Plenary

Towards Economic Empowerment: Women's Financial Inclusion in Pakistan

Financial inclusion refers to ensuring that individuals and businesses have access to useful and affordable financial products and services — such as transactions, payments, savings, credit, and insurance — that meet their needs and are provided in a responsible and sustainable manner. Importantly, each person should possess at least one account in their name with an institution that offers comprehensive financial services and falls under regulatory oversight.

Despite South Asia's economic dynamism, the region faces significant challenges in closing the gender gap in financial inclusion, holding the widest disparity globally. While some countries in the region have made substantial progress, others, including Pakistan, Nepal, and Afghanistan, lag behind.

Focusing on Pakistan, the Global Findex 2021 data provides key insights into the country's financial inclusion status. Among women, account ownership reached a double-digit figure of 13% for the first time in 2021. However, only 3% of women held a mobile money account, compared to 14% of men. This highlights a glaring gender gap in mobile banking adoption. Furthermore, saving behaviour — a critical indicator of financial inclusion — declined sharply from 35% in 2017 to 14% in 2021, partly due to impacts of the COVID-19 Pandemic. Only 6% of adults reported saving through financial institutions or savings clubs, and a mere 1% saved via mobile money accounts. Similarly, borrowing rates have decreased, with gender disparity persisting: only 31% of women borrowed money, compared to 43% of men. Globally, account ownership, digital payments, savings, and borrowing rates have improved, yet in Pakistan, all these indicators declined between 2017 and 2021, except for digital payments, which remained stagnant. These statistics highlight two major trends: Pakistan significantly under-performs on financial inclusion indicators, and women are disproportionately disadvantaged in borrowing, saving, and accessing digital payment systems.

The lacklustre financial inclusion of women in Pakistan can be attributed to both demand- and supply-side constraints. On the supply side, financial institutions either fail to provide gender-disaggregated data or do not report it fully to regulators, hindering proper understanding of the gender landscape in financial services. On the demand side, one of the most critical factors is widespread lack of financial literacy among women. Without basic financial literacy, women cannot be expected to understand or fully utilize financial services. For example, the Access to Financial Services survey revealed that while technology plays a key role in increasing women's access to formal financial services — especially mobile wallets — many women do not register for such services due to a lack of awareness or because they find the process too complicated. Financial inclusion hinges on both access to financial services and financial literacy. In fact, awareness and education are crucial factors that facilitate the uptake of any financial product which aids in reducing risks. In simple words, if women are less financially literate, they will not be comfortable with using financial services, especially digital services, making it harder to close the gender gap. Most importantly, just because someone has access to financial services does not necessarily translate into utilization. This is where the importance of financial literacy comes to the forefront.

It is extremely imperative to close the gender gap in financial inclusion in the country. Studies consistently demonstrate that when women gain access to financial services, they are more likely to invest in the education, health, and well-being of their families, which strengthens overall community welfare. Moreover, integrating women into formal financial systems can significantly boost economic growth. According to McKinsey, closing the gender gap in economic participation could add USD 13 trillion to global GDP by 2030.

In Pakistan, financial inclusion for women is not merely a question of equity; it is also an economic necessity. The Government of Pakistan has recognized the need to address this issue. For instance, the State Bank of Pakistan introduced the 'National Financial Inclusion Strategy', which promotes financial inclusion through various initiatives—such as establishing a digital transaction system, expanding access points, building the capacity of financial service providers, and enhancing financial literacy, with special emphasis on women. Gender disparity in financial inclusion has thus become a focus of attention. Recognizing that financial inclusion is built on the foundations of financial literacy, the State Bank also launched the 'National Financial Literacy Program for Youth'. This programme covers key areas, including budgeting, saving, investment, branchless banking, currency management, debt management, Islamic banking, and consumer rights and responsibilities. High-level initiatives such as these underscore the importance of financial inclusion and literacy.

While the State Bank of Pakistan drives the National Financial Inclusion Strategy, scaling up public-private collaborations is crucial**.** Telecom companies have the infrastructure and expertise to reach remote areas, which can help overcome geographical barriers to financial services. By leveraging their extensive network coverage, telecom companies can extend mobile banking services and promote branchless banking solutions, which are particularly beneficial in rural areas where access to physical banking institutions is limited. Development and expansion of mobile wallets, for instance, allow individuals to make transactions, save, and even access credit without needing to visit a traditional bank. Additionally, Public-Private Partnerships (PPPs) can foster innovation in digital financial tools, making them more accessible and user-friendly for women. Telecom companies can work closely with financial institutions to design products that cater specifically to the needs of women, such as simplified mobile banking interfaces, tailored savings plans, and micro-loan products that accommodate small-scale entrepreneurs. However, to ensure success of such tools, it is imperative to address the digital divide, particularly the gender disparity in digital literacy.

The nexus of poverty under social protection, particularly for women, is a critical issue in Pakistan, and programmes like the Benazir Income Support Program (BISP) and the Punjab Social Protection Authority (PSPA) play a pivotal role in addressing it. By linking social safety nets to financial inclusion, these poverty reduction programmes open avenues for long-term economic participation, enabling women to transition from dependency to self-sufficiency.

The Digital Financial Literacy (DFL) programme, an initiative by GIZ on behalf of the European Union and the German Federal Ministry for Economic Cooperation and Development. (BMZ), in collaboration with UNICEF and SDPI, integrates financial inclusion with digital literacy and climate action initiatives. The nationwide rollout focused on BISP recipient women. The programme follows a sustainable model to ensure long-term impact through four key pillars: Saving, Borrowing, Digital Transactions, and Insurance. These interconnected pillars empower participants to manage finances effectively, fostering broader financial inclusion. Designed to evolve beyond immediate assistance, DFL offers ongoing financial education, enabling women to build financial knowledge at every stage. Improved digital financial literacy enhances their inclusion, promoting independence and resilience.

The Government of Pakistan (GoP) is also prioritizing such initiatives. The government's Finance Division and Germany (BMZ) are members of the Better Than Cash Alliance (BTCA), a partnership of governments, companies, and international organizations that accelerates the transition from cash to responsible digital payments to help achieve the Sustainable

Development Goals (SDGs). It builds on three important pillars: direct cash transfer for health access; empowering vulnerable communities; and digital payments for disaster relief.

Pakistan stands at a pivotal moment in its journey toward financial inclusion, with women playing a critical role in unlocking the country's economic potential. While government initiatives such as the National Financial Inclusion Strategy have laid the foundation, scaling these efforts requires active participation from the private sector, particularly in leveraging technology to reach underserved populations. The integration of digital financial tools and literacy programmes, especially for women, is essential for overcoming existing barriers and ensuring that financial inclusion becomes a reality for all. PPPs, combined with targeted educational efforts, can empower women, enhance their financial autonomy, and contribute to broader economic growth. As the country seeks to recover from the economic turmoil, ensuring that all citizens — especially women — are financially literate and included in the formal financial system is not only a moral imperative but also a practical necessity for sustainable development. The time to act is now, to ensure that financial services reach every corner of society and uplift the most vulnerable populations for a more equitable and prosperous future.

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