Investigating Financial Inclusion and Saving behavior: Case of BISP Beneficiaries

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CERTIFICATE

This is to certify that this thesis entitled: **"Investigating Financial Inclusion and Saving behavior: Case of BISP Beneficiaries".** submitted by **Hafiza Bismah Qadoos** is accepted in its present form by the School of Economics, Pakistan Institute of Development Economics (PIDE), Islamabad as satisfying the requirements for partial fulfillment of the degree in Master of Philosophy in Economics and Finance.

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Author's Declaration

I Hafiza Bismah Qadoos hereby state that my MPHIL thesis titled **Investigating Financial Inclusion behavior: Case of BISP Beneficiaries** is my own work and has not been submitted previously by me for taking any degree from Pakistan Institute of Development Economics or anywhere else in the country/world.

At any time if my statement is found to be incorrect even after my Graduation the university has the right to withdraw my MPHIL degree.

Bismah
Hafiza Bismah Qadoos

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ABSTRACT

This paper discusses the status of financial inclusion of Benazir Income Support Programs' Beneficiaries, barriers to formal financial products, and evaluates their financial behavior necessary for inclusion into the formal financial institutions; saving behavior, loan taking behavior, and financial and digital literacy. It also explores the impact of socio-economic characteristics, financial literacy, and borrowing behavior on the saving behavior (a universal indicator of financial inclusion) of beneficiaries.

Multistage sampling was used to collect the data. A sample size of 210 respondents were taken from six districts in three provinces; Punjab, KPK and Sindh. Beneficiaries were taken for analysis from the districts of Bahawalpur, Narowal, Muzaffargarh, Haripur, Sukkur and Jacobobad. Survey Data is analyzed using Descriptive statistics, Exploratory Data Analysis and Binary logistic regression.

The findings show that the saving attitude is present among the beneficiaries. Lack of income & knowledge are the major barriers to formal savings. As far as the loan taking behavior of beneficiaries is concerned the findings exhibit a very strong borrowing behavior. Beneficiaries revert to informal borrowing as they face several problems in attaining loans from banks/MFIs; Women face the major problem of distance in getting loan from banks/MFIs in all Provinces & rural/urban. Lack of knowledge & lack of cooperation were other major constraints. However, in urban area, there is a loan taking behavior from banks/financial institutions. Concerning financial & digital literacy, the evidence show that a considerable majority of the beneficiaries are illiterate and they find it hard to manage digital financial activities via mobile phone except for receiving money.

Keywords: financial inclusion, beneficiaries, multistage sampling, savings, loans, Digital & financial literacy.

Contents

List of Figures

List of Tables

LIST OF ABBREVIATIONS

A2F	Access to finance
BDC	Benazir debit card
BISP	Benazir income support programme
BVS	Biometric verification system
CCT	Conditional cash transfer
CGAP	Consultative group to assist the poor
CNIC	Computerized National Identity Card
CTP	Cash Transfer Programme
CT	Cash Transfer
EDA	Exploratory data analysis
FII	Financial inclusion insights
FGD	Focus group discussions
G2P	Government to person
GDP	Gross domestic product
IMF	International monetary fund
KPK	Khyber Pakhtunkhwa
MFI	Micro finance institutions

NGO	Non-governmental organization
NFIS	National financial inclusion strategy
OPM	Oxford policy management
PKR	Pakistani rupee
RSPS	Rural support programs
SBP	State bank of Pakistan
SME	Small and medium enterprises
SPSS	Statistical package for the social sciences
UC	Union Council
UCT	Unconditional Cash Transfer
YOY	Year-over-Year

CHAPTER 1

Introduction

1.1 Background

Financial inclusion means providing useful and affordable financial services like payments, transactions, savings, credit, and insurance in a sustainable and responsible manner (World Bank, 2018). Financial inclusion can also be defined as a process through which unintended barriers perceived by the unbanked individuals can be minimized while maximizing the access and use of formal financial services (Clamara & Tuesta, 2014). International Monetary Fund (IMF) conceptualized financial inclusion as the collective efforts, ensuring the availability of universal financial services especially for the deprived and poor.

It has been identified that financial inclusion is an enabler in seven of the 17 SDGs (Sustainable Development Goals). According to the World Bank Group (WBG), financial inclusion is an essential component of poverty reduction and shared prosperity. To achieve social and economic progress for any developing country, inclusive financial systems are an important component at the micro and macro level (Karlan & Morduch, 2010)**.** Economic growth cannot be inclusive in a country if a large population is unbanked and financially underserved, having unequal access to deposit, saving, credit, and other facilities.

Great strides have been made toward financial inclusion and global account ownership increased from 51 percent to 76 percent between 2011 and 2021. As of 2021, 76% of the world's adult had an account and 71% of the adult's in developing countries. However, 24% of adults- were still unbanked in 2021, according to the latest findex data. About half of unbanked people included women, poor households in rural areas, or out of the workforce. Between 2017 and 2021 gender gap in account ownership has fallen from 9 percentage points to 6 percentage points in developing countries, still large enough hindering women from being able to effectively control their financial lives.

In case of Pakistan, it is one of the least financially included nations as only 21% of the population has access to finance. To achieve financial inclusion, financial institutions are introducing products and services. Nevertheless, large gender gaps exist in terms of having access to finance. In developing countries, roughly 70% of women are less likely to have access to financial offerings by formal institutions as compared to men. Seemingly, the gap is even higher in Pakistan where already a very low share of the population has financial access. The *Access to Finance* survey (A2F), by the State Bank of Pakistan (SBP), reported the significant gender difference in access to finance in Pakistan; the survey revealed that women continued to be less likely to gain access to the overall financial sector, compared to men. Especially, fewer women have access to Money Transfers (1.4 percent vs. 3.3 percent men), banking services (5.5 percent vs. 21.1 percent men), and Insurance (0.6 percent vs. 3.3 percent men). Also, *Financial Inclusion Insights Survey 2020* highlighted that only 7% of the total adult women are financially included against 36% adult males. The gap has widened to a startling 30% from the period of the past five years.

Moreover, Pakistan's position in closing the overall gender gap, as reported by "Global Gender Gap Report 2021" published by the World Economic Forum (WEF), is abysmal as it have closed only 56% of the gender gap. There is no overarching effort to reduce the gender gap as it has widened by 0.7 percentage points in just one year. In terms of Economic Participation and Opportunity" Pakistan's position is among the lowest one, having the largest gender gap. The labor force participation rate for women is quite low (22.6%). Also, there is large income inequality between men and women. Generally, a Pakistani woman's income is 16.3% of a man's income. Moreover, women do not have equal access to justice, land ownership, non-financial assets, or inheritance rights. These stats highlighted that women are way behind in comparison with men in every way of life, facing financial economic & social exclusion.

However in the past decade in Pakistan, political and socio-economic discourse revolves around exclusion and poverty. Several anti-poverty, employment generation, and basic services have been operational in Pakistan with the objective of redressal of provincial and rural-urban inequalities and poverty reduction. Unfortunately, the impact of inclusive development never reached the bottom strata of society. A considerable majority of people fall at the base of the economic pyramid, primarily consisting of backward, poor, rural, and women; having no access to formal financial institutions. Parity exists among Provinces, Regions, Sectors, and Communities at alarming levels.

To overcome the exclusion in Pakistan, there have been a few policy measures over the past decade and a half, from the digitization of G2P (Government to Person) payments to the encouragement of the microfinance industry, the fostering of small and medium enterprises (SME) finance, and the creation of the digital ecosystem. Nevertheless, Pakistan's financial inclusion level is still low, standing at 21 percent, figures as per the latest Financial Inclusion Insights (FII) survey conducted in 2021 (FII 2021a).

To gain momentum on the women's financial inclusion efforts, National Financial Inclusion Strategy (NFIS) was implemented by the current government as part of its 100- day agenda. They set an objective of opening 20 million women-owned digital transaction accounts by 2023.

Recent stats issued by the State Bank of Pakistan (SBP) reported as of Dec. 2020, there were roughly 15 million m-banking accounts, registering a YoY growth of 51 percent. However, the outreach of these accounts is very restricted showing a greater parity among different regions, with underdeveloped are lagging behind.

Later on, Pakistan puts in place the Enhanced financial Inclusion Strategy, primarily focusing on the uptake of digital payments, in addition to enhancing the deposit base and supporting financing for small and medium enterprises and for agriculture (UNCDF n.d.).

To achieve the enhanced financial inclusion goals, the State bank of Pakistan (SBP) also introduced the Regulations for Electronic Money Institutions in 2019. This is a commendable step in part of the efforts by the central bank of Pakistan to create an enabling environment for non-banking institutions to issue e-money for their customers to make digital payments.

To overcome the financial exclusion the State Bank of Pakistan also introduced the "Banking on Equating Policy Document". The proposed policy measures in this document are established on a five-point agenda to further strengthen the supply side. First of all, financial institutions have to ensure gender diversity in both the banks and their access points. Secondly, to increase efforts to introduce women-centric products and services that complements their existing situation. Thirdly, to simplify the process of hiring women champions at all touch points. Fourthly, to increase the effort to collect gender-disaggregated data to single the target segments. And, lastly, establish the policy forum on gender in the State Bank of Pakistan. However, from the demand side perspective data reveals that there is still a lot of ground to cover, especially in the case of women & poor households.

Despite the various initiatives by the SBP, structural exclusion from formal financial providers leaves poverty-stricken individuals, especially women, to rely on informal financial services, often at high rates of interest, which can lead them spiraling into a vicious cycle of impoverishment and debt. Thus, apart from financial institutions, social safety net programs are specially designed to lift the poor, particularly women beneficiaries, out of abject poverty and raise women's access to finance.

Over the past decade, the policy debate concerning cash transfer beneficiaries' economic and social empowerment revolved around financial inclusion to promote the development policy agenda. This phenomenon has gained traction specifically for cash transfer programs that have adopted digital modes to deliver payments. As evidence shows that many governments around the world adopted the digital means for the disbursement of G2P payments for greater transparency and greater financial inclusion. This has led to a bigger pool of beneficiaries of cash transfer programs who experience receiving payment directly into a bank account. The rationale behind adoption of technology that effective delivery of cash transfers via the digital mode has enabled beneficiaries to interact with the formal financial system. This leads the way to strengthening the development effect for the unbanked and poor segments, enabling them to connect to the formal economy as active economic individuals.

Cash transfer programs in middle-income countries have succeeded in increasing financial inclusion by the provision of greater flexibility than limited-mandate accounts. For instance, South Africa's "South African Social Security Agency" put in place a flexible payment system that aims for the empowerment of beneficiaries. Through this mechanism, recipients receive payment in the bank account of preference or in accounts with different payment providers in different regions. Also in Colombia, a state-owned bank delivers the payments to the recipients of the cash transfer program “Familias en Accion” (Focus Note 77: Social Cash Transfers and Financial Inclusion, CGAP 2012, p. 1-7). Over the lifecycle of these programs, beneficiaries, women, have experienced a rise in electronic payment systems that use formal financial institutions. Meanwhile, merely the employment of electronic delivery channels does not guarantee to achieve inclusive access to finance; however, it does provide a gateway for beneficiaries to access a range of financial services through alternate delivery channels such as branchless banking (Ali et al 2012).

On the contrary, a whole new set of argument revolved around the idea of the relationship between social protection and financial inclusion. For instance, Lavinas (2017) illustrates how social policy practices in Brazil today contribute to financializing livelihoods by securing consumption through credit, increasing debt, and reproducing poverty. The expansion of financial assets and products leads to the financialisation of households, as the income of households/individuals becomes profit opportunities for financial markets (Lapavitsas, 2013). Consequently, financial inclusion can be both a driver of economic and social empowerment and a downward spiral into poverty.

Moreover, financial institutions mostly participate in the government’s cash transfer programs because of the recurring nature of income in the form of fees from the government, yet few are providing financial products and services other than just limited mandate accounts. This phenomenon poses a critical challenge to bringing the excluded into the formal financial sector.

However, this study shows the demand-side behavior of the recipients of cash transfer in a context of BISP, for which there is no research on this subject. The opportunities provided through BISP are huge, as evident through the BISP theory of change in its final evaluation report. It shows the ability of BISP to move beyond poverty mitigation to achieve long-term poverty reduction and human development goals. Savings and investment, Asset building and, Access to credit /savings are the short term, medium term, and long term outcomes respectively, all of it contributes to improved wellbeing, social development and long-term poverty reduction of the beneficiaries (BISP Report, 2020). After a period of more than decade, it is pertinent to assess the impact it has been able to achieve in the term of outcomes mentioned above. What are the factors that contribute to it or hinder it?

In particular, through mixed-method approach, we try to analyze financial behavior of beneficiaries ; savings, credit(short term outcomes) and financial and digital literacy, to review their state of financial inclusion (long-term outcomes) and ultimately the barriers they face while approaching formal financial institutions for financial products and services.

According to reports, the BISP has had a positive and statistically significant effect on the proportion of beneficiary households with some sort of savings. Additionally, it has been observed that this effect on savings is concentrated in formal savings, i.e. savings with a bank or a microfinance organization, as opposed to savings in cash or with families and friends (BISP Report, 2020). But, there is inconclusive evidence on the determinants of saving. The determinants of beneficiaries saving behavior are rarely tackled in the literature. Likewise, the synergy between credit and saving of poor households need to be further explored. The potential negative effect of credit needs to be taken into consideration while designing the formal saving products for the beneficiaries.

The Impact Evaluation report of the BISP by Oxford Policy Management group has also reported that women beneficiaries have very low literacy rate as compared to the national averages. However it did not shed light on the financial & digital literacy of the beneficiaries.

It has been quite a time since the government of Pakistan has adopted the digital mode to deliver the BISP grant. Now at this stage it becomes essential to assess and evaluate the state of digital and financial literacy of the BISP. Thereby, enabling the policymakers as well as providers of the financial services to single out target segments and develop appropriate responses in an effort to achieve greater financial inclusion.

1.1.1 Case of Benazir Income Support Programme (BISP)

In this study, we focus on the Benazir Income Support Program (BISP) in Pakistan. It was started in 2008 by the Government of Pakistan. It is by far the most comprehensive and most systematic cash transfer initiative to be introduced in Pakistan. The primary or main objective of the program is to mitigate the adverse impacts of deep-rooted poverty and to ease the burden on poor households in the face of inflation (BISP Report, 2020).

The beneficiaries are enrolled through a Proxy Mean Test, which is also identified as the BISP Poverty scorecard. Due to its objective nature, it is one of the kinds to be introduced in South Asia for the first time. It applies a group of indicators associated with measures of monetary welfare for the approximation of a household's poverty and welfare level (BISP Report, 2020).

Eligible households are handed out a quarterly cash payment. The payment is delivered directly to the female head of a household, where the female head is categorized as the ever-married woman in the family who has a valid Computerized National Identity Card (CNIC). The amount of the transfer has increased gradually since the inception of the program. Initially, the beneficiaries received an amount of PKR 3,000 on a quarterly basis, and from July 2018 this amount increased to PKR 5,000. BISP employed various payment methods to give the amount into the hands of the beneficiaries. Previously, the grant was handed out using the Pakistan Post but currently, most of the beneficiaries receive their payment through digital means, either through BISP Debit Card (BDC) or Biometric Verification System (BVS) (BISP Report, 2020). So the adoption of digital payment systems and a large volume of payments to poor and disadvantaged segments of the population, i.e. women make BISP a rare case study to advance the agenda of financial inclusion.

