THE ROLE REGULATORS PLAY IN CLOSING FINANCIAL INCLUSION GENDER GAP: A CASE STUDY OF PAKISTAN

CASE STUDY

CONTENTS

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This case study is a product of the Gender Inclusive Finance Workstream.

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ABOUT THE AFI GENDER INCLUSIVE FINANCE MAPPING PROJECT

54% Around the world, about **740 million women still do not have bank accounts** — representing 54 percent of all unbanked adults, as of 2021.[1]

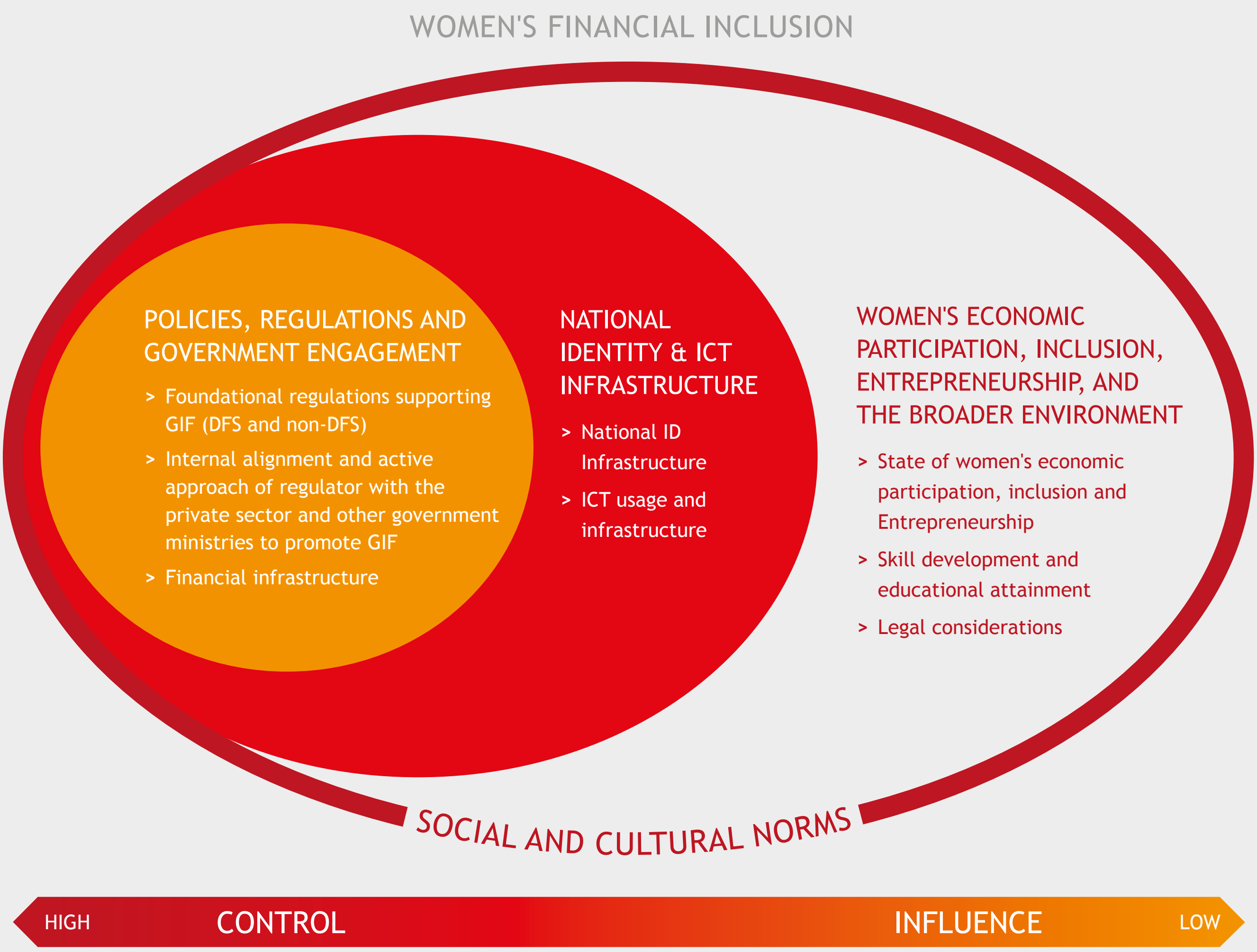
9-6% The efforts to narrow the finance-gender gap have been paying off since 2017, with a **gap reduction of nine percent to six percent in developing and emerging countries.**[2]

It is clear, however, that more must be done to address this persistent financial inclusion gender gap which is more than simply the right thing to do: It also makes good business sense, with estimates suggesting that advancing women's equality could add $12 trillion to global gross domestic product by 2025. Women-led small and medium enterprises (WSMEs) already make significant contributions to the economies in which they operate, accounting for a third of all SMEs, and a much higher percentage in many countries, and being a segment that has long been recognized as an important engine of growth and job creation but one that suffered from high levels of informality and significant gender gap in access to credit.

1 World Bank. 2021. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: https://www.worldbank.org/en/publication/globalfindex

2 Ibid.

FIGURE 1: GENDER INCLUSIVE FINANCE ANALYTICAL FRAMEWORK: INFLUENCERS OF INCLUSION WHERE REGULATORS CAN HAVE IMPACT ON WOMEN'S FINANCIAL INCLUSION



This case study offers an overview of the current state of women's financial inclusion in Pakistan. It takes stock of the progress of the State Bank of Pakistan's progress in advancing women's financial inclusion. It delves into the specifics of the national financial regulatory environment, highlighting the key strategies and initiatives that have contributed to closing Pakistan's gender gap in access to finance. And it also provides detail on factors influencing women's financial inclusion outside of the regulator's remit.

There is no single reason why women cannot access or use financial services. Rather, it is a complex blend of regulatory factors, suitable products and services, access to education and ID documents, suitable infrastructure available in places where women can use it and products and services that meet their needs, lastly social and cultural barriers play a significant part.

The Alliance for Financial Inclusion (AFI) Financial Inclusion Gender Gap Mapping project is designed to increase understanding about the barriers and enablers of women's financial inclusion, with the goal of helping financial sector regulators and policy makers identify highly specific and concrete actions that will drive greater inclusion in their countries.

The holistic research breaks new ground by identifying specific factors and areas over which financial regulators have direct influence: policies, regulations, and government engagement to advance GIF. But instead of looking at the financial regulators' landscape in isolation, the research also explores other spheres of influence within the broader context of women's economic participation and inclusion, providing nuanced insight into women's place in society and the economic fabric of their countries. Figure 1 illustrates this interplay, delineating the various factors that can contribute to increased women's financial inclusion. It highlights the specific role financial regulators can play in advancing progress, as well as the degree to which they can influence other critical factors. The graphic also portrays the overarching impact that social and cultural norms have on the entire GIF ecosystem—and women's equality in general.

Figure 1 shows that many factors fall outside the financial regulators' direct remit. However, they are essential for enabling women's financial inclusion environment—and advancing the regulatory women's financial inclusion agenda. For instance, just because there is a regulatory policy to encourage increased lending to women entrepreneurs, it does not mean there will be a significant uptick in a bank's women SME loan portfolio—unless other changes in financial infrastructure and bank approaches have occurred. The research findings are clear: without aligned and coordinated action across all the spheres of control and influence, progress toward gender parity in financial inclusion will only go so far.

In essence, the project is a call to action for financial regulators on two fronts: are they doing everything within their mandate and sphere of influence to advance progress on women's financial inclusion? And, after addressing all the factors in their sphere of influence, what else can they do outside their direct remit to support the broader women's financial inclusion ecosystem?

By providing financial sector policymakers and regulators with a deeper knowledge base about specific regulatory solutions that are having an impact—as well as pathways that will advance other drivers of inclusion—these critical stakeholders can enhance the effectiveness of their interventions and maximize their role in closing the financial inclusion gender gap in their countries. In turn, these efforts will contribute to the achievement of the United Nations Sustainable Development Goals (SDGs), specifically SDG 1 (No poverty), SDG 5 (Gender equality), and SDG 8 (Decent work and economic growth).

Although the case studies are designed to be stand-alone documents, readers may also be interested in reviewing the Project's Landscape Study, which provides a full picture of women's financial inclusion and gender inclusive finance across the AFI network, as well as the summary report, which synthesizes key findings from the research.

