FIN DEV CYBERLETTER

AUGUST EDITION:
Women & Financial Inclusion in Pakistan

GALLUP PAKISTAN
Affiliated with Gallup International
Pakistan's Foremost Social Research Lab

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EDITOR'S NOTE

Welcome to Gallup Pakistan's FinDev Cyberletter. The principle purpose of this Cyberletter is to inform its readers of the latest developments in the financial industry of Pakistan, particularly in the realms of Financial Inclusion and Digital Financial Services (DFS), where efforts are being undertaken by both private and government sectors. This is the first monthly issue of the FinDev Cyberletter series. Each issue of the FinDev Cyberletter will focus on a particular theme within the broader area of financial inclusion and related topics. This newsletter is divided into three main sections. The sections are:

1) News Roundup – this section will cover the latest happenings in the financial services industry of Pakistan.
2) Research Findings – constant work is being undertaken by experts and research organizations in order to enhance the understanding of, and to find solutions to the challenges encountered within the financial services industry. This section will aim to cover some of these research findings.
3) Data Visualizations & Statistical Figures - Research backed by data not only increases its credibility but also helps paint an accurate picture of the situation at hand. This section will contain graphical representations of data on various relevant topics.

The first issue of FinDev explores the globally prevalent problem of financial exclusion of women within the Pakistani context. Easy and reliable access to financial services for all segments of society is imperative to the economic development of any country. It is encouraging to see that this issue is increasingly being recognized, and many efforts have been, and are being made to financially include all segments of society in Pakistan.

A diligent effort has been made to ensure that the content extracted from external sources has been cited and given due credit. In some cases, excerpts from the original articles have been included. To access the original articles, please click on the link provided at the end of each article. In case of any errors or omissions, we would like to apologize and would be eager to rectify the changes at the earliest. For feedback, comments or questions feel free to write to us at caf@gallup.com.pk.

Warm Regards,
The Gallup Pakistan Financial Inclusion Team
Led by Bilal I Gilani (Executive Director, Gallup Pakistan)

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INTRODUCTION

Financial Inclusion is defined as having useful access to affordable financial products and services such that individuals and businesses can meet their needs in a responsible and sustainable manner (World Bank).

Financial development and accessibility to financial services is one of the key determinants of sustainable economic development. However, according to World Bank, more than 2 billion people around the world do not have access to formal financial services. In Pakistan alone, access to financial services is only limited to 9% of the total adult population and certain groups such as women, people living in rural areas, and small and medium enterprises are much more prone to financial exclusion.

The problem of bridging the gender gap in financial inclusion is being faced all over the world. While the global percentage difference of access to financial services between men and women is 9%, in Pakistan, this gender gap is alarming at a rate of 11 % .

UN in collaboration with its partner countries aims to equalize this gender imbalance. The government of Pakistan, as part of the UN mission to provide universal financial access to people all over the world by 2020, has launched the Financial Inclusion Project to improve the provision of financial services to households and businesses by equipping them with the required infrastructure and services.

The focus of this Cyberletter issue will be on the financial inclusion of women in Pakistan. It aims to keep its readers updated with recent initiatives, happenings and news in this emerging domain.

SECTION 1: NEWS ROUNDUP

This section covers the latest happenings from the financial services industry in Pakistan.

POLICY BRIEF DISCUSSION ON FINANCIAL INCLUSION OF WOMEN ENTREPRENEURS*

Pakistan Women Entrepreneurship Programme (PWEP) at Social Enterprise Development Centre (SEDC) organized a round table discussion on the Financial Inclusion of Women Entrepreneurs.

The purpose of the event was to disseminate the policy brief, developed as part of the PWEP Programme, and to bring together a group of stake holders to generate discussion, and gather suggestions and recommendations on making financial institutions more inclusive for women.

The participants agreed that removing disparities in women's access to financial services is critical for promoting entrepreneurship, gender equality and sustainable growth in the country.

SEDC Director, Dr. Ghazal Mir Zulfiqar and PWEP Director, Dr. Misbah Tanveer were leading the event.

The event started with a welcome address, followed by a presentation on the policy brief, and discussion. The participants included representatives from The State Bank of Pakistan, Punjab Commission on the Status of Women, FINCA, First Women Bank, Allied Bank, Pakistan Microfinance Network, Kashf, Chambers of Commerce and Industry Lahore, Centre for Islamic Finance, and Pakistan Economic Research Institution. The event was also attended by students and faculty from LUMS.

The participants agreed that removing disparities in women's access to financial services is critical for promoting entrepreneurship, gender equality and sustainable growth in the country.

They briefed each other about the current policies and practices in their areas of operation for inclusion of women entrepreneurs, and suggested measures on improving the current level of engagement between women and financial institutions.

*Source: Published on LUMS official website dated June 22, 2017
(Click here to access the original article)

TELENOR COMMITS GREATER DIGITAL & FINANCIAL INCLUSION OF PAKISTANI WOMEN BY 2020*

In line with its vision to empower societies and in a strategic endorsement of the GSMA's Connected Women Initiative, Telenor Pakistan has committed to increase the proportion of women in its subscriber base by the year 2020 to reduce the gender gap in mobile internet and mobile money services in low and middle-income countries.

