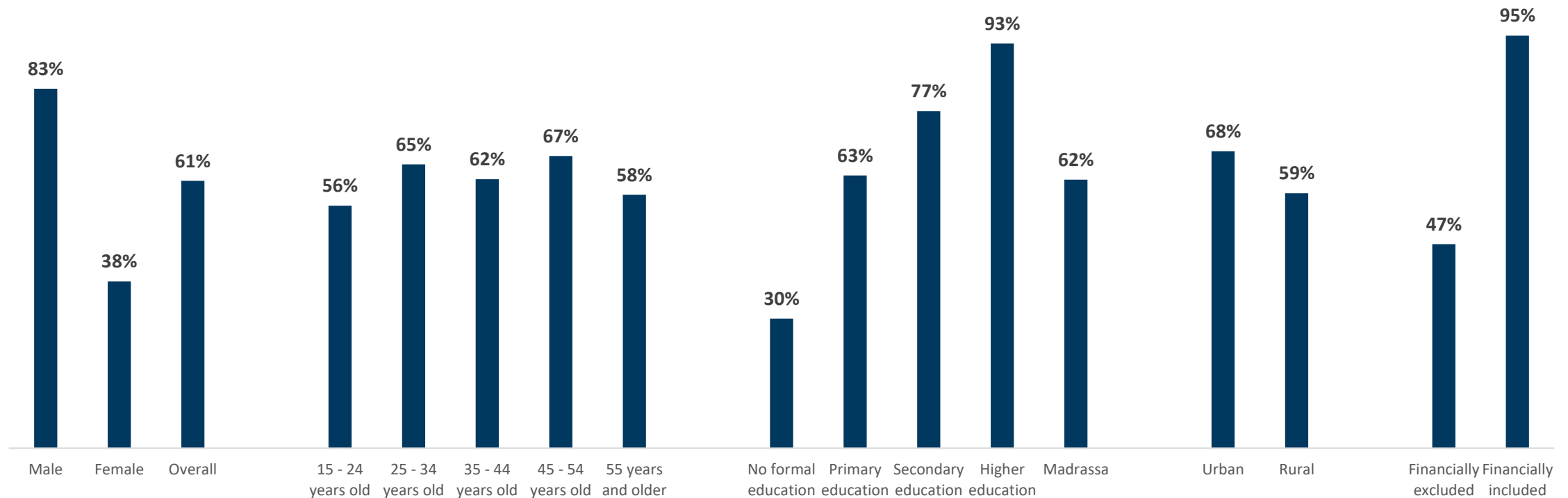


MOBILE PHONES OWNERSHIP AND USAGE

- In overall terms, 61% of adult Pakistanis own a mobile phone with variations across demographics. While 83% of Pakistani men own a phone, in comparison, women at 38% represents a demographic with one of the lowest mobile phone ownership levels globally. Another demographic with a very high mobile phone ownership are those with Higher Education (93%). Conversely, those with No Formal Education, have one of the lowest levels of ownership at 30%.