EXECUTIVE SUMMARY

Pakistan has recently made significant strides in increasing women's financial inclusion. Since 2008, women's account ownership has shown an almost eightfold growth when merely 4 percent of women owned a bank account. However, the gender gap in account ownership has more than doubled during this same period, reaching 32 percent in 2021.[3]

60% The fact remains that more than three out of five **Pakistani women are still unbanked.**

Research uncovers several factors linked to the still-low levels of Pakistani women's access to and use of formal financial services, such as: limited awareness and financial knowledge, low income levels, a lack of trust in formal institutions, and insufficient efforts by banks and financial institutions to have a gender intentional emphasis. Of the women who do make use of financial services, many have turned to microfinance institutions instead, where women account for about 19 percent of all customers. Interviews with financial ecosystem stakeholders revealed that a heightened focus on gender-inclusive finance remains a priority for the Pakistani government and financial sector.[4]

There is a direct link between Pakistan's progress to date and the implementation of important foundational regulations, driven by strong political will and the regulator's leadership role in financial policy. The prioritizing of women's financial inclusion comes as the nation's leaders embrace the importance of women as drivers of economic growth. Key policy prescriptions include a National Financial Inclusion Strategy embedded with specific gender targets.

The financial regulator, the State Bank of Pakistan (SBP), also recently unveiled its own gender mainstreaming policy titled Banking on Equality (BoE) to shrink the financial inclusion's gender gap. Among the recent regulations introduced to advance women's financial inclusion: actions aimed at expanding access to digital financial services and those designed to integrate a gender focus into the nation's financial services industry, such as:

> Enforcing the regulations for digital onboarding of customers for account opening

3 Data2X. 2022. Towards Women's Financial Inclusion: a Gender Data Diagnostic of Pakistan. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Pakistan.pdf

4 For this case study, we looked at active users as the baseline for account ownership. The total bank account stands higher and 39 percent of adult females have a bank account in total (compared to 77 percent of males).

Women waiting to get relief money for their own business work, Lahore, Pakistan. (Murtaza.Ali/Shutterstock)

- setting up an alternative collateral registry, in support of lending to women businesses that may not have traditionally accepted assets.
- Introducing Asaan Digital Account and Asaan Mobile account, which allow bank accounts to be opened and operated digitally, with minimal and basic documentary requirements; thus overcoming challenges women face, such as restrictive mobility and complicated documentation.

In addition, under BoE Policy, instructions were also launched to improve women's ratio in branchless banking (BB) agents which can foster women's access and use of digital financial services. Other governmental prescriptions are aimed at women's equality more broadly: in March 2022, officials introduced the country's first National Gender Policy Framework to improve women's lives and equalizing women's opportunities.

Through policy measures, Pakistan's regulators are leveraging their positioning in the financial services ecosystem to drive changes that are expanding the availability and use of gender-inclusive finance, notably by:

- mandating sex-disaggregated data collection from financial institutions
- benchmarking performance and reporting on progress
- incentivizing the introduction of women-focused financial products and services as well as digital innovation
- engaging with financial stakeholders to encourage heightened focus on the women's market

The regulator has also pushed for a program to boost women's financial literacy—seen as a critical factor in breaking down the barriers to financial inclusion. This regulatory involvement in the broader financial services ecosystem is starting to pay dividends. According a recent Data2X survey, fully half of the banks in Pakistan have come to acknowledge the strategic significance of catering to the women's market.[5] Many recently launched dedicated women's products. Pakistan's financial regulators have a powerful role to play here, sharing lessons and collaborating with government agencies—along with civil society actors—to influence broader societal change.

Despite progress on the regulatory front and the growing availability of gender-inclusive finance, when it comes to the broader environment, women's economic participation stays severely constrained. With one of the lowest gender inequality scores in the world, Pakistani women still face an uphill battle due to traditional gendered social and cultural norms as well as a disadvantaged legal framework. For example, while women legally have the same rights, discriminatory practices lead to less women having land titles and inherit or own assets. While such issues fall outside the financial regulators' direct purview, they remain a key consideration as regulators consider ways to influence and catalyze future progress.

This case study has highlighted useful lessons for Pakistan's regulators to achieve increased women's financial inclusion:

- Political will and a prioritized push for legal and regulatory change can drive progress on women's financial inclusion.
- Implemented policies are insufficient; regulators can—and should—play a role in influencing action among financial service providers (FSPs) to increase the provision of gender-inclusive finance.
- With the assistance of enabling regulatory frameworks, FinTechs and digital financial services (DFS) offer profound potential to equalize the provision of financial services.
- Without broader societal change, policies and women-focused financial products and services alone cannot close gender gaps in women's financial inclusion in Pakistan.
- Regulators have a role to play in influencing this broader societal change, through aligned messaging on the value of the women's market, collaboration with relevant governmental ministries on enabling legislation and policy prescriptions, and demonstration of clear commitment to equalizing women's access to and use of financial services (something, for what the dialogue preceding the BoE Policy launch is a great example).

Financial institutions should actively participate in combating implicit gender biases and enhancing their comprehension of women customers' needs, notably by organizing gender sensitivity training sessions for their staff.

5 Data2X. 2022. Towards Women's Financial Inclusion: a Gender Data Diagnostic of Pakistan. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Pakistan.pdf

STATUS OF WOMEN'S FINANCIAL INCLUSION IN PAKISTAN

Pakistan is the world's fifth-most populous country, with 249 million people.[6]

Financial inclusion has been on the rise in the past decade, reaching 47 percent of the adult population in 2022 (the share of the adult population with an active deposit account). Women's account ownership has been steadily growing, from 4 percent in 2008 to 32 percent in 2022, mainly due to branchless banking offerings. However, men are becoming more included than women and the gender gap in account ownership has more than doubled across the last decade, from 12 percentage points in 2008 to 35 percentage points in 2022. Compared to women, men exhibit a higher likelihood of owning mobile phones and having access to the internet.[8] This explains why women are falling behind in a country where financial inclusion has been rising. With 68 percent of Pakistani women still unbanked, gender-inclusive finance remains a priority for the Pakistani government and financial sector.[9]

The limited access and use of formal financial services among Pakistani women can be attributed to insufficient financial education, restrictive social and religious norms, lack of trust, and factors originating from the financial institutions themselves. As a result, they have a lower level of financial literacy and awareness regarding financial terms and products compared to men.[10] Women largely operate in the informal economy only, and many lack national IDs, proof of residence, and other prerequisite documents required to open bank accounts. On the supply side, few banks have women-focused strategies with tailored solutions to break down the barriers women face to financial access (including lack of time, no collateral, lack of mobility, no national ID, etc.).

Instead of commercial banks, Pakistani women have turned to microfinance banks (MFBs) and other types of microfinance institutions (MFIs). The microfinance industry counts more than 40 non-bank MFIs and 11 MFBs, and serves 90 million depositors and 7.6 million active borrowers (5.3 million MFB customers). Among MFBs, women account for about 25 percent of total customers but have been a priority segment for non-bank MFIs, where they account for more than 50 percent of all borrowers.[11] Non-bank MFIs promptly spotted market opportunities and innovate solutions for different segments of the women's market, including linking a range of microinsurance products to credit offerings.

