



**EXTENT OF FINANCIAL LITERACY IN PAKISTAN  
A SAMPLE STUDY FROM URBAN PAKISTAN  
A PERSPECTIVE ON DETERMINANTS AND  
IMPLICATIONS OF FINANCIAL KNOWLEDGE &  
BEHAVIOR**

A thesis  
Presented to  
The faculty of  
Management Sciences  
Bahria University Karachi Campus

---

In Partial Fulfillment  
of the Requirements for the  
Degree Master in Business Administration

---

**BY**

**RABIA YASMEEN  
REG #: 10563  
JAN, 2014**

# BAHRIA UNIVERSITY KARACHI CAMPUS

## RECOMMENDATION FOR ORAL EXAMINATION

This Project/thesis here to attached, entitled, "**EXTENT OF FINANCIAL LITERACY IN PAKISTAN** " prepared and submitted by "**RABIA YASMEEN**" in partial fulfillment of the requirements for the degree Master in Business Administration, is hereby recommended for appropriate action.

Date: 10<sup>th</sup> Feb. 2014

Maryam Masnoon  
Advisor

Name: Maryam Masnoon

## PROJECT/ THESIS COMMITTEE

In partial fulfillment of the requirements for the degree of Master in Business Administration, this thesis entitled **EXTENT OF FINANCIAL LITERACY IN PAKISTAN** is here by recommended for Oral Examination.

Maryam Masnoon  
Advisor

Name: Maryam Masnoon.

10<sup>th</sup> - Feb - 2014  
Date

S.M. Masnoon  
Examiner

Name: S.M. Masnoon

**Abstract**

With the rising focus on financial literacy initiatives around the world and the need that especially speaks out from the developing world, the following research is an exploration of the level of financial literacy from a population sample from Pakistan.

This research is aimed at exploring the level of financial literacy in Pakistan and the correlation between financial literacy and participation in financial markets within the country. The research was a survey based, descriptive study that used a questionnaire which asked the respondents about bank account ownership, budgeting, orientation towards money management, saving behavior, finding income-expense gaps, investments and financial literacy questions based on numeracy skills, interest rate compounding and understanding of inflation, thus gathering data from Pakistani citizens aged 18 years and above.

The survey shows that budgeting is a part of practice by a majority of families; however informal saving and borrowing channels, both are pursued more than the formal channels. Participation in financial markets is limited to depositing in bank accounts, whereas investing in financial products is not very common. Voluntary or self-triggered investment behavior is very low, most of the financial products are purchased along with the purchase of a car, house loan or as suggested by friends and family. Only 11% could score full on interest compounding questions and 57% could answer correct understanding of inflation. The strongest correlation for financial literacy was found with the level of education and secondly family income. Positive correlation was found between participation in financial market and financial literacy. Financial literacy has a weak correlation with bank account ownership. The report highlights the use of financial products is more aimed towards the future betterment of the family. There is a low risk taking behavior among Pakistanis. Thus financial literacy initiatives need to be tailored at college levels to induce positive investment perspectives and interest among citizens along with enhancing financial inclusion.

**Key words:** Financial literacy, Pakistan, Behavioral Finance, Measurement.

## Contents

	Description	Page
1	<b>Chapter 1 Background of the topic</b>	1-5
	1.1 Introduction	2
	1.2 Problem Definition	3
	1.3 Significance of the Study	4
	1.4 Scope	5
	1.5 Limitations	5
2	<b>Chapter 2 Literature Review</b>	6-17
3	<b>Chapter 3 Research Methodology</b>	18-23
	3.1 Research Methodology	19
	3.2 Research Setting	19
	3.3 Target Population and Sample	19
	3.4 Sampling	20
	3.5 Data Collection	21
	Research Instrument and design	
	3.6 Ensuring Reliability and Validity	21
	3.7 Sample testing of the questionnaire	23
	3.8 Time Horizon	24
	3.9 Ethical Aspects in Data Gathering	24
	* Scoring Methodology	
4	<b>Chapter 4 Data Analysis</b>	25-38
	A. Summary Statistics	26
	B. Financial Literacy Level	33
	C. Determinants of Financial Literacy	34
	D. Correlation between financial literacy and level of participation in financial markets	37
5	<b>Chapter 5 Recommendations and Conclusion</b>	39-42
6	References	43
7	Appendices	
	Appendix-I-Questionnaire (World Bank-Findex)	45
	Appendix-II-Research Questionnaire	46
	Appendix-III-FinScope Findings	47
	Appendix-IV-Summary Statistics and Tables	48
	Appendix-V-Figures	52
	Appendix-VI-Statistical findings on F.L Score	57