Promoting Financial Inclusion and Literacy in Pakistan via G2P Payment Programs

Prepared by Pakistan Microfinance Network for the World Bank

Under the World Bank-Pakistan Microfinance Network Project on Financial Literacy and Inclusion Outcomes of Cash Transfers through the Banking System in Pakistan

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# List of Abbreviations and Acronyms

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<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>A2FS</td>
<td>Access to Finance Survey</td>
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<tr>
<td>ACTED</td>
<td>Agency for Technical Cooperation and Development</td>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>AJK</td>
<td>Azad Jammu and Kashmir</td>
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<td>ATMs</td>
<td>Automated Teller Machines</td>
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<tr>
<td>BAFL</td>
<td>Bank Al-Falah Limited</td>
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<tr>
<td>BB</td>
<td>branchless banking</td>
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<tr>
<td>BDC</td>
<td>Benazir Debit Card</td>
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<td>BFL</td>
<td>Basic Financial Literacy</td>
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<td>BISP</td>
<td>Benazir Income Support Program</td>
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<td>C/WOs</td>
<td>Community/Women’s Organizations</td>
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<td>CDCP</td>
<td>Citizen Damage Compensation Program</td>
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<td>CIF</td>
<td>Community Investment Fund</td>
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<td>CMST</td>
<td>Community Management Skills Training</td>
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<td>CNIC</td>
<td>computerized national identity card</td>
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<td>COs</td>
<td>Community Organizations</td>
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<tr>
<td>CWCD</td>
<td>Center for Women’s Cooperative Development</td>
</tr>
<tr>
<td>ECI</td>
<td>Empowerment thru Creative Integration (Pvt.) Limited</td>
</tr>
<tr>
<td>ERRA</td>
<td>Earthquake Rehabilitation and Reconstruction Authority</td>
</tr>
<tr>
<td>F2F</td>
<td>face to face</td>
</tr>
<tr>
<td>FATA</td>
<td>Federally Administered Tribal Areas</td>
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<tr>
<td>FBL</td>
<td>Faysal Bank Limited</td>
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<td>FBS</td>
<td>Federal Bureau of Statistics</td>
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<td>FGDs</td>
<td>focus group discussions</td>
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<td>FIP</td>
<td>Financial Inclusion Program</td>
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<td>FIs</td>
<td>financial institutions</td>
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<td>FL</td>
<td>financial literacy</td>
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<tr>
<td>FMFBL</td>
<td>First MicroFinance Bank Limited</td>
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<tr>
<td>G2P</td>
<td>government-to-person</td>
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<td>GB</td>
<td>Gilgit-Baltistan</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GPRS</td>
<td>General Packet Radio Service</td>
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<td>HBL</td>
<td>Habib Bank Limited</td>
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<tr>
<td>IAFS</td>
<td>Improving Access to Financial Services</td>
</tr>
<tr>
<td>KP</td>
<td>Khyber-Pakhtunkhwa</td>
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<tr>
<td>KYC</td>
<td>‘know your customer’</td>
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<td>MBL</td>
<td>Meezan Bank Limited</td>
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<tr>
<td>MFB</td>
<td>microfinance bank</td>
</tr>
<tr>
<td>MFI</td>
<td>microfinance institution</td>
</tr>
<tr>
<td>MFP</td>
<td>microfinance provider</td>
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<tr>
<td>MIOP</td>
<td>Microfinance Innovation and Outreach Program</td>
</tr>
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<td>MNOs</td>
<td>mobile network operators</td>
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<td>NADRA</td>
<td>National Database and Registration Authority</td>
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NATP National Agent Take-on Procedures
NFLP Nationwide Financial Literacy Program
NGO non-governmental organization
NIC National Identity Card
NRSP National Rural Support Program
OLP ORIX Leasing Pakistan
P2P person-to-person
PIN Personal Identification Number
PKR Pakistani Rupee
PMN Pakistan Microfinance Network
POS Point of Sale
PPAF Pakistan Poverty Alleviation Fund
PPS probability proportional to size
PPSB Pakistan Post Savings Bank
PQ personal income quintile
PRISM Program for Increasing Sustainable Microfinance
PRSP Punjab Rural Support Program
PSU primary sampling units
PTA Pakistan Telecommunications Authority
PWD Persons with Disabilities
RCDS Rural Community Development Society

ROSCAs rotating savings and credit associations
RSPN Rural Support Programs Network
RSP rural support program
SBP State Bank of Pakistan
SIM subscriber identity module
SMS Short Message Service
SRSP Sarhad Rural Support Program
SSUs secondary sampling units
TOT training of trainers
TVET Technical and Vocational Education and Training
UBL United Bank Limited
UK-AID United Kingdom’s Agency for International Development
UN-WFP United Nations World Food Program
USAID United States Agency for International Development
USD United States Dollar
VO Village Organization
WB World Bank
WMBL Waseela Microfinance Bank Limited
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1. Background

Pakistan Microfinance Network (PMN) has been engaged by the World Bank (WB) Social Protection Unit to undertake work under the ‘Financial Literacy and Inclusion outcomes of cash transfers through the banking system in Pakistan’ Project. The overall objective of this project is to enhance financial literacy and inclusion among beneficiaries of government-to-person (G2P) cash transfer programs. These include specifically the Benazir Income Support Program (BISP) targeting the poorest households to increase their consumption levels, and the Citizen Damage Compensation Program (CDCP) targeting those affected by the 2010 floods.

The component of this Project being implemented by PMN focuses on two deliverables: (i) a paper to explore the financial inclusion and literacy landscape via G2P programs, and (ii) development of a financial literacy course for beneficiaries of G2P programs as well as capacity building of key stakeholders implementing these courses. Ultimately, the Project envisions G2P recipients to become aware of formal financial services, learn to use cash transfers more effectively, and thereby develop an interface with the formal finance stream.

Our premise is that financial literacy alone is not sufficient to build greater financial inclusion. When successfully delivered financial literacy creates demand for appropriate products and services, and entails questions such as, what kind of services are actually available to G2P cash transfer recipients? Will these lead to financial inclusion? What is the perspective of financial institutions towards targeting the poor? What role can branchless banking and technology play to extend inclusion? This paper attempts to answer these questions.

Overall this paper aims to: (i) review the status of financial inclusion and literacy in the country, (ii) attempt a mapping of financial literacy initiatives in Pakistan to determine the population groups which are being targeted by financial literacy programs already in place, and (iii) explore the financial inclusion landscape to highlight opportunities and challenges in the market for enhanced financial inclusion.
2. Introduction

Since 2007, the Government of Pakistan has been involved in G2P payments to beneficiaries throughout the country. Most notably, the largest cash transfer program is the Benazir Income Support Program that targets ultra poor families in all districts of the country, and the Citizen Damage Compensation Program targets nationals identified as affected by natural calamities. Additionally, international NGOs like the United Nations World Food Program (UN-WFP) and Agency for Technical Cooperation and Development (ACTED) have cash transfer programs that are smaller in scale but cater to the same segments. These programs are collectively targeting close to five million households to date, representing households from the low-income categories that have traditionally been financially excluded. The scope of programs such as the BISP and CDCP offer a unique opportunity for Pakistan to bring these cash transfer beneficiaries into the fold of formal finance. See Box 1 for a description of both programs.

**BOX 1: Introduction to the two largest cash transfer programs in Pakistan**

The CDCP is an initiative set up by the federal Government of Pakistan in collaboration with all four provincial governments, Gilgit-Baltistan and Azad Jammu and Kashmir, to support and provide financial relief to the households affected by the 2010 floods. The CDCP is also known as the ‘Watan Card’ project, where the ‘Watan Card’ is a Visa Debit Card issued by a partner commercial bank to each beneficiary, strictly for use in withdrawing the CDCP benefit amount. Under phase 1, the program has provided cash to 1.62 million families across Pakistan to date. Phase II of the project was subsequently planned with the participation and contribution of the World Bank, DFID-UKAID and USAID, in order to support the recovery of flood affected households by assisting the Government of Pakistan in strengthening the implementation of the CDCP; and to provide cash grants of PKR 40,000 to flood affected households in two tranches of PKR 20,000 each.

The BISP is the flagship poverty alleviation program of the Government of Pakistan, and is geared towards supplementing the income of poor households in Pakistan. According to the BISP Act of 2010, the program is designed to provide financial assistance, social protection and social safety nets to economically distressed persons and families. BISP is being implemented in all provinces (Punjab, Sindh, Balochistan, Gilgit-Baltistan and Khyber-Pakhtunkhwa) as well as the Federally Administered Tribal Areas (FATA), Azad Jammu and Kashmir (AJK) and Islamabad Capital Territory (ICT). Enrolled families are paid cash assistance of PKR 1000 per month. In the long run, the BISP is planned to become a state-run mechanism that improves the lives of the poor and destitute by providing them various opportunities such as access to education, healthcare, health insurance, accident insurance, vocational training, skills development, workfare programs, livelihood programs, and access to microfinance; all these facilities are designed to enhance the beneficiary’s capacity and capability to escape the poverty cycle and develop sustainable means of sufficient household income and revenue.
Financial inclusion as a development policy agenda for the poor has gained in influence with donors and policymakers in Pakistan over the last several years. Specifically for cash transfer programs, the rationale for promoting financial inclusion is ensuring provision of an effective interface for the ultra poor G2P beneficiaries to access formal financial services, as this leads to strengthened development impact for the marginalized segments allowing them to be further linked to the wider economy as active economic citizens. In a drive to ensure effective and efficient delivery of payments for beneficiaries, these G2P cash transfer programs have witnessed a thrust in electronic payment mechanisms that employ the formal banking channel. The CDCP project disburses payments to all beneficiaries via Watan Cards – ATM and POS terminal enabled magnetic-stripe debit cards, and the BISP aims to issue similar functionality Benazir Debit Cards (BDCs) to all of its four million plus beneficiaries by 2012-end¹. While electronic delivery alone cannot advance inclusive finance, it does however, provide an entry point for providing financial services to these recipients via alternate delivery channels, specifically through branchless banking.