1.2 Problem Statement

Pakistan is one of the least financially included nations, with the largest gender gap as only 7% of the adult women have access to finance as compared to the 36% adult males. The State Bank of Pakistan's Access to Finance Survey drew attention to several important aspects of Pakistan's low level of financial inclusion. According to the report, only 8% of people trust financial institutions with their savings, whereas nearly 50% of people save; 33% of people borrow; and while foreign remittances have significantly increased over time, only 2.3% of Pakistanis have sent or received remittances. The fact that the majority of women are excluded from the formal financial system is the most concerning issue.

Despite several policy initiatives, gender bias, high levels of poverty, and a lack of knowledge about financial services continue to be the main obstacles to financial access. According to experts, in order to increase financial outreach to the underserved groups, the formal financial and development sectors should cooperate with and incorporate informal channels and procedures. Thus, to overcome the state of financial exclusion for women, digitizing the government-to-person (G2P) payments, especially BISP, becomes increasingly significant. Over the years, BISP has adopted several digital modes (BISP Smart Card, BDC & BVS) for the disbursement of payments into the hands of the women beneficiaries. There are existing studies that have investigated the role of electronic payment in increasing the financial inclusion of the beneficiaries. For instance, a study by CGAP (2012) investigated the barriers specifically that come from extreme literacy on linking G2P payments (via Benazir Debit Cards) to financial inclusion. Another study by Kemal et al., (2015) studied the role of mobile banking as a method of payment to promote the agenda of financial inclusion. The Final Impact Evaluation report of BISP by OPM (Oxford Policy Management) reported the impact of cash transfer on savings and outstanding credit. It also evaluated the basic literacy of the beneficiaries. The extant of literature available on financial inclusion of the BISP beneficiaries was delimited to the role of methods of payment to promote financial inclusion & the impact of transfers on the savings, credit & basic literacy of the beneficiaries. Yet, there is little research that carried out a needs assessment of the BISP beneficiaries' in terms of their saving behavior, loan taking behavior and financial & digital literacy, to find out constraints to formal financial products (savings & credit) & limitation of beneficiaries (financial and digital literacy) to use Mobile Banking/Digital banking services, in order to inform policymakers to develop evidence-based financial inclusion strategy. Also, financial literacy is a solid option to be the focus of future development efforts in Pakistan's financial inclusion landscape since it has consistently demonstrated a positive impact on the use of both formal and informal financial services.

1.3 Research Objectives

a. The research aims to evaluate the financial behavior of the recipients of government-to-person (G2P) payments, within the case study of the Benazir Income Support Programme (BISP) in Pakistan.
b. To review the current status of financial inclusion & constraints, with respect to the savings and credit, and financial and digital literacy.
c. To identify the impact of socio-economic characteristics on the saving behavior of the beneficiaries.

d. To investigate the impact of borrowing & financial literacy on the saving behavior of the beneficiaries.

1.4 Significance of the Study

Financial inclusion of the cash transfer recipient is critical as it changes the humanitarian agenda of the program to the development agenda. The poor have access to savings, credits, and other financial offerings, which will help them to come out of abject poverty and mitigate the blow of catastrophic events. This study contributed to the government's strategic vision of "Greater financial inclusion" which is very well articulated in the “Kifalat Financial Inclusion Strategy” under BISP. Specifically, it achieves this by providing useful insights into the financial behavior/diaries of the beneficiaries. In addition, it also sheds light on the barriers beneficiaries face when approaching formal financial markets with their saved amounts and for credit, as well as the limitations imposed by their lack of financial literacy and digital literacy. A range of financial services (savings, credit & mobile banking) could be delivered that are easy to access and responsive to the beneficiaries' needs based on the findings. The study will serve as a stepping stone for the development of a well-researched financial inclusion strategy for the poorest and backward segments of society, namely BISP women.

1.5 Organization of the Study

The thesis is divided into seven chapters. The first chapter provides an introduction to the thesis and illustrated the problem statement, significance of the study and research objectives. The second chapter based on the literature review. Research design and methodology are covering the third chapter including the sampling and discusses the empirical methodology required to find the results for the research. The fourth chapter of this study comprises the detailed findings and analysis. Qualitative analysis consisting of findings of FGD’s, Policy review & In-depth interviews of BISP official are in chapter 5. Conclusions and Policy Recommendations are present in the chapter Six and Seven chapters respectively.

CHAPTER 2

Literature Review

2.1 Overview

This chapter presents a thorough critical review of discussion on the role of cash transfer in achieving financial inclusion, specifically through the adoption of digital means and constraints faced are presented in the section 2.1 and 2.2. Finally, the section 2.3 presents the literature on the saving behavior of cash transfer beneficiaries and highlighting the research gap.

2.1 Impact of Cash transfers on Financial Inclusion

Studies of middle-income countries, Columbia, Mexico, South Africa, and Brazil gives valuable insights into evaluating the cost incurred by the government, the range of accounts provided to recipients, and the business model in deploying G2P payments (Bold, Porteous, & Rotman, 2012; Pickens, Porteous, & Rotman, 2009).

It has been established that enhancing the financial capability and capacity of recipients of cash transfers is impertinent, so through budgeting, saving, and investing they can fully benefit from the grant received. A World Bank toolkit, Integrating Financial Capability into Government Cash Transfer Programs, says that the combining of financial inclusion and social protection programs is becoming more widespread (World Bank, 2018).

An already established body of empirical literature has identified the impacts of the combined social protection program and financial inclusion initiatives. Positive impacts on savings and financial behavior were reported, and these lead to improvements in the standard of living for the poor. For instance, a randomized evaluation of a tablet-based financial education program, incorporated with a cash transfer program in Colombia (Más Familias en Acción), revealed positive results. There was a considerable influence on financial knowledge, attitudes to financial services, adoption of financial practices, and saving behavior among the beneficiaries. Similarly, a working paper from the Centre for the Study of African Economics shows the effects of further elements of social protection programs in rural Uganda and found that programs with saving components were associated with larger income gains, significantly from non-farm self-employment (Sedlmayr et al., 2017).

The poorest of the poor in the Chittagong Tracts in Bangladesh were found to take advantage of a cash transfer program that combined village savings and loan associations (Chakma, 2013). The system stressed social integration and mutual trust to facilitate financial transactions. The impacts were increased savings and resilience.

A cash transfer program in Northern Uganda delivered an add-on 5-day training courses in business skills apart from just giving out cash to marginalized groups. Follow-up visits to support the implementation of business plans were also made. The appraisal shows the significant economic impact of cash transfers with business training and planning (Blattman et al., 2014).

A project in Northern Kenya provides cash transfers to women conditional on having an active enterprise and receiving training on savings groups (Gobin et al., 2016). Savings behavior was found to be improved after 6-months of implementation. There were also significant improvements in income, asset accumulation, and food security. Another study evaluates a pilot program in Uganda, Social Assistance Grants for Empowerment (SAGE), and found that cash transfers have a significant impact where saving groups are operational. Though, the saving groups were not specifically part of the program (OPM, 2015).

An Abdul Latif Jameel Poverty Action Lab holistic livelihoods program in Bangladesh, Ethiopia, Ghana, India, and Pakistan delivers a productive asset rather than cash (JPAL and IPA Policy Bulletin, 2015). Regular training, access to savings, and coaching are also part of the program. An evaluation report showed the increased consumption of food by 5.8% higher than contemporary non-recipient households. There were also improvements in asset holdings, savings, and food security.

On the other hand, another study by CGAP (2016) examined the JUNTOS, cash transfer program in Peru. Communication campaigns to encourage savings, correspondent banking agents, and training/workshops to instill trust in the financial system are some of the initiatives to be introduced in that program. Outcomes of the study depict that there is no significant impact on saving behavior, the use of banking agents to carry out transactions was improved.

2.2 Impact of Digital Social Payments on Financial Inclusion

Cash transfers, wages, and pensions constitute the majority of the G2P payments to an estimated 170 million people worldwide. In many developing countries, in order to realize the target of achieving greater financial inclusion, governments are leveraging digital platforms to disburse the government-to-person (G2P) payments (Rotman, 2011). Mobile technologies and card-based solutions present the opportunity to swiftly scale up financial access (Rotman, Kumar, & Parada, 2013; Ehrbeck, 2011).

A study on 123 countries show that digital payments that reduce the cost and increase the convenience of financial transactions may expand the pool of eligible account users and encourage existing account holders to use their accounts with greater frequency and for the purpose of saving (Allen et al., 2016)

Advancement in technology helps the government to understand the drivers of poverty and development to address the fight against poverty and fulfill the goals of financial inclusion. Social protection via cash transfers proves to be one of the most successful tools in the alleviation of poverty. These periodic payments of cash, delivered by the government, help in decreasing chronic or shock-induced poverty and lessen economic vulnerability. Despite the fact that nowadays, social cash transfers are national public policy, the intention is to provide security, transparency, and cost-effectiveness in the delivery of cash handouts. Government agencies handing out cash solicit the means to reduce leakage and fraud, lower the overall cost, as well as improve access for the financially underserved. For the beneficiaries, there is a need for security and control over the funds, reliable payment methods, and convenient access. Subsequently, a strong argument is developed in favor of leveraging the technological advances in financial services with government payment programs to advance the agenda of financial inclusion (Dancey & Kim 2013).

Digital payments pave the way for the previously unbanked individuals to access formal financial services in the form of mobile wallets (mobile banking), electronic wallets (payment cards), conventional bank accounts. These provisions offer a store of value for carrying out financial transactions, for instance, savings, payments, credit, and insurance (Tarazi, Pickens, Ehrbeck, 2012). The upsurge of digital payments shows that it provides the transparency, pace, security, and cost-efficiency that upholds financial inclusion at the scale necessary to accomplish the G20 objectives (Klapper & Singer, 2014).

Although, digital social payments to the bottom of the pyramid prove to be a way to achieve fuller financial inclusion but evidence suggested that it is not nearly possible as the recipients of social payments, withdraw 100 percent of the amount at once and by and large do not use the account again until the next transfer takes place, leaving alone taking the advantage of additional financial services available to them. This prevalent practice impedes the promise of digital social payment as a financial inclusion gateway (Zimmerman & Baur, 2016). Another study in this regard argued that, digitizing G2P payments have the potential to dramatically reduce costs, increase efficiency and transparency, and help recipients build familiarity with digital payments. Doing so isn't without challenges and should require significant up-front investments in building an adequate physical payment infrastructure and providing consumer education. But when supported by an appropriate financial consumer protection framework, digital payments enable confidential and convenient financial services, which may be especially important for women. Migrating to electronic G2P payments offers a chance to rapidly proportion access to financial services and provides an on-ramp for financial inclusion, and in many cases, results in the primary account that the recipient has in her own name and under her control (Klapper & Singer, 2017).

Several cash transfer programs initiated a transition to deliver cash benefits via digital payments in mobile-based accounts. The literature that investigates the effects of social transfer programs' transition to electronic channels is vast and ever-expanding. The studies on Mexico's Progresa-Oportunidades-Prospera programme's digital payment system, essentially focus on the rollout of

Visa Debit cards among POP's urban & peri-urban beneficiaries (Bachas et al., 2017) and overall transaction flows (Chiapa & Prina, 2014), highlight that the beneficiaries who already received payments in saving accounts did not withdraw the whole amount of the grant and saved a portion of it in their accounts. This indicates that poor households do save when suitable financial tools and instruments are available (Seira, 2010). These findings are in accordance with the reported previous results which exhibited that the beneficiaries of the Mexico Oportunidades Program save around a tenth of their payment for investing purposes, resulting in increases in consumption in the medium term (Gertler, Martinez, and Rubio-Codina, 2012). Bachas et al‘s (2017) study highlighted that the provision of debit cards, along with saving accounts, allowed beneficiaries to access their saving with much less transaction and monitoring costs.

Previous literature also listed out various reasons explaining the recipients' limited use of their digital accounts, including limited trust, convenience, presence, and value proposition (McKee, Kaffenberger, and Zimmerman, 2015). Zimmerman and Baur (2016) studied the DSP programs in 12 emerging markets to point out the well-known consumer risks and challenges experienced in their design and deployment. Network and service unreliability, inadequate agents and ATM liquidity, complicated user interfaces, lack of proper channel to voice their concerns & grievances, and ultimately the fraud that targets the recipient all are the risks consumer faces while interacting with the Digital social programs. Overcoming these risks proves a turning point to achieve meaningful financial inclusion as it happens to create an ecosystem that will enable to build trust and to create interest in other financial services.

Even though the payments are delivered through bank accounts, the evidence supporting the relationship between receiving G2P payments and usage of financial services is not enough.

Therefore, the role of digital technologies in increasing financial access and usage among the poorest individuals remains mostly under-studied (Pickens et al., 2009).

Recent literature also emphasizes that there should be more than just delivering the payments into bank accounts to achieve the success of the financial inclusion. The usage of the accounts for conducting economic activities is paramount. Therefore, “full financial inclusion” necessitates participation in a wide range of financial activities, for instance depositing savings, making payments and taking credit/insurance using the bank accounts (Ehrbeck, 2011; Bold et al., 2012). Since beneficiaries of government transfers have bank accounts with restricted functionality, therefore they did not have access to “financially inclusive” accounts for carrying out various economic activities. This constricted their inclusion in the micro-entrepreneurial sector as well the financial sector (Bold et al., 2012).

Government-to-person (G2P) transfer payments can be a powerful on-ramp to financial inclusion, overcoming the significant barriers women face and enabling account ownership and usage for millions of women recipients. Yet, more deliberate efforts are needed to close the gender gap and realize the potential gains of financial inclusion.

2.3 Saving Behavior of Cash transfer Beneficiaries

Saving plays a major role in improving the welfare of individuals and societies across all economic levels. According to Karlan et al. (2014, 36), individual saving "helps households smooth consumption and finance productive investments" and aggregate savings are a strong indicator of macroeconomic growth in the future. Poor people, however, face significant obstacles to saving in developing countries; for example, DemuirgucKunt and Klapper (2012) estimate that 77 percent of adults who live on $2 per day or less do not have formal financial accounts. Despite informal savings methods such as savings groups and keeping cash at home, savings rates remain low. However, these lower rates do not suggest a lack of demand for saving products; many studies have shown that the poor have inherent demand for savings confirmed by their expenditures (Banerjee and Duflo, 2007; Rutherford, 2000; Collins et al., 2009).

Since the majority of the evidence base was established by the UN's From Protection to Production programme, there have been 27 studies that directly assess the effects of cash transfer programmes on savings, investment, and production (ODI, 2016). Ten of these research look at the effect on savings. Results are generally encouraging. Three of these studies showed statistically significant findings, while six of them revealed increases in household savings with effects ranging from 7 to 24 percentage point increase in total savings.

Most of these studies generally support the theory of change that receipt of a guaranteed, predictable source of income should relieve households of liquidity, credit, and risk constraints, thereby enabling savings and investment. Studies in Zambia (Daidone et al., 2014), Kenya (Merttens et al., 2013), and Uganda (Merttens et al., 2015) all show statistically positive impacts on the likelihood of possessing a bank account and having some amount of savings accumulated, with the Zambia study also finding an increase in the amount of savings. Other studies that have shown increases in household savings include evaluations of Ghana's LEAP program (Tiwari et al, 2014) and Pakistan's BISP (Cheema et al, 2014), though the results were not statistically significant.