Mobile Phone Ownership by Gender and Other Socioeconomic Categories

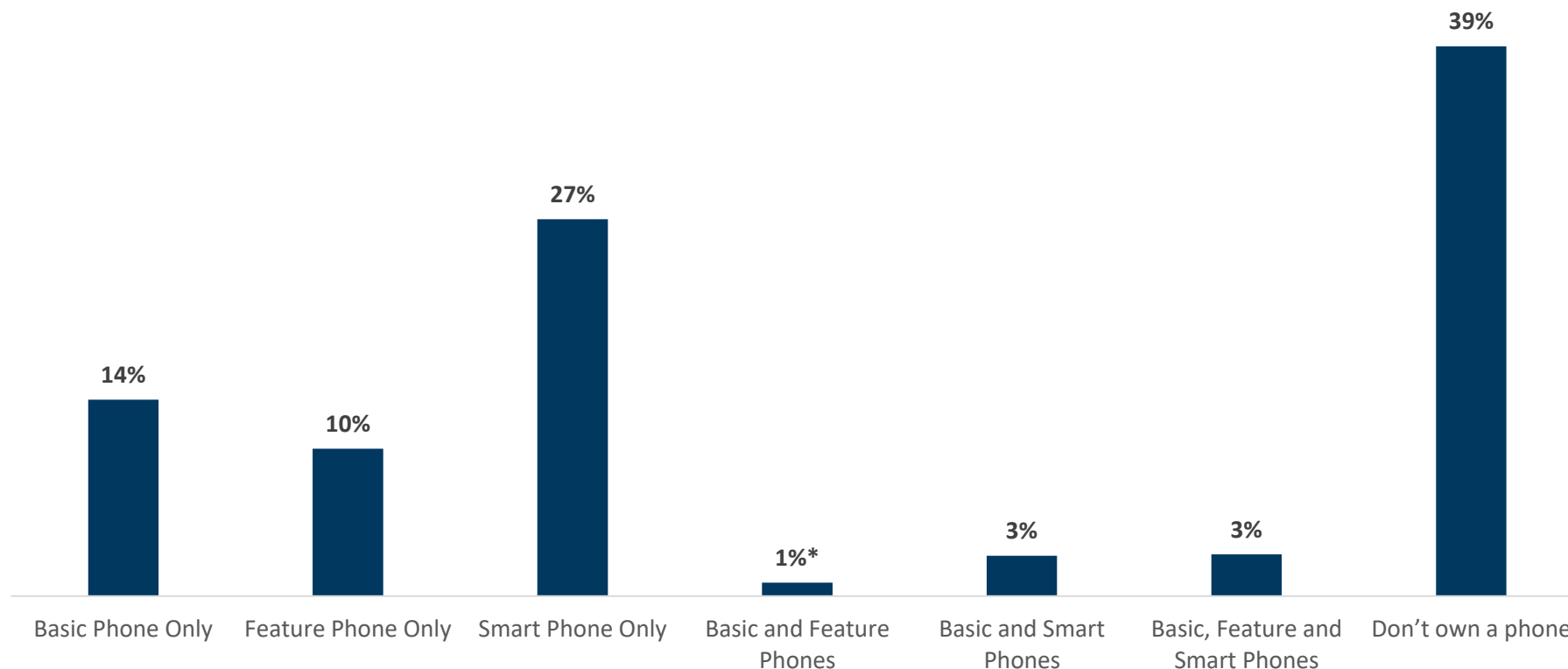
(Shown: Percentage of Pakistani adults, by demographics)



- Smartphone ownership is the most prevalent as 27% of adult Pakistanis have at least one smart phone. Basic phones are the next most common as 14% have at least one basic phone. This is followed by feature phones at 10%. Multiple types of phones are also carried by 7% of Pakistanis.

Phone Ownership By Type of Phone

(shown: Percent of Pakistani adults)

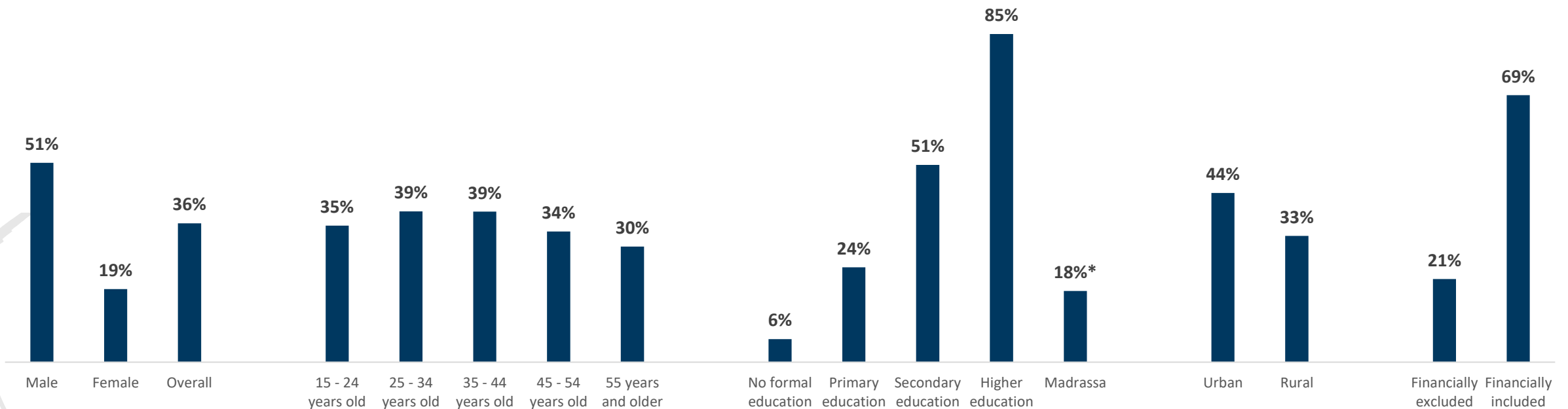


*Fewer than 50 observations

- In overall terms, 36% of adult Pakistanis own a smartphone. Male ownership is substantially higher at 51%, compared to 19% for women. Younger age groups have a higher ownership of smartphones when compared to the 55+ age group. Those with Higher Education have the highest ownership of smartphones at 85%; in comparison smartphone ownership among those with no formal education is only 6%. Further, 69% of the financially included and only 21% of the financially excluded own smartphones.