Internationally, over the previous decade governments have sought to increase the use of electronic means for government payments and promote greater financial inclusion and transparency. This has often translated into increasing the proportion of recipients of government social cash transfers who receive payment directly into a bank account. Certainly, there has been early evidence of G2P cash transfer programs succeeding in advancing financial inclusion in middle-income countries by providing greater flexibility than just limited-mandate cash out accounts. In Colombia, Banco Agrario, a state-owned bank acts as payment provider for the Familias en Accion cash transfer program. In South Africa, the South African Social Security Agency (SASSA) uses flexible payment delivery mechanisms that seek to empower beneficiaries. Here, payment can be received in a recipients’ bank account of choice or in accounts with specific payment providers in various provinces (Focus Note 77: Social Cash Transfers and Financial Inclusion, CGAP 2012, p. 1-7).

There are two sides to the financial inclusion story: the supply and the demand. The demand side includes aspects like the need for products and services, knowledge of these products, financial literacy levels of the clients and credit absorption capacity. The supply constitutes the financial markets, banks and financial service providers, appropriate design of products, and efficient service delivery. In markets similar to Pakistan, like India and Bangladesh, research through financial diaries of the poor has found that an overwhelming majority of poor households are frustrated by the poor quality, and above all low reliability of the instruments that they use to manage their meager incomes. The realization here is that if poor households enjoyed assured access to a handful of better financial tools, their chances of improving their lives would surely be higher. Here, financial tools include services that (i) help poor

¹ Authors’ meeting with Benazir Income Support Program (BISP) officials on July 24, 2012.
households manage money on a day-to-day basis, (ii) help poor households build savings over the long term, (iii) help poor households borrow for all uses (Portfolios of the Poor, Collins, Morduch, Rutherford, Ruthven 2009, p. 175-178).

Undoubtedly, more demand can be realized through provision of appropriately designed, affordable products that suit the needs of the target market, building awareness and knowledge of products and improving financial literacy of the target groups. There is evidence that over time, the comfort and ease of use of financial instruments such as debit cards in ATMs and POS terminals by the financially excluded G2P recipients, who have limited or no schooling, increases. This has been seen in Brazil’s Bolsa Familia and Argentina’s Jefes y Jefes de Hogar recipients. There is also evidence from Brazil, Malawi, Mexico and South Africa that performance is better in programs with well-tailored financial services and beneficiaries are likely to use financial services when these are offered to them and have been designed and tailored to their needs appropriately (Focus Note 58: Banking the Poor via G2P Payments, CGAP 2009).

Historically, the supply side has been limited when it comes to targeting the segment at the base of the pyramid in Pakistan, especially in terms of scale. Though microfinance providers (MFPs) have been providing credit and savings products since the 1980s, these do not necessarily target the poorest of the poor. Financial institutions are oftentimes keen on participating in cash transfer programs due to the recurring nature of income in the form of fees from government, but few are willing to go beyond providing the platform to beneficiaries for withdrawing their payments. This becomes a challenge if the objective is not just to transmit money transparently but to bring the excluded into the fold of the ‘formally served’.

While the opportunities presented by G2P payment systems hold promise, it is important at this point to review the state of financial inclusion and literacy in the country, in order to better understand the challenges that will need overcoming in order to better make use of the opportunity presented.
3. Review of Financial Inclusion and Literacy in Pakistan

Globally, access to financial services, along with the skills to use these services efficiently and effectively, is shown to have a positive impact on poverty reduction, as it eases the liquidity constraints that the poor generally face, enabling them to invest in activities that are more productive. Access to financial services, defined broadly as financial inclusion implies ‘an absence of obstacles to the use of these services, whether the obstacles are price or non-price barriers to finance’ (Finance for All? Policies and Pitfalls in Expanding Access, World Bank 2008, p. 2). Pakistan has relatively lower levels of financial inclusion compared to other countries at similar levels of income and development, which has adverse consequences for sustainable growth and poverty alleviation.

In recent years in Pakistan, the ultra poor have been provided financial support in the form of cash transfer programs, like the BISP and the CDCP. These G2P cash transfers by providing cash grants to eligible beneficiary households through the formal banking channels are for the first time bringing the ultra poor households into the fold of formal financial services. The BISP is presently providing cash grants to 4.17 million households (as of June 2012); while the CDCP has 1.1 million registered beneficiaries.

The Access to Finance Survey (A2FS) was the first of its kind to be launched in Pakistan in 2008 and presents a unique dataset to gauge the levels of financial inclusion and literacy in the country. The succeeding two sub-sections review some of the key findings from this Survey relating to inclusion and literacy, along with findings from focus group discussions (FGDs) conducted with G2P program beneficiaries for the WB-PMN Project\(^2\), in selected regions in the mid of 2012. These findings help lend a G2P beneficiary angle to the overall national level findings.

3.A Reviewing Financial Inclusion in Pakistan

The share of adult population aged 15 and above having an account at a formal financial institution is the lowest in Pakistan at just over 10 percent (Table 1); even lower than the comparative figure for Sub-Saharan Africa (24 percent) and less than one third the regional average for South Asia. The gender disaggregation of this figure shows an even greater disparity, with a mere 3.0 percent of adult females having an account at a formal financial institution, compared to 25.0 percent for South Asia and 21.4 percent for Sub-Saharan Africa. The rural-urban divide shows that only 7.2 percent of the adult population in rural areas of the country has an account with a formal financial service provider. This is less than one-fourth the South Asian average. In focus group discussions (FGDs) conducted with G2P program beneficiaries for the WB-PMN Project, it was found that most target beneficiaries of these

\(^2\) For a list of FGDs held to determine levels of financial inclusion and literacy amongst G2P cash transfer beneficiaries under the WB-PMN Project, see Annex A.
programs had no access to formal banking services, such as savings accounts or credit services, and that they interacted with formal financial services for the first time when using their BISP or CDCP provided debit cards for payment withdrawals.

### Table 1: Proportion of adults (age 15+) having an account at a formal financial institution

<table>
<thead>
<tr>
<th></th>
<th>Pakistan</th>
<th>South Asia</th>
<th>Sub-Saharan Africa</th>
<th>East Asia &amp; Pacific</th>
</tr>
</thead>
<tbody>
<tr>
<td>All adults</td>
<td>10.3</td>
<td>33.0</td>
<td>24.1</td>
<td>54.9</td>
</tr>
<tr>
<td>Male adults</td>
<td>17.3</td>
<td>40.7</td>
<td>26.7</td>
<td>57.6</td>
</tr>
<tr>
<td>Female adults</td>
<td>3.0</td>
<td>25.0</td>
<td>21.4</td>
<td>52.3</td>
</tr>
<tr>
<td>Adults living in a rural area</td>
<td>7.2</td>
<td>30.8</td>
<td>20.7</td>
<td>49.5</td>
</tr>
<tr>
<td>Adults living in an urban area</td>
<td>15.4</td>
<td>39.2</td>
<td>39.7</td>
<td>70.8</td>
</tr>
</tbody>
</table>

Source: The Little Data Book on Financial Inclusion, World Bank 2012

While nationally, according to the A2FS, several informal savings mechanisms are being used, including ROSCAs, the WB-PMN Project FGDs revealed that fewer options are available for ultra poor G2P beneficiaries. These beneficiaries, particularly female BISP beneficiaries, do not save beyond a small amount at home. A study conducted on CDCP beneficiaries revealed similar findings in that formal savings mechanisms such as banks are not preferred by this socio-economic group. Instead, 41 percent of the respondents in this study invested their G2P payment in livestock, while the practice of saving in ROSCAs is also common among flood-affected communities (Understanding Information Needs for Disaster, Preparedness and Compensation, International Organisation for Migration 2012, p. 32).

Money transfer services are utilized by just over 2.0 percent of the adult population, with access and usage being higher in urban areas and among males. The provincial breakdown shows that use of money transfers is highest in Punjab at 3.2 percent of the population, followed by AJK and KP. The use of money transfer services in the ultra poor population of Pakistan is essentially non-existent, with the WB-PMN Project FGDs revealing not only a lack of utilization, but also a lack of awareness about such services. Household and personal income is strongly and positively associated with use of different financial services, with the possible exception of credit (Figure 1). The share of population having access to general banking services increases six times from the lowest income quintile (3.8 percent) to the highest income quintile (25.5 percent).
Around one-third of the adult population is not using any type of financial products or services – by formal or informal providers. This proportion is higher for rural inhabitants, females and individuals residing in the provinces of Balochistan and KP. The share of population using no financial product is lowest for AJK, where just 15 percent of the adults are non-users of financial services. The comparatively higher level of population banked, investing/saving and availing loans/credit in AJK can be explained by the higher level of household income in that province. Detailed econometric analysis shows that the level of household income is the main driver of the difference in financial inclusion across the different provinces in Pakistan (Bringing Finance to Pakistan’s Poor, World Bank 2009, p. 34).

According to the Pakistan Telecommunications Authority (PTA) mobile subscribers in Pakistan increased from just over 88 million in 2008 to 119.86 million as of May 2012. Mobile teledensity, as a result, has jumped up by 14 percentage points from 54.6 percent in 2008 to 68.6 percent in May 2012 and is one of the highest amongst developing countries at similar levels of income.