The majority of the research largely concurs with the idea , according to which receiving a stable, predictable source of income should free households from restrictions on their access to credit, liquidity, and risk, allowing them to save and invest. The likelihood of holding a bank account and some savings is statistically positively impacted in studies from Zambia (Daidone et al., 2014), Kenya (Merttens et al., 2013), and Uganda (Merttens et al., 2015), with the Zambia study additionally revealing a rise in the amount of savings. Evaluations of the LEAP programme in Ghana (Tiwari et al., 2014) and the BISP in Pakistan (Cheema et al., 2014) are two more studies that have showed increases in household savings; however the findings were not statistically significant.

The literature on cash transfers, Saving behavior and financial inclusion is overwhelming from all around the world. But in the context of Pakistan's there is a dearth of literature on the financial behaviors and barriers to financial inclusion for the Benazir Income Support Programme beneficiaries. The opportunities presented by G2P payment systems hold promise, it is important at this point to review the state of financial inclusion in the beneficiaries of BISP payments, in order to better understand the challenges that will need overcoming in order to better make use of the opportunity presented.

CHAPTER 3

Research Design & Methodology

3.1 Introduction

This chapter presents the research design and methodology, which encompasses a mixed-methods approach where quantitative and qualitative research tools are employed. Using a mixed set of approaches is necessary to present a detailed picture of the financial inclusion of beneficiaries.

3.2 Data Collection

Primary data are gathered by structured questionnaire technique, where interviews of BISP beneficiaries (women) were conducted. It involves measuring the financial inclusion dimensions from the perspective of the beneficiaries of the BISP Program and gauging how conducive these beneficiaries' are in their capacities to promote financial inclusion. To develop more inclusive financial systems, the data collection effort for the demand side data i.e. from the point of view of the household or individual, is pertinent. As individual-level surveys are necessary to collect data on the demographic characteristics of potential financial services users to identify segments of the population with the greatest barriers to access to finance, such as women, rural residents and the poor. A structured questionnaire was developed for the collection of data from the members of the BISP Program. Through the questionnaire, we managed to cover the following key areas:

a. Socioeconomic and demographic characteristics of respondents

b. Saving behavior

c. Loan and credit behavior

d. Awareness and Usage of Mobile Payments

e. Financial literacy (Products & Services)

Qualitative Analysis:

i) Focus Group Discussions (FGDs)

We performed FGDs, administered on male members of the BISP beneficiary women household (to know about their attitude shape/influence financial behavior of beneficiaries may affect their access to financial markets).

ii) In-Depth Interviews (BISP):

In-depth interviews provide useful qualitative insights into how the BISP is implementing the interventions. The in-depth interviews are centered upon the interventions w.r.t the three indicator of financial inclusion, savings, credit & Digital & financial literacy. The in-depth interviews were held with stakeholders of BISP including, Senior BISP official.

3.3 Sampling

To develop a sampling framework, we obtained the data from BISP's National Socio-Economic Registry (NSER). National Socio-Economic Registry (NSER) is an all-encompassing dataset to provide a full spectrum of household level status of poverty & well being across the country. NSER has evolved most reliable and recent dataset of 34 million households of Pakistan. It covers demographic, socio-economic, education, health & asset profiling of the BISP beneficiaries.

From the given list, multi-stage stratified sampling approach is used to withdraw a sample of our study. Firstly, Pakistan is stratified by province. The country consists of five provinces. We have picked three provinces namely Punjab, Sindh, Baluchistan and Khyber Pakhtunkhwa for our sample.We randomly selected districts from three provinces, i.e. Punjab, KP, and Sindh.

- At the first stage, six districts were randomly drawn from the list of total districts from each province.
- After each selected district, one tehsil was chosen on a random basis.
- In the next step, 10 union councils (5 urban, 5 rural) were selected from each tehsil and at the end 1 union councils from each urban and rural were selected where 15 women beneficiaries of BISP from each union council were selected on the basis of random sampling. The aggregate sample was 210 beneficiaries of BISP.

3.3.1 Process of Selection of Beneficiaries

- 6 Districts (Bahawalpur, Narowal, Muzaffargarh, Haripur, Sukkur and Jacobabad)
    - Randomly selecting one tehsil from each district, but from the district of Narowal, we have two taken two tehsils to supplement the data.
        - 10 union council from tehsil
            - 5Urban, 5 Rural
                - 30 Beneficiaries (15 from Rural UC, 15 from Urban UC)

3.3.2 Focus Group Discussion: 4*1 (per district). Total= 4*6 where n=number of districts, 24 FGD's.

3.3.3 In-Depth Interviews: 2 (stakeholders comprising of BISP officials).

3.4 Survey Instruments

Separate instruments designed for a *structured survey (Quantitative analysis) and Focus Group Discussions (Qualitative analysis).* The structure and choice of sections/questions are guided by a literature review of poor women's financial inclusion.

3.5 Data Analysis Methods

The aggregate responses were coded in Microsoft Excel, and then the data were examined using Statistical Package for Social Sciences (SPSS). Quantitative data analysis comprises approaches for understanding and interpreting numerical data generated from survey research. Following quantitative techniques were employed:

(i) Exploratory data analysis (EDA): It attempts to analyze and display observed data in relatively straightforward ways which do not require the application of a prior hypothesis or model. Essentially EDA will analyze the data set to summarize their main characteristics through data visualization. **Data Visualization** will encompass the following types of graphs; *Bar charts, Histograms, Scatter plots, Pie charts.*

(ii) Estimation Technique

We have developed our econometric model which revolves around the saving behavior of the beneficiaries as a dependent variable, as savings are a fundamental component of financial inclusion. To understand the key determinants of saving behavior of the beneficiaries, the study used Logit model to estimate which BISP beneficiary and household characteristics affect saving behavior of the beneficiaries. Akudugu (2013) and Abel et al., (2018), used this estimation technique for the identification of financial inclusion determinants. Logit model is based on binomial or multinomial regression framework in which dependent variables are binomial or multinomial in nature. The underlying reason behind opting logit model is that the savings is a decision that people have to take based on different factors. This model gives information on how the change in the demographics and socio-economic attributes of beneficiaries and their household characteristics can affect their behavior as compared to beneficiaries with different attributes and demographics. In other words, Logit model used in this study will predict the probability of choosing one of the two categories of a dependent variable ("Yes" & "No" for saving) on the basis of independent variables.

The independent variables could be either continuous or categorical. In the present scenario, except for age, household income and size of the household all other independent variables are categorical.

Despite the fact that financial institutions simultaneously extend the loan to create saving habits that last long after the loan is fully paid, Karlan et al. (2013) claim that researchers have paid little attention to the relationship between borrowing and saving. Furthermore, according to Stewart et al. (2012), there is a dearth of evidence of the effects of credit on voluntary saving because most studies have focused on the common forced saving demanded by financial institutions. As a result, we've included borrowing as an independent variable in this model to better understand how it affects the beneficiaries' saving habits. The study also looks into the role of financial literacy in saving habits as saving behavior was supposed to link to perceived financial knowledge.

In this case, the logit model is mathematically represented as:

$$Y_i = \beta X_i + U_i \qquad \text{(i)}$$

Where dependent variable (Yi) is the response observed for beneficiary who either save or who doesn't. Similarly independent variable X_i consists of all the independent variables (age, marital status, employment status, education, household income, household size, house ownership and borrowing of the beneficiaries, financial literacy).

Yi is a binary variable that holds the value one if the person saves and zero in the opposite scenario. This indicates that $Y_i = 1$ if Xi is more than or equal to the critical value X* and $Y_i = 0$ when X_i is less than or equal to the critical value X*. Here, X* is actually the representation of all the independent variables (Xi) at the critical level.

Equation (i) is representing a binary choice model which estimates the probability of savings and borrowing by beneficiary in the light of a set of exogenous factors (X): The probability function is represented as:

$$P\ (Y_i = 1) = F\ (\beta' X_i) \qquad \text{(ii)}$$

$$P\ (Y_i = 0) = 1 - F\ (\beta' X_i) \qquad \text{(iii)}$$

This probability P is estimated using a logistic cumulative distribution function in the following way:

$$P(Yi = 1) = \frac{e\beta'^{x}}{1 + e\beta'^{x}} \qquad \text{(iv)}$$

$$P(Yi = 0) = 1 - \frac{e\beta'^{x}}{1 + e\beta'^{x}} = \frac{1}{1 + e\beta'^{x}} \qquad \text{(v)}$$

The regression of condition expectation of Y on X gives the probability model in the following way:

$$E(Y|X) = 1 (F(\beta' X_i) + 0 (1 - F(\beta' X_i)) = F(\beta' X_i) \qquad \text{(vi)}$$

The parameters of the independent variables do not necessarily indicate marginal effects as the model is nonlinear. Differentiating equation (vi) with respect to the independent variables (X_{ij}) gives the relative effect that each independent variable could have on the decision of savings. It is represented as follows:

$$\frac{\delta P_i}{\delta X_{ij}} = F(\beta' X_i)\left(1 - F(\beta X_i)\right)\beta \qquad \text{(vii)}$$

The method of Maximum Likelihood (definition) is then used to estimate the model. The final empirical model to estimate the relationship between the probability of saving decision and socioeconomic variables is given as:

P(MMU=1/X) = $\beta_o + \beta_1$ age $_+$ β_2 marital status+ β_3 employstatus + β_4 educlevel + β_5 HH income+ β_6 Household Size+ β_7House Ownership+ $\beta_8$borrowing+β_9Financial literacy+ U_i (viii)

The table 1 below provides the description and expected sign of each of the exploratory variables.

Table 1: List of Independent Variables

Variable Name	**Type/Nature**	**Description**
Age	Independent *Continuous*	How old the beneficiary is at the time of the survey
Marital Status	Independent *Binary*	Marital status of the respondent, whether she is single or married. Married (1) Single (0)

Household Income	Independent *Continuous*	Household income level of the respondent
Employment Status	Independent *Binary*	It provides information whether an individual is employed or unemployed.
Household Size	Independent *Continuous*	It provides information on the number of family members in a household.
Education	Independent *Categorical*	It provides information whether an individual received education or no education at all.
Borrowing	Independent *Binary*	Beneficiaries who have either taken a loan or not have taken one.
Financial Literacy	Independent *Binary*	It provides information on basic literacy of the beneficiaries Financially literate (1) Financially illiterate (0)

CHAPTER 4

Results and Discussion

4.1 Introduction

This chapter and the following put forth the detailed research findings, discussions, and policy implications in response to the objectives of the study. The following section presents descriptive statistics, followed by the EDA findings & Analysis and ultimately the estimation results are presented.

4.2 Profiling of BISP Beneficiaries/ Descriptive Statistics

In order to gain a greater understanding of the Beneficiaries and their poverty status, socioeconomic profiling of BISP beneficiaries is essential. It encompasses the information needed to identify opportunities and limitations in the assessment of the BISP beneficiary profile with the aim of providing affordable and easy-to-access financial services. As reported by previous studies, the demographic characteristics of beneficiaries of the BISP program are considerably associated with each other. Social and cultural factors also manipulated these characteristics. Selected beneficiaries through sampling in the research area were inquired about their various demographic characteristics, employment of beneficiaries, age of beneficiaries, educational attainment of beneficiaries, major household income sources, and household income.

Table 2: Percentage Distribution of Sample Characteristics

Demographic variables	N	Frequency	(%)
Household Income (monthly in Rs)	210		
Less than 5000		20	9.5
Rs. 5000-10000		58	27.6
Rs. 10000-15000		65	31

Rs. 15000-20000		28	13.3
Rs. 20000 & above			18.6
Age of Beneficiaries (in years)	210		
Below 25 years		2	1
26-35 years		36	17.1
36-45 years		78	37.1
46-55 years		67	31.9
55 years & above		27	12.9
Employment Status of Beneficiaries	210		
Livestock		13	6.2
Agriculture		1	0.5
Self-employment/own business		19	9
Daily wages		26	12.4
Private Employee		7	3.3
Public Employee		1	0.5
Unemployed		11	5.2
Housewife		103	49
Other		29	13.8
Major Source of Household Income	210		
Farming		9	4.3
Business		12	5.7
Labor		158	75.2

Private Job		13	6.2
Pension		1	0.5
Other		17	8.1

The data in Table 2 revealed that an overwhelming majority (49%) of beneficiaries were housewives, whereas 12% were working as daily wagers; only 9% were self-employed or have their own business, and 6.2% own livestock to generate income. The percentage of beneficiaries working in agriculture and the public sector was 1%. Only 3% of the respondents were working as private employees.

The Table 2 indicates the age distribution of beneficiaries. 37% of beneficiaries were up to 36-45 years old, while 32% of beneficiaries were 46-55 years of age. 17% of the surveyed participants were 26-35 years of age, whereas the 55 years and over old beneficiaries accounted for only 13% of the total beneficiaries. The “Less than 25” age category includes only one beneficiary.

Most of the beneficiaries’ households (75%) were surviving on income in the form of daily wages; 6% percent were earning their living through private jobs, and 6% of the household’s income source was a small business setup. 4% of the household source of income was farming, while only 1% received pensions (Table 2). The findings exhibit an alarming situation as the majority of the beneficiaries have irregular income streams which make them vulnerable to poverty, as they have no source to burden the unfortunate events in the future. BISP played a phenomenal role in providing these vulnerable groups with a sum of money that somehow helped to mitigate unexpected shocks.

Roughly 31% of beneficiaries’ household monthly income range is 10,000 to 15000 (PKR), whereas 28% have 5000-1000 (PKR). 19% of the beneficiaries have a household income of more than 20,000 per month, while 13% have 15000-20000 (PKR). Less than 10% have 5000 PKR on a monthly basis. Table 2 above shows the segregation of household income levels.

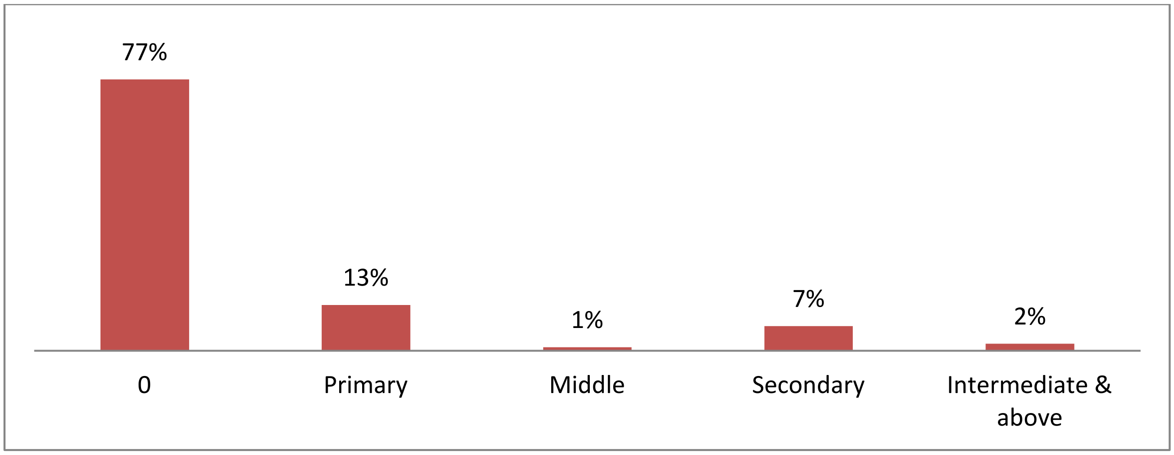

Figure1: Educational Attainment of BISP beneficiaries (% distribution)

Moving further, data in the figure depicts that 77% of beneficiaries have no general education, which presents an alarming situation regarding the provision of developing and providing financial products for them. Only 2% of beneficiaries studied till the intermediate level, whereas 7% and 1% have a secondary and middle level of education. 13 percent of beneficiaries have attended schools till primary.