6 ProPakistani. 2023. Results of Pakistan's First-Ever Digital Population Census Are Out. https://propakistani.pk/2023/05/22/results-of-pakistans-first-ever-digital-population-census-are-out/

7 SBP. Financial inclusion. Available at: https://www.sbp.org.pk/finc/finc.asp

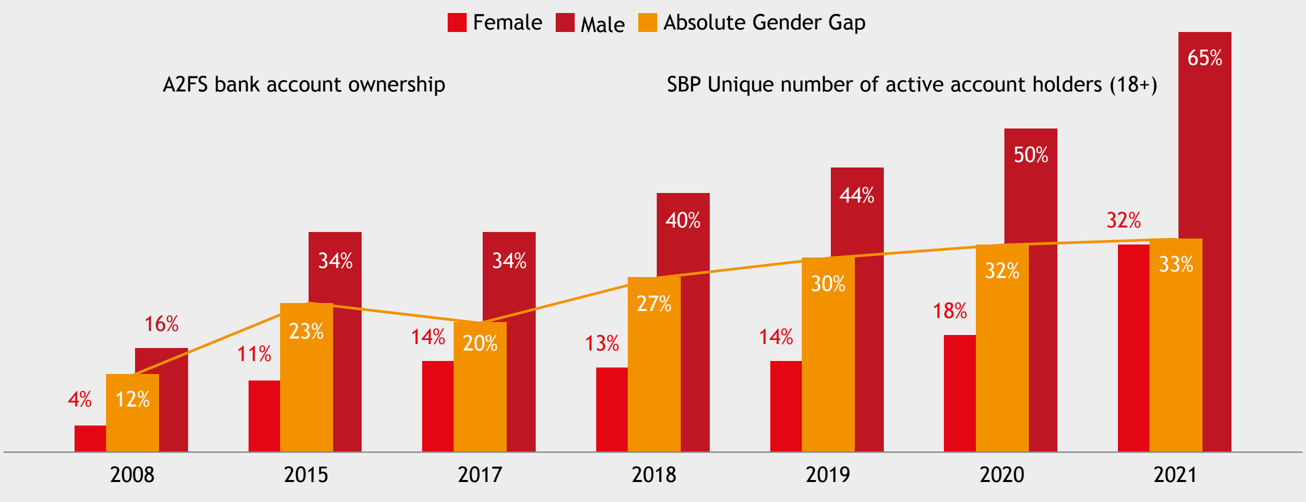
8 Demirguc-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. 2018. Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. World Bank. Available at: https://doi.org/10.1596/978-1-4648-1259-0

9 World Bank. 2021. Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. Available at: https://www.worldbank.org/en/publication/globalfindex

10 Klapper, L., Lusardi, A., and van Oudheusden, P. 2014. S&P Global FinLit Survey | Global Financial Literacy Excellence Center (GFLEC). Available at: https://gflec.org/initiatives/sp-global-finlit-survey/

11 Data2X. 2022. Towards Women's Financial Inclusion: a Gender Data Diagnostic of Pakistan. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Pakistan.pdf

FIGURE 2: BANK ACCOUNT OWNERSHIP BY GENDER



Source: A2FS 2008-17 and SBP 2018-21

FINANCIAL, INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT), AND ID INFRASTRUCTURE

The Pakistani government has been working to expand ID ownership, which will enable further financial inclusion as women will find it easier to comply with Know-your-customer (KYC) requirements. As of January 2022, 96 percent of Pakistan's adult population have a nationally accepted Computerized National Identity Card (CNIC) or Smart National identity Card (SNIC), the latter of which is enabled with a digital chip.

Pakistan's National Database and Registration Authority (NADRA) has recently targeted unregistered individuals in a push to increase CNIC and SNIC ownership. To enhance outreach to unregistered women and minorities, NADRA established an Inclusive Registration Department before launching 19 NADRA registration centers (NRCs) exclusively for women and introduced a novel service allowing registration at home or the workplace. Moreover, 10 Mobile Registration Vans (MRV) were deployed to facilitate the registration of unregistered women across Pakistan.

96% To address socio-cultural barriers that hinder women from interacting with male staff, 96 percent of **NRCs now employ female personnel.**[12]

NADRA introduced Pak Identity, a mobile application in 2021, which enables individuals, whether residing abroad or locally, to remotely apply for a physical ID card using their Android or iOS device. Through the application, users can effortlessly scan necessary documents and capture biometric information, including fingerprint and facial photographs, to verify their identity. This system is now used by banks and microfinance banks (MFBs) to onboard customers following the Customers' Digital Onboarding Framework.

12 Maqsood, S. 2022. NADRA set up 19 female-only registration centers. Available at: https://thenewstoday.com.pk/nadra-set-up-19-female-only-registration-centers-tariq-malik/

Women with their identity cards, waiting to cast their vote outside a polling station, Lahore, Pakistan. (Murtaza.Ali/Shutterstock)

Remarkably, within a span of less than one year, 75,000 overseas Pakistanis have successfully obtained their national ID cards from the convenience of their homes. However, this is a small number compared to the more than estimated 8.4 million overseas Pakistanis.[13] Furthermore, Payment Systems Policy & Oversight Department at SBP is working on setting up digital IDs in Pakistan.

Women's ICT ownership and usage is quite advanced, partly due to the emphasis the COVID 19 pandemic put on digital access.

+200% **Overall smartphone adoption in Pakistan doubled from 2017 to 2019**, reaching 81 million by the end of 2019.[14]

However, only 21 percent of all mobile subscribers are women.[15] Determining women's actual mobile and smartphone ownership is challenging since in many cases, the phone is issued to a woman's husband, brother, or father, even if it is intended to be used by her. Nevertheless, data indicates that a minimum of 50 percent of women in Pakistan possess a mobile phone, and 22 percent own a smartphone. Notably, there is a substantial disparity in mobile usage between genders, albeit not as pronounced as the gap in mobile account ownership. Specifically, the difference amounts to 26 percentage points, whereas the average for lower-middle income countries within the Alliance for Financial Inclusion (AFI) stands at 11 percentage points.[16]

Women's use of mobile internet is likely higher than the frequently quoted 19 percent data point; however, the gender gap in internet usage is high: 40 percentage points compared to 17 percentage point average of AFI lower-middle income countries.[17]

Digital financial services (DFS) can be a promising avenue to increase women's financial access if DFS providers are intentional about how their solutions overcome barriers women face and meet unique financial needs. Women's access to and usage of mobile phones and internet and digital literacy will also need to increase in order to enable this growth.

Pakistan's DFS infrastructure has grown in recent years in large part due to conducive regulations and the COVID-19 pandemic. Thirteen branchless banks are operating in Pakistan, and a few have launched women-focused mobile money solutions (see JazzCash text box as an example).

28% Yet still **less than 28 percent of e-wallets are women-owned** due to the demand and supply side barriers detailed above in addition to women's lower access and usage of phones and internet.

Women most commonly use mobile payment platforms to pay utility bills.[18]

THE VALUE IN EXPANDING GENDER-INCLUSIVE FINANCE: JAZZCASH (PAKISTAN)

JazzCash nearly doubled its percentage of women clients in just four years, from 11 to 20 percent (2016-2020) by:

- incorporating women-specific communication tactics
- improving its platform's usability
- developing women-friendly products such as quick loans, maternity and telehealth insurance, and community savings
- offering its mobile application in two languages
- providing financial literacy tutorials

Further expansion and distribution of the agent network will continue to enable digital banking, thus fostering women's better access and use financial products at their own convenience. Furthermore, SBP has recently emphasized the importance of female agents and set a female quota of 10 percent of all banking agents by 2024. Currently less than 0.5 percent of all agents are female which is problematic in a conservative country where women are discouraged from interacting with non-familial men, thus calling on the need for government action.

13 OPHRD. 2021. Year Book 2020-21. Available at: https://ophrd.gov.pk/SiteImage/Misc/files/Year%20Book%202020-21.pdf

14 Termezy, M. and Razi, H. 2021. Fintech Ecosystem of Pakistan. Karandaaz. Available at: https://karandaaz.com.pk/wp-content/uploads/2021/06/Fintech-Ecosystem-of-Pakistan.pdf

15 PTA. 2021. Annual report. Available at: https://www.pta.gov.pk/assets/media/pta_annual_report_2021_01032022.pdf

16 GSMA. 2021. Mobile Gender Gap report. Available at: https://www.gsma.com/r/wp-content/uploads/2021/07/The-Mobile-Gender-Gap-Report-2021.pdf

17 Data2X. 2022. Towards Women's Financial Inclusion: a Gender Data Diagnostic of Pakistan. Available at: https://data2x.org/wp-content/uploads/2022/06/06.21_DataDiagnostics-Pakistan.pdf; World Economic Forum. 2021. Global Gender Gap Report. Available at: https://www.weforum.org/reports/global-gender-gap-report-2021/

18 World Bank. 2018. State of Financial Inclusion of Women in Pakistan. Available at: https://openknowledge.worldbank.org/handle/10986/31323

ROLE OF GOVERNMENT AND FINANCIAL REGULATORS IN DRIVING GENDER INCLUSIVE FINANCE

Pakistan's progress on financial inclusion across the last decade is a result of strong political will and momentum for change. The government of Pakistan considers increasing women's financial inclusion as a critical avenue for greater economic development and stable growth and has been a key element of the National Financial Inclusion Strategy (NFIS) and recently launched the Banking on Equality (BoE) gender policy.[19]

In May 2015, the Pakistani government introduced the NFIS, outlining various priorities for the upcoming years:

- placing women at the forefront
- enhancing the utilization of digital payments
- expanding the deposit base
- fostering SMEs finance
- boosting agricultural finance
- increasing the share of Islamic Banking[20]

As part of the government's 100 Days Agenda, the revised NFIS (2018) now **incorporates distinct gender targets.**

The current iteration of NFIS strives to achieve 65 million active digital transaction accounts by 2023, with women owning 20 million of these transaction accounts. This target was achieved looking at total accounts as of December 2021 (37.7 million women-owned accounts out of the 147.6 million accounts in total); however, under the BoE Policy, SBP set an ambitious target of reaching 40 million women-owned active accounts by 2024.