It has been estimated that widespread use of mobile financial services can reduce the number of the unbanked population by 20 percent and increase the number of formal credit holders by 10 million in Pakistan by 2020\(^3\). The number of people with formal savings accounts could increase by 27 million by 2020, which will double the transaction volume to 14 transactions per user\(^4\). By 2020, the number of formally insured individuals can increase by 4 million, while users of remittance services could reach 57 million, increasing the formal remittance volume by 24.0 percent. At the macro-economic level, the increased use of mobile financial services could add USD 20 billion or 3.0 percent to the country’s Gross

\(^3\) Boston Consulting Group (2011)

\(^4\) Ibid
Domestic Product (GDP) by 2020 (The Socio-Economic Impact of Mobile Financial Services: Analysis of Pakistan, Bangladesh, India, Serbia and Malaysia, Boston Consulting Group 2011, p. 28).

Indeed, growth in branchless banking thus far is promising according to the State Bank of Pakistan as well. According to the SBP, transactions increased by 23 percent to 25.3 million during January to March 2012; total number of branchless banking agents increased by 19 percent to 26,792 agents nationally, with a footprint in 89 percent of districts in Pakistan. Branchless banking deposits grew by 18 percent to PKR 594 million during the quarter, and total number of branchless banking accounts surged by 14 percent and surpassed the one million mark (Branchless Banking Newsletter Issue 3: January to March 2012, SBP 2012, p. 4).

To provide context to the uptake of BB services by the general population, especially the previously unserved or under-served segments, almost 8 million transactions were person-to-person (P2P) fund transfers, compared to 1.1 million G2P payments out of a total of 25 million transactions in the quarter. Further, average transaction size was PKR 3,367 (down by 13 percent from the previous quarter, suggesting that BB technology is going down market (Branchless Banking Newsletter Issue 3: January to March 2012, SBP 2012, p. 4).

3.B Reviewing Financial Literacy in Pakistan

The ultra poor have the greatest need for financial literacy as they have to manage their subsistence within meager financial resources and unpredictable cash flows.

With such large number of households in the bottom quintile of income distribution receiving G2P payments, it is imperative to have in place a program for imparting financial literacy to such households, so that they are able to make better use of the cash grants being provided to them. While G2P initiatives aim to overcome some of the barriers to financial inclusion that are currently faced by the ultra poor and low income segments of the population, there is a growing realization that improving financial literacy indicators among the target audience will play a key role in this regard. Financial literacy, and the awareness of basic financial matters, is an important step towards understanding the various mechanisms by which the ultra poor can access formal financial services in a way that is relevant and meaningful to their particular needs. The following section highlights some of the main sources of financial literacy in Pakistan, identifying the need for a specific financial literacy initiative targeting the ultra poor population.

A key element of any financial literacy initiative for the ultra poor should be educating them about the use of technologically driven financial services, like ATMs/ debit cards, mobile banking, etc. Both the BISP and CDCP programs are encouraging beneficiaries to interact with the formal banking sector by using these services for disbursement of G2P payments.
The nationally representative Access to Finance Survey has a separate module on financial literacy, where survey respondents are asked about their understanding of different financial terms, their sources of information on financial matters as well as the mode of financial decision making in their households.

**Table 2** presents an analysis of the A2FS respondents’ understanding of basic financial terms. Around three-fourths of the adult population has heard of and have understanding of common terms like profit, interest and bank, while close to 90 percent of the population is aware of loans. The level of FL, as measured by the understanding of basic financial terms, is generally lower in rural areas and for females. The provincial disaggregation shows that financial literacy measures are the highest for the provinces of AJK and Punjab and lowest for Balochistan and KP. Contrary to national level findings from the A2FS, the World Bank-PMN Project FGDs with G2P payment beneficiaries, specifically BISP beneficiaries revealed little to no understanding of basic financial terms. These FGDs were conducted with BISP beneficiaries: all females and belonging to the ultra poor category, indicating that this segment has little to no awareness of banks and other formal institutions, and no understanding of their service offering. In addition to this, a study conducted to understand the information needs of CDCP beneficiaries revealed that 50 percent of respondents in flood-affected communities did not understand the concept of a budget. This indicates that they keep no track of how much they spend on their household or how much they would be able to save (Understanding Information Needs for Disaster, Preparedness and Compensation, International Organisation for Migration 2012, p. 32).

**Table 2: Different measures of financial literacy (percentage of adult population)**

<table>
<thead>
<tr>
<th>Heard of and understand</th>
<th>Overall</th>
<th>Urban</th>
<th>Rural</th>
<th>Male</th>
<th>Female</th>
<th>Punjab</th>
<th>Sindh</th>
<th>KPK</th>
<th>Balochistan</th>
<th>AJK</th>
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<tbody>
<tr>
<td>Loans</td>
<td>89</td>
<td>89</td>
<td>89</td>
<td>93</td>
<td>86</td>
<td>94</td>
<td>84</td>
<td>80</td>
<td>84</td>
<td>98</td>
</tr>
<tr>
<td>Profit</td>
<td>76</td>
<td>75</td>
<td>76</td>
<td>83</td>
<td>69</td>
<td>87</td>
<td>61</td>
<td>70</td>
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<td>94</td>
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<td>Interest</td>
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<tr>
<td>Collateral/Mortgage</td>
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<td>54</td>
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<td>Bank service charges</td>
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<td>Asset</td>
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<td>18</td>
<td>9</td>
<td>16</td>
<td>11</td>
<td>8</td>
<td>3</td>
<td>17</td>
</tr>
</tbody>
</table>


There exists an unambiguously positive relationship between the level of education of survey respondents and their level of FL as measured by the understanding of financial terms given in **Table 3**. The comprehension of basic financial terms is lowest for illiterate adults and rises by each successive level of education, with postgraduates having the highest level of FL. The difference is most marked in
case of asset and bank service charges, with only 4.9 percent and 4.3 percent of illiterate adults, having heard of and having an understanding of these terms, respectively compared to 58 percent and 79.7 percent for adults who have postgraduate level of education, respectively. This does not bode well about the level of understanding of these terms by G2P beneficiaries, most of whom are not literate or have dropped out before finishing primary school, according to the FGDs conducted under the WB-PMN Project.

Table 3: Measures of financial literacy by level of education (percentage of adult population)

<table>
<thead>
<tr>
<th>Heard of and do understand</th>
<th>Illiterate</th>
<th>Up to Primary</th>
<th>Above primary &amp; up to matric</th>
<th>Above matric &amp; up to graduation</th>
<th>Post graduate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>86.0</td>
<td>89.1</td>
<td>92.7</td>
<td>92.7</td>
<td>97.1</td>
</tr>
<tr>
<td>Profit</td>
<td>68.5</td>
<td>77.6</td>
<td>82.0</td>
<td>88.3</td>
<td>90.2</td>
</tr>
<tr>
<td>Interest</td>
<td>64.0</td>
<td>78.5</td>
<td>84.1</td>
<td>87.4</td>
<td>96.6</td>
</tr>
<tr>
<td>Bank</td>
<td>58.4</td>
<td>77.0</td>
<td>86.2</td>
<td>91.7</td>
<td>98.7</td>
</tr>
<tr>
<td>Bank account</td>
<td>25.7</td>
<td>48.7</td>
<td>67.7</td>
<td>81.7</td>
<td>92.1</td>
</tr>
<tr>
<td>Collateral/ Mortgage</td>
<td>31.9</td>
<td>42.2</td>
<td>53.7</td>
<td>66.1</td>
<td>86.1</td>
</tr>
<tr>
<td>Bank service charges</td>
<td>4.3</td>
<td>11.3</td>
<td>26.0</td>
<td>49.6</td>
<td>79.7</td>
</tr>
<tr>
<td>Asset</td>
<td>4.9</td>
<td>8.0</td>
<td>16.3</td>
<td>39.6</td>
<td>58.0</td>
</tr>
</tbody>
</table>


In the WB-PMN Project FGDs, G2P beneficiaries expressed interest in FL, and were particularly interested in FL training on debt management, planning for the future and income generating activities. In addition, there was interest in information on accessing ATMs and POS machines specifically in terms of withdrawing their G2P payments, and how to use mobile phones to receive updates about receipt of G2P payment installments. According to an evaluation of Phase I of the CDCP cash transfer system, 90 percent of respondents were still in possession of their Watan Card after the first round of disbursements, and expressed interest in receiving money from the Watan card system going forward (Evaluating Implementation of Pakistan’s Flood Response Cash Transfer Program, Oxford Policy Management 2011, p. 24). This reflects a growing realization among the G2P target audience about the importance of learning to use technologies such as ATMs and POS terminals to enhance their access to G2P payments, and possibly other formal financial services in the future.

Globally, the use of technological innovation driven financial services like mobile, agent and branchless banking is increasingly being promoted to expand access and reduce costs of service delivery. The WB-PMN Project FGDs found that individuals falling within the ultra-poor, social safety net category have an almost non-existent understanding of technology driven financial services. A majority of these beneficiaries are not capable of accessing their G2P payment independently, and sought the help of family members or others to use an ATM to withdraw cash, for example from their Benazir Debit Cards.
(BDCs). A study conducted to understand the information needs of CDCP beneficiaries revealed that 65 percent of respondents indicated that neither they, nor anyone in their family, knew how to use an ATM, and had to rely on third parties to get access to the payments. The study also revealed that compared to men, women’s ability to use ATMs is lower in Sindh and Balochistan (Understanding Information Needs for Disaster, Preparedness and Compensation, International Organisation for Migration 2012, p. 29).

With this recognition of a need for financial literacy in the target population of G2P beneficiaries, this paper now aims to map the financial literacy initiatives that have taken place in the past or are currently underway to determine if the ultra poor segment that these G2P programs aim to target has been adequately captured and if there is need for more focused FL initiatives for them.