"Telenor Pakistan's commitment to increase the share of women in its customer…can have a transformative effect on women's lives,…by providing access to vital financial services, which women are 45 per cent less likely to have access to than men in Pakistan. Ensuring digital and financial inclusion for women is essential because when women thrive, societies and economies thrive," said Claire Sibthorpe, Head of Connected Women, GSMA.

Telenor aims to bring women into the digital and financial mainstream by introducing mAgri (mobile agriculture) for women. mAgri is an initiative that provides agronomic information to women farmers in Pakistan to maximize crop yields.

The Sindh Education Reform Program (SERP) and Benazir Income Support Program (BISP) have chosen Easypaisa, Pakistan's first mobile financial service and a product of Telenor Microfinance Bank, for transparent and timely disbursements of social and educational stipend entitlements to women living in rural areas with no access to formal financial services.

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*Source: Published on Telenor's official website dated July 11, 2017
(Click here to access the original article)

FMO FINANCES ASA PAKISTAN TO EMPOWER WOMEN MICRO- ENTREPRENEURS IN PAKISTAN*

ASA Pakistan will use the funding to empower women micro-entrepreneurs, to create jobs and an income, and to enable them to prosper and provide support for their families. The investment comes from MASSIF, the financial inclusion fund FMO manages on behalf of the Dutch government.

FMO's financing will enable ASA Pakistan to provide funding and financial education to about 50,000 women and their families in a country with one of the lowest banking penetrations in the world: only 25% of population use some form of financial services, for women this is no more than 10%. The transaction advances financial inclusion and promotes financial literacy among women.

ASA Pakistan provides a low cost microfinance program, which includes loans and offers financial literacy that help their women clients to manage their money.

FMO has made the Financial Institutions sector a priority to promote inclusive development by focusing on the Base of the Pyramid, rural outreach, and women-owned businesses with the aim of creating or increasing access to finance. Equality of economic opportunity for women and men is essential for sustainable growth and a key element for building local prosperity.

Only 25% of population use some form of financial services, for women this is no more than 10%.

* Source: Published on Telenor 's official website dated July 4, 2017
(Click here to access the original article)

JAZZCASH AND WOMEN'S WORLD BANKING ANNOUNCE PARTNERSHIP TO SERVE LOW-INCOME WOMEN IN PAKISTAN*

JazzCash, Pakistan's premiere financial services provider, and global nonprofit Women's World Banking announce a partnership to promote women's financial inclusion across Pakistan. With funding from the Bill & Melinda Gates Foundation, the partners will work to increase low-income women's adoption and use of digital financial services, particularly the JazzCash mobile account.

Commenting on this partnership, Aniqa Afzal Sandhu, Chief Digital and Financial Services Officer of Jazz, said, "We are delighted to partner with Women's World Banking, as they have done pioneering work on empowering women financially in other markets. We look forward to the research findings as they will enable JazzCash to increase financial inclusion of the marginalized and disenfranchised women across Pakistan."

"We commend JazzCash for seeing women's longstanding financial exclusion as we always have: an opportunity rather than an obstacle," said Mary Ellen Iskenderian, President and CEO of Women's World Banking.

"With a mobile savings tool like JazzCash, a woman, who may not have otherwise had access, can open a bank account in her own name without taking time away from her busy day. She can plan for her future, build a safety net for times of crisis, and even grow her business."

The project will engage nonprofit behavioral design and research firm ideas42 and will leverage global best practices in reaching women with digital financial services, including Women's World Banking's projects in Nigeria and other markets.

The results will have a global impact as well, not only building understanding of how digital financial services work for low-income women in Pakistan, but also informing similar initiatives to reach unbanked women regionally and globally.

*Source: Published on Women's World Banking website dated April 3, 2017
(Click here to access the original article)

SECTION 2: THE RESEARCH

Constant work is being done by Experts and Research Organizations to better understand and find solutions to the issues faced in the financial sector. This section covers some of these research findings.

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BUSTING THE MYTHS ON PAKISTAN'S 50 MILLION "UNREACHABLE" WOMEN*

When you ask financial service providers in Pakistan about reaching women customers, you mostly hear about the many challenges. They cite women's restricted mobility, low levels of literacy, unfamiliarity with technology, and lack of need for financial services. Apart from perceiving the women's market as too difficult to be viable, recent growth in their traditional business lines gives commercial financial institutions little incentive to invest in a new segment. ***It thus comes as no surprise that nearly 90% of women in Pakistan (approximately 50 million) remain unbanked (2015 Access to Finance Survey). The Global Findex and InterMedia's FII data put the rate of exclusion even higher, at 95%.*** These 50 million unbanked women represent a tremendous missed market opportunity for Pakistan's financial service providers, especially since many of the oft-mentioned challenges around reaching women are, in fact, myths.

Busting the Myths about Banking Women Customers:

Myth #1: "Women don't need financial services"

Traditional gender roles in Pakistan consider men as the family breadwinners, while women typically care for the household and children. Hence, the 'common sense' that women have no money to save and thus no need for a bank account. However, in reality, it is accepted and expected for women to put money aside for family needs. Even women who do not earn an income are expected to do so, as they still often manage money received from a husband and adult children. ***Women are also increasingly generating income of their own: a 2013-14 survey by the Pakistan Bureau of Statistics found that 26% of women (about 15 million) participate in the labor force.*** So Pakistani women are managing money and thus need financial services that will give them greater choice and greater security in managing their personal and family funds.