The State Bank of Pakistan (SBP) is the financial regulator of all commercial banks, microfinance banks and exchange companies. SBP plays a leadership role in financial policy in Pakistan, especially in terms of financial inclusion. The Securities and Exchange Commission of Pakistan (SECP) regulates the corporate sector, capital markets, insurance companies, non-bank MFIs, and other non-bank financial companies (NBFCs), including FinTechs. To implement the NFIS, SBP and SECP issue policy and influence the entities that each regulates. There is also a NFIS Council and NFIS Secretariat, who handles implementation and follow-up.

The State Bank of Pakistan (SBP) introduced a gender mainstreaming policy called Banking on Equality (BoE) in September 2021. Its primary objective is to address the gender gap in financial inclusion through a comprehensive set of short-, medium-, and long-term measures around five fundamental pillars, each designed to support and enhance women's engagement with formal financial services:

1. gender diversity in financial institutions and their access points
2. women-centric products and services
3. women's champions at all touch points
4. robust gender-disaggregated data collection and target setting
5. policy forum on gender and finance[21]

The BoE Policy recommendations apply to the SBP's direct market (commercial and microfinance banks) and thus are not directly applicable to the SECP's share of the market. However, the SECP is a member of the Gender Policy Forum and discussions are going on regarding expectations to develop its own customized gender policy in the future, which would apply to the non-banking financial sector. Meanwhile, Pakistan Microfinance Network (PMN, a microfinance industry association) has been engaged to encourage the adoption of relevant BoE Policy measures by developing an Industry Code of Conduct.

19 SBP. 2021. Circular on Women Branchless Banking Agents under Banking on Equality Policy. Available at: https://www.sbp.org.pk/bprd/2021/C3.htm

20 SBP. National Financial Inclusion Strategy. Available at: https://www.sbp.org.pk/ACMFD/National-Financial-Inclusion-Strategy-Pakistan.pdf

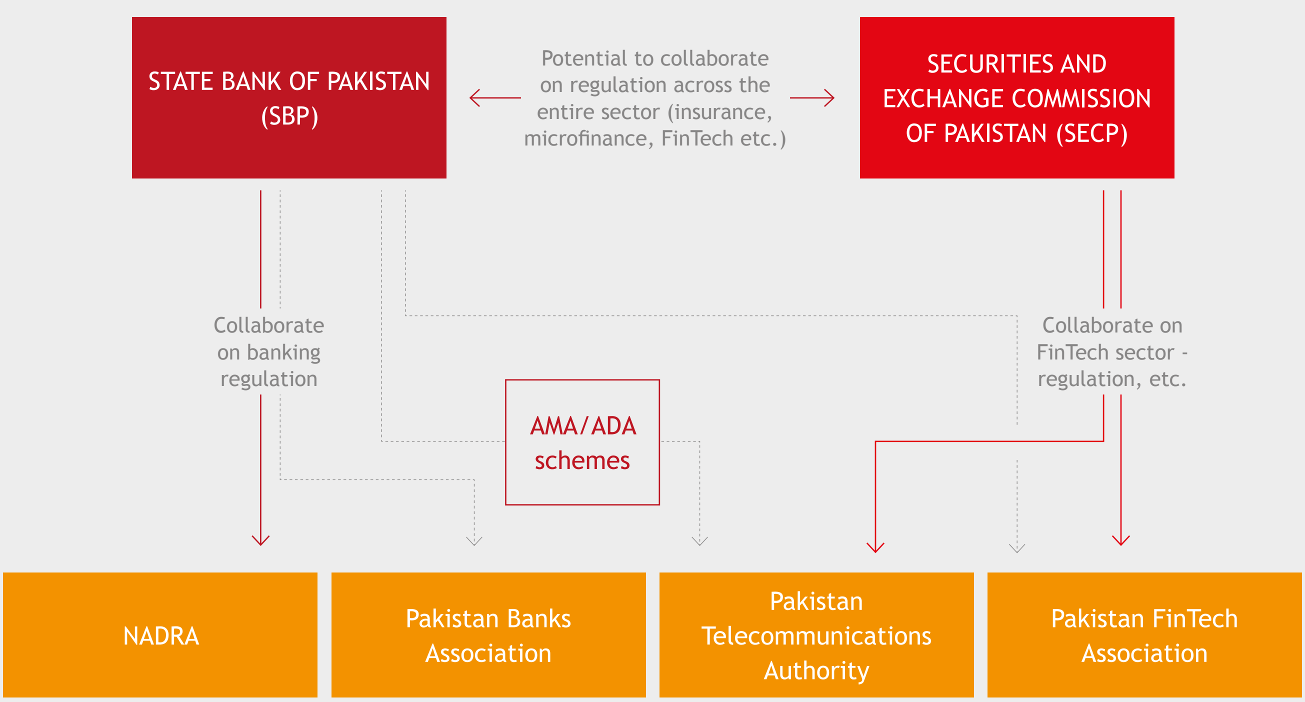
21 SBP. 2020. Banking on Equality: Reducing the Gender Gap in Financial Inclusion. Draft for consultation with stakeholders. Available at: https://www.sbp.org.pk/events/2021/BankingonEquality/Draft-Policy.pdf

The Pakistan Telecommunications Authority (PTA) functions as the regulatory body overseeing telecommunications in Pakistan, with responsibilities encompassing the setup, operation, and maintenance of telecommunication systems, as well as the delivery of telecommunication services within the country. PTA is a partner in the AMA and the ADA schemes.

In addition to the banking industry, the Ministry of Planning, Development, and Special Initiatives unveiled the National Gender Policy Framework on 8 March 2022, coinciding with International Women's Day. This pioneering framework serves as a structured mechanism, outlining clear objectives to enhance female well-being and ensuring equal opportunities for their advancement within the professional realm. The policy focuses on women's education, employment opportunities, security, health, political participation and leadership, and strong governance system that supports women.[22]

22 Government of Pakistan. 2022. National Gender Development Framework. Ministry of Planning, Development and Special Initiatives. Available at: https://www.pc.gov.pk/uploads/report/NGPF.pdf

FIGURE 3: PAKISTAN'S NATIONAL GENDER POLICY FRAMEWORK



FOUNDATIONAL REGULATIONS THAT ENABLE GENDER INCLUSIVE FINANCE

Recently, the government of Pakistan has implemented several regulations that set the foundation for further women's financial inclusion through digital and non-digital channels.

DIGITAL FINANCIAL SERVICES REGULATION

The use of mobile money holds the potential to bridge the gender gap in account ownership by offering women a more accessible and convenient means of conducting financial transactions. Within Pakistan, mobile money falls under the broader purview of the State Bank of Pakistan, which oversees and regulates the sector through three fundamental legislative components: the Payment Systems and Electronic Fund Transfers Act 2007 (PEFTA), the Rules for Payment System Operators (PSOs) and Payments System Providers (PSPs), and the Branchless Banking Regulations.[23] These regulations have enabled new business models and facilitated the entry of non-banking entities, especially FinTech companies, in the banking sector for providing DFS to marginalized segments such as women. Now customers can avail innovative, user-friendly, and cost-effective digital payment services like e-wallets, prepaid cards, contactless payment instruments, and online services with speedy, convenient, secured, and simplified onboarding procedures.

Launched in 2008 by SBP, the branchless banking regulations are directly attributed to increased rates of women's financial inclusion owing to e-wallet usage.[24] The regulations resulted from a committee set up by SBP and the Ministry of Information Technology and Telecommunications (MoITT) to promote financial inclusion through technology and were revised in 2011 and 2016 following rapid uptake.

