

Digital Lending in Priority Sector Financing: Expanding Access, Strengthening Inclusion and Unlocking Productive Growth in Pakistan

Access to finance remains a significant constraint to inclusive and sustainable economic growth in Pakistan, particularly for agriculture, Small and Medium Enterprises (SMEs), and underserved entrepreneurs. Despite their important contributions to employment, production and economic activity, these sectors continue to face structural barriers to formal credit, including inadequate collateral, limited financial documentation, high borrowing and transaction costs, and restricted access to banking services. These constraints limit productive investment, business expansion and the ability of smaller enterprises and farmers to participate more effectively in economic growth. Expanding access to affordable, timely and appropriately structured financing is therefore essential for strengthening productivity, supporting enterprise development and advancing financial inclusion.

Pakistan has made progress in broadening financial inclusion and expanding credit to priority sectors, although substantial financing gaps remain. According to the [State Bank of Pakistan](#), the financial inclusion level increased from 64% in December 2023 to 69% in December 2025, against a target of 75% by June 2028. Over the same period, agriculture's share of total private sector credit increased from 9% to 11%, while the share of SME financing rose from 6% to 8%. Agricultural credit disbursements also reached approximately PKR 2.58 trillion during FY2024-25, representing an increase of [16.3%](#) over the preceding year. While these developments indicate progress, limited credit histories, collateral requirements and the costs of serving smaller borrowers continue to constrain access to formal financing. Addressing these challenges is a central priority of the Government of Pakistan's [Access to Finance Plan 2026–2028](#), which seeks to accelerate lending to productive sectors through coordinated policy, regulatory and institutional measures.

At the same time, Pakistan's expanding digital financial infrastructure offers opportunities to address some of the longstanding barriers to credit access. According to [SBP's Payment Systems Review for FY2024-25](#), approximately 9.1 billion retail payment transactions were recorded, with over 88% conducted through digital channels by transaction volume. This increasing adoption of digital payments creates opportunities for financial institutions to improve customer onboarding, streamline loan processing and assess borrowers using alternative financial information, including transaction histories and business cash flows. Such approaches can help reduce information gaps and lending costs, particularly for enterprises and farmers with limited formal credit records. However, converting digital financial activity into greater access to credit requires reliable data, appropriate customer consent, effective underwriting and adequate safeguards for data protection and consumer interests. Digitalisation must, therefore, be

accompanied by sound credit assessment and risk management to ensure that increased lending remains commercially viable and financially sustainable.

The [Bank of Punjab \(BOP\)](#) provides an important institutional perspective on translating digital innovation into productive sector financing. Through initiatives such as the Kissan Card, Livestock Card, Asaan Karobar Card and digitally enabled SME financing, BOP has participated in efforts to improve credit delivery to farmers, entrepreneurs and small businesses. These initiatives offer practical experience for examining the opportunities and implementation challenges associated with technology-enabled lending. Scaling such approaches across the financial sector will require stronger coordination among banks, fintech providers, regulators and development finance institutions, alongside mechanisms to address credit risk and collateral constraints. In particular, credit guarantees, risk-sharing arrangements and appropriate regulatory frameworks can help facilitate financing for viable borrowers who remain underserved by conventional lending models.

In this context, this *Policy Dialogue* will examine how Pakistan can build on its expanding digital financial infrastructure and ongoing access-to-finance reforms to increase the availability of responsible, affordable and commercially sustainable credit for productive sectors. Drawing on BOP's practical experience and the perspectives of policymakers, regulators, financial institutions and development partners, the discussion will focus on identifying feasible measures to improve credit delivery, strengthen institutional coordination and mobilise financing for agriculture, SMEs and underserved entrepreneurs. The discussion aims to:

1. Examine gaps and opportunities in priority sector financing in Pakistan, with particular emphasis on expanding digitally enabled credit to agriculture, SMEs, and underserved entrepreneurs.
2. Assess the regulatory and institutional framework for digital lending, including coordination between the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP), and alignment with the government's Access to Finance Plan 2026-2028.
3. Explore innovative and commercially viable lending models, including alternative data-driven credit assessment, cash-flow-based financing, digital underwriting, and bank-fintech partnerships to improve access to productive credit.
4. Evaluate the role of credit guarantees, risk-sharing mechanisms, and development finance in addressing collateral constraints, mitigating lending risks, and mobilising private sector financing for underserved borrowers.
5. Identify actionable policy and institutional measures to strengthen responsible digital lending, improve financial accessibility, and support sustainable agricultural productivity, SME development, and inclusive economic growth.

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