



Savings in Pakistan

What do the Numbers Tell Us?

Savings constitute an important driver for financial inclusion. Access to savings instruments enable households to smoothen consumption and investment in human and business capital. In the context of national economies, savings have a direct impact on economic growth and investment. As per the World Bank and OECD National Accounts Data, Pakistan's Gross Domestic Savings as a percentage of GDP merely stood at 5.8% in 2018, drastically low when compared to 21.2% in Sri Lanka, 22.8% in Bangladesh, 29.4% in India and 30.6 % in Malaysia.¹

This note considers demand and supply side statistics to develop a more granular view of the savings landscape of the country, with specific emphasis on sub-national representation. Currently, three demand side surveys—Access to Finance (A2F), Global Findex (Findex), and Financial Inclusion Insight (FII)—provide information on the savings practices, perceptions and needs of the people in Pakistan. The Findex offers nationally representative data; the FII and A2F surveys provide more granular data at the provincial level. Of the latter two, the A2F survey, administered by the State Bank of Pakistan (SBP), has a sample size and distribution based on which the provincial numbers have a lower margin of error. In addition, the Household Intergrated Economic Surveys (HIES), a biennial survey by the Pakistan Bureau of Statistics (PBS), Government of Pakistan (GoP) have also been reviewed for relevant information. Supply side data has been sourced from several SBP publications and databases.

Data is drawn from all three surveys to present statistics and insights on the proportion of savers by province and gender, along with saving preferences and practices. For provincial level demand-side statistics, the A2F survey results have been used. This demand-side data is juxtaposed with supply side data based on which a set of recommendations is provided for policy makers, regulators, financial service providers and data collectors.

Do Pakistanis Save?

Due to differences in methodology, the results for the proportion of total savers estimated for Pakistan vary considerably across the three demand side survey—between 32-72%. Variations in the definition of savers adopted by each survey are presented in **Box 1**. The proportion of respondents saving at a formal financial institution however, is consistent across all three surveys at 6%. The estimate was consistent across both FII and A2F for 2015, and again for both Findex and FII for 2017. While the A2F and Findex have administered two waves each, the FII, under which five waves have been completed, shows a positive (albeit modest) trend between 2013 and 2017 (see **Exhibit 1** on the following page).

Box 1: Definition of Savers by Survey

- a. The **Access to Finance (A2F)** survey defines savers as the percentage of respondents (age 18+) who have put money in any formal or informal saving vehicle/good in the past twelve months.
- b. The **Financial Inclusion and Insights (FII)** survey defines savers as the percentage of respondents (age 15+) who save with one of the following: bank, mobile money account, saving account at saving and lending group, microfinance institution, committee, digital/recharge card, buying agricultural inputs, livestock, other property, safe place at home, or cash, with people, and in-kind assets e.g. gold.
- c. The **Global Findex (Findex)** survey defines savers as the percentage of respondents (age 15+) who have personally saved or set aside any money, using: i). an account at a bank or another type of formal financial institution, or ii) using an informal savings group/club, or iii) saved or set aside any money for any reason in the past twelve months. The 2011 wave is excluded as it does not provide a national level figure on formal plus informal savings.