The regulatory framework established by banks allows companies to act as agents for established microfinance and commercial banks, facilitating the entry of new branchless banking providers and the establishment of agent networks to deliver financial services to various economic segments throughout the country, with a specific focus on women and rural communities.

Branchless banking (BB) accounts have emerged as a viable substitute for traditional accounts, significantly contributing to widespread and cost-effective access to account ownership and financial services for a substantial portion of the population, especially women due to minimum information and documents requirements to open BB accounts and carry out financial transactions.

The introduction of the licensing served as an impetus for DFS providers to construct agent networks throughout the country and aggressively move towards BB. As a result, formal financial services, for the first time, spread to tier-three cities and proliferated into rural networks in Pakistan.[25,26]

ASAAN MOBILE ACCOUNT (AMA)

Asaan Mobile Account (AMA) is SBP's flagship initiative under the National Financial Inclusion Strategy (NFIS) that aims to facilitate the unbanked to digitally open their Branchless Banking (BB) accounts through a unified interoperable USSD platform (*2262#) without using internet.

AMA has been designed to promote financial inclusion, especially among the low-income segments and women as Pakistani women and marginalized segments (transgender) face distinct obstacles in accessing formal financial services due to mobility and documentation hassles.

AMA account can be opened instantly through any phone from anywhere, whenever, only requiring a valid CNIC and SIM.

Currently, 13 branchless banking providers are part of AMA Scheme with participation from all four CMOs to aid seamless access and inter-operability. The scheme was launched in December 2021 and as of 31 December 2022, 6.22 million AMA accounts have been opened, of which around 40 percent are women-owned.

23 SBP. 2018. Payment Systems Review. Fiscal year 2017-18. Available at: https://www.sbp.org.pk/PS/PDF/FiscalYear-2017-18.pdf; SBP. (n.d.). Rules for payment system operators and payment service providers. Available at: https://www.sbp.org.pk/psd/2014/C3-Annex.pdf

24 SBP. (n.d.). Rules for payment system operators and payment service providers. Available at: https://www.sbp.org.pk/psd/2014/C3-Annex.pdf

25 Defined as minor cities with population of less than one million.

26 Termezy, M. and Razi, H. 2021. Fintech Ecosystem of Pakistan. Karandaaz. Available at: https://karandaaz.com.pk/wp-content/uploads/2021/06/Fintech-Ecosystem-of-Pakistan.pdf

To enable BB account opening and extend financial services outreach to underserved populations, especially women, SBP implemented a tiered KYC system that categorizes BB accounts into three levels. As of May 2019, levels 0 and 1 BB accounts with relaxed KYC requirements can be opened using a biometric verification system linked to NADRA. Level 0 accounts may be opened without the biometric verification system but during the first cash in or cash out, biometric verification would be mandatory.

Level 2 accounts (for agents and merchants) require paper-based documents, and thus are required to be opened at a bank branch with full KYC.

Reduced KYC requirements and virtual processes ease the opening of an account and helps women with restricted mobility.

The State Bank of Pakistan (SBP) further introduced a framework governing the acquisition and management of BB agents. This framework establishes essential prerequisites for conducting due diligence and managing risks associated with BB agents. Furthermore, in response to the COVID-19 pandemic, SBP implemented a revision in 2020 to streamline the paperwork necessary for opening a level 2 account, which is a prerequisite for individuals aspiring to become BB agents.

Additionally, this revision facilitated the digital onboarding of merchants, simplifying the process, and promoting greater convenience. [27]

These regulations have enabled growth of the agent banking network in Pakistan, which means women do not have to travel far to visit an agent and transact, and overcomes social mobility barriers, safety and time concerns.

SBP introduced regulations for Electronic Money Institutions (EMIs) in 2019[28], presenting an opportunity to enhance DFS innovation and promote increased women's participation.

These regulations establish a structure for non-banking entities operating within the digital payments realm and enable the issuance of licenses to FinTech firms to function as EMIs.[29] These EMIs offer inventive, user-centric, and affordable digital payment solutions such as e wallets, prepaid cards, and contactless payment instruments. Furthermore, FinTechs who consider providing lending services must also obtain a NBFC license, which is issued by the SECP.

27 Ibid

28 SBP. 2019. Regulations for Electronic Money Institutions (EMIs). Payment System Department, SBP. Available at: https://www.sbp.org.pk/psd/2019/C1-Annex-A.pdf

29 Since 2021, SBP has issued a total of nine licenses.

Young female using digital technology. (Manuela Durson/Shutterstock)

During February 2022, the State Bank of Pakistan (SBP) revealed a regulatory and licensing structure for digital banking, aiming to establish a financial institution that provides an extensive range of services identical to those offered by traditional banks, while eliminating in-person customers visits to physical branches.

Under this framework, SBP can grant licenses to two types of digital banks: retail banks and full banks which can serve retail customers and business clients. The framework is aimed at enhancing financial inclusion through affordable and convenient DFS and is part of the SBP's comprehensive efforts to promote DFS in Pakistan. SBP has decided to initially limit the number of digital banks' license up to five.[30]

With the expansion of BB accounts, digital banks, and agent networks, Pakistan has been working to ensure full interoperability across the entire banking sector. The promotion of interoperability fosters competition, enhances the financial sustainability of service provisions, reduces transaction expenses, and increases the effectiveness and convenience of payment instruments, thereby facilitating digital transactions for women. Pakistan's national switch system, 1LINK, is the only ATM switch operational in the country, connecting all commercial banks, and enabling interoperability between BB accounts and from BB account to banks, and vice versa.

The country's first Raast instant payment system will enable full interoperability across all FSPs. In 2021, SBP launched the platform which is similar to India's Unified Payments Interface (UPI), enabling instantaneous, end-to-end digital payments among individuals, business, and government entities.

Raast will allow financial institutions (commercial banks, MFBs, BB operators, FinTechs, etc.) to seamlessly connect with one another via a single link to the central infrastructure, hosted by SBP. This will significantly reduce transaction costs and improve user experience for women, especially those that are recipients of the national G2P payment program.

To facilitate collaborations and alliances between established financial institutions (FIs) and FinTech companies, the implementation of enabling regulations (open banking) becomes crucial. Open banking, through data sharing, empowers FIs to develop a wider array of customer-centric products while financially empowering women. In Pakistan, FIs have initiated the provision of restricted Application Programming Interface (API) access to FinTechs. However, concerns arise among FIs regarding the limited presence of a thriving local FinTech sector which may hamper the initiation of such endeavors.

Enabling open banking will be a required future step for Pakistan to promote further innovation in financial services and product offerings tailored to women's needs and lifestyles.

Women generally exhibit higher risk awareness and may harbor less trust toward FSPs. Considering an ecosystem that gathers, examines, and uses sex-disaggregated data, it becomes essential to establish safety measures and implement a robust framework for safeguarding data. This approach aims to foster women's trust in the financial system and encourage their willingness to share and disclose their financial information.

Considering the increasing adoption of Digital Financial Services (DFS), the Pakistani government is taking steps to protect customers' financial data. The Personal Data Protection Bill 2021 is currently awaiting passage by Parliament, which will enable its enforcement.[31] Until now, the Protection of Economic Reforms Act (PEFTA) has provisions for maintaining the confidentiality of customers' information held by FIs and punishing any violation of these provisions. Furthermore, the telecommunications industry has its own separate regulation, the Telecom Consumer Protection Regulation 2009, which grants subscribers the right to lodge complaints against any unlawful practices by the Pakistan Telecommunications Authority. However, the SECP, which governs MFIs, has no such regulation, and as a result, there are no proper guidelines regarding minimum acceptable levels of privacy, confidentiality, data integrity, and data protection for microfinance users.

TRADITIONAL BANKING REGULATIONS

The State Bank of Pakistan implemented several regulations across the last decade that enable women's access and usage of traditional formal financial services. These regulations include consumer protection, microfinance, movable collateral registry, and a national credit bureau.

Women in Pakistan show limited awareness regarding client protection mechanisms and avenues for recourse, indicating the necessity for greater consumer protection measures throughout the banking sector.

30 SBP. (n.d.). Licensing and Regulatory Framework For Digital Banks. Available at: https://www.sbp.org.pk/dfs/Digital-Bank-Regulatory.html

31 ICLG. 2022. Data Protection Laws and Regulations Report 2022. Available at: https://iclg.com/practice-areas/data-protection-laws-and-regulations/pakistan

To address this, SBP has developed a comprehensive two-pronged Fair Treatment of Consumer (FTC) regulatory regime updating and consolidating significant consumer protection and responsible banking aspects. This regime is applicable on all consumers and appropriately cover conduct risks that women consumers may face.