The beneficiaries were inquired about their house ownership status, and their responses are mentioned in Table 3. About 82% of the respondents were living in their own house while 5.7% had a rented house. Only 3.3% of the respondents were sharing their homes with others or living in shared spaces with relatives. The table also describes the responses of the respondents about the material used in the construction of their houses. A considerable portion of the respondents (44%) responded that houses were made of straws, mud, and wood, while 31% of the respondents reported that bricks, cement, and steel were used in the construction of their houses. And 25.2% of the beneficiaries had a house which has both materials used in its construction. Lastly, Table 3 describes the frequency distribution and percentages showing the living arrangement. According to their survey data, the nuclear family is the most common type of arrangement, accounting for 63% of the respondents in the sample. And 37.1% of the respondents were living in a joint family system.

Table 3: House Ownership Status, Type of House & Living Arrangement

	Frequency	Percentage
House Ownership Status		
Own house	172	81.9
Rented	12	5.7
Sharing	7	3.3
Other	19	9
Type of House		
Pacca	65	31
Katcha	92	43.8
Mixed	53	25.2
Living Arrangement		
Nuclear Family	132	62.9
Joint Family	78	37.1

4.3. Exploratory Data Analysis

4.3.1 Saving Behavior

Main findings

Generally, the BISP beneficiaries are extremely poor to save. Nearly half of them save on a monthly basis with a very irregular pattern; with a 50.9%, saving amount, they save less than Rs 500. The saved amount is stored at home. The motive to save is to foresight- to overcome an anticipated gap between future needs and income. Lack of income & having no formal education or basic training in the basic abilities needed to use the available resources is two major factors that play a role in constricting women to use informal modes to save.

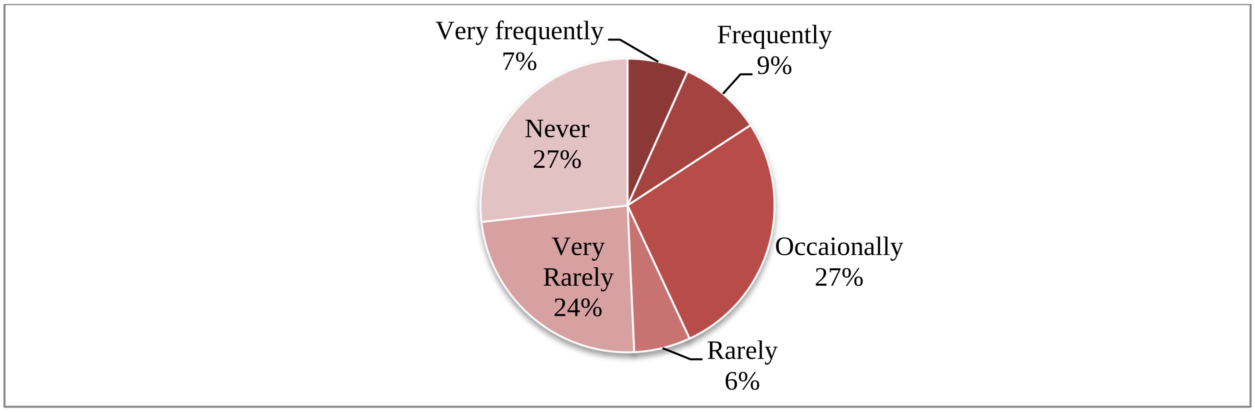

Figure2: How regularly BISP Beneficiaries save? (% distribution)

Most of the women save occasionally (27%). However, the surveyed data also revealed that a similar proportion of beneficiaries (27%) do not save at all. 24% of respondents save very rarely, whereas 9 percent save frequently. 7% and 6% of respondents save very frequently and rarely, respectively (Fig 2).

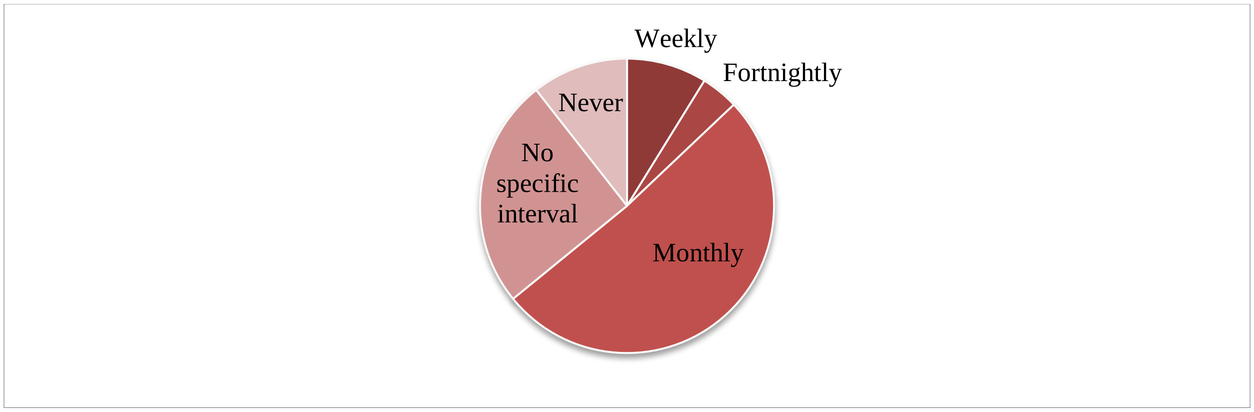

Figure 3: Status of Savings of BISP beneficiaries (% distribution)

The majority of beneficiaries (51.2%) save on a monthly basis. While 25.3% also reported, there isn't a specific time period to save money. 11% of respondents reported that they had left with no money to save. 9% of beneficiaries save on a weekly basis, whereas only 4% of respondents save fortnightly (Fig 3).

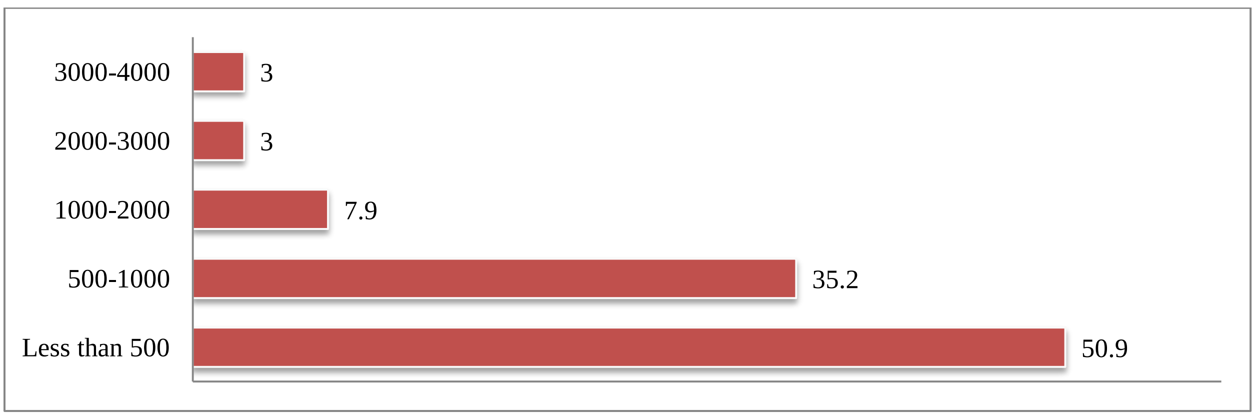

Figure 4: Amount of Savings by beneficiaries (% distribution)

When inquired about the amount of saving they usually save over a period of the month, 50.9% of beneficiaries responded that they save less than 500 PKR. For 35.2% of beneficiaries, the saving amount stood at between PKR 500-1000. Only 3% of beneficiaries save more than PKR 2000 and similarly, the equal percentage of beneficiaries save over the range of PKR 3000 (Fig 4).

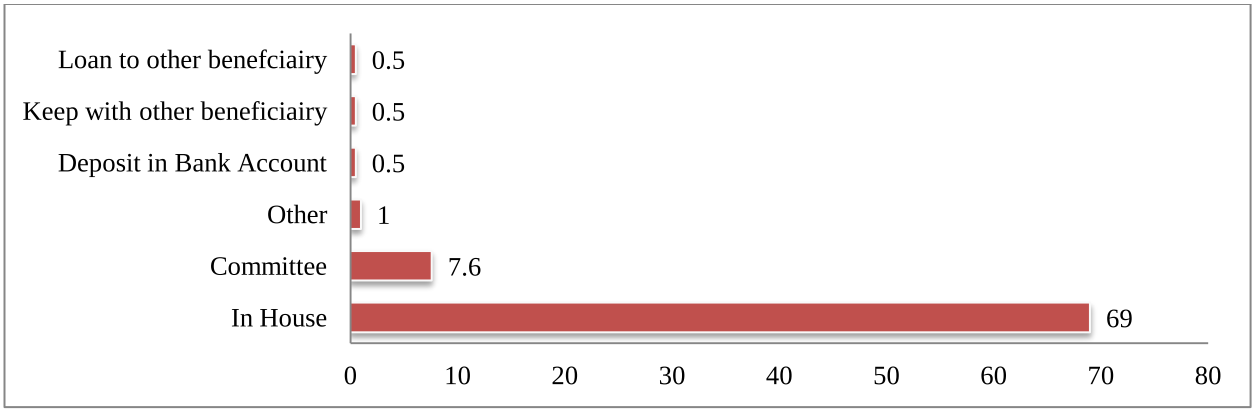

Figure 5: Beneficiaries' Savings Mechanism (% distribution)

A majority, 69%, of beneficiaries stored cash at home. The use of committee savings is also prevalent, among 7.6% of beneficiaries. In terms of formal saving products, just 0.5 save in bank accounts.

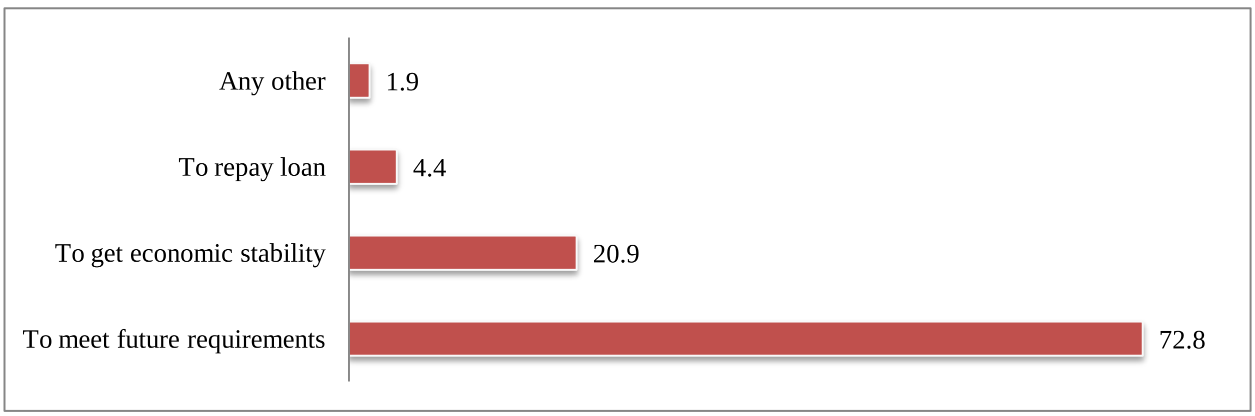

Figure 6: Beneficiaries' Purpose of Saving (% distribution)

Most of the beneficiaries (72.8%) save for meeting future unexpected expenses. While 20.9%, of beneficiaries reported that they saved to gain economic stability. 4.4% of the beneficiaries save to repay the loan that they had taken in the past (Fig 6).

Provincial & Urban and Rural Analysis

Table 4: Status of Savings of BISP beneficiaries (Provincial & Urban and Rural Analysis)

Saving Status

Province	Very frequently	Frequently	Occasionally	Rarely	Very Rarely	Never
Punjab	0%	7.50%	30%	7.50%	47.50%	7.50%
Sindh	0%	15.40%	56.40%	2.60%	17.90%	7.70%
KP	5%	5%	20%	35%	5.%	30%
Region						
Urban	0%	10%	40%	10%	30%	10%
Rural	2%	10.20%	36.70%	12.20%	24.50%	14.30%

The data in the above table 4 demonstrates that comparatively, KP is leading among those beneficiaries where there is no specific time period to save. Sindh has the highest number of beneficiaries who usually save over a period of a month. Women in Punjab exceed in comparison with other provinces whose saving amount exceeds PKR 500 per month. While Sindh tops the list where most of the beneficiaries saved less than PKR500 on a monthly basis. As per analysis of the Provincial & urban & rural data, women in all areas save in their respective home. However in KP, a considerable portion of women also employed other modes i.e. committee savings to park their monies.

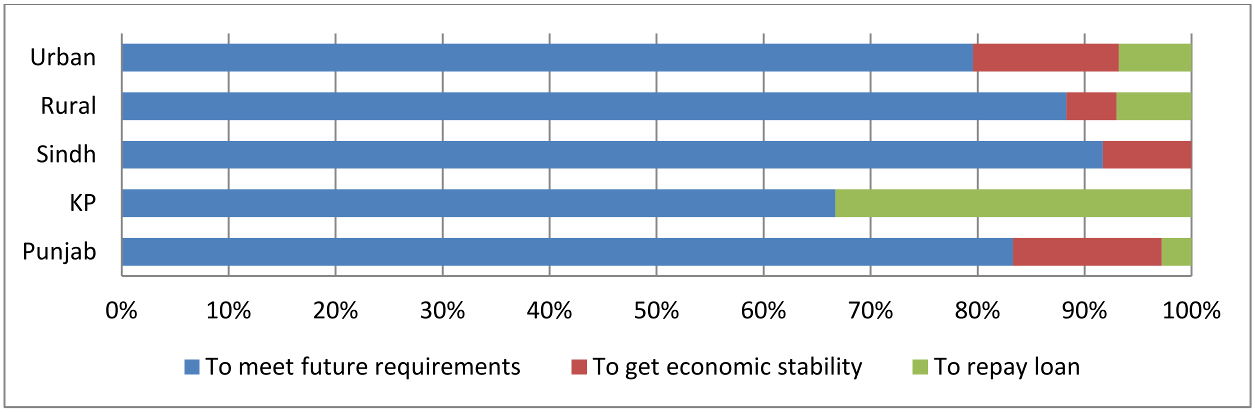

Figure 7: Beneficiaries' Purpose of Saving (Provincial & Urban and Rural Analysis)

In urban region, 13.6% of the BISP beneficiaries save to get economic stability, whereas in rural areas only 4.7% of the beneficiaries save for this purpose (Fig 7).

Discussion & Analysis; Saving Behavior

Saving behavior is an essential component of financial inclusion and to promote and use savings products among cash transfer beneficiaries are mainly enablers of empowerment interventions. The findings suggest that beneficiaries are only able to save very minuscule amounts. About 50.9% of beneficiaries save less than Rs 500 and that too irregularly. A majority, 69%, of beneficiaries stored cash at home. The use of committee savings is also prevalent, among 7.6% of the beneficiaries. In terms of formal saving products, just nearly 1% saves in bank accounts. The underlying reasons beneficiaries' do not save in the formal financial institutions are manifold, depending upon both supply side and demand side factors. In this study we particularly focus on the demand side factors related to the use of financial products. The absence of use has been defined as the presence of frictions related to the demand side of financial services: lack of financial knowledge or information about financial products; lack of employment or income; mistrust of financial institutions; social restrictions; behavioral biases; and some parts of individuals’ past history, such as the psychological impact of systematic discrimination, besides others. All these demand-side constraints limit savings (Giannatale & Roa, 2018).