BUSTING THE MYTHS ON PAKISTAN'S 50 MILLION "UNREACHABLE" WOMEN*

Myth #2: "Women are illiterate, so they can't use financial services"

It's easy to see where this myth comes from: Pakistan's female literacy rate of 43% is notoriously low, compared to 70% literacy among Pakistani men and 61% literacy among women in the South Asia region. However, a low literacy rate is no excuse for financial service providers to leave 90% of women unbanked. Literacy rates among certain segments of women in Pakistan are actually much higher: 67% among young women ages 18-24, and 79% among women who own phones. ***Plus, recent work by MicroSave demonstrates that even oral users can engage with appropriately designed financial products.***

Myth #3: "Women don't go outside their homes, so they can't use financial services"

While cultural norms do constrain women's mobility in Pakistan, many women regularly move about in their communities, often in the company of family members. ***In addition, the Asian Development Bank found that 70% of employed women in Pakistan work outside the home.*** That means there are over 10 million women regularly operating in the public workplace, plus another million or so who are university or vocational students.

Financial service providers must recognize that women are not un-reachable customers, but differently reachable. In the context of cultural norms that often separate by gender, women are likely to have different preferences how they use or access financial services. Providers must adapt traditionally male-focused offerings to meet women's needs.

Myth #4: "Women don't own phones, so mobile banking isn't an option either"

Over 20 million women in Pakistan (36%, according to the 2015 FII survey) own a mobile phone. While this leaves many more women with only partial or no access to mobile, an initial women's market of 20 million is no small segment. GSMA projects that mobile subscriptions in Pakistan will continue to grow rapidly, so the women's market opportunity for branchless banking will likely only improve.

Shifting the Paradigm:

How can we shift the paradigm among Pakistan's private sector financial service providers away from an attitude of 'unreachable women'? Simple: providers must recognize that women represent a viable target market with the potential to substantially grow their business. Women's World Banking will continue to share this myth-busting data, and we look forward to engaging with a variety of stakeholders in this effort.

BUSTING THE MYTHS ON PAKISTAN'S 50 MILLION "UNREACHABLE" WOMEN*

Industry leaders also have a key role to play in catalyzing change. The State Bank of Pakistan is already taking steps to convene the sector towards increased gender consciousness, driving towards the 2020 target of 25% women's financial inclusion set by the National Financial Inclusion Strategy.

Once more private sector players understand the opportunity and decide to act, it will be upon them to design products and services with women's needs in mind. This does not mean developing women-only products.

Rather, they must cast a critical eye to how existing products could be tweaked to better serve women customers. For example, Women's World Banking is currently working with one of Pakistan's leaders in branchless banking, JazzCash, to increase women's uptake and usage of the JazzCash mobile account. To do so, we are designing and testing solutions to improve the onboarding process for women customers through both agents and customer referrals.

As women's financial inclusion advances in Pakistan, financial service providers will also need to explore innovative models to serve some of the harder-to-reach segments of women, such as those in lower-income and more rural communities.

Cross-sector partnerships between commercial financial institutions and organizations that already have trusted relationships with women in these communities hold strong potential to help overcome initial barriers of distrust and unfamiliarity. Women's World Banking will also be exploring this type of opportunity as part of our project with JazzCash.

While there is a long way to go towards achieving full financial inclusion in Pakistan, thoughtful, market-driven solutions have huge potential to bring large numbers of unbanked women into the formal financial system. Because really, who wouldn't want to capture a market of 50 million customers?

*Source: Published on Women's World Banking official website dated July 10, 2017
(Click here to access the original article).

BARRIERS THAT EXCLUDE WOMEN FROM FINANCIAL PARTICIPATION?*

Due to both cultural and religious norms, as well as institutional challenges, various barriers have arisen that exclude women from the formal financial sector (World Factbook, 2013). Some of those are here below:

Mobility: The most significant challenge is low mobility. While Pakistani culture permits men to travel in buses, *women are expected to use more secure but more costly motorized rickshaws, thus making it difficult to travel to banks (Women's World Banking, 2013).*

Employment: In Pakistan, employment is often tied to ownership of a bank account to receive wages. As both gender and education are directly correlated with employment, women with less education are more likely to be employed in informal positions that do not earn formal income.

Banking Regulations: *In order to open a bank account, Pakistani regulations require at least two formal identification documents, a credit reference, and a guarantor. These requirements greatly restricts women's access to formal accounts.* Not only are the identification documents difficult for women to procure, but credit references and guarantors are extremely difficult to acquire as the regulations for women require two male guarantors who are not family members (DemirgucKunt, 2013).

BARRIERS THAT EXCLUDE WOMEN FROM FINANCIAL PARTICIPATION?*

Property Rights and Collateral: Women rarely have rights to land or access to any other form of collateral, which is a requirement for a loan in many commercial banks. Women are also often subject to their husband's credit history (DemirgucKunt, 2013).