In addition, as part of the BoE Policy, SBP mandated each commercial and microfinance bank's customer touch point branch to have a women's champion who serves as an access point for women customers and allows for consumer complaint redress.[32] To ensure better customer experience, the women's champion desk staff undergo gender sensitivity training to understand how to serve the unique needs of women customers.

By widely disseminating knowledge on current client protection mechanism and their effectiveness, trust levels can be elevated among women. This, in turn, would encourage a larger number of women to join the formal financial system.[33] A consolidated digital financial literacy program touching on women awareness may be undertaken with aspects related to consumer protection as one of the areas. The training extended by the providers would benefit the population as a whole but especially women. Also, the non-bank microfinance sector lacks consumer protection regulation.

In 2001, the government of Pakistan promulgated the Microfinance Institutions Ordinance, making it one of the first countries in the South Asia region to introduce a comprehensive regulatory framework for microfinance.[34] SBP carries the dual responsibility to supervise and regulate microfinance banks in a bid to promote financial inclusion in Pakistan, whereas the SECP regulates all non-bank MFIs.

Since 2001, the government has modified the regulatory framework several times, with the following amendments:

- distinguishing between an MFI and MFB
- managing liquidity and cash reserves
- writing off non-performing loans and provisioning simplifying credit requirements to make the loan approval process faster

32 SBP. 2021. Circular on Women Branchless Banking Agents under Banking on Equality Policy. Available at: https://www.sbp.org.pk/bprd/2021/C3.htm

33 World Bank. 2018. State of Financial Inclusion of Women in Pakistan. Available at: https://openknowledge.worldbank.org/handle/10986/31323

34 Ahmed, S. M. 2007. Amendments to the Microfinance Institutions Ordinance, 2001—Implications for the Sector. Available at: https://www.findevgateway.org/sites/default/files/publications/files/mfg-en-paper-amendments-to-the-microfinance-institutions-ordinance-2001-implications-for-the-sector-oct-2007.pdf


Female making cash deposit, Lahore, Pakistan. (Djavan Rodriguez/Shutterstock)

These regulations enable the effective operations of microfinance institutions which serve millions of women in Pakistan.

The government of Pakistan drafted a Credit Bureau Act in 2015, which has been amended the year after. In 2015, the Pakistani government implemented regulations pertaining to credit bureaus, subsequently amending them in the following year. To enhance the assessment of women's financial context, Pakistan ought to broaden the purview of existing credit bureaus to encompass additional transactions like cell phone usage and utility payments. This expansion will contribute to a more comprehensive and precise evaluation of women's financial profiles. Consequently, it will address the issue of inadequate conventional collateral among women, facilitate the establishment of credit history, and enable financial institutions to provide terms that accurately reflect the actual (lower) risk associated with extending credit to women, rather than relying on perceived risk.[35]

In 2020, the SECP created an electronic movable asset collateral registry to encourage the country's banks, MFIs, and leasing companies to accept movable assets as collateral for loans. The implementation of this regulation marks a significant milestone in facilitating women's financial access, particularly for those who lack land or property titles due to inequitable inheritance laws and societal norms. However, some women may own movable assets that can effectively function as viable collateral for loans.

Most recently, in December 2021, the Ministry for Industries' and Production launched an SME Policy in which women are a specific segment of focus. It is the first policy to address the SME sector specifically and issues that hinder its development, including access to loans (banks to provide collateral-free loans at concessional rate) and equity investments (venture capital regulations eased to encourage financing).[36] The policy contains a robust implementation plan that is outlined across key pillars. Concerning women, the policy delineates measures aimed at facilitating enhanced access to finance, bolstering financial literacy, providing training and advisory services, and ensuring compliance with tax regulations for women-owned SMEs.[37]

INTERNAL ALIGNMENT AND ACTIVE PROMOTION OF A VIBRANT ECOSYSTEM FOR GENDER INCLUSIVE FINANCE

Through policy measures, regulators should use their position within the financial services ecosystem to facilitate transformative shifts in the realm of gender inclusive finance (GIF). This necessitates the synchronization and harmonization of strategies and initiatives related to GIF, the implementation of programs aimed at enhancing women's financial literacy, the enforcement of sex-disaggregated data collection from financial institutions, along with the reporting of progress.

Moreover, regulators should incentivize financial institutions to adopt solutions that cater specifically to women, actively engage the market in discussions pertaining to GIF, and provide incentives for FinTech and digital innovation in this domain.

Pakistan's regulators have worked to actively promote a financial ecosystem that is conducive to women's financial inclusion, but national data does not reflect further improvement. Indeed, change takes time, both in terms of the implementation of new regulations and program initiatives as well as financial behavior change amongst individuals and households. It is important to note that the slow evolution of social norms is a challenge that takes diligent and concentrated efforts by all stakeholders. The goals set in the BoE Policy should lead the country in this direction, already showing results and the continuation will bear fruit in the long run.

35 World Bank. 2018. State of Financial Inclusion of Women in Pakistan. Available at: https://openknowledge.worldbank.org/handle/10986/31323

36 Aazim, M. 2021. How effective is the new SME policy? Business—DAWN.COM. Available at: https://www.dawn.com/news/1665906

37 ProPakistani. 2021. Govt Approves National Small and Medium Enterprises Policy 2021. Available at: https://propakistani.pk/2021/12/15/govt-approves-national-small-and-medium-enterprises-policy-2021/

SBP and SECP align under implementation of the NFIS and influence their respective regulated entities. There is an NFIS Council with participation from regulators, relevant government ministries, and departments, which take part as implementing agencies. There is also an NFIS Secretariat, which is housed at SBP and is responsible for implementation and follow-up. In case of microfinance industry, the coordination takes place through the Microfinance Consultative Group that among other stakeholders includes the Pakistan Microfinance Network (PMN). Recently PMN was engaged to develop a voluntary Industry Code of Conduct to adopt relevant sections of SBP's BoE Policy. On DFS specifically, SBP works with key players including SECP, MoITT, and the Pakistan Telecommunications Authority both directly and through the DFS Working Group. For women's financial inclusion, the Gender Policy Forum will be used as a technical committee going forward.

Financial literacy is recognized as a key barrier to women's financial inclusion. SBP has thus launched two national level financial literacy programs to promote financial literacy particularly in rural and peri-urban areas. These include Sikka Bakaida – a National Financial Literacy Program (NFLP) for adults and a National Financial Literacy Program for Youth (NFLP Y).

55%

Collectively under NFLP and NFLP-Y, **2.9 million beneficiaries have been trained**, of which 55 percent are women.

The programs targets women and consists of a national campaign and activity-based workshops that rely heavily on pictorial handbooks to increase learning capacity of the target audience, many of whom are only functionally literate. Topics focus on money management as well as financial rights and responsibilities, empowering women to use the financial system and improve their living standards.

SBP fulfills its regulatory responsibilities by encouraging Pakistani banks to enhance their ability to cater to the distinct requirements and financial patterns of female clients.

Within the framework of the Banking on Equality (BoE) initiative, SBP strongly advises all banks to establish a dedicated department for women's financial services, along with a marketing team comprising women responsible for promoting financial literacy and fostering a deeper understanding of banking services among female clientele.

Furthermore, SBP encourages banks to thoroughly assess their range of banking solutions and improve existing offerings to better align with the specific needs of women customers.

Considering this, banks are starting to acknowledge the strategic significance of catering to the women's market, leading to the introduction of specialized women's financial products. According to a Consumer Centrix survey conducted in 2020 as part of a project with Data2X, 50 percent of banks in Pakistan recognize the strategic importance of serving women. Thirty-two of the 35 banks offer products targeting women, however these are considered "feminized offers" or products that are labeled for women but do not solve any gender-specific issue or provide added value for women (such as pink credit cards that have the same registration requirements and fees as standard cards). Banks that provide G2P payments have experienced an increased footprint in the women's market, but these customers are serviced through the payments, not the retail department. There is opportunity for banks to properly quantify the market opportunities for serving women customers across different segments and design tailored value-add solutions that meet their unique needs.