Smart Phone Ownership by Gender and Other Socioeconomic Categories

(shown: Percentage of adult Pakistanis)



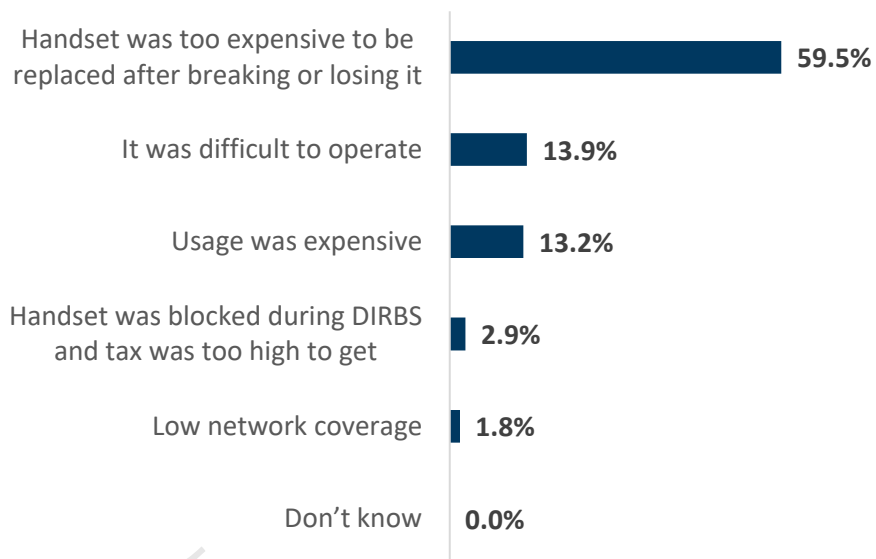
*Fewer than 50 observations

REASONS FOR NOT USING SMART PHONES

- 3% of adult Pakistanis are former users of smartphones. Of these, 55% switched to feature phones, while another 31% switched to basic phones after giving up on their smartphones. For the majority (60%) buying a new smartphone was an issue due to its price. Around 13% couldn't afford to pay the bills associated with smartphones, while 14% decided to stop using a smartphone because it was too difficult to operate.
- 23% of adult Pakistanis have never owned a smartphone. 63% of those who have never owned a smartphone, stated that they feel that smartphones are too expensive to purchase.