Self-Exclusion: *Approximately nineteen percent of Pakistan's population financially exclude themselves due to poverty, religious beliefs, or lack of understanding and awareness (Ahmed, 2015).*

Financial Literacy: Women are often less aware of the services available, and due to higher illiteracy rates among women, they are vulnerable to banking agents and to male family members in charge of formal finances (Demirguc-Kunt, 2013).

Discrimination: Women are less likely to seek outside financing due to their perception of gender discrimination by financial institutions. Even though discrimination is not apparent in the legal framework of banks, evidence suggests that in determining loan approval, banks discriminate based on gender (Demirguc-Kunt, 2013).

Access to Mobile Phones: *Women lack access to mobile phones, a key technology in current financial inclusion strategies. Eighty percent of Pakistani men own phones, compared to thirty-six percent of Pakistani women (Financial Inclusion Insights, 2014).*

*Source: Published by University of Washington
(Click here to access the original document)

FEMALE FINANCIAL LITERACY*

Awareness levels are more or less similar across Punjab (59 percent), Sindh (56 percent) and KPK (49 percent) but it significantly lags in Balochistan (13 percent).

We find that only four percent women make financial decisions on their own (compared to 18 percent for men). Women in higher income groups are more likely to make decisions independently but the overall levels of autonomy remain low.

Only 43 percent of women in the bottom income quintile understand basic financial terms whereas this ratio is 80 percent for the top income quintile.

Also it is only women in high income brackets that show any significant levels of understanding about more complex financial terms. Knowledge about Islamic banking is also quite low, with only 7 percent of women at the national level saying they understand what it is.

As per A2F 2015,

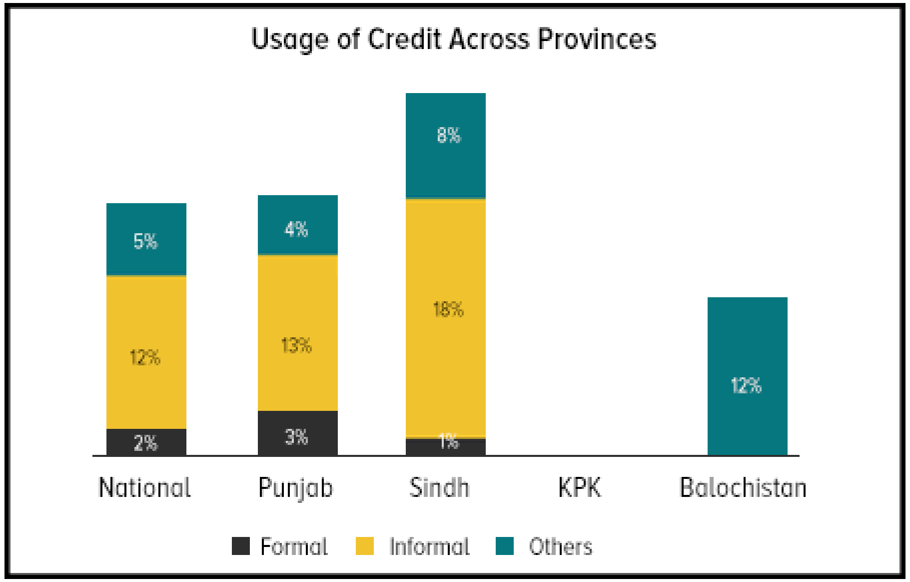
55%

55 percent of women in Pakistan have heard of and understand some of the commonly used financial terms such as bank, pension, interest, bank account, and committees.

*Source: Published on Pakistan Access to Financial Portal
(Click here to access the original source)

USAGE OF FINANCIAL SERVICES AMONGST WOMEN – CREDIT*

Approximately 18 % of women borrow in Pakistan, mostly from informal sources.



About 16 percent women borrow in large urban centers whereas 22 percent borrow in rural areas, and in Balochistan hardly any women in large cities borrow whereas 37 percent of those in small towns and 16 percent of rural women borrow. ***Sindh seems to have the strongest credit culture amongst women:*** more women borrow in large cities than anywhere else in the country (37 percent) whereas small towns (at 16 percent) and rural areas (at 27 percent) also show relatively high levels of loan taking.

Reasons for not borrowing from formal institutions vary across the two provinces for which data is available:

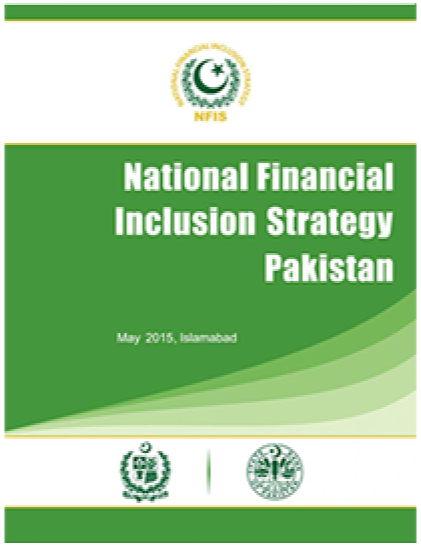
- in Punjab these relate to information i.e. not knowing whether an institution offers loans or not understanding enough about or not knowing the conditions of loan products offered by financial institutions;

- in Sindh information problems matter also but another reason is debt management strategies of women - they want to pay off an existing loan before seeking a new one from a formal institution.