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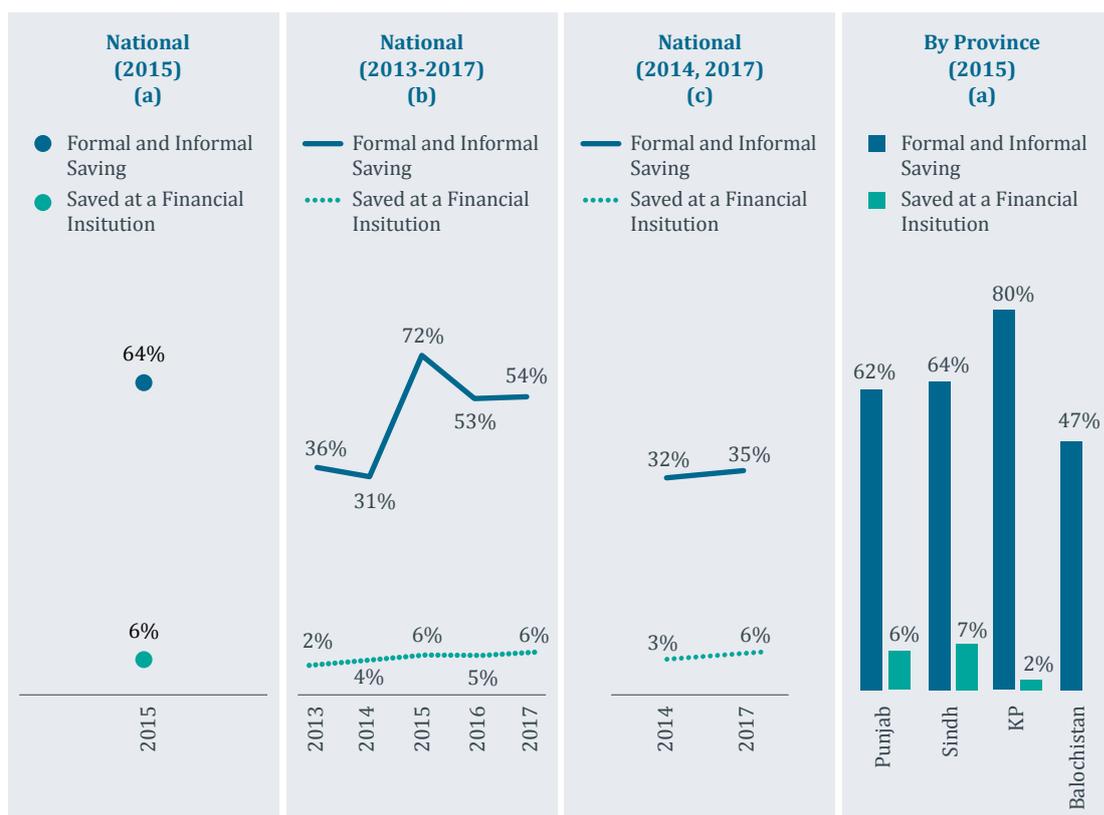
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Exhibit 1: Proportion of Respondents Reporting Savings (Formal and Informal)



Source: The three demand side surveys are referenced as follows: (a). Access to Finance Survey, (b). Financial Inclusion Insights Survey, and (c). Global Findex Survey.

Notes: (i). A2F Survey - Results from the 2008 wave have not been included due to significant changes in the A2F questionnaire. (ii). Balochistan has not been included in the provincial comparison chart as Balochistan's reading for proportion of savers using formal financial institutions is based on a low sample base of 1,617 respondents and therefore was not considered to be sufficiently accurate.

In contrast, the provincial statistics captured under the A2F survey in 2015 show significant variations, both in the case of totals savers (formal and informal) and individuals saving with a formal financial institution only. Balochistan has the lowest proportion of overall adult savers (both formal and informal) at 47%, with Khyber Pakhtunkhwa (KP) indicating a surprisingly high proportion at 80%. The proportion of respondents saving at a formal financial institution however, is lower than the national average for KP, at approximately 2%. For Sindh and Punjab the numbers differ marginally, with Punjab accounting for slightly higher percentages on both counts.

Thus, while a large proportion of the survey respondents reported saving in some form or another, the gap between respondents reporting savings (formal and informal) and those reporting saving with a formal financial institution is significant across all four provinces.

Using HIES 2018-19 data annual saving per household can be estimated at approximately PKR 52,000 (USD 315 at an exchange rate of PKR 165). With 32 million households in the country, total household saving amounts to approximately PKR 1.6 trillion. Based on the 6% proportion of formal savers reported by the demand side surveys, only PKR 101 billion of total household saving is likely being captured by formal financial institutions (see **Exhibit 2**).

Exhibit 2: Estimated Average Household Saving (HIES 2018-19)

Indicator/Statistic	Amount
A: Average Monthly Income per Household (PKR)	41,545
B: Average Monthly Expenditure per Household (PKR)	37,159
(A-B) Average Monthly Savings Per Household (PKR)	4,386
Annual Savings per Household (PKR)	52,632
Number of Households (as per Population Census 2017)	32 Million
Total Estimated Annual Savings (PKR billion)	1,684
% of Adult Population who Save at a Formal Institution*	6%
Annual Savings Captured by Financial Institutions (PKR billion)**	101
Annual Savings not Captured by Financial Institutions (PKR billion)	1,583