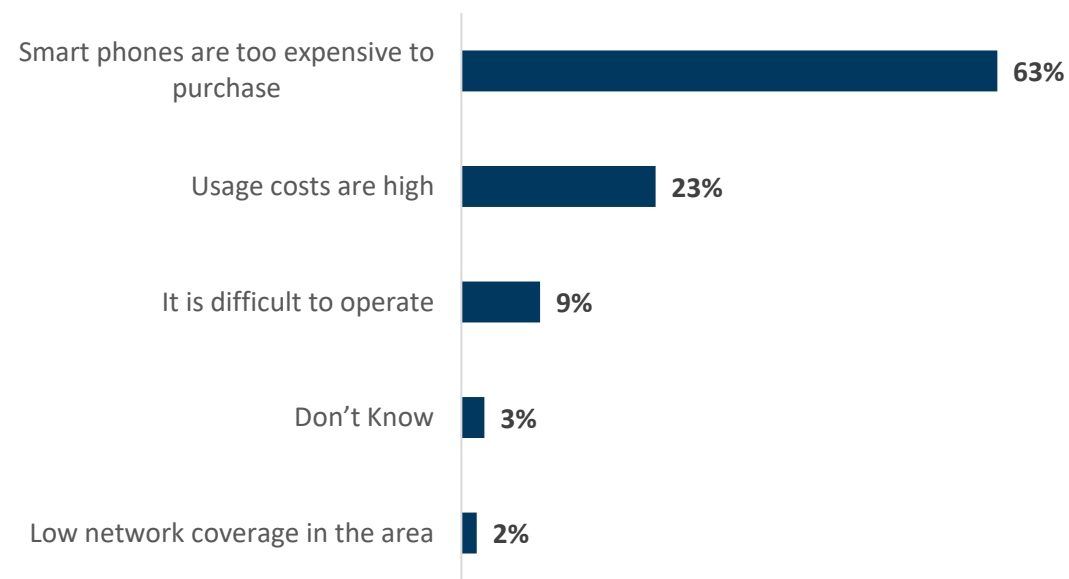
Reasons for Not Using Smartphone

(Shown: Percentage of adult Pakistanis who stopped using smartphone)



Reasons for Never Owning Smartphone

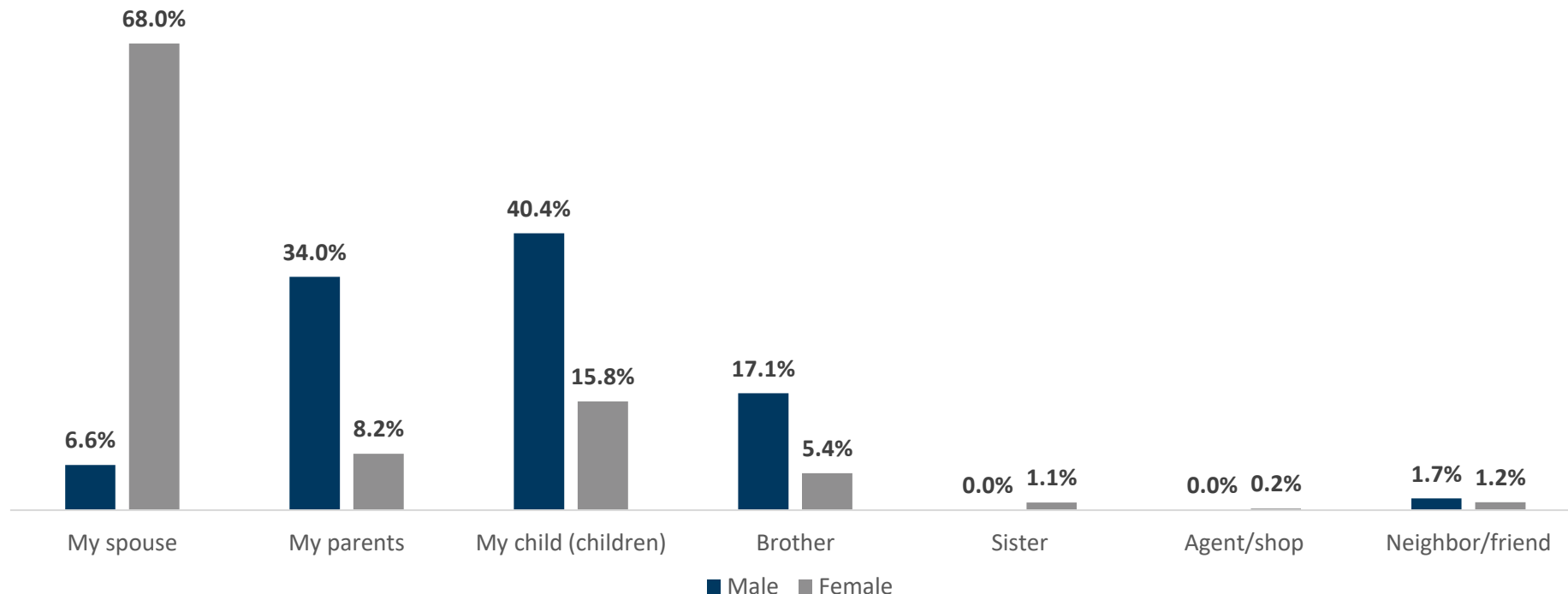
(shown: Percentage of adult Pakistanis who have never owned a smartphone)



- 13% of Pakistanis borrow mobile phones to use. In terms of the gender, only 5% of men have to borrow phones compared to 23% of women. The source (lender) of phones varies across the two genders, as 68% of such women rely on their spouses to borrow phones. For men, the main lender is their offspring (40%) followed by their parents (34%).