Based on the findings from interviews with beneficiaries, it is revealed lack of income or the irregularity of it limits the women to save more frequently and to approach the financial institutions for their minuscule savings. Also, having no formal education or training in the basic abilities needed to use the available resources is a major factor that plays a role in constricting women to use informal modes to save. Our analysis is consistent with an experiment carried out by Carpenter and Jensen (2012) in Pakistan, where the findings exhibit that low basic literacy limits the use of banking sector.

To develop a meaningful financial inclusion, this particular saving behavior needs to be streamlined and incentivized. The saving incentive should develop channels to convert the informal mode of savings to formal ones where the saved amounts utlimately get parked in formal financial institutions. It can be through digitized financial inclusion where limited mandate accounts can be offered along with linking a m-wallet saving account with it for promoting savings or there can be a evolved integration by linking a banking network on the lines of NABARD, India, where pooled savings take the shape of group deposit accounts and these deposits are then extended as soft loans to the particular group members. This mechanism will also address trust issue related with formal sector as opening of no frill accounts, velocity of interaction and transaction will enable disadvantaged segments to entrust their savings with formal banks. Saving & transition of saving to a bank/formal account is important paramount, which is missing here but can be promoted by additional cash transfer or sustainable economic opportunities provided.

From the Provincial & rural/urban analysis, it is observed that majority beneficiaries saves either occasionally or very rarely with 30% members in KP who never saved & 48% in the Punjab who save very rarely. Majority saves less than Rs 500 and rest saves barely more than that. This nominal saving is done to meet future requirement, mainly concerning consumption smoothening. While in KP 25% members responded that they save to repay loan. The saved amount is mainly kept at home. Demand side factors, inadequate knowledge & information and lack of income, both limits beneficiaries' participation in all the provinces to take their deposit into the formal financial institutions. In the rural and urban these two factors dominate the others.

4.3.2 Borrowing Behavior

Main Findings

Majority Beneficiaries make both ends meet by taking loans which range from (Less than 10,000PKR by 35.2%) to large sized loans (50,000 or more by 26.9%). Loans are essentially for personal consumption, mainly from relatives/friends. Only 13.3% take micro loans from banks.

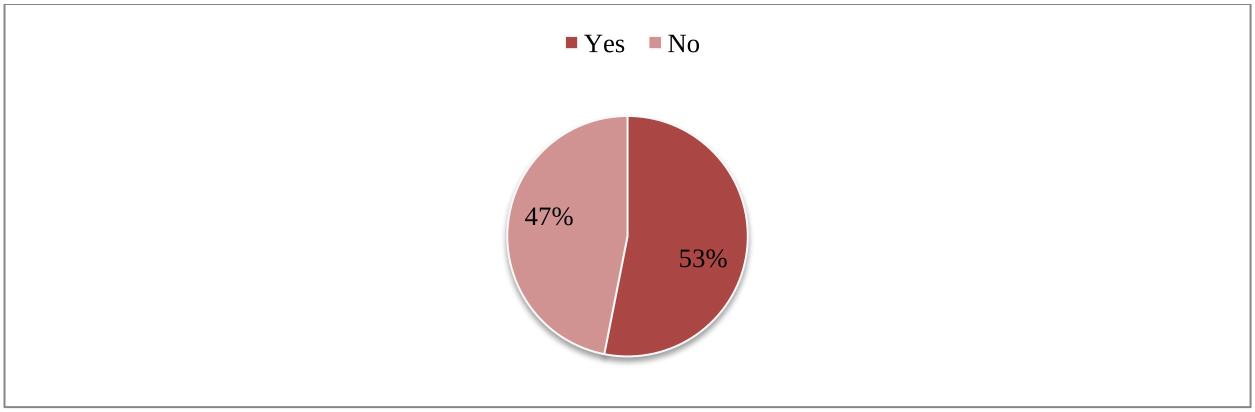

Figure 8: Beneficiaries who have taken loan in the past six months (Percentage distribution)

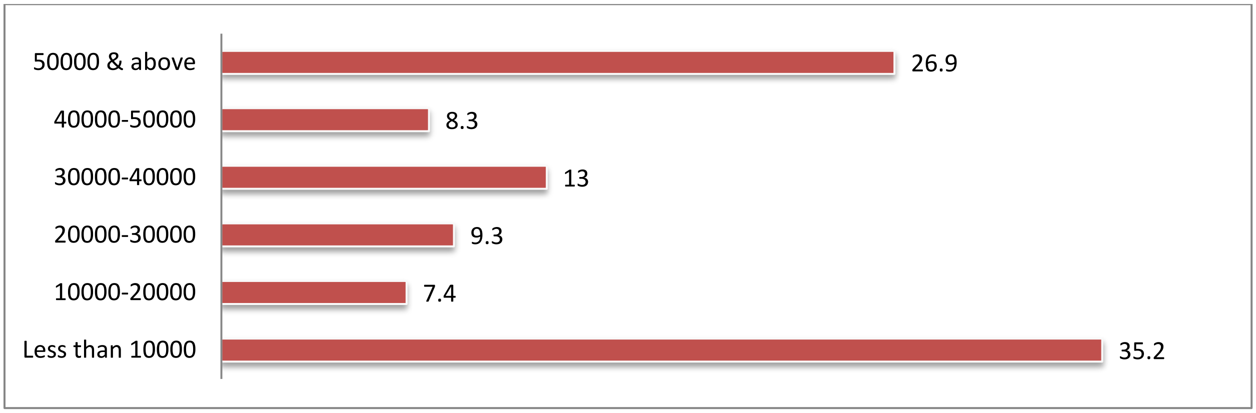

Figure 9: Amount of loan taken by beneficiaries (Percentage distribution)

35.2% of the beneficiaries had taken a loan of an amount less than PKR 10,000, while closely followed by the beneficiaries (26.9%) with the loan amount of PKR 50000 & above. 13% of the respondent availed a loan amount of 30k to 40k, whereas 9.3% of the beneficiaries had been indebted to an amount of 20k to 30k. 8.3% and 7.4% of the respondents had taken a loan of an amount 40-50k & 10-20k respectively (Fig 9).

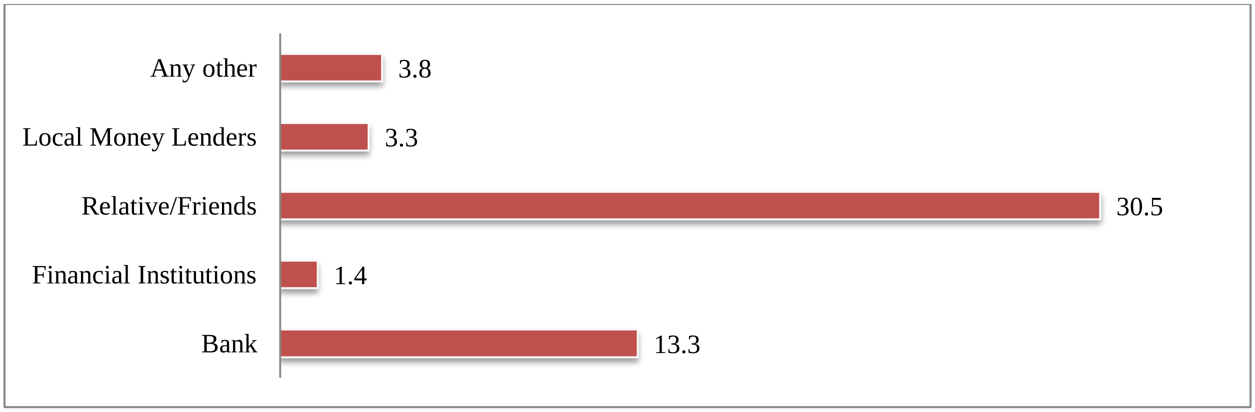

Figure 10: Sources of Borrowing (Percentage distribution)

Borrowing from Relatives/Friends (30.5%) remains the most common source of taking loans, surprisingly followed by the bank (13.3%). Only 1.4 percent of beneficiaries borrowed from other financial institutions. Among the other sources (3.8%), NGOs such as Akhuwat and Kashf foundation have been providing credit facilities to these women. 3.3% of the respondent turn to local moneylenders for the purpose of availing of loans (Fig 10).

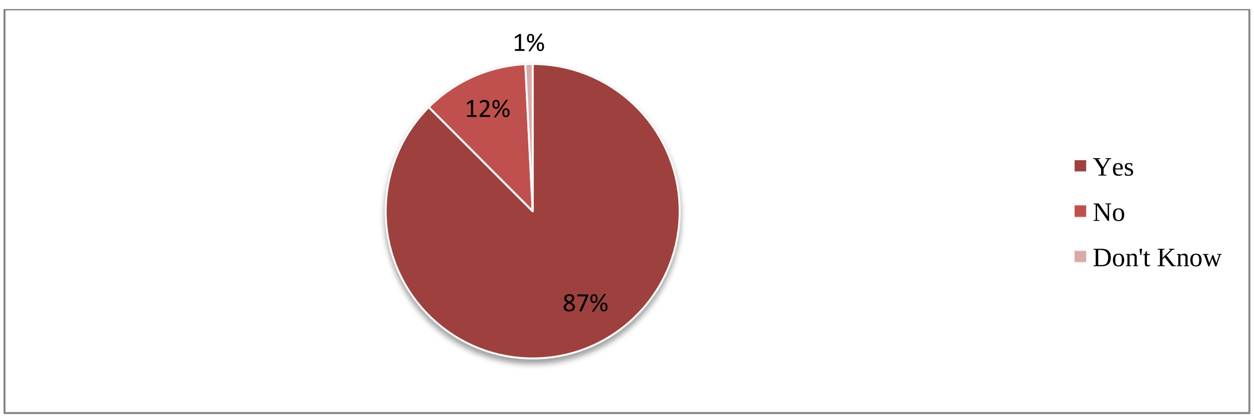

Figure 11: Proportion of Beneficiaries who repaid the loan (Percentage distribution)

The majority of the women (87%) who had taken any loan in the last six months reported that they were also repaying the loan amount plus the interest on time. The foremost reason pointed out by women for not repaying the loan relates to the consumption of loans for personal activities & not investing in productive activities (Fig 11).

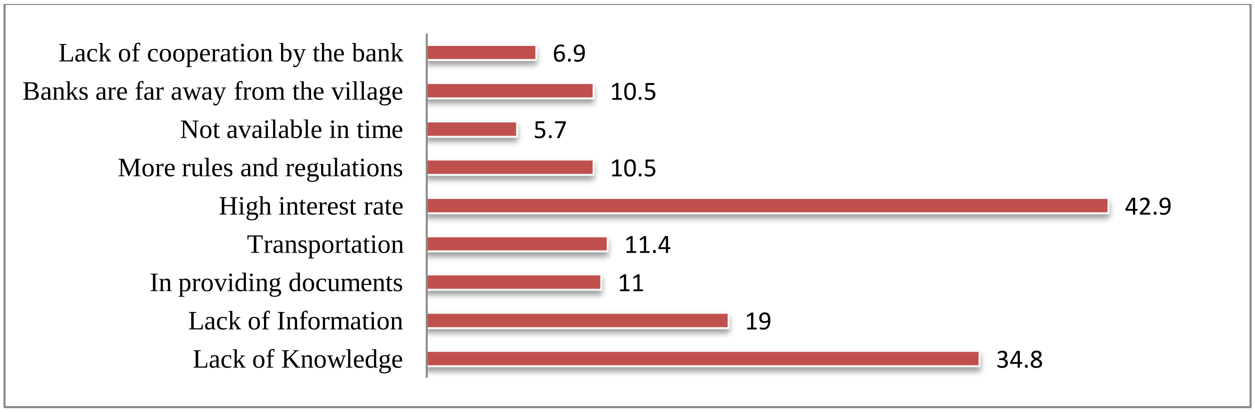

Figure 12: Problems beneficiaries faced in getting loan from Banks (Percentage distribution)

The reasons cited by beneficiaries for not borrowing from Banks include:

(i) because of the high-interest rate (42.9%)

(ii) because they lack knowledge (34.8%) & information (19%) about banks and products &

(iii) Due to transportation difficulties (11.4%)

Provincial & Urban and Rural Analysis

Disaggregated Analysis shows that mostly loans taken by beneficiaries who reside in rural territories. The provincial wise analysis depicts that majority of beneficiaries who had taken a loan in the six months belong to KP. In rural areas, Relatives/Friends are the most common source of borrowing for beneficiaries. However, around 16% of beneficiaries in urban union councils also go to banks for loans. Provincial wise analysis shows that Punjab has 15% beneficiaries who take loans from financial institutions (Figure 13).

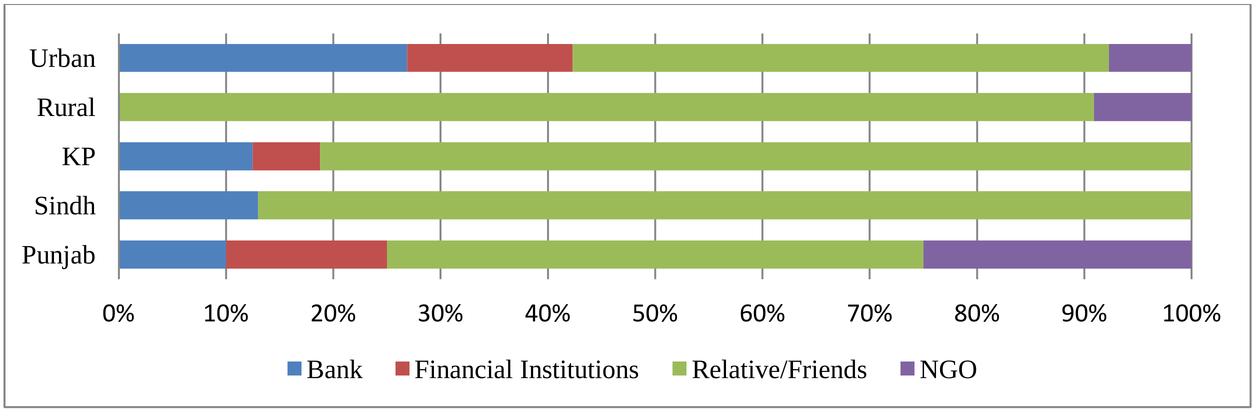

Figure13: Sources of Borrowing by BISP Beneficiaries (Provincial & Urban-Rural Analysis)

Interestingly, rural beneficiaries lead in the repayment of loans from urban beneficiaries. Contrarily, Sindh had a comparatively less number of beneficiaries who had repaid their loans or were repaying.