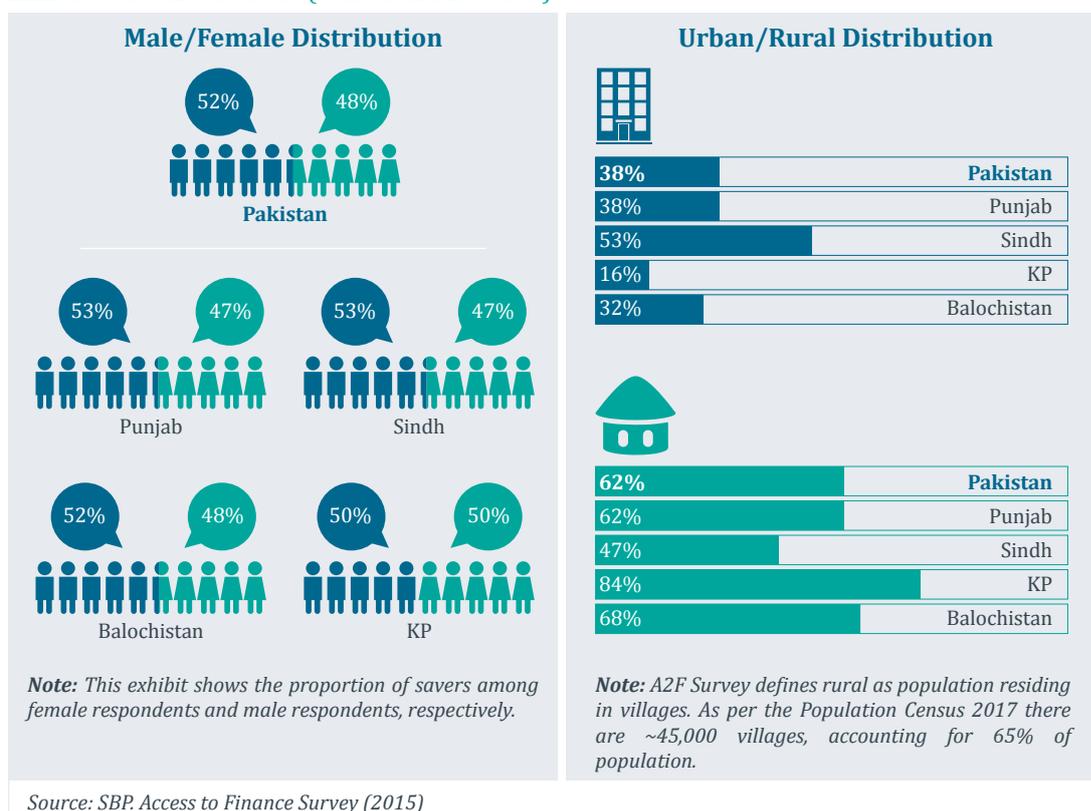
Source: Government of Pakistan. PSLM/HIES 2018-19; Pakistan Economic Survey.

Notes: *Reading as per FII 2017; **Assuming a similar 6% threshold for Pakistani households.

Are Women and Rural Residents Bad Savers?

As per the A2F survey, in three provinces (Balochistan, Punjab and Sindh), a larger proportion of male respondents saved using formal and/or informal means, compared to women. The difference between the proportion of male and female savers though, was 6% or less in all three provinces. In KP an equal proportion of male and female respondents reported saving. Thus, saving behavior among men and women does not seem to vary significantly.

Demand side data indicates that a much larger proportion of respondents residing in rural areas are savers. Only in the case of Sindh is the proportion of urban savers higher than in rural areas. For KP the difference is significant: while the proportion of rural savers is 84%, only 16% of the respondents in urban areas reported savings. A possible reason for this is the lower rate of urbanization in KP, as 81.3% of KP's population still lives in rural areas, compared to 48.4% in Sindh and 67.3% in Punjab.² Demand side data indicates that a significantly larger proportion of the rural population saves, compared to their urban counterparts.

Exhibit 3: Profile of Savers (Gender and Location)

What Proportion of Savings Does the Formal Sector Capture?

While saving is a broader concept, bank deposits, especially when considered together with demand side data provides valuable insights. Supply side data presented in **Exhibit 4** shows that Balochistan has a meager 2% share of total and personal deposits, lower than its share of the total population, estimated at approximately 6% of Pakistan's population as per the 2017 Population Census. KP, which depicts the highest proportion of savers (80%) when both informal and formal saving practices are recorded, only accounts for an 8% share in the country's total deposit base and 9%, if personal deposits are considered. KP accounts for approximately 17% of Pakistan's population, including the newly merged districts of the Federally Administered Tribal Areas (FATA).