### 3.C Provision of Financial Literacy in Pakistan

Financial literacy and the provision of financial learning tools for the poor has become an important mechanism by which stakeholders aim to achieve higher financial inclusion in developing countries. As indicated by the A2FS, the main source of information on financial matters in Pakistan remains an informal one, that is, immediate family, followed by television and newspapers. Moreover, financial literacy, as defined by the understanding of basic financial terms, is found to be lower in rural areas and among the female population of the country. In the past few years, efforts have been made by key stakeholders to improve on these indicators, to enhance the financial knowledge and literacy skills of the poor and low-income population of Pakistan. While delivery of such financial literacy programs has been fragmented in Pakistan, there have been a number of initiatives in recent years targeting this need.

The most comprehensive of these is the National Financial Literacy Program (NFLP) initiated in 2010 by the State Bank of Pakistan (SBP) with the support of the Asian Development Bank (ADB) and launched in early 2012. Prior to this, financial literacy initiatives in Pakistan have mostly been driven by microfinance providers (MFPs) with donor support⁵ for technical assistance and roll out. Given the penetration rate of MFPs in Pakistan stands at around 8.11% of the potential microfinance market as of March 2012 (MicroWATCH Issue 23: January to March 2012, PMN 2012, p. 1), a vast majority of the population is still untapped in terms of not only access to microfinance services, but also subsequently any financial literacy training that is tied to these microfinance services.

We will now go deeper into various financial literacy initiatives to date in Pakistan and discuss their scope, objectives and status. These initiatives have been clubbed by types of provider i.e. the central

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⁵ The Pakistan Poverty Alleviation Fund (PPAF) is the apex funder for most microfinance providers in Pakistan. The PPAF is funded in turn by the World Bank.
bank, microfinance providers; rural support programs (RSPs) and others, such as technical assistance providers. Figure 2 gives a snapshot of these initiatives.
Figure 2: Snapshot of Financial Literacy Initiatives in Pakistan

<table>
<thead>
<tr>
<th>Financial Literacy Initiatives</th>
<th>Providers</th>
<th>Microfinance Providers</th>
<th>Rural Support Programs</th>
<th>Others</th>
</tr>
</thead>
</table>
| Topics Covered                | State Bank of Pakistan | • Budgeting  
• Savings  
• Investing  
• Debt Management  
• Financial Products and Services  
• Rights and Responsibilities  
• Branchless Banking  | • Budgeting  
• Savings  
• Debt Management  
• Financial transactions  
• Enterprise Development  
• Cash flow analysis  
• Consumer Protection  | • Record Keeping  
• Basic Accounting  | • Curriculum design for MFPs on Enterprise Development |
| Duration                      | Microfinance Providers | • Two-hour orientations  
• Two-day trainings  | • One-day training  | • Two to four-day trainings |
| Target Audience               | Rural Support Programs | • Microfinance Clients  
• Micro entrepreneurs  
• Age: 18-45 years  
• Majority female  | • CO group leaders and record keepers  
• LSO record keepers  | • Target beneficiaries of partner organizations (MFPs) |
| Number of                     | Others     | • Record Keepers of  
• (Not available)  | (Not available)  | |

*Figure 2: Snapshot of Financial Literacy Initiatives in Pakistan*

- **Topics Covered**
  - Rural Support Programs: Record Keeping, Basic Accounting.
  - Others: Curriculum design for MFPs on Enterprise Development.

- **Duration**
  - Two-day training.
  - Two-hour orientations.
  - Two-day trainings.
  - One-day training.
  - Two to four-day trainings.

- **Target Audience**
  - State Bank of Pakistan: Computerized National Identity Card (CNIC) required.
  - Age: 18-60 years.
  - Male and Female.
  - Rural (60%); Peri-Urban (20%) and Urban (20%).
  - Microfinance Providers: Microfinance Clients, Micro entrepreneurs, Age: 18-45 years, Majority female.
  - Rural Support Programs: CO group leaders and record keepers, LSO record keepers.
  - Others: Target beneficiaries of partner organizations (MFPs).

- **Number of**
  - During pilot: 45,000.
  - Record Keepers of (Not available).
  - (Not available).
<table>
<thead>
<tr>
<th>Beneficiaries targeted</th>
<th>• Target for roll out: 500,000 nationwide</th>
<th>179 Local Support Organizations (LSOs) &amp; 3,593 Village Organizations (VOs) as of 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of services</td>
<td>• Free of Cost</td>
<td>• Free of cost&lt;br&gt;• Token amounts (PKR 50-100) for some projects&lt;br&gt;• Free of cost&lt;br&gt;• Varies depending on project partners (MFPs)</td>
</tr>
<tr>
<td>Service Delivery</td>
<td>• Class room trainings&lt;br&gt;• Street theatre</td>
<td>• Class room trainings&lt;br&gt;• Street theatre&lt;br&gt;• Workshops&lt;br&gt;• Documentaries&lt;br&gt;• Class room trainings&lt;br&gt;• Workshops&lt;br&gt;• Street theatre</td>
</tr>
</tbody>
</table>

Source: See Annex B for list of institutions interviewed for this financial literacy mapping exercise.
3.C.1 Nationwide Financial Literacy Program

The State Bank of Pakistan (SBP) launched a nationwide financial literacy program (NFLP) in early 2012 with support of the Asian Development Bank (ADB) funded Improving Access to Financial Services (IAFS) Fund, for the poor income category. This targets households with incomes of PKR 6,000 to PKR 20,000 per month, with the aim of creating awareness about basic money matters, including budgeting, savings, debt management and financial negotiations. The program also touches on the role of financial institutions in Pakistan and consumer protection.

The pilot phase of the NFLP was completed in April 2012 with the help of several outreach partners\(^6\). Following a review of the pilot delivery, full rollout is expected to commence in the second half of 2012 with an aim of reaching 500,000 beneficiaries.

I. Program Objectives and Themes to be covered

The NFLP aims at imparting knowledge of financial concepts and developing skills and attitudes towards budgeting, savings, investments, debt management, financial negotiations and rights and obligations of clients. The Program endeavors to facilitate learning on financial education for low-income segments of society, in order to improve the social and economic well-being of the targeting beneficiaries. A financial literacy curriculum has been developed under the Program consisting of the following modules:

1. Budgeting
2. Savings
3. Investing
4. Debt Management
5. Financial Products and Services
6. Rights and Responsibilities
7. Branchless Banking

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\(^6\) Including Asasah, Bunyad Literacy Council, Participatory Integrated Development Society (PIDS), Sindh Rural Support Organization (SRSO), Azat, Human Development Foundation (HDF), Village Development Organization (VDO), Village Friends Organization, Salik Development Foundation, and Health And Nutrition Development Society (HANDS)
II. Delivery Mechanism for Nationwide Financial Literacy Program

The program mainly relies on classroom trainings and to some extent street theatre as a supplemental mode of dissemination. These are to be conducted across Pakistan. A unique feature of this delivery mechanism is the role of outreach partners, which have been commissioned by the Program’s managing consultant, Mazars Pakistan, to utilize their established network of operations for delivery of trainings. The outreach partners range from microfinance providers, non-governmental organizations (NGOs) and other local organizations with specific knowledge and experience of working in the chosen districts. These outreach partners will be trained on the financial literacy curriculum and assigned specific locations to implement classroom trainings to beneficiaries.

After a review of the implementation so far and results from the pilot phase, it has been stressed that the program roll out will aim for wider publicity through distribution of a documentary on the pilot NFLP. This will be aired on private TV channels to create general awareness about the Program. Emphasis will also be placed on advertisements, published in national as well as local language newspapers to create awareness among the target audience.

In terms of outreach partners for future roll out, the Program will continue to involve microfinance providers, non-governmental organizations (NGOs) and other community-based organizations around the country. Emphasis will be placed on creating synergies with the microfinance providers in order to capitalize on their client base. It will also focus on building partnerships with educational institutions for creating awareness among the youth about financial literacy, especially female students.

In terms of targeting ultimate recipients of the training, outreach partners will be responsible for selecting individuals in their assigned areas, essentially targeting local community members who are not already existing beneficiaries/ clients of the outreach partner. This is to ensure that the trainings are delivered to individuals who may not have had such opportunities for financial literacy learning in the past.

In addition to classroom trainings, other forms of information dissemination such as street theatre, the use of Short Message Service (SMS), radio and cable TV will be employed to some extent.

III. Target Beneficiaries

The pilot phase of the NFLP targeted 47,800 individuals through a mix of classroom trainings and street theater in fifteen districts of the country. Following completion of the pilot phase in 2012, a minimum of 500,000 beneficiaries are to be reached in the national roll out phase through the same mediums.

The target profile of the beneficiaries are adults in the age range of 18 to 60, employed as industrial workers, farmers, homemakers, domestic works, self-employed etc. The target geographical areas are rural (60 percent), peri-urban (20 percent) and urban (20 percent) and will cover all districts of Pakistan.
For full-scale launch of the program, a comprehensive dissemination strategy will be designed to ensure that the Program reaches the underserved areas of Balochistan, KP and rural Sindh.

3.C.2 Microfinance Providers

Several microfinance providers (MFPs) in Pakistan, including microfinance banks (MFBs), microfinance institutions (MFIs) and NGOs have taken up financial literacy initiatives in the past in accordance with their goals of enhancing the financial management skills of their micro entrepreneur client base. A few of these MFPs have mainstreamed financial literacy within their overall financial service operations, but more generally, such initiatives have taken place as one-off activities or pilots with donors’ support for specific, time-bound projects.

I. Objectives

The basic premise for MFPs to offer non-financial services such as financial literacy, skills- and enterprise-development trainings, is to enhance the capacity of their existing and potential clients to better manage their funds. Over the past few years, microfinance providers have come to realise that improving the financial management and technical skills of micro-enterprise clients will not only help to increase their productivity, resulting in increased quality of life for their households, but will also ensure effective use of loans and better repayment capacity. FL programs offered by MFPs thus aim to:

i. Improve the basic financial skills of clients, and enable them to implement good financial practices in their household and business.

ii. Encourage good cash flow management among clients and support them in repaying their loans easily while sustaining and expanding their businesses.