Capturing and using sex-disaggregated data enables financial institutions to understand how they are serving women, the impact of women on their portfolio, and what the opportunities are. SBP has long since focused on the value of sector-wide gender data collection and reporting, and the BoE Policy further emphasizes this practice. Since 2017, SBP mandates sex-disaggregated data reporting to a variety of its departments, which resulted in an increase of qualitative supply-side data. The BoE calls for more granular and frequent data collection; specifically, there is a need to explore the heterogeneity of women's experiences and uncover how they notably vary according to life cycle, income-levels, intra-household dynamics, and religion. SBP has yet to establish a national definition of women-owned MSMEs (e.g. how Bangladesh Bank established in the case of Bangladesh); doing so will be important to collect data on this segment and understand their levels of inclusion.

The SECP does not currently collect sex-disaggregated data, but it is expected to undergo a digital transformation process and develop an extended data analysis capacity in the next three to four years. Financial regulators should use robust sex-disaggregated financial services data to understand gender gaps and better inform policy and practice to increase gender inclusive finance.

The government of Pakistan implemented several investment measures to increase women's financial access. With funding provided by the World Bank, SBP initiated the provision of credit lines to MFBs, stipulating that 60 percent of the new borrowers must be women. Furthermore, SBP introduced a scheme to offer refinancing and credit guarantees to women entrepreneurs in underserved regions. This scheme enables women entrepreneurs to access a maximum of PKR 5.0 million (USD 18,518) to fund either the establishment of a new business or the expansion of an existing one, with SBP guaranteeing 60 percent of the outstanding principal in the event of default. As of August 2022, a total of PKR 1,104 million has been disbursed to 1,121 women borrowers under the Refinance and Credit Guarantee Scheme for women entrepreneurs.

75%

363,457 women borrowers received loans under the Line of Credit (LoC) Fund, which has **surpassed the World Bank's assigned target for women borrowers** (75 percent compared to the 60-percent target).

To enhance the rates of gender-inclusive finance and facilitate the transition to digital payments, the Pakistani government initiated a program aimed at digitizing salaries, pensions, and payments for both public and private sector employees, as well as nationwide financial support programs. By using Government-to-Person (G2P) payments, there is a valuable opportunity to expand and encourage the utilization of BB channels. Payments under the Benazir Income Support Program (BISP) and Ehsaas Emergency Cash Program are both made electronically, and the government is pursuing using Raast for BISP payments in the future.[38] The Ehsaas Kafalat program, launched in 2019, has over 12 million women beneficiaries who can choose their preferred payment mode (cards, cash out, or account transfer). Note that for digital G2P payments to impact women's financial inclusion, women must open an account with a bank, rather than immediately withdrawing the funds.

Pakistan's FinTech sector is rapidly growing, mainly owing to active promotion by financial regulators. On a global scale, FinTech innovations are expediting the progress of financial inclusion by enhancing the accessibility and convenience associated with obtaining financial services. In 2021, Pakistan raised more than double the amount in venture capital investments than in the previous six years combined: USD 375 million.[39] The SECP holds regulatory authority over non-bank financial entities (NBFCs), and presently, there are 160 startups primarily engaged in the payments sector.[40]

Within this landscape, a handful of FinTech firms purposefully strive to promote gender-inclusive finance (GIF) while gathering data to substantiate the viability of catering to women clientele. However, they still serve less than 30,000 female clients (out of over 200,000 total clients). As the sector continues to grow, it will be important for the SECP, investors and the greater sector to push FinTechs to be intentional about targeting women.

The government has implemented several measures to welcome technological product innovation and drive further growth of the FinTech sector. In 2020, the SECP introduced a "Regulatory Sandbox" initiative, enabling companies to test novel solutions in the absence of regulations. Following the trial phase, the SECP evaluates the market demand for the proposed solution and, if warranted, proceeds to formulate regulations and seek parliamentary approval if any changes to current laws are required. Since its inception, the SECP has endorsed six solutions from the initial cohort and initiated a subsequent cohort. These solutions encompass various offerings such as a Sharia-compliant digital insurance firm (Takaful) specializing in personal lines, equity crowdfunding, and peer-to-peer debt financing. The government of Pakistan provides a conducive environment for other events like hackathons and makeathons to occur and several private players and development agencies have held contests for new and emerging FinTechs. The regulators work closely with the newly established Pakistan FinTech Association, which is a national-level body of all FinTechs in charge of building alliances with global and local ecosystem players to increase access to tech, R&D, and investment opportunities.

38 Benazir Income Support Programme. (n.d.). Available at: https://www.bisp.gov.pk/

39 Arab News. 2022. Around $375 million raised in 2021 as startup scene in Pakistan has breakout year. Available at: https://www.arabnews.pk/node/1997161/pakistan

40 House of Pakistan. 2021. Leading Fintech Startups in Pakistan Posed to Put a Dent in the Local Market. Available at: https://houseofpakistan.com/fintech-startups-in-pakistan/

ADVANCING GENDER DIVERSITY, EQUITY, AND INCLUSION

SBP values gender diversity within the banking sector but recognizes the extremely low female representation among bank staff and agents. Gender diversity is one of the main pillars of the SBP's Banking on Equality (BoE) Policy, under which banks must increase the ratio of female employees to at least 20 percent by December 2024, up from the previous 13 percent average.

75%

Under the BoE Policy, **banks must also have a dedicated and trained women's consumer representative** positioned at no less than 75 percent of their touch points by June 2024.

All bank employees should undergo gender awareness training to address underlying gender biases and enhance their comprehension of women customers' needs. The goal is to promote inclusivity and counteract any subconscious biases that may exist within the banking sector. A 2020 survey conducted by ConsumerCentriX with 35 commercial banks in Pakistan reveals banks have notably increased their focus on improving diversity at headquarter and branch level. For example, Habib Bank Limited increased its female employees by 80 percent and has doubled the number of women in senior management roles from 2010 to 2020.[41]

Gender diversity of banking agents is imperative to enabling women to use agent and digital channels. Conservative religious and social norms in Pakistan restrict women's mobility outside their homes and their ability to interact with non-familial men. As a result, less than one percent of all agents in Pakistan are women. SBP is working to change this landscape: under the BoE Policy launched in 2021, SBP emerged as one of the early global adopters to enforce a fresh requirement concerning the minimum representation of female agents. SBP mandated that all branchless banking entities devise a comprehensive Gender Mainstreaming in Agents Strategy which must be formally approved by their respective boards. The aim is to achieve a 10-percent inclusion of women in their agent network by 2024, with interim targets of four percent by the end of 2022 and seven percent by the end of 2023.

41 Financial Alliance for Women. 2021. Case Study: HBL Pakistan—The Path to Inclusion from the Inside Out. Available at: https://financialallianceforwomen.org/download/case-study-hbl-pakistan-the-path-to-inclusion-from-the-inside-out/

Female business students, Pakistan. (Ridofranz/iStock)

WOMEN'S ECONOMIC PARTICIPATION, INCLUSION, ENTREPRENEURSHIP, AND THE BROADER ENVIRONMENT

Despite active financial regulators and conducive regulations, the overall environment for women's economic participation in Pakistan is severely constrained. According to the World Economic Forum's 2021 gender equality index, Pakistan ranks one of the lowest in the world for gender equality.

Women in Pakistan are not only severely disadvantaged in terms of education, economic opportunities and entrepreneurship, but also restricted by the country's conservative legal framework. These factors directly impact women's access and use of financial services and will be essential to address to further close financial inclusion gender gaps.

21%

Women's educational attainment in Pakistan is sub-par: only 21 percent of women completed at least secondary education compared to the 31 percent average of lower-middle income AFI countries.[42]

54%

Young girls often attend school but are pulled out before secondary education in order to work for the family and because of the expensive school fees. **This results in a highly uneducated population**, with 54 percent women illiterate compared to 27 percent average of lower-middle income AFI countries.[43]

23%

Only 23 percent of women participate in the labor force which is **less than half of the average of AFI lower-middle income countries.**[44]

42 World Bank. (n.d.). World Bank Open Data. Database. Available at: https://data.worldbank.org/

43 UNESCO. (n.d.). UNESCO Institution of Statistics Database. Available at: https://uis.unesco.org/

44 ILOSTAT. The leading source of labour statistics. (n.d.). Available at: https://ilostat.ilo.org

Female students, Lahore, Pakistan. (Murtaza.Ali/Shutterstock)

Pakistani women tend to work in informal sectors, including agriculture and unpaid care. As expected, this translates to an income gap where an estimated earned income of Pakistani women is only 17 percent than men's, compared to the 59 percent average of AFI lower-middle income countries.[45]

Very few women in Pakistan become entrepreneurs or run small and medium-sized enterprises (SMEs), which is another important factor to understanding women's lack of formal financial services use.[46]

1%

Pakistan has only one percent of women venturing into entrepreneurial endeavors (the lowest rate globally), while the corresponding figure for men stands at 21 percent.[47]

The majority of women who are running businesses operate informally and in traditional women-led sectors such as textiles, beauty, food, and agriculture; their businesses are small and fail to achieve growth potential.