Exhibit 4: Total and Personal Deposits Held within Formal Banking System (by Province)

Indicator	Pakistan	Punjab	Sindh	KP (including FATA)	Balochistan
Total Deposits (PKR Billion)					
Commercial Banks	14,644	8,192	4,568	1,147	328
Micro Finance Banks (MFBs) & Development Finance Institutions (DFIs)	277	133	112	14	0.7
Total	14,921	8,325	4,680	1,161	329
% of Provincial Share in Total Deposits	N/A	56%	31%	8%	2%
Personal Deposits (PKR Billion)					
Commercial Banks	7,208	4,087	1,957	684	166
MFBs & DFIs	115	73	31	6	0.2
Total	7,323	4,160	1,988	690	166
% of Provincial Share in Personal Deposits	N/A	57%	27%	9%	2%

Source: State Bank of Pakistan (Statistics on Scheduled Banks in Pakistan). Figures as of Dec 2019

Notes: (i). Country level Total and Personal Deposits include figures for Azad Jammu and Kashmir and Gilgit Baltistan. (ii). Total Deposits include deposits held by non-residents, Government, Non-Financial Public Sector Enterprises, Non-bank Financial Institutions (NBFIs) and Finance Auxiliaries, Private Sector, Trust Funds, Personal deposits and others. (iii). Personal Deposits includes deposits held by salaried persons, self-employed and other persons (house-wives, students, etc.). iv) Number of Total Personal Accounts as of Dec 2019 (Banks: 48 million accounts, MFBs: 25 million accounts, DFIs: 200 accounts).

Demand side data shows a greater proportion of rural savers in the country. Supply side statistics on the other hand, show that the bulk of bank deposits come from urban areas. **Exhibit 5** shows that this trend is largely consistent across all the provinces. However, in case of personal deposits held by microfinance banks (MFBs) and DFIs, the urban/rural split is 50/50 in KP while in the case of Balochistan ~70% of these deposits are from rural areas (it should be considered however, that the overall base of personal deposits held by MFBs and DFIs is very low in Balochistan). While savings of some rural dwellers are likely to be captured in the deposits collected from urban areas, the data does raise questions with regard to the adequacy of access points in rural areas, and the marginal return of introducing urban service points *vis a vis* rural ones.

Exhibit 5: Total and Personal Deposits within Formal Banking System (by Rural/Urban Split)

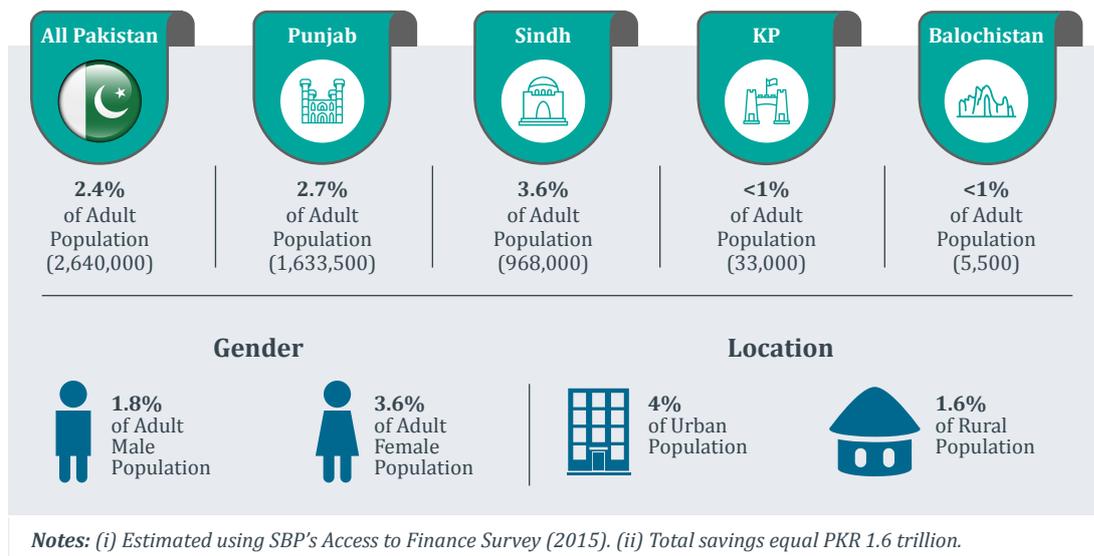
Indicator	Pakistan		Punjab		Sindh		KP (including FATA)		Balochistan	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
Commercial Banks										
% Share in Total Deposits	89%	11%	89%	11%	96%	4%	76%	24%	80%	20%
% Share in Personal Deposits	84%	16%	84%	16%	95%	5%	68%	32%	78%	22%
MFBs/DFIs										
% Share in Total Deposits	86%	14%	83%	17%	92%	8%	64%	36%	71%	29%
% Share in Personal Deposits	71%	29%	73%	27%	74%	26%	50%	50%	30%	70%