Lender of Mobile Phone by Gender of Respondent

(Showing: percentage of adult Pakistanis who borrow phones, by gender)

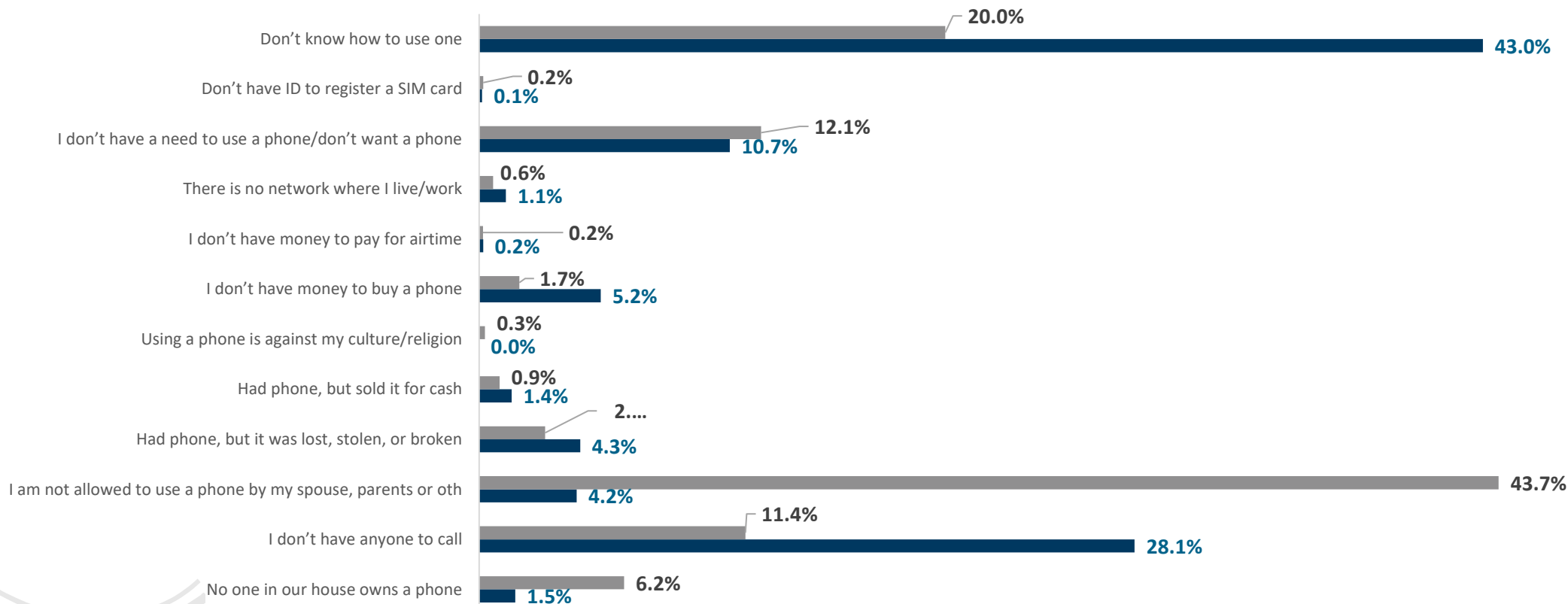


- 25% of adult Pakistanis do not use a mobile phone. Among men 12% do not have their own phone and neither do they have access to someone else’s phone. In comparison, 39% of Pakistani women do not have access to a mobile phone. For women, the biggest reason for not using a phone is that they do not have permission to do so from their spouse/parents or other relatives. The second biggest reason is the inability to use a phone (20%). For men the leading reason is the inability to use a phone (43%) followed by having no one to call (28%).

Reasons for Not Using Mobile Phone

(Shown: Percentage of mobile phone non users, by gender)