7%

Merely seven percent of **SMEs in Pakistan are women-owned**, in contrast to the average of 21 percent observed in lower-middle income countries associated with the Alliance for Financial Inclusion (AFI).

<12%

Furthermore, **less than 12 percent of firms in Pakistan have female participation in ownership,** significantly trailing behind the AFI's lower-middle income country average of 35 percent.[48]

The national SME Development Authority highlights that the dearth of business management expertise, insufficient access to information, and limited networking opportunities constitute significant barriers in the advancement of women-led SMEs in Pakistan.

In Pakistan, a deeply patriarchal society prevails, where influential social and cultural conventions significantly contribute to the unequal status of women. These social norms strongly discourage women from interacting with men who are not related to them. As a result, women face constraints in their mobility due to the discomfort, social stigma, and fear of harassment associated with such interactions, thereby limiting their ability to use public transportation and move freely.[49] This lack of mobility further restricts their opportunities to pursue education, engage in the workforce, and partake in independent activities.

Moreover, inheritance laws disadvantage women, impacting their abilities to accumulate wealth and access finance. Discriminatory practices deprive women of the right to own land, which means most women do not have land titles to use as loan collateral.[50]

45 World Economic Forum. 2021. Global Gender Gap Report. Available at: https://www.weforum.org/reports/global-gender-gap-report-2021/?DAG=3&gclid=CjwKCAjw8JKbBhBYEiwAs3sxNxbmuNg0h9aYu-q9s6-SUnkbgCL_UsLDEoXqaX7-Q60D_2bItamsIBoC0mIQAvD_BwE

46 SME Finance Forum. 2018. MSME Finance Gap Database. Available at: https://www.smefinanceforum.org/data-sites/msme-finance-gap

47 Global Entrepreneurship Monitor. 2012. Economy Profile. Pakistan. Available at: https://www.gemconsortium.org/economy-profiles/pakistan

48 World Bank. (n.d.). Enterprise Surveys Indicators Data. Firms with female participation in ownership (% of firms). Available at: https://data.worldbank.org/indicator/IC.FRM.FEMO.ZS?locations=PK

49 Sajjad, F., Anjum, G. A., Field, E., & Vyborny, K. 2018. Overcoming Barriers to Women's Mobility. Available at: https://g2lm-lic.iza.org/publications/pb/pb24/

50 Jamal, S. 2021. Amended women's property rights bill approved by senate panel in Pakistan. Gulf News. Available at: https://gulfnews.com/world/asia/pakistan/amended-womens-property-rights-bill-approved-by-senate-panel-in-pakistan-1.80403222

FUTURE OUTLOOK

Pakistan has made significant strides towards financial inclusion and the measures the country's financial regulators have enacted to boost gender inclusive finance will move the needle with time. SBP is one of the few central banks in the region which has prioritized gender with a landmark comprehensive policy. Moreover, digitization initiatives, financial literacy and mass awareness campaigns, and consumer protection initiatives will be instrumental to close the gender gap in finance.

SBP's new Banking on Equality (BoE) Policy has drummed up increased focus and alignment on priority areas for gender inclusive finance. The implementation of the BoE is ongoing and banks are slowly re-orienting themselves towards strict compliance. The BoE Policy highlights that targets and roadmaps are to be set; the targets were subsequently communicated individually to each bank, against which women's ratio in financing, account ownership, and bank staff is being closely monitored. There is a need for increased attention to this segment, not only with tailored financial solutions (including credit) but support with registering their business and scaling up. Going forward, SBP's priorities will remain on reducing the financial inclusion gender gap by focusing on gender diversity in banks and at the central bank as well as several initiatives are underway to improve SBP's internal gender diversity and environment for women.

Digital financial services (DFS) will remain an important financial inclusion driver; regulators must encourage the private sector to be intentional in their outreach to women and to design solutions that solve women's unique needs. There will need to be more women agents in the marketplace to facilitate women's use of DFS (a goal of 10 percent by 2024). Women's digital and financial literacy will also need to increase in order to drive uptake and usage of DFS. The guidelines of the BoE Policy encourage financial institutions to create innovative digital financial solutions tailored to specific demographics, including women entrepreneurs. The policy also suggests collaborating with FinTech companies, incubation centers, and accelerators, as well as investing in digital initiatives that enhance financial literacy and digital competencies among women and girls across various educational and income levels. Additionally, the policy aims to facilitate the uptake of DFS by women, particularly in rural regions. A separate circular under BOE was issued to ensure women agents are at least 10 percent of a branchless banking player's agent network.[51]

Gender diversity across the banking sector and agent channels is a key pillar of the BoE. Nevertheless, progress has been slow but continued regulatory pressure can further encourage change.

Beyond top line numbers of women's representation, **financial institutions should have gender diversity and inclusion strategies** that inform programs including mentoring, coaching, training, and other areas critical to boosting women's role in the workplace.

To reflect on this, SBP's BoE circular recommends that banks have their own action plans along with timelines and responsibilities, to improve their institution's overall gender diversity and implement strategies and policies for women's hiring, retention, promotion, and mentoring. Furthermore, banks have been advised to implement strategies to improve women's representation in senior management, where merit-based criteria should be developed for women's career growth path.

All these elements are within the financial regulator's remit and will contribute to increased women's inclusion in the formal financial sector. However, an examination of the broader Pakistani environment reveals that women lack sufficient education and employment opportunities due to conservative social norms and legal frameworks. Narrowing the financial inclusion gender gaps and increasing the availability and usage of gender-inclusive finance will depend on enabling women's economic participation, increasing their opportunities, and changing the perception of women in society. Pakistan's financial regulators have a powerful role to play here. As they have demonstrated in the initiation of policies and actions designed to bring about change in the financial sector, they can share lessons and collaborate with government agencies—along with civil society actors—to influence broader societal change. It is important to stress that regulators can—and should—play a role in influencing action among financial service providers and other ecosystem stakeholders to increase the provision of gender-inclusive finance.

51 SBP. 2021. Circular on Women Branchless Banking Agents under Banking on Equality Policy. Available at: https://www.sbp.org.pk/bprd/2021/C3.htm

ACRONYMS

ADA	Asaan Digital Account
AFI	Alliance for Financial Inclusion
AMA	Asaan Mobile Account
API	Application Programming Interface
ATM	Automated Teller Machine
BB	Branchless Banking
BISP	Benazir Income Support Programme
BOE	Banking on Equality
CNIC	Computerized National Identity Card
DFS	Digital Financial Services
EMI	Electronic Money Institutions
FI	Financial Institution
FinTech	Financial technology
FSP	Financial Service Provider
FTC	Fair Treatment of Consumer
G2P	Government-to-Person
GIF	Gender-inclusive finance
ICT	Information and Communications Technology
KYC	Know-your-customer
MFB	Microfinance Bank
MFIs	Microfinance Institutions
MoITT	Ministry of Information Technology and Telecommunications
MSME	Micro, Small and Medium Enterprises
NADRA	National Database and Registration Authority
NBFC	Nonbank Financial Companies
NFIS	National Strategy for Financial Inclusion
NFLP	National Financial Literacy Program
NFLP-Y	National Financial Literacy Program for Youth
PEFTA	Payment Systems and Electronic Fund Transfers Act
PKR	Pakistani Rupee
PMN	Pakistan Microfinance Network
PSO	Payment System Operator
PSPs	Payments System Providers
PTA	Pakistan Telecommunication Authority
SBP	State Bank of Pakistan
SDGs	Sustainable Development Goals
SECP	Securities & Exchange Commission of Pakistan
SME	Small and Medium Enterprises
SNIC	Smart National Identity Card
UPI	Unified Payments Interface
WFI	Women’s Financial Inclusion
WSME	Women Small and Medium Enterprises

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