Source: State Bank of Pakistan (Statistics on Scheduled Banks in Pakistan). Figures as of Dec 2019

How do the Numbers Compare with Non-Bank Saving Instruments?

The Central Directorate of National Savings (CDNS), an attached department of the Ministry of Finance (MoF), mobilizes savings from across Pakistan through a variety of saving instruments. The product basket ranges from Short Term Savings Certificates (STSC) with a three-month tenor to the ten-year tenor Defense Savings Certificates (DSCs). CDNS operates through a network of 376 branches. As of June 2015 saving worth PKR 1.6 trillion³ had been mobilized from a total of 2.6 million savers. Using A2F survey findings only 5,500 (0.2%) of these savers were from Balochistan, and ~1% from KP, while Punjab and Sindh account for 62% and 37%, respectively.

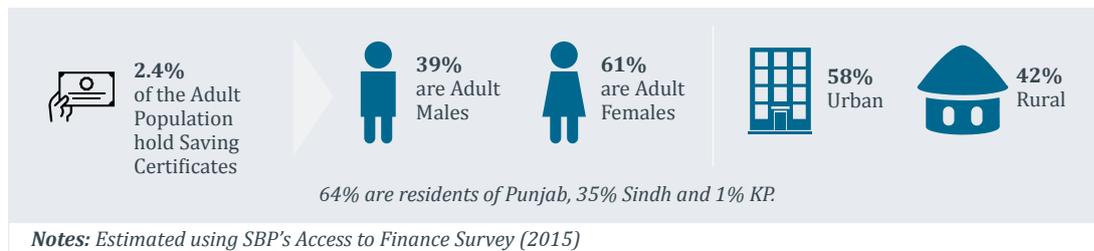
Exhibit 6: Distribution of CDNS Clients (by Province, Gender, Location)



Thus, as is the case with banking sector deposits, savings mobilized through CDNS are mainly from Punjab and Sindh and, although with decidedly smaller differentials, from urban areas. One difference with regard to client profile is the number of female clients—more than 50% of CDNS clients are women.

Approximately 25 percent to the financial inflow under government backed savings instruments offered by CDNS are contributed via Pakistan Post, a share that has remained stable over the past decade.⁴ Pakistan Post operates as an independent attached entity under the aegis of the MoF. It offers the largest network of access points in the country, with 13,000 post offices.⁵ The Postal Savings Bank (PSB) also provides life insurance instruments, money and remittance transfer facility, and performs agency function on behalf of the federal and provincial governments by collecting taxes and utility bills. Pakistan Post is the partner of choice for the federal and provincial governments to distribute pensions to retired military and civilian personnel, especially in rural areas. Several FIs have entered into partnerships with Pakistan Post to provide financial services.

Exhibit 7: Profile of National Saving Certificate Holders



³ SBP Annual Report FY19 (Statistical Supplement) <http://www.sbp.org.pk/reports/annual/arFY19/Stats/Eng/Chapter-8.pdf>. PKR 1.6 trillion was the value invested in savings certificates held at National Savings Centers as of FY15 and is quoted for a meaningful comparison with the A2F data set. By FY19 the total amount of saving certificates held at National Savings Centers has climbed to PKR 2.1 trillion. Figures presented in Exhibit-6 are based on the gender and geographic distribution of data captured in the A2F survey (2015).