- in rural areas of Punjab, the main reason for not borrowing was the "shame" associated with going to an institution for borrowing.

*Source: Published on Pakistan Access to Financial Portal
(Click here to access the original document)

GOVERNMENT ACTION: NATIONAL FINANCIAL INCLUSION STRATEGY PAKISTAN*



The NFIS envisions that 25% of adult women will have a formal account by 2020, up from 2.9% in 2014.

Realizing that women are largely excluded from the formal financial system, the government of Pakistan has started a national financial inclusion strategy to incorporate the women in the financial sector.

Only 2.9% of adult women have an account with a formal institution, compared to 17% of men.

Mobility and social interaction limitations can restrict women's access to financial services. These may be partially addressed by the rapid expansion of digital financial services. However, there is a 42% gender gap in mobile phone ownership and 30% of women do not even have access to somebody else's mobile phones. As women comprise half of the adult population, Pakistan will not be able to achieve an inclusive financial sector unless financial services become truly accessible to all.

*Source: Published by SBP
(Click here to access original document)

POLICY RECOMMENDATIONS*

One critical area that requires further analysis is how best to address the gender gap in access to finance.

Policy measures would need to be informed by further demand-side surveys and focus groups to better understand the barriers that women face, their needs for financial services, and how best to tailor initiatives to meet their requirements.

In addition, it is proposed that there be a technical committee specifically charged with developing an action plan for addressing gender barriers, including eliminating any legal or procedural biases and promoting awareness, education, and marketing campaigns targeted at women.

A specific target for financial inclusion of women will be established and closely monitored to ensure that the current imbalance is effectively redressed over time.

The proportion of women with a formal account will need to increase substantially to achieve the global target.

*Source: Published by SBP
(Click here to access original document)

SECTION 3: DATA VISUALIZATION & STATISTICAL FIGURES

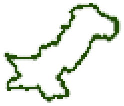
Research backed by concrete data not only increases its credibility but also helps paint an accurate picture of a particular situation. This section contains graphical representations on various topics.

WORLD BANK STATISTICS*

5% of the world is unbanked. 1 of 25 focus countries for the World Bank's Universal Financial Access 2020 initiative.

Only 13% of adults have a formal account.

Financial Inclusion Statistics on Pakistan according to research conducted by Global Findex on behalf of the World Bank.



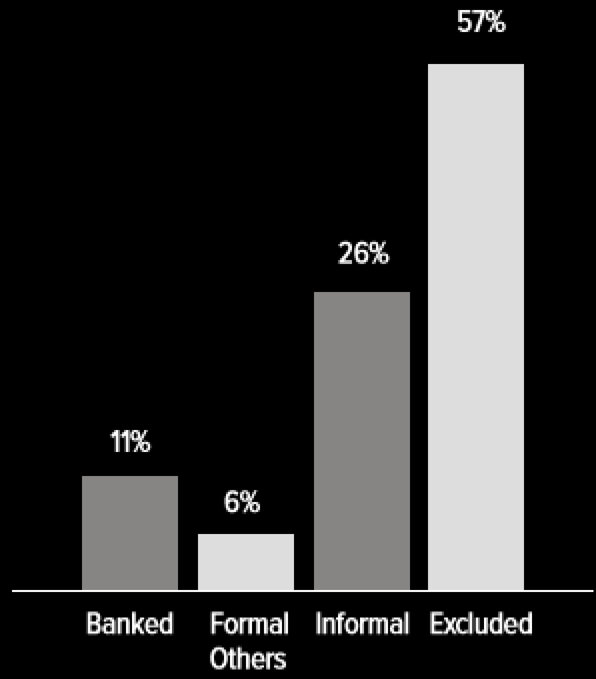
+100 Million
Pakistanis are unbanked; they account for 5% of the world's unbanked population.

<5%
of women are included in the formal financial sector, comparedto South Asia's average of 37%

27.5 million
adults cite distance as a barrier to opening a financial account

*Source: Published on the official World Bank website dated Feb 08, 2016
(Click here to access the original data)

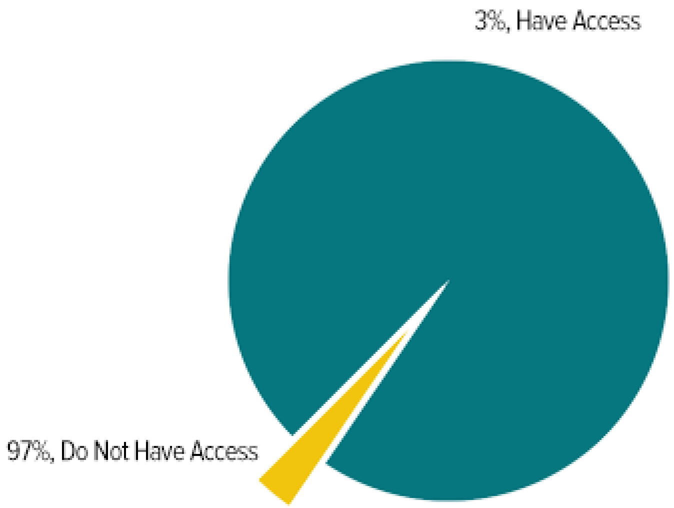
FINANCIAL INCLUSION BY GENDER*



According to Pakistan Access to Financial Portal 57% of the women in Pakistan are unbanked.