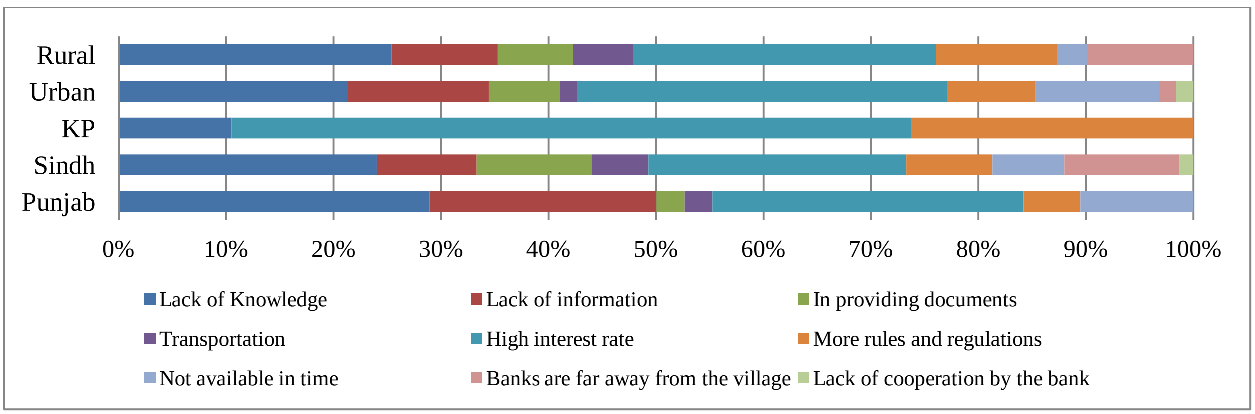

Figure 14: Problems faced by beneficiaries in getting loan from Banks (Provincial & Urban and Rural Analysis)

In Urban UC, a majority of the women stated that the interest rate is very high. But, for rural beneficiaries lack of knowledge is the biggest constraint in getting loans from Banks. Provincial data shows that for all provinces high interest impedes the beneficiaries to access the bank for taking a loan. In Sindh, a majority of the BISP beneficiaries (55%) also extend loan to other women beneficiaries. This practice is also common in rural regions (Fig 14).

Table 5: If the loan is extended between beneficiaries, then what is the rate of loan recovery?

Rate of loan recovery			
Province	Less than 50%	50% - 75%	Greater than 75%
Punjab	71.40%	21.40%	7.10%
Sindh	14.30%	0.00%	85.70%
KP	0.00%	0.00%	100.00%
Region			
Urban	43.80%	0.00%	56.30%
Rural	23.10%	11.50%	65.40%

In KP, where 35% of the beneficiaries had extended loans to other beneficiaries, the rate of loan recovery is greater than 75%. However, majority of loans were given at zero interest between the BISP beneficiaries for across three provinces & urban and rural regions.

Discussion & Analysis; Borrowing Behavior

Findings show a very strong lending behavior by BISP Beneficiaries where majority members availed loans from a minimal range to a range of substantial size (Less than 10,000PKR by 35.2%) to large sized loans (50,000PKR or more by 26.9%) in contrast with their average household income. The borrowing is mostly informal in nature, from relatives and friends, yet 13.3% of the members borrowed from banks. The reasons cited by beneficiaries for not borrowing from Banks include; due to high-interest rate (42.9%), because they lack knowledge (34.8%) & information (19%) about banks and products & lastly due to transportation difficulties (11.4%). The majority of the women (87%) who had taken any loan in the last six months reported that they also repaying the loan amount plus the interest on time. The main reason cited by women for not repaying the loan relates to the consumption of loans for personal activities & not investing in productive activities.

Interestingly, rural beneficiaries lead in the repayment of loans from urban beneficiaries. While Sindh, has a comparatively less number of beneficiaries who had repaid their loans or were repaying them. In Sindh, a majority of the BISP beneficiaries (55%) also extend loan to other women beneficiaries. This practice is also common in rural regions. In KP, where 35% of the beneficiaries had extended loans to other beneficiaries, the rate of loan recovery is greater than 75%. Most of loans were given at no interest for across all the areas.

Majority beneficiaries as per Provincial & rural-urban analysis make both ends meet by taking loans. Loan taken in last 6 months is highest in KP (80%). Surprising aspect is that contrary to nominal savings, large sized loans (50k or more) are taken in KP, Punjab, urban and to certain extent in rural; whole bigger loans are not availed in Sindh. This shows deeper poverty and debt situation of BISP Beneficiaries.

Loans are taken essentially for personal consumption, mainly from relatives/friends. In Urban regions, there is a loan taking behavior from banks/financial institutions; 43% take loan from banks while the data shows that there is no loan taking from banks in rural, core reasons being religious beliefs toward interest-based loan & distance as per our survey in rural areas.

This dimension of borrowing is very promising for any financial inclusion intervention as evidence shows that women upon receiving loans, increase their asset ownership and economic activities. The network of microfinance and commercial banks can make use of, channelize & refine this loan taking behavior through a systematic approach. The loan behavior is crucial in enhancing women empowerment when access to formal finance not only increasing economic activity but also augment women savings in the long run.

4.3.3 Financial & Digital Literacy

Main Findings

On account of basic literacy, the majority is illiterate. Sindh and rural beneficiaries are highly illiterate. Most of the beneficiaries own mobile phones, but ownership of it is quite low among the BISP women from the Sindh region. Findings also illustrate that the majority of the beneficiaries find it very difficult to manage financial activities by using a mobile phone.

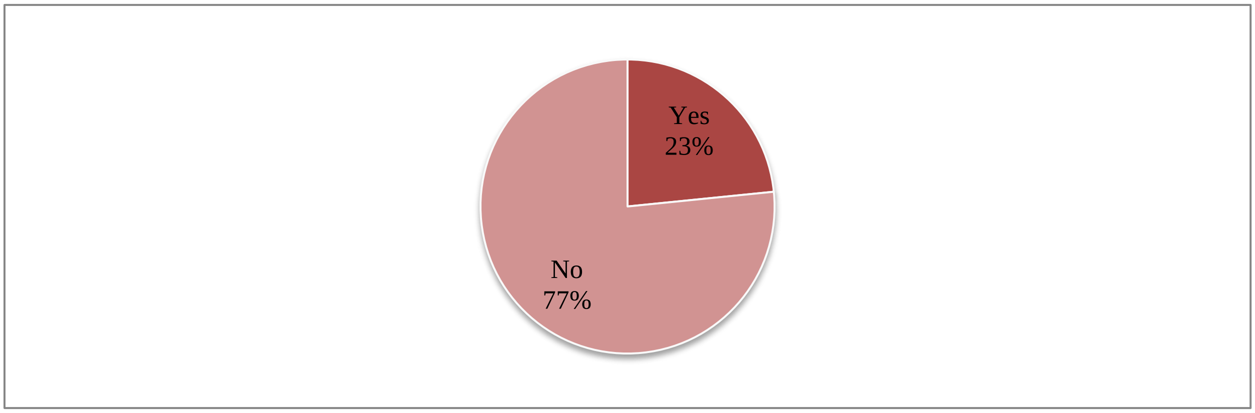

Figure15: Basic Literacy of BISP Beneficiaries (To be able to write your own name) % distribution

Majority, 77% beneficiaries are illiterate (Fig 15).

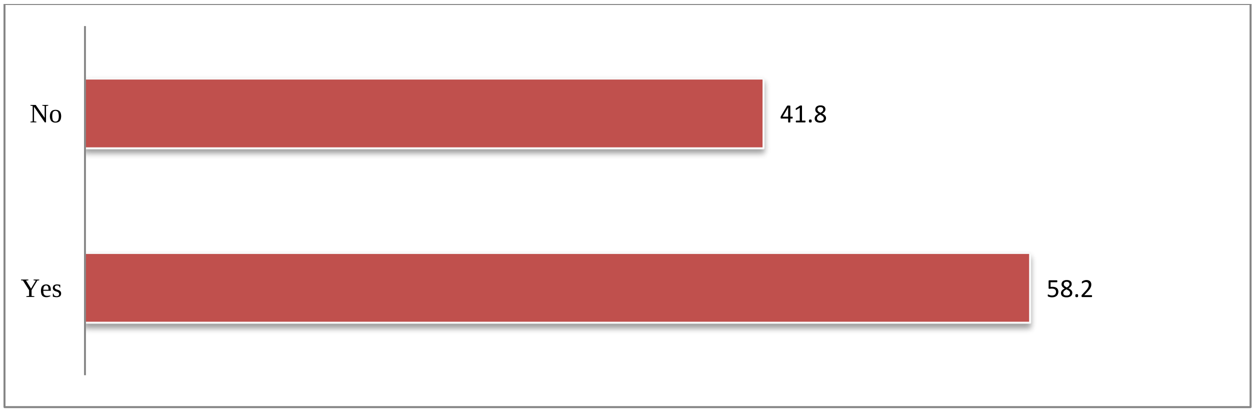

Figure 16: Basic Calculation Ability of BISP beneficiaries (Percentage distribution)

Nearly half of the respondents can't perform basic calculations (Fig 16).

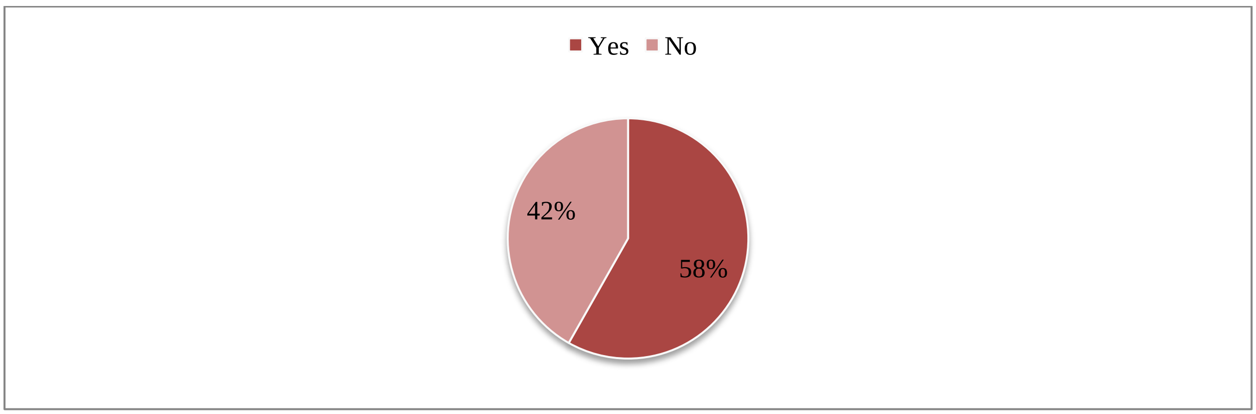

Figure 17: Ownership of Mobile phone among beneficiaries (Percentage distribution)

More than half of the surveyed population i.e. women beneficiaries own a mobile phone (Fig 17).

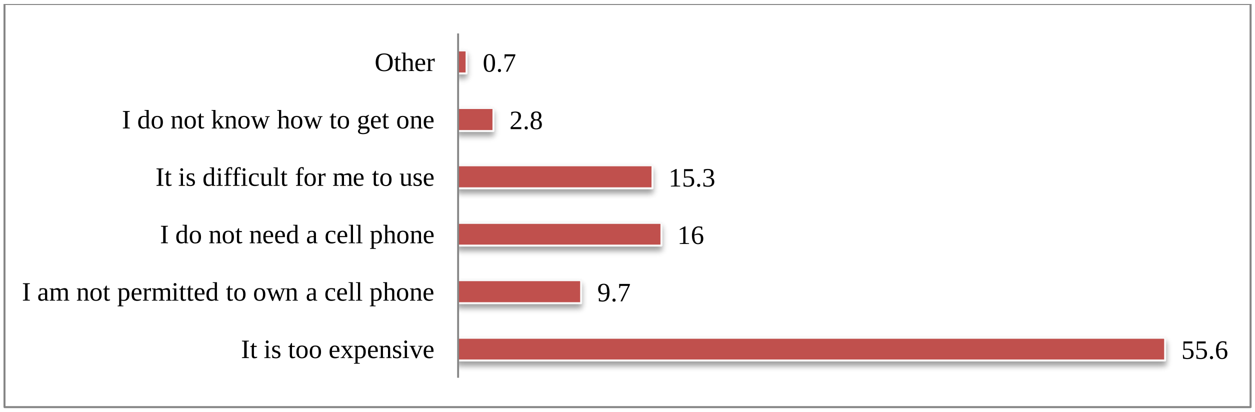

Figure 18: Reasons stated by beneficiaries for not owning a mobile phone (Percentage distribution)

For those who do not have a mobile phone, the majority (55.6%) of them reported that it is too expensive for them to have one. 15.3% of the beneficiaries stated that they didn't know how to use it. And 16% of the beneficiaries stated that they do not need a mobile phone (Fig 18).

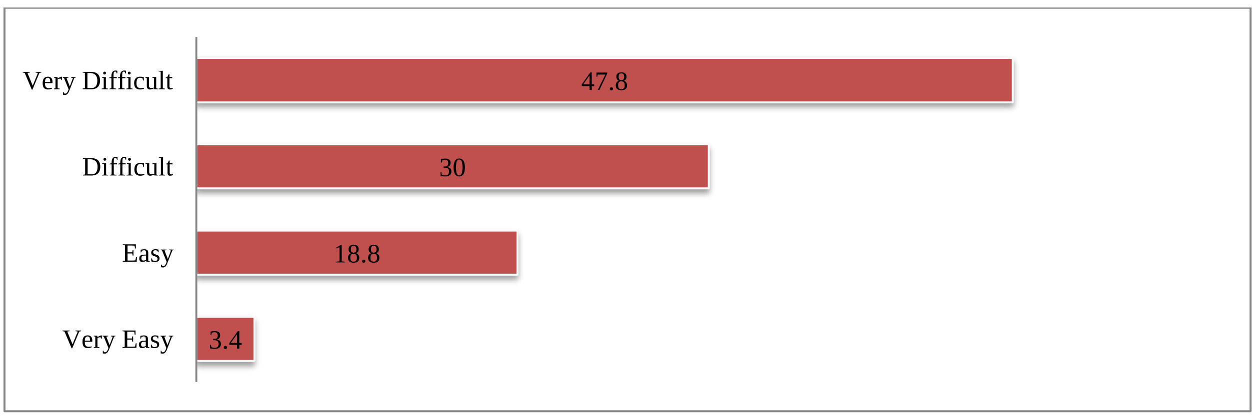

Figure 19: Beneficiaries' usage of mobile phones (Percentage distribution)

For nearly half of beneficiaries (47.8%), mobile phones are very difficult to use (Fig 19).

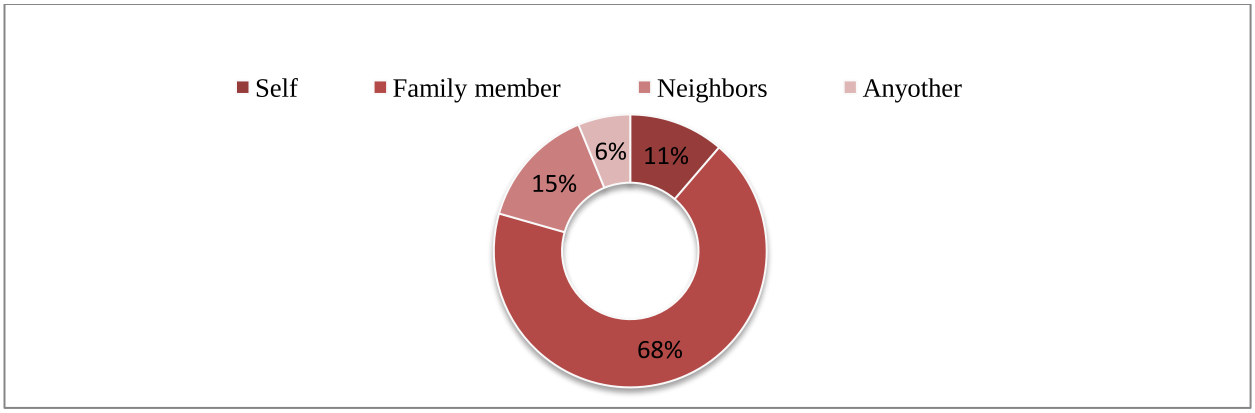

Figure 20: Who reads beneficiaries to text messages? (Percentage distribution)

About 68% of beneficiaries reported that family members read out text messages for them (Fig 20).