⁴ State Bank of Pakistan (SBP). Staff Notes 2020. <http://www.sbp.org.pk/publications/staffNotes.htm>

⁵ Asia/Pacific Group on Money Laundering (APG). Anti-Money Laundering and Counter-Terrorism Financing Measures. Pakistan Mutual Evaluation Report. October 2019 <https://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/APG-Mutual-Evaluation-Report-Pakistan-October%202019.pdf>

These include the First Microfinance Bank Limited, Khushhali Bank Limited and most recently, Habib Bank Limited (HBL).⁶ While data on the number and amount of deposits in the PSB is hard to come by, according to a 2009 World Bank report, in 2004 the Pakistan Post Office was managing “3.6 million savings accounts, through 12,343 branches, with 70 percent of such accounts holding savings below [PKR] 10,000”.⁷ By 2015, total deposits with PSB were [reportedly] estimated at PKR 158 billion.

Supply side statistics on the Mutual Funds industry and other lending Non-Bank Finance Companies (NBFCs) provide further insights on savings captured within the NBFC space (see **Exhibits 8** and **9**). As of December 2019, the value of investments held within open-ended mutual funds stood at PKR 678 billion. While number of active accounts under individuals category constituted 98% of the total, value of investment parked under these accounts stood at PKR 257 billion (38% of the total value). In the case of Pension Funds, a total of PKR 27 billion was held by individual account holders.

The personal deposit base of lending NBFCs is miniscule compared to total personal deposits captured within the formal banking sector (PKR 7 billion vis-à-vis PKR 7.3 trillion); the share of this category within total deposit base, however, is more or less similar (~45% of the total). The other two major sources of deposits for these lending NBFCs are financial institutions and corporates, making up 36% and 15% of the total deposit base, respectively.

Exhibit 8: Value of Investments in Mutual and Pension Funds

Category	Open End Mutual Funds		Pension Funds	
	No. of Active Accounts	Value of Investments (PKR Billion)	No. of Active Accounts	Value of Investments (PKR Billion)
Individuals	315,957	260	33,749	27
Total	322,958	678	33,764	30
Share in Total (%)	98%	38%	100%	93%

Source: Securities and Exchange Commission of Pakistan (Sector Summary of NBFCs). Figures as of Dec 2019

Notes: (i). Active accounts are the ones having more than zero balance; 279,999 additional accounts under open mutual funds and 13,826 account under pension funds had zero balance as of Dec 2019 (ii). Total include other categories like Banks/DFIs and Other Financial Institutions, Corporates, Fund of Funds, Retirement Funds, Trusts/NGOs/Foundations, Foreign investors.

Exhibit 9: Deposit Base of Lending NBFCs

Category	Deposit Base of Lending NBFCs (PKR Billion)			
	Leasing Companies	Modarabas	Investment Banks	Total
Individuals	0.4	2.3	3.9	6.7
Total Deposit Base	0.5	10.0	4.4	15.0
Share in Total (%)	82%	24%	90%	45%

Source: Securities and Exchange Commission of Pakistan (Sector Summary of NBFCs). Figures as of Dec 2019

Notes: Total Deposits include deposits raised from Financial Institutions, Corporates, Govt. Entities & Trusts.

Balochistan – a Financial Inclusion Challenge

Demand and supply side data consistently demonstrates the lowest number of savers for Balochistan when compared to the other provinces. While some of the statistics can be explained on the basis of its low population (proportion of total deposits, etc.), others, when corrected for population, continue to represent a stark picture. Supply side data presented in **Exhibit 10** below clearly shows that compared to the other provinces, Balochistan has the lowest penetration of bank branches (3 per 100,000 inhabitants) and branchless banking (BB) agents (2% of total BB agents operating in the country, i.e., ~0.5 agents per 1,000 inhabitants).

⁶ <https://propakistani.pk/2020/06/08/hbl-and-pakistan-post-enter-20-year-alliance-to-boost-financial-inclusion/>

⁷ The World Bank. Bringing Finance to Pakistan's Poor.