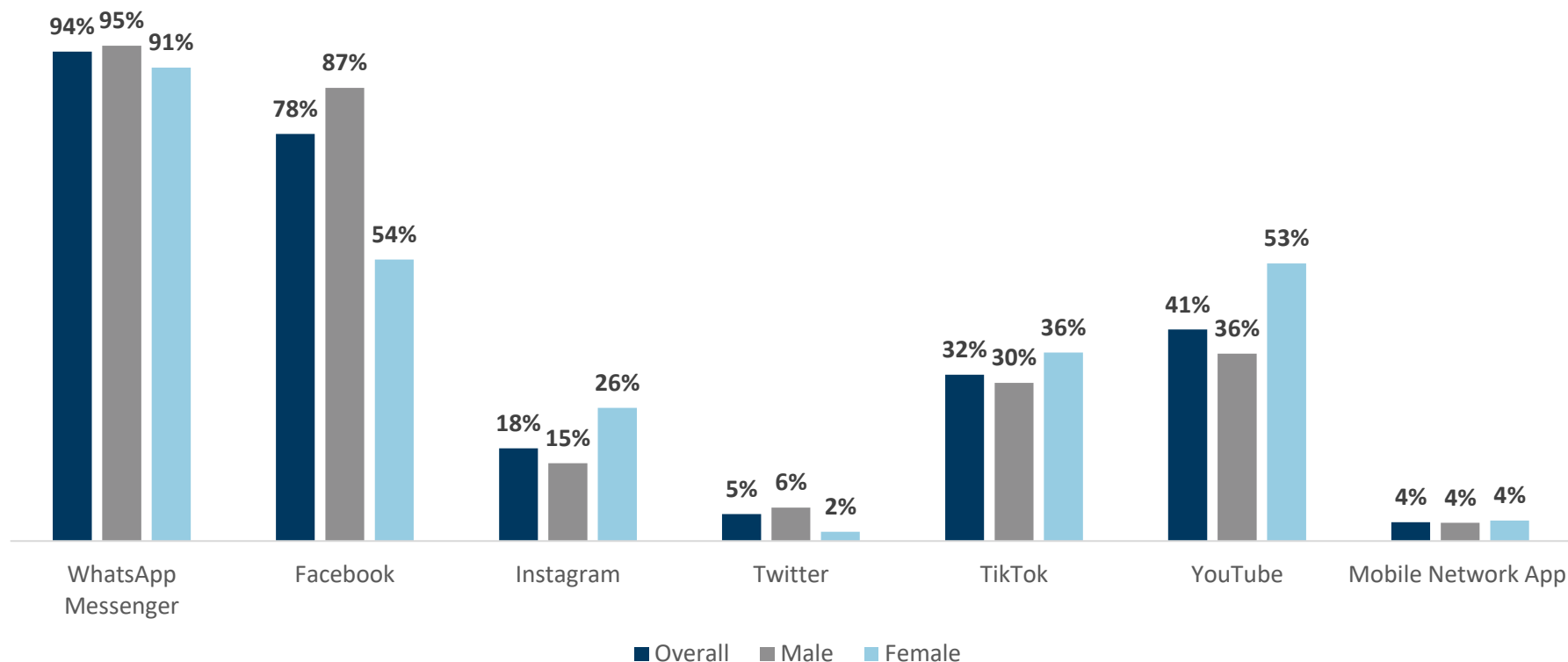
■ Female ■ Male



- 31% of adult Pakistanis use mobile phone apps. This percentage is higher for Pakistani men, as 44% men use apps compared to 17% women. WhatsApp is the most popular app (91%). A larger proportion of men (87%) use Facebook when compared to women (54%). However, a larger proportion of women use Instagram (26%) compared to men (15%). Use of TikTok is stands at 36% amongst women and 32% of men.

Use of Mobile Phone Apps by Gender

(Shown: Percentage of mobile phone app users, by gender)