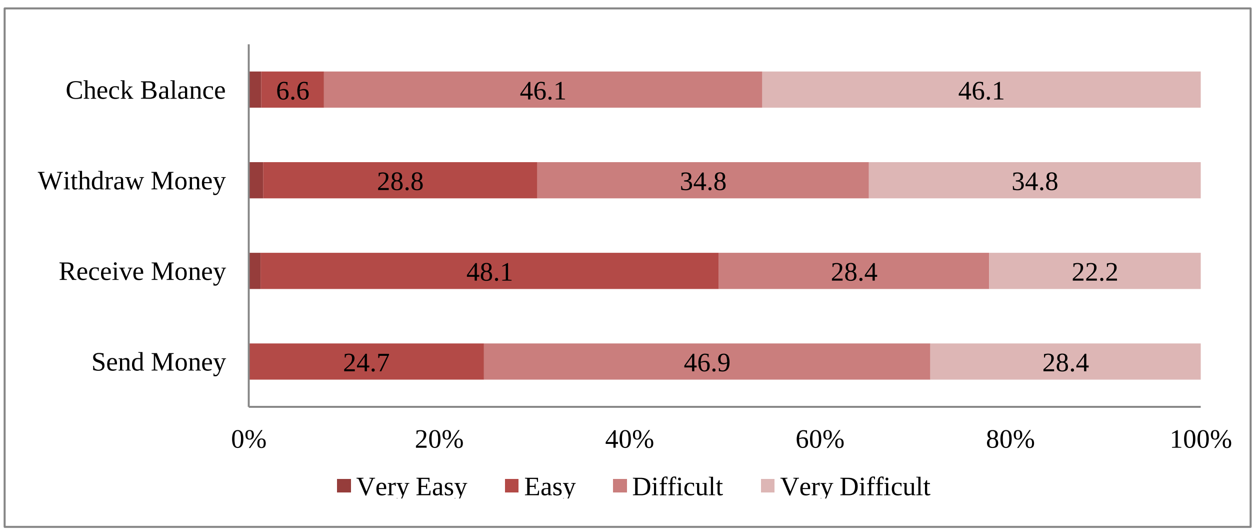

Figure 21: How Easy or Difficult it is for beneficiaries to do the following Activities via Mobile phone?

In terms of digital literacy, the majority can't perform basic financial activities using their cell phone (Fig 21).

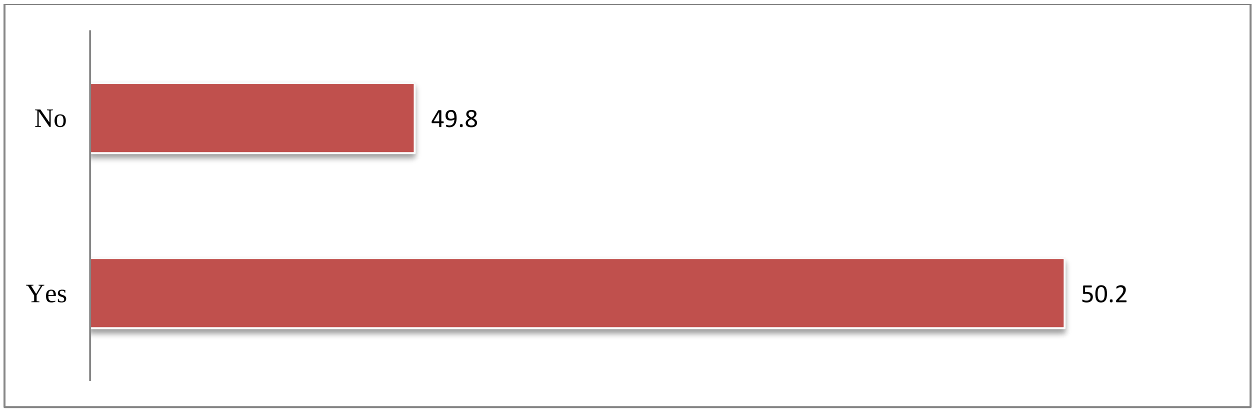

Figure 22: Beneficiaries who are aware of Mobile Payments (Percentage distibution)

50% of the beneficiaries have heard of or aware of the payments via mobile phones. 49.8% reported that they do not have any knowledge about mobile/Digital payments (Fig 22).

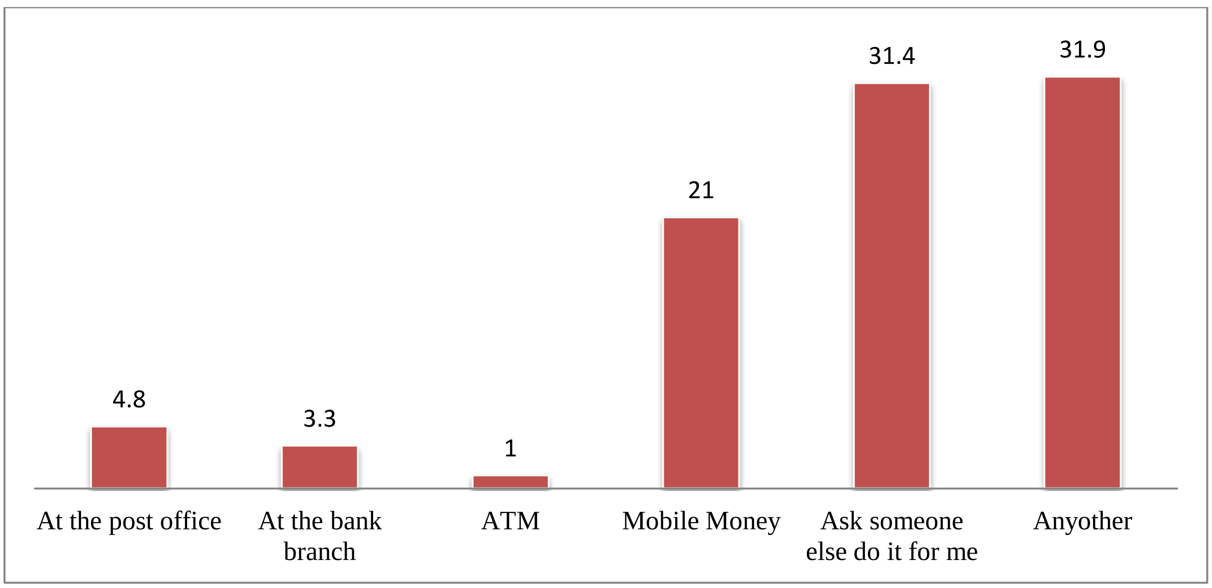

Figure 23: Modes to transfer money used by the beneficiaries (Percentage distribution)

31.9% of the beneficiaries reported when asked about the mode to transfer the money that they usually do not have enough money to transfer to someone. While 31.4% opted for someone's help to do it. 21% uses mobile payment to transfer the money (Fig 23).

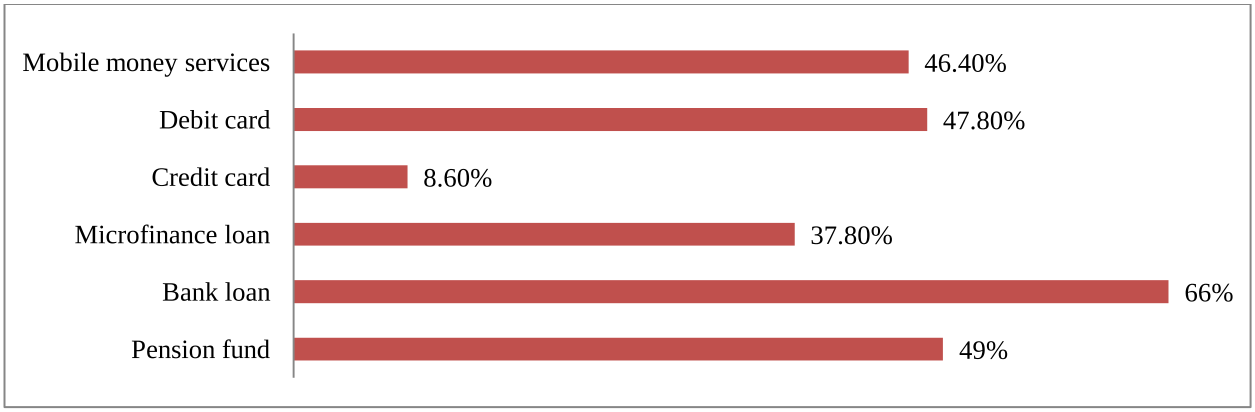

Figure 24: Have beneficiaries heard of the following financial products? (Percentage distribution)

66% of the beneficiaries are aware of the bank loan. Whereas 49% of the beneficiaries know about the pension fund and 46% have awareness about the mobile money services (Fig 24).

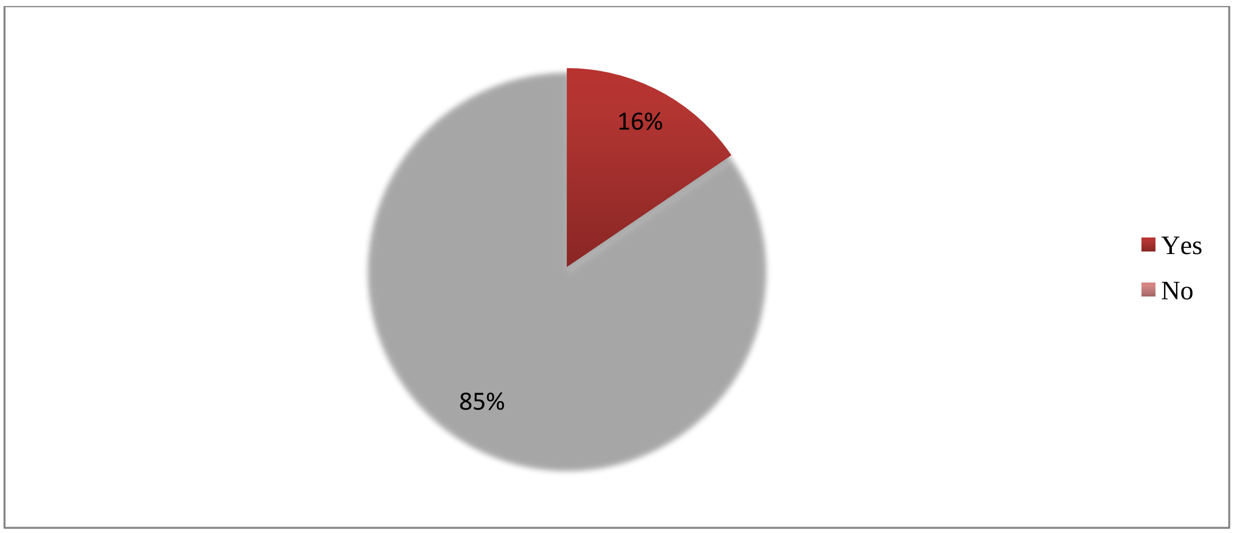

Figure 25: Do beneficiaries use ATM card? (Percentage distribution)

Majority of the beneficiaries do not use ATM card (Fig 25).

Provincial and Rural and Urban Analysis

Table 6: Digital literacy- Provincial & Urban and Rural Analysis

	Digital literacy- Provincial & Urban and Rural Analysis					
Characteristics	Value	Punjab	Sindh	KPK	Urban	Rural

	Type					
Extreme difficulty in using mobile phone	%	63.2%	42.50%	10.5%	27.7%	60%
Members of family reads out text messages to women beneficiaries	%	48.3%	87.5%	80.0%	83.7%	63%
Hard to understand text messages from BISP	%	35.3%	60.6%	66.7%	63.9%	42.3 %
Aware of mobile money services	(Yes)%	48.7%	47.5%	78.9%	62.0%	45.8 %

Discussion & Analysis; Digital & Financial Literacy

The findings exhibit that there are substantial awareness levels of beneficiaries concerning sending/receiving money through mobile phones. Although majority of them are not able to read text messages (68%), they are familiar with salient mobile functions and can conveniently make phone calls. Despite high financial and digital illiteracy, nearly 1/3 of beneficiaries are able to handle the activities of checking balance, withdrawing money, receiving and sending money with ease through network agents/retailers.

The findings exhibit that overall, there exists little ownership of mobile phones (58%) among beneficiaries as they find it too expensive (55.6%). In all three provinces &rural/urban, majority beneficiaries do not own a mobile phone; nearly half can't keep one as "it is too expensive"; "difficulty in usage" & "don't need a mobile phone" are other major reasons for not having one. Cell ownership by member women is highest in KPK (32%) while lowest in rural (6.4%) & Sindh (6%).

4.4 Results of logistic regression

Table 7: Regression results

Dependent variable :Saving behavior			
Variables	Marginal effect	Std. error	Sig.
Age	0.022	0.017	0.194
Married	0.393	0.501	0.433
Relation to the head of the household (Self)	0.458	0.433	0.00
Educ	-0.262	0.418	0.02
Employ	0.14	0.059	0.017
HH Income	0.34	0.098	0.973
House Ownership	0.059	0.466	0.016
Family Size	-0.67	0.053	0.03
Borrowing	-1.08	0.344	0.001
Financial literacy	0.234	0.509	0.019

*Significant at 5% level

Our data reveal that BISP beneficiaries' saving behavior is unaffected by their household income. This is similar to the findings of Burney and Khan (1992), which used data from the Pakistani household income and expenditure survey to show that income has no impact on saving. Rehman et al. (2011) came to the same conclusion after evaluating data from 293 Pakistani households that were randomly selected in 2009-2010 using a stratified random technique.

Similarly, age does not appear to have an impact on BISP beneficiaries' saving behavior because it is insignificant. The findings are consistent with Kelly and Williamson's (1968) empirical investigation, where in both rural and urban Indonesia, there was little support for the life cycle hypothesis. A large family, on the other hand, has a major negative impact on saving. According to the findings of Ahmad and Asghar (2004), Oberta (2006) in Pakistan, and Abdel Khalek et al. (2010) in Morocco, this negative effect could be linked to larger families' increasing spending.

On the other hand, owning a house positively impact the saving behavior of the beneficiaries, in line with the results of the studies of (Chowa et al., 2012).

Education attainment of beneficiaries has a significant impact on the saving behavior. This result are in line with the findings of Burney and Khan (1992), Rehman et al. (2011) and Kahn (2013) who found that high educational level has a negative effect on the saving behavior due to lower risk aversion. Attaining high education was found to reduce saving rates since people with low educational attainment are more risk averse than educated persons so they save more for the future (Burney & Khan, 1992; Kahn, 2013). Additional explanation was offered for this inverse relationship by Rehman et al. (2011). They mentioned that highly educated households prefer to highly educate their children so they use their savings to finance educational expenditures.

Sex of the head of household has been considered as a determinant of saving. It was expected that women save more for children education and household well-being. As per our estimation, BISP beneficiaries being the head of the household save more than their male counterparts.