<http://documents1.worldbank.org/curated/en/358531468057878762/pdf/486720WP0Bring10Box338916B01PUBLIC1.pdf>

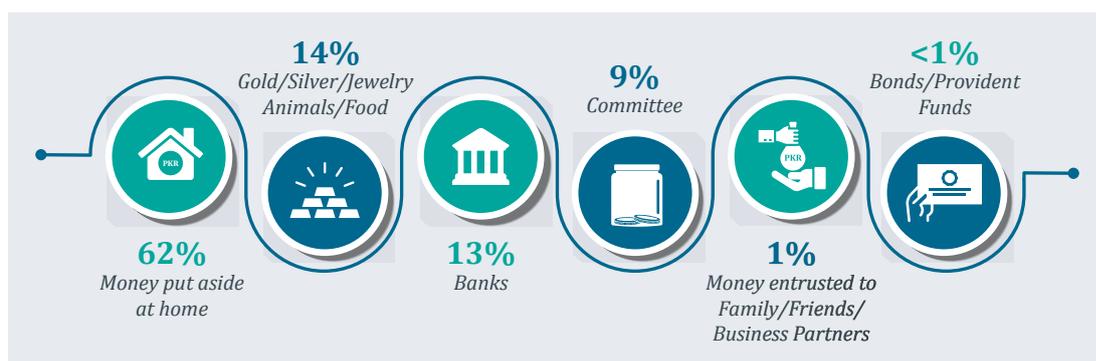
Exhibit 10: Financial Service Access Points (by Province)

Indicator	Pakistan	Punjab	Sindh	KP (including FATA)	Balochistan
Bank Branches	14,197	8,045	3,449	1,557	544
Share in Total Bank Branches (%)	N/A	57%	24%	11%	4%
Bank Branches per 100,000 Inhabitants	7	7	7	4	3
Branchless Banking (BB) Agents	437,182	275,381	90,801	51,485	9,890
Share in BB Agents (%)	N/A	63%	21%	12%	2%
BB Agents per 1,000 Inhabitants	2	2	2	1	0.5

Source: State Bank of Pakistan (Statistics on Scheduled Banks in Pakistan and Branchless Banking Statistics). Bank Branches: Figures as of June 2019; Branchless Banking Agents: Figures as of Dec 2019.

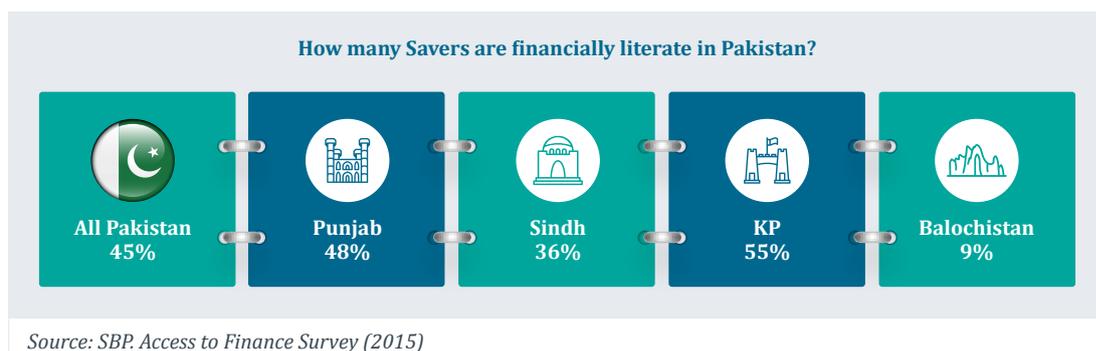
Notes: Country level Bank Branches and Branchless Banking Agents include figures for Azad Jammu & Kashmir and Gilgit Baltistan

Demand side data reveals that 62% of the respondents from Balochistan keep their savings at home, with only 13% saving at a bank. With only 14% indicating savings held in the form of jewelry, livestock or other items, it can be concluded that a significant proportion of personal and household savings are being kept in the form of cash. Financial service providers need to ask themselves: how can these savings be captured?

Exhibit 11: Saving Methods in Balochistan

Source: SBP. Access to Finance Survey (2015)

The A2F Survey also measures financial literacy by ascertaining respondent understanding of the following three terms: *Bank*, *Exchange Rate* and *Mobile Money*. Respondents must demonstrate understanding of all three terms to be categorized as financially literate. Based on this definition, respondents from KP have the highest level of financial literacy at 55%, compared to 45% for all of Pakistan. While KP presents an interesting case of low formal financial inclusion despite scoring relatively better in terms of financial literacy, Balochistan's case with only 9% respondents categorized as financially literate, deserves urgent attention.