II. Delivery Mechanism for MFPs

The most common FL programs delivery mechanism for MFPs has been classroom trainings delivered at their branches by trained field staff. These sessions are usually tied with other operational functions, such as orientation of new clients in order to keep costs of delivery low. In addition to this, a few training programs have taken place with support of donor funding, which allow for more innovative forms of dissemination, such as interactive workshops and street theatre. In a majority of cases, these programs are tied to skills development or enterprise development trainings, and involve the hiring of external, certified partners/ trainers for dissemination.
III. Target Beneficiaries

The target beneficiaries for MFPs are exclusively microfinance clients, and more specifically, borrowers of microcredit and microenterprise loans. With the exception of a few MFPs who deliver financial literacy trainings to all their clients, the target audience remains those who need the financial knowledge to improve the running of their micro-enterprise selected regionally on pilot bases.

Most financial literacy and skills development trainings offered by MFPs cater to female clients, who account for up to 60 percent of total active borrowers in the microfinance industry (PMN 2012). Skills development trainings typically cater to home based female workers’ professional skills, such as embroidery and stitching, and any financial literacy course that is tied to such enterprise development schemes are delivered to females. Few MFPs have mainstreamed financial literacy programs on a large scale. (see Box 2 for an example of one such program at Kashf Foundation)

In terms of geographical scope, although a substantial 46 percent of microfinance borrowers reside in rural areas, the delivery of financial literacy trainings by MFPs tend to be focused in urban or semi-urban centers. As these are normally short-term, donor funded pilot projects, they are conducted in a few select locations. One particular location that has received concerted effort in terms of financial literacy is Lahore, with initiatives by several MFPs including Kashf Foundation, Center for Women’s Cooperative Development (CWCD), First Microfinance Bank Ltd. (FMFB), Asasah, ORIX Leasing Pakistan Limited (OLP), Rural Community Development Society (RCDS), Buksh Foundation and others. This is primarily due to this market having the most number of MFP offices and highest microfinance penetration.

IV. Themes Covered

In the few instances where financial literacy trainings are delivered as an independent service to all clients of the organization, the modules consist of general financial themes such as budgeting, savings, debt management and financial transactions. Clients are also educated on effective use of loans, repayment practices as well as messages related to client protection.

For financial literacy courses that are delivered in conjunction with skills development and/ or enterprise development trainings, the topics become more specific to micro-entrepreneurs, such as: how to become a successful entrepreneur, making a business plan, marketing principles, business costing and pricing, and financial record keeping.

In some cases, particularly with some of the smaller microfinance service providers, the financial literacy training is imparted primarily as an awareness-raising tool to introduce new clients to the concept of
microfinance and effective utilization of savings. Financial literacy on Islamic microfinance has also been conducted, though only by one MFP (see Box 3).

Box 2: Mainstreaming Financial Literacy at Kashf Foundation

Kashf Foundation is one of the first specialized microfinance institutions (MFIs) to have emerged in Pakistan in the 1990s, and is one of the few MFIs that have mainstreamed Basic Financial Literacy trainings into their loan disbursement process.

1. Basic Financial Literacy

Basic Financial Literacy (BFL) trainings were piloted in 2010 before being mainstreamed and are now delivered in two-hour sessions prior to disbursement of loans. The topics covered include how to make a budget, effective use of the loan amount, repayment practices as well as some client protection messages. Trainees are also given calendars and encouraged to use these to maintain a record of when their loan installments are due and other important matters.

Over the course of the pilot, which was funded by the United States Agency for International Development (USAID) in 2010, around 70,000 female clients were trained on the BFL course. An additional 164,000 clients underwent this training following mainstreaming.

2. Systemized Financial Education Trainings

Kashf Foundation has also developed a comprehensive four-day financial literacy training for its micro-enterprise clients. This training is delivered by specialized trainers and consists of in-depth module-centered workshops and certification of clients at the end of the training. In terms of curriculum, the main topics include budgeting, savings, debt management and financial transactions.


Box 3: Financial Literacy Trainings for Islamic Microfinance Clients

In 2008, Centre for Women’s Cooperative Development (CWCD) launched Islamic Microfinance operations, for which numerous awareness raising sessions and street theatre performances were held to educate local community members and potential clients about the concept of Islamic finance.

Following the successful launch of Islamic microfinance products, CWCD now offers trainings to all its microcredit borrowers at least once during their loan cycle, with the following topics being covered: basic accounting, budgeting, savings, profit calculations for microenterprises, and debt capacity management.

3.C.3 Rural Support Programs

Rural support programs (RSPs) and their association, the Rural Support Programs Network (RSPN) have been involved in implementation of the ‘Community Investment Fund’ (CIF) program since 2008, when a pilot of the CIF was conducted by RSPN and the Punjab Rural Support Program (PRSP) in District Leyyah. Following an assessment of this pilot, the CIF has since been introduced to other RSPs as well. While these beneficiaries are not directly targeted with financial literacy trainings, the RSPs ensure good financial practices within the groups by training group leaders and voluntary record keepers on basic accounting and record keeping.

I. Delivery Mechanism for RSPs

Members of Community/Women’s Organizations (C/WOs) are encouraged to mobilize their own savings and use these for internal lending purposes and creation of income generating assets as they grow. For this purpose, training is required at all three tiered levels to ensure effective execution and service delivery to the target community.

II. Target Beneficiaries

Trainings are delivered to C/WO group leaders and record keepers of the C/WOs.

III. Topics Covered

Record keepers are trained on how to maintain records for the C/WO, including: cash books, ledgers, balance sheets, repayment schedules, savings and attendance register, members savings, loan passbook and monthly reports for the C/WO.

3.C.4 Technical Assistance providers, Donors and Other Institutions

There has been steadily growing external support, both financial and technical, for the delivery of financial literacy programs in Pakistan. Donors and technical assistance providers have worked closely with partner organizations in the past few years, to implement financial literacy for low-income
beneficiaries and microfinance clients. The Pakistan Poverty Alleviation Fund (PPAF) has conducted several projects with its partner organizations to promote thorough record keeping processes and encourage standard systems for recording the saving and lending activities of beneficiaries (see details on PPAF’s financial education initiatives in Box 4). PPAF is committed to capacity building of its partner organizations through year-round trainings and workshops on book keeping, operational management, basic accounting and other themes that are relevant the efficient running of operations at the partner organization level.

In terms of future support for financial literacy initiatives in the country, the Agency for Technical Cooperation and Development (ACTED) has outlined a proposed project plan to support the Technical and Vocational Education and Training (TVET) sector in Pakistan. The project will include vocational trainings for selected beneficiaries, including training on financial literacy, and will ultimately link these beneficiaries to microfinance providers for start-up business loans.

There are limited players in Pakistan in terms of technical assistance providers specializing in curriculum development for financial literacy trainings. The donor funded initiatives conducted by MFPs and RSPs tend to use in-house resources and experience to create learning modules that cater to the specific target market of these organizations. The NFLP worked with some international consultants, as well as a local organization, Empowerment thru Creative Integration (ECI) Private Limited to develop the financial literacy manual that is to be implemented across Pakistan. Since 2005, ECI has worked on several Enterprise Development Programs with microfinance providers, which have included elements of business-focused financial literacy within their curriculum.  

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7 Some of their work includes: Enterprise Development Program with First Microfinance Bank Limited (FMFBL in 2005); Curriculum Design for Women’s Vocational Training Institute in Gwadar (one of the mandatory courses included enterprise development training) with Khushhali Bank (2006); Enterprise Development Program with ORIX Leasing (2007); Enterprise Development Program for Persons with Disabilities (PWD) with PPAF partners National Rural Support Program (NRSP) and Sarhad Rural Support Program (SRSP) (2009).
Box 4: The Role of Pakistan Poverty Alleviation Fund (PPAF) in Promoting Financial Literacy

Over the past few years, Pakistan Poverty Alleviation Fund (PPAF) has placed more emphasis on programs increasing financial literacy and management skills among its target clients. PPAF is committed to capacity building of its partner organizations through year-round trainings and workshops on bookkeeping, operational management, basic accounting and other themes that are relevant the efficient running of operations at the partner organization level.

In terms of capacity building of the leaders of Community Organizations (COs), PPAF prescribes a standard Community Management Skill Training (CMST) module. This features lessons on how to conduct/record a CO meeting, fill out proceeding registers and members saving passbooks, develop a system of savings and its effective utilization for development, and how to operate, maintain and record community physical infrastructure projects.

In addition to this, PPAF partner organizations receive a number of trainings pertaining to financial literacy, envisioned to help them become more productive in the role of community development, including: Village Organization (VO) bookkeeping and financial management, savings, enterprise management and basic record keeping.

Certain projects have also been launched with Empowerment thru Creative Integration (ECI), under the Microfinance Innovation and Outreach Program (MIOP) and Program for Increasing Sustainable Microfinance (PRISM) funded programs for development of partner organizations. These included appraisal techniques, credit appraisal and recovery techniques, finance and accounts for non-financial managers, microenterprise development and trainings of trainers (TOTs) for enterprise, livelihood and business development.

Since inception, the number of trainings conducted through PPAF (financial literacy and other topics) is 454,997 for community trainings and 16,117 at the staff level for effective delivery of financial services.

Source: Interview conducted with PPAF staff. July 2, 2012.