*Source: Published on Pakistan Access to Financial Portal
(Click here to access the original graphs)

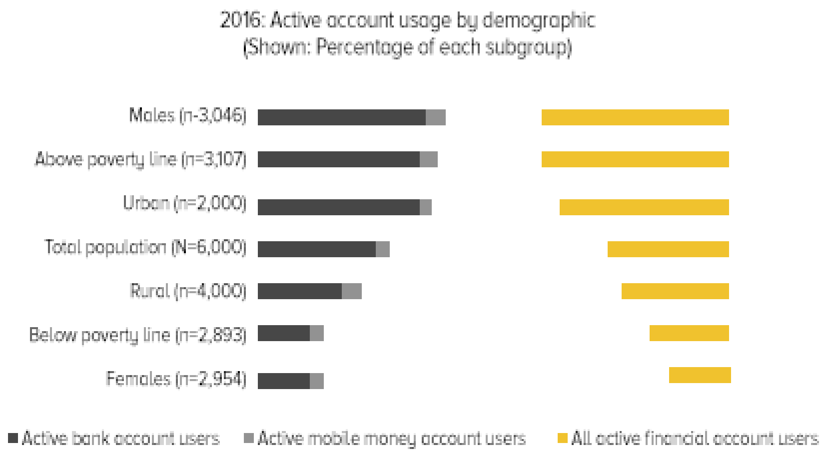
FINANCIAL INCLUSION BY GENDER*



Rural women (15+) who have active digital stored-value accounts

Only 3% of female rural population have access to active digital-stored value accounts while the remaining 93% remain deprived of any sort of financial inclusion.

The largest disparity in all active financial account use is by gender, closely followed by above/below the poverty line

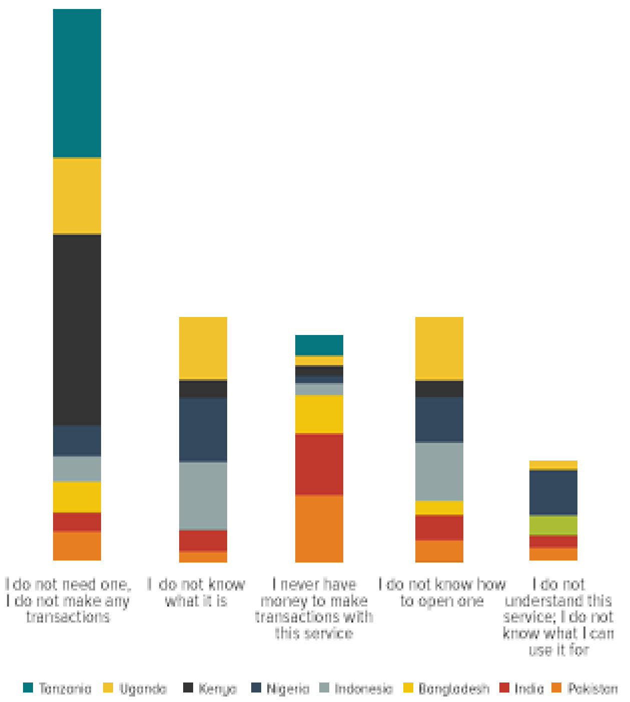


There is a significant difference between the financial inclusion of men and women. A very small percentage, around 26% use financial services and even within this population, the percentage of women accessing the services is alarmingly low. Only an estimated 4% of women use financial services in Pakistan

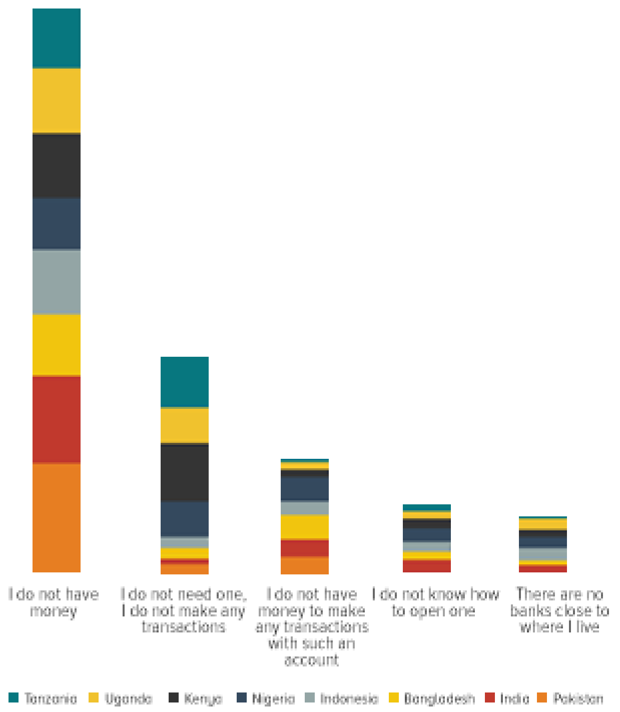
FINANCIAL INCLUSION BY GENDER*

A majority of women rely on informal financial services, but do not feel they have enough money or conduct transactions that justify formal use.