Exhibit 12: Financial Literacy in Pakistan

Source: SBP. Access to Finance Survey (2015)

In summary, it would not be incorrect to conclude that people in Pakistan do save, irrespective of gender and location. In fact, individuals in rural areas demonstrate a higher propensity to save, probably due to the 'lumpy' nature of their income, which is tied to the agricultural seasons of sowing and harvesting. The formal financial sector however, has demonstrated limited success in capturing savings for purposes of intermediation and investment. A key factor constraining their success is outreach by financial service providers, especially in rural areas.

Provincial variations also call for a need to review progress on financial inclusion against a more granular set of standards, considering sub-national metrics for inclusion in the policy discourse. Also, as demonstrated by the numbers for Balochistan, a more nuanced and innovative approach to increasing outreach may need to be supplemented in some regions of the country with a sustained and wide-ranging campaign to improve financial literacy.

Recommendations

1. Indicators and targets (especially for Access and Usage of accounts) set under the National Financial Inclusion Strategy (NFIS) must capture a sub-national picture of the financial inclusion landscape. At the least, provincial level estimates should be closely monitored and tracked. Looking at demand and supply side data for Balochistan it can be concluded that lower level of formal savings can be attributed to an inferior level of access and financial literacy.
2. Supply side metrics on savings (e.g. personal deposits as a percentage of total banking deposits, and average deposit base by province) may also be added to the NFIS monitoring framework to provide a more holistic picture.
3. The Pakistan Bureau of Statistics (PBS) has a rich source of data in the Household Intergrated Economic Survey (HIES), capturing district level information for ~24,000 households. This resource may be leveraged to augment and inform the NFIS monitoring framework. In order to give greater visibility to policy makers, the following items may be recorded/captured within the HIES:
 - To track financial inclusion, NFIS has a headline indicator based on the percentage of adults (male and female) with a transaction account. By including the relevant question(s) in the HIES questionnaire, this indicator can be monitored and evaluated at a sub-national level.
 - In addition to providing insights on income and consumption patterns of Pakistani households, the HIES report should include exhibits and statistics on domestic savings, by quintile. This can assist in the identification of provincial populations concentrated in the lower quintiles and lacking resources to save for emergency or future consumption, providing a valuable source for triangulation with the databases for GoP schemes such the Ehsaas Programme, Zakat and Ushr, as well as corporate sector CSR initiatives.
4. Concentrated effort is required from the formal financial system, at multiple levels, to tap rural savings. SBP's Branch Licensing Policy, 2016 has specific provisions on extending certain banking services (i.e. collection/disbursement of cash to account holders, home remittances and payment of utility bills) through Mobile Van Banking that can operate within a 50 km radius of a licensed branch. All banks may be encouraged to follow these guidelines to expand outreach in the provinces with lower access and to cover unserved and underserved rural populations. Other options include the PSB under Pakistan Post, which has a large network, especially in rural areas. More aggressive outreach may need to be supplemented with campaigns on financial literacy in selected regions.
5. A comprehensive regulatory framework may be developed, after taking all relevant stakeholders on board to protect consumers and formalise savings under ROSCAs.
6. The provincial variations in savings clearly demonstrates the importance of collecting and tracking sub-national data. While the HIES may be utilized to collect some of the information on financial inclusion, a bespoke demand side survey, conducted on a regular basis is invaluable for purposes of policy making. The FII Survey has some inherent limitations in its prevalent sample design which undermines the reliability of the survey's provincial readings, especially for KP and Balochistan. For prospective waves, the survey's sample design methodology needs to be revisited so that distribution is truly representative at the provincial level.

About Karandaaz

KARANDAAZ PAKISTAN is a Section 42 company established in August 2014 and focuses on fostering economic growth and creating jobs through financial inclusion of unbanked individuals and unserved enterprises, with a special focus on women and youth. The company has four verticals:

Karandaaz Capital

Provides wholesale structured credit and equity-linked direct capital investments to micro, small and mid-size enterprises (MSMEs) that demonstrate compelling prospects for sustainable business growth and employment generation in Pakistan.



Knowledge Management and Communications

Supports the company's core financial inclusion goal by developing and disseminating evidence based insights and solutions.



Karandaaz Digital

Focuses on expanding the poor's access to digital financial services in Pakistan by working across the ecosystem with all stakeholders.



Karandaaz Innovation

Manages the Innovation Challenge Fund and Women Entrepreneurship Challenge, providing risk capital and grants to partners with the aim to generate innovative solutions in areas of financial inclusion and entrepreneurship.

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