3.D The Challenge: Making the Poorest Financially Literate

The mapping of financial literacy initiatives in the country, both current and past, shows:

There is a gap in terms of the contents and scope of the FL modules being offered. These tend to focus on good financial practices and improving financial management skills but often ignore the basic issues that people have when dealing with formal financial service providers. This content gap seems to relate directly to the type of target audience that FL initiatives are currently aimed at. One of the salient
features of the SBP’s NFLP is a target beneficiary profile that consists mostly of employed workers, farmers, domestic workers and the self-employed. Understandably, the course content offered to these individuals aim to build on their existing level of literacy, experience and financial know-how, to enhance their ability to budget, save, make sound investments, manage their debt and perhaps in some cases build on their entrepreneurial skills. Moreover, the courses offered by MFPS cover the importance of savings, for example, but do not offer instructions on how to access formal financial services for mobilization of savings. Addressing information gaps on basic issues such as how to open a bank account, what is an ATM or debit card and other practical tools could greatly increase confidence levels of the poor in dealing with formal financial institutions (FIs) in a country where very few people have heard of and understand these terms. Topics that are noticeably overlooked for this target audience (existing microfinance clients) are numeracy skills and use of new payment technologies, such as ATMs, POS terminals and mobile phone banking. In terms of outreach, it seems that the focus has been on those served by formal and informal institutions and not much focus on the ultra poor.

Financial literacy programs conducted by microfinance providers are aimed exclusively at their existing client base, that is, individuals who have already acquired access to some form of formal financial services. These tend to be people living around the poverty line, rather than the chronic or extremely poor that are considered to require support through social safety nets rather than microcredit (see Figure 3 for poverty bands). MFPS generally follow stringent due diligence processes when selecting clients, especially where productive loans are concerned. The selection process consists of a thorough analysis of the repayment capacity of a potential client and whether this client possesses the required skill to run a small enterprise. The target audience for initiatives by the microfinance sector is thus semi-literate, transitory poor rather than the ultra-poor beneficiaries of social safety net programs. The SBP’s NFLP seems to be the only on-going financial literacy program with scale. However, it remains to be seen through their selection of outreach partners what proportion of the poorest are targeted in the NFLP as, going forward, it will continue to involve MFPS heavily.
While this mapping of financial literacy initiatives finds that these have been at best sporadic in supply to the low income or transitory poor category, there have been no initiatives in place for those at the base of the pyramid – beneficiaries who are the most vulnerable and financially excluded. In addition, a financial literacy program directed at this category of poor would have to deliver basic information and practical tools for accessing formal financial services tailored to their needs and existing level of awareness. Lessons can be derived from financial literacy initiatives in Pakistan and across the world in this context. The WB-PMN Project FGDs found G2P beneficiaries interested in trainings on savings and where to keep them, financial planning for the future, debt management, how to run a business and usage of mobiles and ATMs. Many participants of these FGDs stressed that they would prefer if their adult children were provided with such trainings. (Box 5 gives a summary of rules of thumb for developing financial literacy courses for various programs).

The State Bank of Pakistan’s National Financial Literacy Program is set to roll out through 2013 and beyond and will yield important lessons for stakeholders in terms of financial literacy delivery in Pakistan.

In the next section, we turn to the financial inclusion landscape for the poor income segment targeted via G2P programs.
Box 5: General Rules of Thumb for Delivering Successful Financial Literacy Trainings

In implementing financial literacy, MFPs have found that certain practices help ensure the successful delivery of trainings at the field level. These are the applied ‘rules of thumb’ that have allowed MFPs to impart FL training to their beneficiaries in an effective manner:

- **Appropriate scheduling** – modules that deliver simple, concise messages in a short amount of time stand more chance of success than lengthy, complicated modules that require a month or more for delivery as participants would either lose interest or have other commitments to attend to.

- **Charging participants a token amount** – in cases where it is viable to charge participants a nominal amount, this raises their level of commitment and ensures active participation throughout the training; however, this may only be possible for microenterprise skills development trainings.

- **Creating a greater sense of awareness** – delivering positive messages about the benefits of being financially literate, both before and during trainings, can help generate willingness among participants who face high opportunity costs of participation in terms of lost income due to being away from their livelihoods.

In addition to these locally practiced rules of thumb, an independent study on financial education has outlined the following steps for practitioners*:

1. Simplify the financial education materials
2. Employ technology-based solutions
3. Rely on evidence-based materials
4. Involve multiple stakeholders in design & delivery
5. Decentralize delivery
6. Continue to test willingness of clients to pay for training
7. Include monitoring & evaluations

In 2002*, a review of the approaches and experiences of organizations working in the Africa region to impart skills and literacy training for better livelihoods was conducted. It revealed several key findings similar to the previously mentioned rules of thumb. In terms of the management and implementation of training:

- Programs that work with established groups of people seem to be more successful than programs that invite independent individual applicants.

- Programs that are well negotiated with their prospective learners in association with local authorities and leaders are likely to be more effective than those that are simply offered.

- If possible, a livelihood/literacy course should be offered in a single session, as breaks of a
month or two seem to increase dropout.

A recent impact study conducted on a pilot financial literacy and business planning training program for women in Uganda revealed two particularly valuable insights for practitioners:

- It is important to *continuously refine course content* based on the beneficiary segment and participant feedback. This is especially the case when targeting a narrow range of beneficiaries, and hitting the right level of content to meet their particular needs and time constraints. Further refinement and testing of content and delivery mechanisms needs to take place on an ongoing basis.

- *Further impact studies are needed* to test whether a training has the desired effect on its participants. Budget constraints and the pilot nature of most projects may be a challenge in this case.

*Conducted by Ideas42 and commissioned by the UKAID’s Department for International Development/MasterCard. Presented at the Social Performance Task Force (SPTF) Annual Meeting 2012 at Dead Sea, Jordan.*


4. Financial Inclusion: Is Pakistan ready?

Over the past few decades, poor income segments have been served largely via microfinance service providers or Pakistan Post. Within the unregulated formal segment, the Pakistan Poverty Alleviation Fund (PPAF), a government-mandated apex, is responsible for wholesaling funds to a range of different sized microfinance providers across the country. Today, the PPAF manages a large portfolio and funds the majority of non-regulated microfinance operations in the country. In addition, the share of regulated microfinance banks within the microfinance sector has been increasing over the past three years (MicroWATCH Issue 23, January to March 2012, PMN 2012), suggesting trends in formalization and transformation within the industry.

The Pakistan Post, operating on behalf of the Ministry of Finance, offers a number of saving schemes under the program titled Pakistan Post Savings Bank (PPSB). It is the largest network of savings bank services in Pakistan, functional in both urban and rural areas of Pakistan; however, it is more widespread in the latter, and is the only banking service available in most of the remote areas of the country. PPSB offers three different types of savings accounts and three types of savings certificates. The First Microfinance Bank Limited (FMFBL) pioneered branchless banking in March 2008 with special permission from the SBP for collaboration with Pakistan Post to first provide ‘branchless’ microfinance services to its target clientele across 52 post office locations in the country (Branchless Banking in Pakistan: A Laboratory for Innovation CGAP 2011, p. 2).

While access to finance has been available for the low income via the aforementioned channels, the ultra poor have largely remained outside the fold of formal financial services. In recent years in Pakistan, the ultra poor have been provided financial support in the form of cash transfer programs, like the BISP and the CDCP. These G2P cash transfers, by providing cash grants to eligible beneficiary households through the formal banking channels are for the first time bringing ultra poor households into contact with formal financial services. BISP is presently providing cash grants to 4.17 million households (as of June 2012), while the CDCP has 1.1 million registered beneficiaries. With the push on technological solutions in delivery of these G2P payments, and beneficiaries for the first time interfacing with these formal finance payment systems to access these payments, there exists an opportunity for bringing

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8 For provide context to the scope of PPAF supported operations, the overall disbursement for core operations during the period July to December 2012 is PKR 8,490 million (Economic Survey of Pakistan 2011-12, Government of Pakistan 2012).


10 Update from BISP representatives during the Project Inception workshop for the World Bank-Pakistan Microfinance Network Financial Literacy and Inclusion Outcomes of Cash Transfers through the Banking System in Pakistan Project, held on July 6, 2012 in Islamabad.

these G2P beneficiaries into the fold of formal finance, given rightly designed inclusive instruments that hold value for the G2P beneficiary target groups, such as those employing branchless banking. Currently, the instruments being employed to make these payments need further design focus to make these more inclusive.

For example, currently the payment systems of G2P programs in Pakistan operate through provision of limited-mandate accounts to beneficiaries. This means that functionality of these accounts is restricted in the following ways:

i. Accumulation: Funds received cannot be stored indefinitely. If not withdrawn in a defined time-bound window, the program may rescind these funds. (However, this has not been a practical norm in administration of the G2P programs using such accounts.)

ii. Storing additional funds: No additional funds may be deposited into this account from other sources.

Therefore, though cash transfers are taking place through electronic payment systems by formal financial institutions i.e. banks, transfer of G2P payments via this mechanism alone does not amount to or lead to financial inclusion of beneficiaries. However, limited-mandate accounts can serve as stepping stones toward mainstream banking accounts if they are designed flexibly with features that are appropriate for this segment of the market. The point here is not to necessarily suggest that limited mandate accounts be avoided or discouraged. Rather, the key is to avoid these accounts from turning into ‘dead-end’ or isolated accounts and instead deploy them in a way that they can be more easily converted into mainstream accounts over time.

With branchless banking touted as a key turning point with the potential to drastically improve financial access, an analysis of the key challenges and opportunities that branchless banking faces is essential to understanding it’s scope in bolstering financial inclusion.

In order for branchless banking financial services to gain a strong hold in Pakistan and develop a ‘sustainable ecosystem’, a number of key elements need to be in place. These include: (i) an enabling environment through appropriate regulations, (ii) business model planning, (iii) the right distribution networks and (iv) consumer education (The Socio-Economic Impact of Mobile Financial Services: Analysis of Pakistan, Bangladesh, India, Serbia and Malaysia, Boston Consulting Group 2011, p. 11). Here we analyze these four elements in Pakistan’s context to see how well the country is prepared to advance the financial inclusion agenda.