Our estimation result regarding borrowing confirms the theories of household saving imply that having a loan or access to credit will reduce saving because the motive of precautionary saving will decline. Savers will be discouraged from reducing spending on current consumption in order to save for investment activities or life events (Rogg, 2000). Chaudhuri (1999) used longitudinal data from three Indian villages to show that having access to credit reduces saving. A study in Kenya that employed a multi-stage sample technique to select 359 households from seven districts came up with similar results (Kibet et al., 2009).

Results from the regression indicated that the basic financial literacy had a significant positive relationship with saving behavior. This is in line with the findings from Robb & Woodyard

(2011) and Allgood and Walstad (2011) where financial knowledge was essential for positive financial behavior.

Chapter 5
Qualitative Analysis

5.1 Introduction: In this chapter, we presented the findings of the qualitative analysis being done to understand the "empowerment" angle of the Beneficiaries' financial decision making. Add onto that a review of BISP's Policy with respect to financial inclusion is included, followed by the In-depth stakeholder interview of BISP Official.

5.2 Findings of FGD's (Focus group Discussion)

Focus Group Discussions with male members of the household were undertaken to have a view of the women's empowerment in terms of financial and savings decisions. We found through FGDs participants, in both rural and urban areas, men support working women and consider women's support crucial in the households. In all areas, women are permitted to work and be financially independent excluding rural areas of Sindh. In these areas, men prefer women to work and earn for home. In terms of domestic and financial decision-making, men of the house are in a position of prominence. In these decisions, women gave their two cents and their opinions and views are given importance. Households, where women participate in decision making, have higher saving rates. Findings revealed that decisions of savings are mostly taken by women. In KP, most of the participants revealed that decisions in relation to savings are taken by women. Decisions regarding savings are taken by women in rural Sindh and mutually in urban Sindh. In Punjab, for saving decisions, women are majorly responsible for it.

Focus Group Discussions revealed that as far as decisions regarding loans are concerned; they are taken collectively by husband and wife. When inquired about the loan from the formal financial services, the participant had of the opinion interest rate is too high for them to repay, however, a considerable small proportion acquired bank loans when they have no other option. In need of financial assistance, the majority take interest-free loans from relatives, friends or take low-interest microloans from other non-profit organizations working in their areas. Rural Support Programs (RSPs) provide loans to these marginalized women at a very low interest via banks. Participants take these loans as they find them easy to repay. In KP, decisions of taking loans are taken by men, as they have more say in households and financial decision-making. Urban and Rural analysis illustrates that most of the households are too poor to approach formal institutions; however, a minority of the participants revealed during the focus group discussion that they take loans from microfinance institutions owing to low-interest rates. Beneficiaries' households in KP, have a negative point of view for interest-based banking that is forbidden in Islam. Due to strong religious beliefs, most of the people revert to informal interest-free loans from their acquaintances usually called Qarz-e- Hasna.

In Sindh, women have a say in the household and financial decision-making. More often men take decisions relating to loans. In both rural and urban areas of Sindh, people usually borrow from each other as they considered that banks charge high-interest rates.

The FGDs for Punjab revealed that as far as women empowerment is concerned, they take part in the household and financial-decision making along with men. Surprisingly, women in rural areas of Punjab take part in decisions regarding loans alongside men, whereas in urban Punjab, by men. High-interest rate is the major factor that impedes the participants to take loans from banks in both rural and urban areas of Punjab. So, they usually borrow from each other. In rural settlements of Punjab, women on behalf of Rural Support Programs avail loans from banks at low-interest rates.

5.3 Policy Review

Overview of the Policy: Benazir Income Support Programme (BISP) has come a long way from using Pakistan Post based payments to mobile based to debit cards and lately to biometric verification-based payment model. On top of that, the previous government made significant efforts, through its flagship poverty alleviation initiative "Ehsaas," to achieve the NFIS' strategic goals and accelerate Pakistan's progress toward ensuring that all people have access to and can afford financial goods and services. Financial and digital inclusion for seven million individuals is one of the key goals of the multi-stakeholder and multi-sectoral "Ehsaas Strategy" (90 percent are women).

The *"One Woman, One Bank Account"* strategy has been implemented for BISP beneficiaries, in which low-cost digital saving wallets are distributed to the beneficiaries in order to provide a range of formal financial services that are responsive to their needs. This effort has several goals, one of which is to transform "cash out only" operations into a programme that promotes financial and digital inclusion. It is built on the principle that greater financial inclusion will lead to empowerment by enabling people to take advantage of the poverty graduation scheme's opportunities. At the district/tehsil level, the initiative calls for the establishment of 500 digital hubs. As a result, poor families will be able to access government resources. These hubs will work to improve financial literacy through online courses and give women who don't have easy access to mobile devices access to digital financial systems.

Salient features of the Digital Saving Accounts: Some of the provisions in the payment features through low cost digital saving are that the payments are (i) Direct; payments are deposited directly into accounts owned by beneficiary, which are registered in their names and which they have immediate access, (ii) Reliable: payments are consistent in terms of amount, regularity, and timing and the beneficiary may expect regular contact, (iii) Accessible: accessing the payment should not be time, convenience, or cost prohibitive for programme participants, (iv) Flexible: payment choices should allow participants to choose when and how they receive payments, as well as ensure transaction privacy, & (v) Secure: data privacy, security, and fraud prevention are essential, as are strong authentication mechanisms that allow only the individual to access the funds.

Critical Analysis: The prospects of "Branchless Banking Savings Account" are very promising, but the government needs to take into account that the beneficiaries are extremely poor to save. Our analysis depicts that only half of the respondents save on a monthly basis, and the rest save in a very irregular pattern. Lack of income and lack of digital knowledge is the major constraints that prohibit them to access formal financial institutions. And the majority of the beneficiaries save to meet their future needs as their incomes are very volatile.

Just by going toward branchless mode from the traditional saving accounts, and providing low cost solutions, is not enough to bring the marginalized, women and poor, into the net of formal financial institutions. It is imperative to deep dive into studying the financial behavior of these beneficiaries, so as to provide the products that are responsive to their needs.

Our research also shows the high indebtedness of the BISP beneficiaries as the majority of the beneficiaries make both ends meet by taking loans which range from (Less than 10,000PKR by 35.2%) to large-sized loans (50,000 or more by 26.9%). Moreover, loans are taken essentially to smooth the household consumption, but not to invest in productive activities. They are mostly from informal sources, which charge exorbitant rates that push them into the cycle of poverty. Also, our estimation result regarding borrowing on the saving behavior tells us access to credit decline saving. Thus, the excessive accumulation of debts restricts the beneficiaries to save, thereby causing exclusion and poverty.

As per policy, the government aims to build the digital hubs to improve the literacy of the beneficiaries, necessary to operate the branchless accounts. The underlying reason to establish these hubs confirm our findings as the majority is illiterate. They have trouble reading simple text messages, let alone managing financial transactions through a digital account.

In the final analysis, it is concluded, that beneficiaries are involuntarily excluded from the use of financial services (Saving wallets), because of the perceived barriers, lack of income & lack of knowledge etc. Thus, the financial exclusion of the BISP beneficiaries deserves policy action when it is driven by barriers that restrict access for them.

5.4 In-depth Interview of BISP official

The results showed that Beneficiaries of the BISP are saving, borrowing and lending. In terms of saving, the good news is that they are saving, but the bad news is that they are saving too little. On average, 500-1000 PKR is saved each month. They also participate in community lending and borrowing, which is a plus. The bad news is that debts dominate savings and income by a large margin. We can conclude from this that they are not saving voluntarily but are being compelled to save as they must repay their debts.

BISP Official: *"I feel that the BISP stipend is too low to expect them to save. Now BISP has tried to introduce the concept of saving accounts. When we were in the emergency cash disbursement phase due to COVID-19, we had decided then that we will start giving the option to the beneficiaries for having the option of saving accounts. They will be asked whether they want to continue with the current account or would like to change to a savings account. At the* *moment they have limited current accounts as there are some restrictions on them for the benefit of the beneficiaries. For example, banks will not hold their accounts and the money will be readily available whenever the beneficiary wants to withdraw and others like these. So in saving accounts BISP will face this challenge as it would not be able to impose the restrictions anymore. So whether the bank gives money to the beneficiary or not, the beneficiary withdraws money or not or what else would happen with the beneficiary would not be known or in control of BISP!"*

Furthermore, investments via loans should be made in their livelihoods. As the majority of the women (87%) who had taken any loan in the last six months reported that they also repaying the loan amount plus the interest on time. The main reason cited by women for not repaying the loan relates to the consumption of loans for personal activities & not investing in productive activities.

BISP Official: On the credit side, "BISP has already implemented this through the Waseela e Haq program in which a household was given upto 300,000 PKR on the basis of their proposed business model. But since the amount was very heavy there were flaws in that program. It was difficult for them to handle high amounts of money. First installment of 150,000 PKR was given first through which they would start their business and make it successful and then they were given the second installment. In the third option, capacity building is necessary because these people are risk averse. Even if you give them free money they will not be good investors. They will also waste free money in buying household commodities. If you give them a loan then they will get fearful of it and might not take loans because they don't have the mind to commit fraud.

Digital literacy is the new topic circulating around for financially inclusion of beneficiaries, however BISP recipients experience in adoption of the technology remains poor due their illiteracy.

***BISP Official:* "*The characteristics like financial literacy, we tried to increase their financial literacy via different activities but not in deep detail. We primarily focused on WeT (Waseela-e-taleem) and related matters like how to withdraw money, how much they will get, how they should spend, etc. And the experience of mobile with BISP was the worst. We gave mobile to the beneficiaries in the four districts. Those beneficiaries sold their mobiles next month and we got to know about this after 6 months. All messages from BISP and instructions for the beneficiaries used to come through those mobiles which they sold out. That is BISP is reluctant to do any experiment involving cell phones because its cost is high. The second thing is that if we do not give them any mobile and make them use theirs then the issue is that the majority of them do not own a cell phone and even if they have then that is a very basic mobile*"*.*

CHAPTER 6
Conclusion

Pakistan has come a long way in expanding the reach of financial service providers to the various segments of the population by going from brick-mortar to branchless banking. But, recent figures highlights that the country is still way behind than comparator countries when it comes to digital financial inclusion. Benazir Income Support Programme and Fintech together offer unique and manifold opportunities for enhanced financial inclusion in Pakistan. However, before this can be turn into reality, both demand and supply side need to be improved. There are significant challenges at both ends. This paper used the mixed-method approach to assess the demand side behavior and constraints limiting the use of range of financial services. For this exercise, we conducted an in-depth financial behavioral analysis and analyzed a comprehensive set of indicators and survey data to gauge the beneficiaries' tendencies toward formal finance. Our analysis reveals that the BISP beneficiaries are unable to save a considerable amount of money due to rampant poverty; as the beneficiaries who save, save a very minimum amount (50% saves less than Rs. 500) occasionally with a very inconsistent pattern. For a significant proportion of women, there exists a situation of dis-saving. Mostly beneficiaries opted for informal modes to save & the key purpose of nominal saving is to meet future expenses. As per results, the saved amount is mainly kept at home or pooled in a committee by women.

Despite the low saving margins, the fact that the group has a saving attitude is of great relevance. In fact, research suggests that the marginalised sectors of society, those who are essentially below the poverty line, are saving. Saving is a key enabler of empowerment interventions and is a fundamental component of financial inclusion. The emergence of a saving attitude is good news for policymakers and service providers alike. The current magnitude of these Beneficiaries' savings highlights the necessity for the importance of intervention. Any simple measure that encourages and boosts savings can have a significant positive influence on these women's and their households' consumption smoothing.

As far as the loan taking behavior of beneficiaries is concerned the findings exhibit a very strong borrowing behavior. Majority of the beneficiaries avail larger loans from a nominal range to a substantial amount if compared with their average household income. Loans are primarily for personal consumption, mostly taken from relatives/friends. Beneficiaries revert to informal borrowing as they face several problems in attaining loans from banks/MFIs; Women face the major problem of distance in getting loan from banks/MFIs in all Provinces & rural/urban. Lack of knowledge & lack of cooperation were other major constraints. For rural beneficiaries, the problem of distance was a binding constraint.

In Urban area, there is a loan taking behavior from banks/financial institutions, while the evidence shows that there is no loan taking from banks in rural areas, key reasons being religious beliefs toward interest-based loans& distance as per our survey. Nevertheless, overall 13.3% of the members borrowed from banks. Regarding repayment, majority beneficiaries repay the loans regularly. Repayment is close to 90% on average. This non-delinquent behavior can be a major strength for possible intervention to enhance the financial inclusion level.

We also found out by interacting with these Beneficiaries that they turned financially smart overtime and the main trigger effect behind this was the social mobility and social interaction. An empowerment is seen among them to reach out to banks, especially local micro-finance organizations to avail soft loans. However, they need approval from their husbands or male members of the household to undertake the decision of getting loan. On the contrary, women are independent in their decisions regarding savings, with little variations across the rural regions where men are equally involve in the saving decisions.

Concerning financial & digital literacy, the evidence show that a considerable majority of the beneficiaries are illiterate and almost half of them can't perform basic calculations. Owing to the illiteracy, they find it hard to manage digital financial activities via mobile phone except for receiving money.

On the mobile ownership, research indicates a quite grim situation. The majority of Beneficiaries do not own a mobile phone in all three provinces and rural-urban areas; nearly half cannot afford one because "it is too expensive"; "difficulty in usage" and "do not need a cell phone" are additional key reasons for not having one. Members own the most cells in KPK (32%), while rural (6.4%) and Sindh (6.4%) have the least (6 percent).

Although a significant proportion of women have not the potential of reading text message, but they are familiar with salient mobile function and easily make phone calls. Despite having high financial and digital literacy, roughly a third of the beneficiaries are able to withdraw and transfer money with ease, while 48% are able to receive money with ease.

Studies for developing world depict that cash transfer programs have strong impact on financial inclusion & economic empowerment when they incorporates a financial literacy/digital literacy training component and tools. The researchers found that financial inclusion trainings, workshops that educated women in basic financial literacy and business skills are indispensible for any cash transfer programme to go for full financial inclusion. The increased awareness and knowledge not only led to higher economic activity but also empowerment (Al-Mamun, 2014;

Mukherjee, 2015).In this backdrop, we recommend that the financial literacy training component must be conducted and match the existing mental and skill level of the poor for any productive outcomes from these trainings.

Chapter 7

Policy Implications

- Based on the findings & confirmed by the stakeholders, we suggest that to develop meaningful financial inclusion, this particular saving behavior needs to be streamlined and incentivized. Regular monthly payments are not enough to meet their expenses leaving alone the capacity to save. This pointed to the need to increase the amount of the BISP payment.
- To discourage the use of informal modes of savings, banks should design commitment saving products for beneficiaries. The experience has shown that commitment savings accounts, which have the peculiarity of providing incentives for saving or restrictions for withdrawing, are helpful in assisting the poor to save.
- To averse the risk in providing credit, for the financial service providers, inspiration should be taken from NABARD, India, where in pooled saving account, pooled savings take the shape of group deposit account and these deposits are then extended as soft loans to the particular group members. As the data shows, the presence of group lending behavior among the BISP beneficiaries. It can be through digitized financial inclusion where limited mandate accounts can be offered along with linking an m-wallet saving account.
- We believe that structured training sessions for these beneficiaries can strengthen this financial and digital literacy component, important for financial inclusion. Low levels of literacy of the BISP beneficiaries highlighted the need to enhance basic as well as financial & digital literacy in order to achieve programmatic goals. BISP should map existing financial literacy programs all over the country, mostly run by NGO's for poor

households. Then engage with these institutions to design and deliver the financial education programs.

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