Reasons for not using Mobile Money
(Shown: Amongst women who are aware of Mobile Money; What is the main reason you have never used mobile money services?)

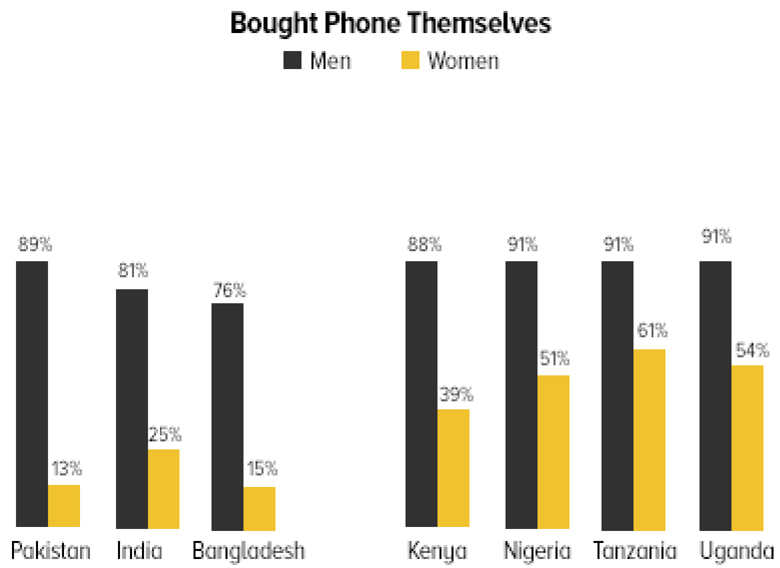


Reasons for not using Bank Account
(Shown: Amongst women: What is the main reason you do not have a personal bank account?)

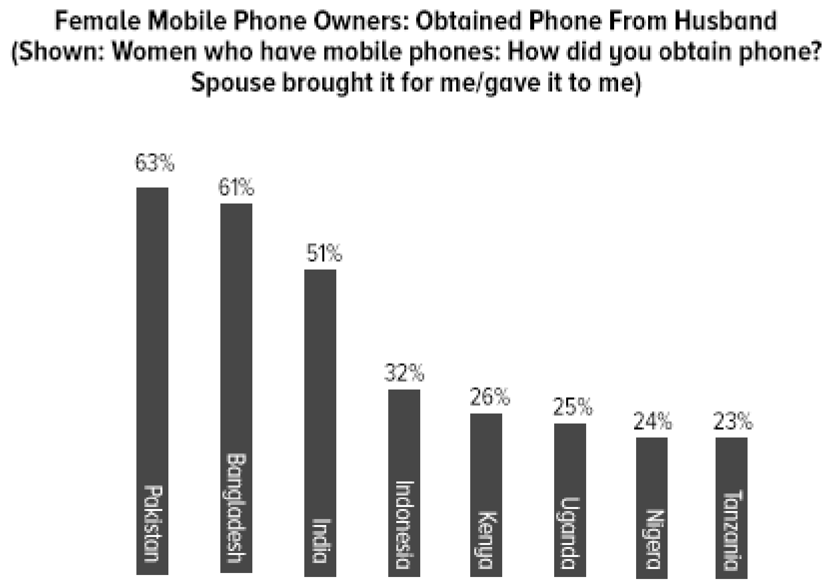


*Source: Published on Finclusion
(Click here to access the website)

ONLY 13% OF THE WOMEN IN PAKISTAN BUY MOBILE PHONES THEMSELVES WHICH ACTS AS A MAJOR BARRIER TO ACCESSING MOBILE FINANCIAL SERVICES*

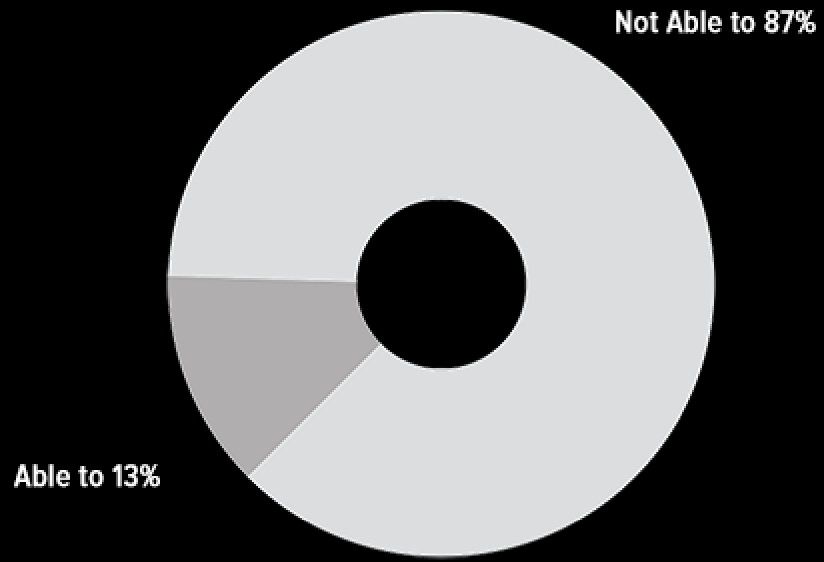


SPOUSAL APPROVAL LIMITS A WOMAN'S ABILITY TO GET HER OWN PHONE**



*Source: Published on CGAP (Click here to access the graphs)
**Published on Finclusion (Click here to access the website)