1. In terms of enabling environment, the State Bank of Pakistan (SBP) has put in place an enabling and conducive regulatory framework through its regulations for branchless banking. In addition, the SBP plays the role of a facilitative regulator in the following ways:

   a. Administering funds that have been set up by donors and multilateral institutions like the United Kingdom’s Agency for International Development (UK-AID), World Bank (WB) and Asian Development Bank (ADB) to promote financial inclusion, including the Financial
Branchless banking is being viewed as a tremendous opportunity for promoting financial inclusion as it has the potential to offer reliable and cost effective accessibility to poor clients. To facilitate access to finance for the low income and poor, SBP regulations on branchless banking now allow a level zero BB account to be opened with a lower ‘know your customer’ (KYC) requirement (Revised Branchless Banking Regulation, SBP 2011), enabling financial institutions working in the branchless banking space to develop products for market segments at the base of the pyramid. The KYC requirement for this level zero BB account requires: (i) the original computerized national identity card (CNIC) of the customer, (ii) legible image on the customer original CNIC, (iii) digital photograph of the customer (this particular requirement appears to be relaxed practically) and (iv) verification of the customer’s CNIC from the National Database and Registration Authority (NADRA). The account has a transaction limit of PKR 15,000 per day, PKR 25,000 per month and PKR 120,000 per year. This regulation allowing such a basic BB account is crucial in providing an enabling environment for financial institutions to pursue the second key element for increasing financial inclusion, i.e. business model planning (see Box 6 for examples of various branchless banking delivery channels).

Box 6: Branchless Banking Delivery Channels

Conventionally, BB is the convergence of an agent network and mobile technology. However, multiple delivery channels encompass the electronic payment universe:

1. Pre-paid debit cards cashed out via General Packet Radio Service (GPRS) Point of Sale (POS) terminals: In this scenario, beneficiaries are issued limited use non-personalized cards that can be cashed out (i) at agent locations with POS machines and (ii) on ATMs connected to the national payment switch.

2. Bulk disbursements to virtual or ‘guest accounts’: Using a bank’s disbursement functionality the government disbursement account can be debited on a particular frequency to credit virtual accounts, which in turn can be cashed out at agent locations using agents’ mobile wallets used for conventional BB transactions like money transfers and cash withdrawals. However, the risk of leakage is higher due to lack of financial literacy pertaining to safety of mobile Personal Identification Numbers (PINs) by beneficiaries.

3. Mobile wallets: Mobile wallets are virtual debit cards – a limited functionality bank account exists, similar to cash out at agent locations. G2P disbursement can take place if it is added as a service available as part of conventional BB services. Here, the need for a beneficiary to be in
possession of a physical plastic debit card is removed as the G2P transaction is carried out virtually via mobile wallet accounts linked to beneficiaries’ mobile phone subscriber identity module (SIM) cards.

4. Electronic vouchers: Depending on the end use of the government funds by beneficiaries, technologies exist for the provision of digitizing coupons. Mobile coupons, although limited value, can be used at government Utility stores for redemption for food items. This would be purely dependent on the type of G2P scheme (food security etc.) and would entail using Utility Stores as BB agents on behalf of the banks. In the conventional world, these are akin to retail purchase against vouchers. The utility company is paid by the voucher-issuing bank.

In addition to these modes of storing and encashing government benefits, certain variations can be introduced like mobile agents servicing beneficiaries close to their locations; mobile vans carrying POS machines to swipe pre-paid cards, etc.

2. Business model planning – indeed, more and more financial institutions are recognizing the huge untapped potential offered by excluded clientele. Undoubtedly, in a market like Pakistan where 30.9 percent of the population is involuntarily financially excluded, and 89.7 percent do not have a savings account (A2FS 2008), managers of commercial financial institutions are recognizing the potential that financial inclusion at the base of the pyramid offers.

Currently, only two banks are offering branchless banking services: Tameer Bank through ‘easypaisa’ and United Bank Limited (UBL) through ‘Omni’. However, other financial institutions are in line to set up branchless banking business having procured licenses for branchless banking operations from the central bank or having applied for these. Acquisitions of microfinance banks by telecom companies and commercial banks also suggest that deep pocket commercial entities see serious potential in targeting the currently “un-served”. Since the amended BB regulation is fairly recent, financial institutions with a vision towards going down market are currently in process of developing products for these segments. Some recent developments include12:

a. In the effort to retain their G2P recipients as BB clients, United Bank Limited (UBL) obtained permission from the SBP to convert BISP beneficiaries’ limited mandate accounts into basic BB level zero accounts in mid 2012. UBL is also looking at building in additional functionalities to these accounts and is currently piloting an identification authentication technology that would enable it to do so.

b. Habib Bank Limited (HBL) has acquired a branchless banking license from SBP and is currently in the product development and piloting stage.

12 Interviews with respective Banks’ staff.
c. Bank Al-Falah Limited (BAFL) has submitted a branchless banking license application to SBP. Product development for the first two phases of their branchless banking strategy is complete in partnership with Warid Telecom to provide mobile banking services and is currently in the process of being deployed.

d. Bank Al-Falah Limited (BAFL) and Tameer Bank are currently developing micro-savings products for BISP beneficiaries for piloting in selected districts.

e. Waseela Microfinance Bank Limited (WMBL), a subsidiary of M/s Orascom, has commenced its business operations as a nationwide microfinance bank. The bank has opened its first branch in Islamabad and aims to enter into branchless banking business.

f. Faysal Bank Limited (FBL) and Dubai Islamic Bank Pakistan Limited have also sought permission from SBP to pilot launch their mobile banking services to its existing customer base.

g. Muslim Commercial Bank (MCB) Limited applied for a branchless banking license and is partnering with mobile telecommunications device giant Nokia to develop a mobile banking application and possibly use Nokia stores as its agent network. Askari Bank has been awarded a branchless banking license and is partnering with Zong (China Mobile) MNO to provide jointly branded branchless banking services. Meezan Bank Limited (MBL) is also keen to enter into branchless banking services.

These developments hold promise. More financial institutions seeking to compete in the bottom of the pyramid and branchless banking space will inevitably lead to greater inclusion if product development and business planning is appropriately done. Within G2P program beneficiaries, segmenting the beneficiary base will help financial institutions understand the nuances within various segments that constitute the large population that receives these payments. Such segmentation efforts have already begun internationally in countries with large social safety net cash transfer programs such as the Bolsa Familia in Brazil. With adequate competition, business planning by financial institutions will likely be more and more strategically sound.

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14 Preliminary surveys conducted with Bolsa Familia recipients in Brazil bring out four distinct segments of recipients. For more information see CGAP Technology blog post at: http://technology.cgap.org/2012/08/09/designing-new-financial-products-for-bolsa-familiabeneficiaries/?utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+cgaptechnolo gy+%28CGAP+Technology+Blog%29 (Retrieved on August 10, 2012)
3. The third element, i.e. distribution networks, is limited currently for both conventional and branchless banking channels. However, as mentioned before, there is a lot of activity in branchless banking and it is set to take off at a number of financial institutions in addition to the two commercial banks already offering these services. The G2P landscape in Pakistan, which is geared towards use of technology via conventional as well as branchless banking channels to deliver payments to beneficiaries, is ripe for provision of innovative financial services to the poor, especially through BB. This is possible due to the existing infrastructure of G2P payment platforms, which can be expanded and linked to BB services. There is a strong need of further development of distribution channels if financial services are to be taken up by the ultra poor. Research conducted internationally suggests this target group to be sensitive to transaction cost – the bulk of which is transportation cost to the nearest available service point (Focus Note 58: Banking the Poor via G2P Payments, CGAP 2009, p. 5). Poor recipients need to be able to access their accounts in ways that are cost effective and not time consuming. BB can enable financial institutions to operate service points in places where bank branches are not feasible.

4. The fourth element, i.e. consumer education, or financial literacy (FL), poses a challenge due to the status of financial awareness and literacy, as detailed in the previous section of this paper. Globally, partnerships amongst government agencies, civil society organizations, private companies and non-governmental organizations (NGOs) have played a vital role in building awareness around financial literacy. The objectives of these partners typically focus on introducing large numbers of people to financial concepts and the formal financial sector as well as reaching them with key messages (Microfinance Opportunities and Genesis Analytics 2011).

Given that financial literacy initiatives usually have a big price tag attached, there has not been any program in Pakistan that has gone to scale to date. However, the SBP’s recently launched Nationwide Financial Literacy Program (NFLP) has the potential to be such a flagship program nationally. That said, these programs do not necessarily target those at the base of the pyramid through their FL interventions. As a result, this segment has remained untouched by these initiatives. If G2P beneficiaries are to be tapped into for building financial inclusion, there is a need for initiatives that specifically target this segment and are designed accordingly.
5. **Challenges to Financial Inclusion: Practitioners’ Perspective**

Largely, progressive financial institutions in Pakistan are seeing the opportunities provided by branchless banking channels to tap into new markets, and further the goal of achieving greater financial inclusion. This is substantiated by the variety of industry players who are increasingly deepening their stakes in this space by applying for branchless banking licenses, entering into strategic partnerships and starting green field ventures to enter this space.

However, a number of challenges are faced by these financial institutions in trying to set up branchless banking channels and going down market to reach low-income segments of the population.

1. The business case for banking with the poorest of the poor is often a hard sell to conservative financial institutions. While envisioning the poorest of the poor as a viable segment for business is difficult for financial institutions, the low-income segment does attract financial institutions that are willing to set foot in new markets for expansion. However, the base of the pyramid – the ultra poor G2P recipients stand the risk of remaining excluded owing to reservations being placed around the viability of catering to this segment by commercial banks.