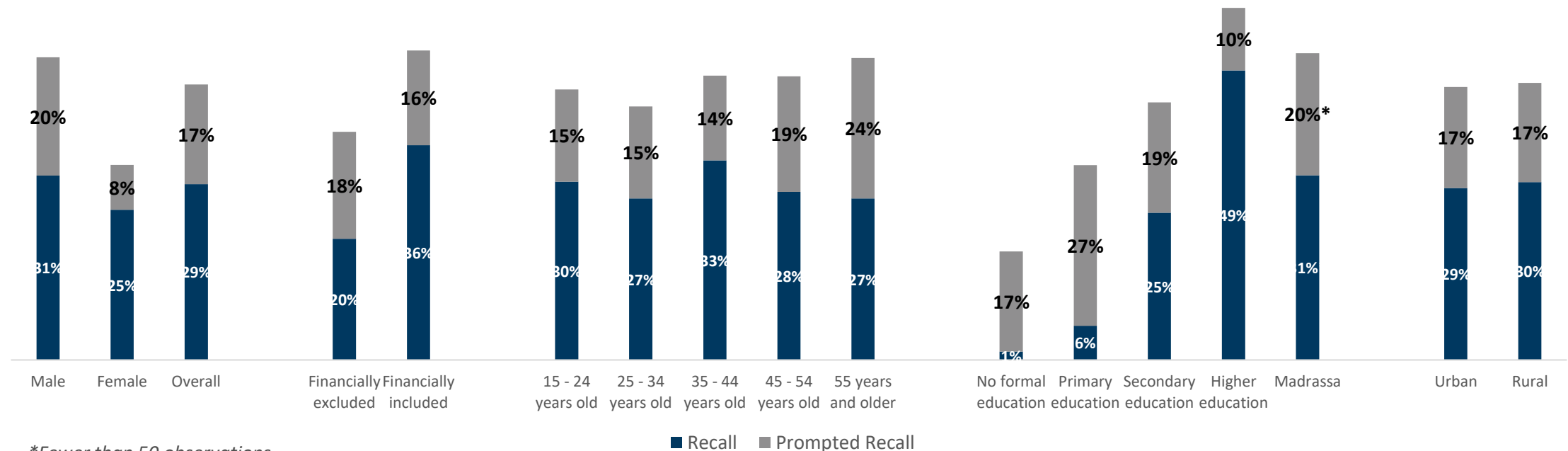


QR CODES

- 29% of smartphone owners knew about QR codes while another 17% recognized it after seeing a QR code. The highest level of awareness of QR codes was among those with Higher Education (59%), followed by the Financially Included (52%). Prompted recall was especially effective among smartphone owners with “No Formal Education” as their recognition increased from 1% to 18%. Similarly, for those with Primary Education, the recognition increased from 6% to 27% with prompted recall.

Awareness about QR Code by Gender and Other Socioeconomic Categories

(Shown: Percentage of smartphone owner)



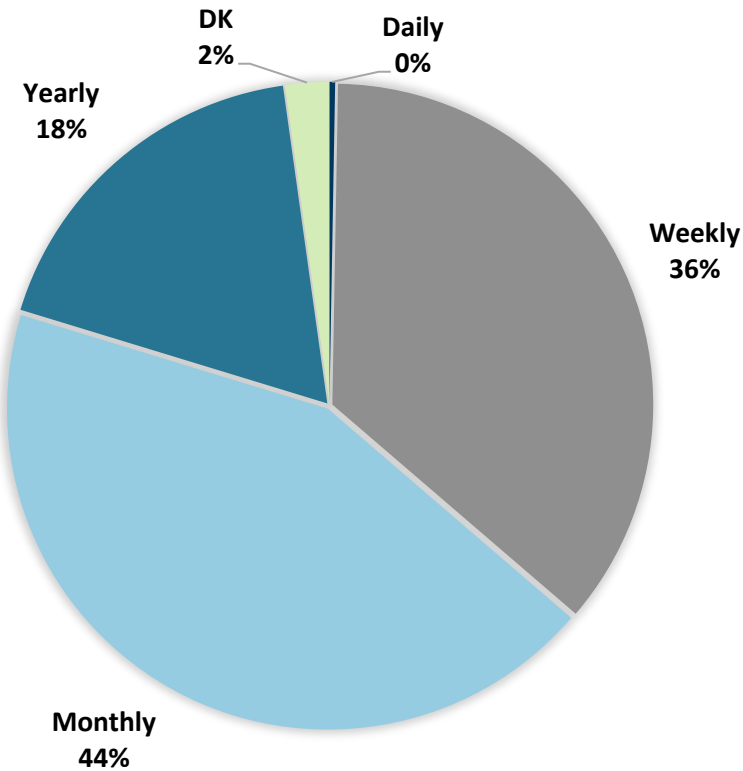
*Fewer than 50 observations

■ Recall ■ Prompted Recall

- Only 2.2% of Pakistanis have made a payment via QR codes. The most common level of frequency for such payments is “monthly” (44%). 36% reported to make weekly payments through QR codes, while 18% reported to make such payments once a year.

Frequency of QR Payments

(Shown: Percent of those who made payments through QR code)



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To view key metrics of the K-FIS, visit the Karandaaz Data Portal: <https://portal.karandaaz.com.pk>



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Associates in Development (AiD) Pvt. Ltd.
Development and Management Consulting

Associates in Development (AiD) Pvt. Ltd. conducted the fieldwork for the report. It is an international consulting and data collection firm based in Pakistan.



People with simple Solutions
SEMIOTICS

Semiotics Consultants Pvt. Ltd. undertook the analysis and has authored this report. It specializes in advisory services in social and economic development and is based out of Pakistan.