2. The challenge of building viable, livelihood-linked products – research for appropriate products development for this segment is seen as a hefty cost that most financial institutions are not convinced enough to bear, without external support. It must be noted that migration of social cash transfer beneficiaries into mainstream financial inclusion will not happen by default, but has to be ensured by designing products that are tailored to serve their needs. Secondly, explaining the value of using such inclusive instruments will remain the challenge in terms of lack of financial literacy in the population. In terms of priority, it is important to find out the following: What are the spending habits of the target group? What are their saving habits? How does the financial inclusion scheme graduate beneficiaries from charity or support programs? It is important that product development capabilities exist within the ambit of the financial and development finance sector but offering its use to the financially excluded needs prior research.

3. While some banks are willing to extend a fuller range of financial services to existing G2P beneficiaries they serve, most do not, owing to their disinterest in capturing this segment. Even with ones that do, no distinctive lessons have come out yet owing to the novelty of these initiatives. So far, since the introduction of the branchless banking level zero account by the SBP, only one commercial bank sought conversion of existing G2P recipient virtual accounts into this type of account. BISP recipients are seen as a more favorable G2P beneficiary segment for such a conversion owing to the ongoing nature of the program. In contrast, the CDCP is not seen the
same way owing to the ‘one-off’ nature of the project, even though the beneficiaries of the latter program may be better off and are receiving a relatively large G2P payment amount.

4. Another challenge for financial institutions willing to offer G2P recipients basic banking services is the unavailability of beneficiaries’ CNIC information. They typically require verification from NADRA regarding CNIC information in order to treat them as potential clientele. The financial institutions do not feel sufficiently motivated, however, to pay for this information, as this data on beneficiaries of the CDCP is available from NADRA at a fee. This is a pre requisite for setting up of formal savings accounts (State Bank regulation), even though KYC requirements are lower for the branchless banking level zero account. Banks are not convinced of the viability of providing savings account services to G2P beneficiaries and so do not consider investing in this data. Recently, NADRA has agreed to release CDCP beneficiaries’ CNIC information of a limited number G2P beneficiaries to partner commercial banks in the interest of promoting financial inclusion and giving these financial institutions an incentive to go down market. NADRA has agreed not to charge CNIC verification cost on these accounts, so that partner commercial banks can pilot conversion of virtual accounts to the branchless banking level zero account. Banks will pilot these conversions in limited regions within the project areas initially.

5. Financial institutions interested in entering the branchless banking space will face imminent challenges related to set up and management of a branchless banking agent network. These make implementation of banks’ financial inclusion efforts tricky:

   I. Particularly in remote areas, finding a local merchant to become a branchless banking agent poses a few key challenges:
      a. Making the business case to eligible merchants.
      b. Even if interested, many rural shopkeepers may not be able to comply with the burdensome requirements for becoming an ‘agent’. 

      Relevant stakeholders should thus first understand (and try to loosen, if the risk is not too great) any prohibitively strict criteria for agents. The current National Agent Take-on Procedures (NATP) are exhaustive and require formal businesses to become agents.

   II. Remote areas in Pakistan often lack the electricity or telecommunications connectivity necessary for use of technology needed to execute branchless banking services. To circumvent this difficult challenge, stakeholders and banks can sometimes work with mobile network operators (MNOs) to reach these areas – but this may take time.

   III. Agent liquidity – it is important to ensure that agents have sufficient liquidity for withdrawal request volumes, which becomes an issue in more populated areas and
depends also on where beneficiaries prefer to access their benefits and at what times. Thus, there is a need to understand beneficiary movement habits as well as to set up multiple agents to mitigate liquidity challenges in areas of concentrated demand. Financial institutions, with proper logistical planning can provide mobile cash vans to support agent liquidity.

6. Financial awareness at the base of the pyramid – the national level A2FS make it abundantly clear that awareness and knowledge is low for the bulk of the population. Moreover, findings from WB-PMN Project’s FGDs suggest that going down market to the base of the pyramid, this knowledge becomes thinner still or non-existent. Financial institutions are well aware of this impediment. With whom does the burden of educating the potential clientele lie so that they may be able to compare products and identify their value proposition? Not having a clear answer to this question may prove to be a key impediment going forward unless consensus is reached by financial institutions and their stakeholders on ‘who’ should do this.
6. Conclusion

G2P programs and branchless banking together offer unique and manifold opportunities for moving towards greater financial inclusion in Pakistan. However, before this can be achieved, both supply and demand need to be improved. There are considerable challenges at both ends. Levels of financial literacy and awareness are abysmally low, especially with the ultra poor and low-income segments, making the demand for financial products and services much lower than optimal. Challenges also exist at the supply side, with considerable infrastructure and strategic commitment needed to cater to the vast G2P beneficiary market segment.

The first element of the ecosystem – facilitative regulation, is well in place in the country, while significant progress is being made in terms of the next two elements i.e. business model planning and distribution networks, with ‘a variety of business models emerging that involve a wide range of players, including mobile network operators, technology companies, and even a courier business’ (Branchless Banking in Pakistan: A Laboratory for Innovation CGAP 2011, p. 1). The stage in terms of an enabling environment is set for this to happen, with government seeking to promote financial inclusion and therefore allowing and encouraging financial institutions to go down market.

Financial institutions with a vision to cater to the unbanked are making headway by experimenting with ways to revolutionize how banking services are offered, specifically through branchless banking and partnerships. Key recommendations for financial institutions venturing down market to cater to G2P beneficiaries include:

1. Carrying out appropriate segmentation of the G2P beneficiary base in order to establish the business case for targeting ultra poor or low income potential clients

2. Design of inclusive instruments based on beneficiary segmentation, that add value to the lives of beneficiaries in helping them manage money on a day-to-day basis, helping them build savings over the long term and help poor households borrow for all uses

Low levels of prevailing financial literacy/consumer education of the population can act as a real barrier in increasing the levels of financial inclusion in Pakistan in the coming years, unless addressed. To address this challenge:

1. Key stakeholders like the regulator, G2P programs, financial institutions and associations should jointly work towards adding visibility to FL interventions and devise a strategy to promote FL in the mainstream:

   a. Looking at ways to embed FL concepts into the array of services to the poor, in an attempt the reach the millions of people who can benefit from it: FL should be mainstreamed into any project that has to do with income generating activities
b. Building synergies amongst the various FL programs currently underway to reach a greater target audience

c. Advocacy to declare a ‘national financial literacy day’, carrying out public service message in mass media channels

d. Collaborations to promote financial literacy educational programs on television, devising an effective communications strategy to build awareness at different levels

e. Investigating use of innovative technological learning/teaching modes to supplement face to face (F2F) trainings that prove cost effective in the long term and are proven to lead to greater retention of materials taught in this manner – for example, the hole-in-the-wall\textsuperscript{15} project to teach financial education to slum children in India holds promise if implemented at scale

Building awareness at the base of pyramid on financial inclusion and literacy is a challenge, for which more stakeholders need to join hands and do a lot more than is currently being done. Means to measure the success of these FL programs need to be ensured for better program delivery and oversight. Addressing this gap in the inclusive finance framework will help to bolster the efforts already in the pipeline to improve supply of financial services to those income groups situated at the base of the pyramid, especially those most vulnerable, such as G2P program beneficiaries, for whom a clear opportunity to come into the formal finance stream already exists.

\textsuperscript{15} For more information on this pilot FL initiative in India, visit the following web link: \texttt{http://www.hole-in-the-wall.com/}
References


World Bank (2009). Bringing Finance to Pakistan’s Poor, Washington, DC.

Annex A: List of focus group discussions conducted by PMN with G2P recipients

These focus group discussions were conducted under the World Bank-Pakistan Microfinance Network Project on Financial Literacy and Inclusion Outcomes of Cash Transfers through the Banking System in Pakistan.

The aim was to assist in understanding of the beneficiaries financial lives to feed into development of financial literacy modules. These modules were under development by the project team at the time of this paper’s publication.

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# Annex B: Stakeholders Interviewed

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<tr>
<td>1</td>
<td>Jennifer Ankrom</td>
<td>Senior Project Development Officer</td>
<td>Agency for Technical Cooperation and Development (ACTED)</td>
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<td>2</td>
<td>Zareen Aamir</td>
<td>Head of Microfinance Program</td>
<td>Asasah</td>
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<tr>
<td>3</td>
<td>Muhammad Abrar Ameen</td>
<td>Head of Branchless Banking</td>
<td>Bank Al Falah Limited (BAFL)</td>
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<td>4</td>
<td>Asma Bashir</td>
<td>Social Policy Specialist</td>
<td>Benazir Income Support Program (BISP)</td>
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<td>Noor Rehman Khan</td>
<td>Director Payments</td>
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<td>6</td>
<td>Fiza Farhan</td>
<td>Chief Executive Officer</td>
<td>Buksh Foundation</td>
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<td>7</td>
<td>Yasir Tariq</td>
<td>Chief Operating Officer</td>
<td>Centre for Women’s Cooperative Development (CWCD)</td>
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<td>8</td>
<td>Naeem Iqbal</td>
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<td>Citizens’ Damage Compensation Program (CDCP)</td>
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<td>9</td>
<td>Waseem Haider Shirazi</td>
<td>Manager Implementation &amp; Operations</td>
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<td>Zainab Feroz Kapadia</td>
<td>Program Manager</td>
<td>Empowerment thru Creative Integration</td>
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<td>Ayesha Baig</td>
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<td>Amyn Laasi</td>
<td>Business Head, Debit/Prepaid and Acquiring</td>
<td>Habib Bank Limited</td>
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<td>Muhammad Saifullah Chaudhry</td>
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<td>Maria Ahmed</td>
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<td>Aseya Qasim</td>
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<td>Shandana Khan</td>
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<td>Fatima Sethi</td>
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<td>Anis Iqbal</td>
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<td>Farhan Mustafa</td>
<td>Assistant Manager Corporate Services</td>
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<td>United Bank Limited (UBL)</td>
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<tr>
<td>31</td>
<td>Quanita Khan</td>
<td>Social Protection Unit Specialist</td>
<td>The World Bank</td>
</tr>
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