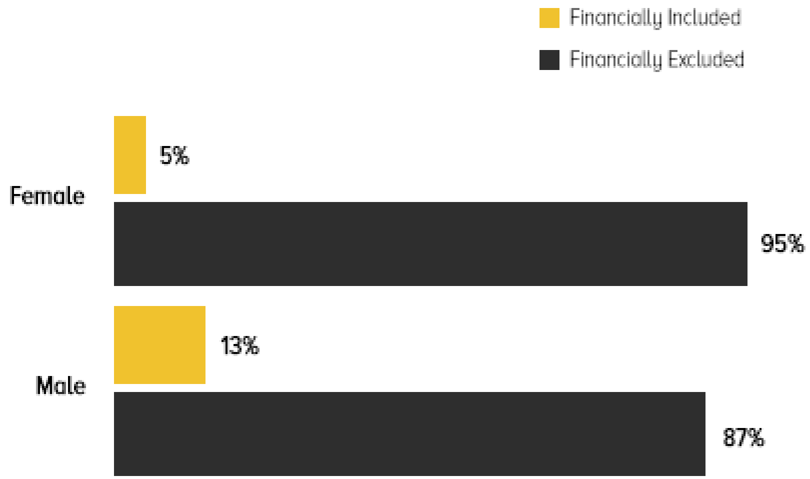
WOMEN WHO BORROW FROM MICROFINANCE INSTITUTIONS*



*Source: Published on Karandaaz
(Click here to access the graph)

FINANCIAL INCLUSION BY GENDER*

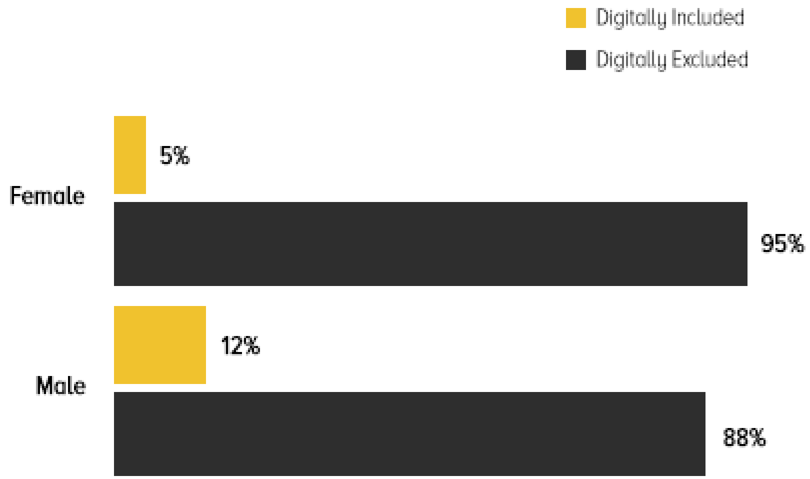
Financial Inclusion



According to the results produced by Finclusion there are only 5% women who are financially included whereas 13% of the men are financially included.

DIGITAL FINANCIAL INCLUSION BY GENDER*

Digital Inclusion

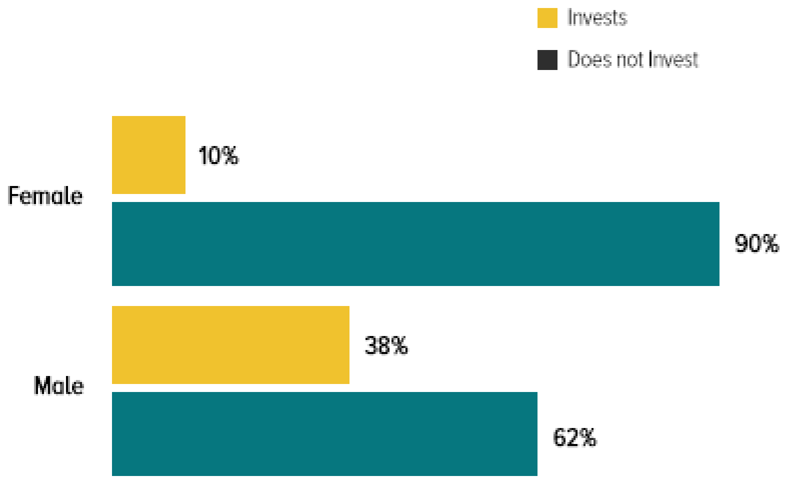


Similarly, according to the results produced by Finclusion there are only 5% women who are digitally included whereas 12% of the men are digitally included.

*Published on Finclusion
(Click here to access the website)

FINANCIAL BEHAVIOR INVESTMENT OF PEOPLE IN PAKISTAN BY GENDER*

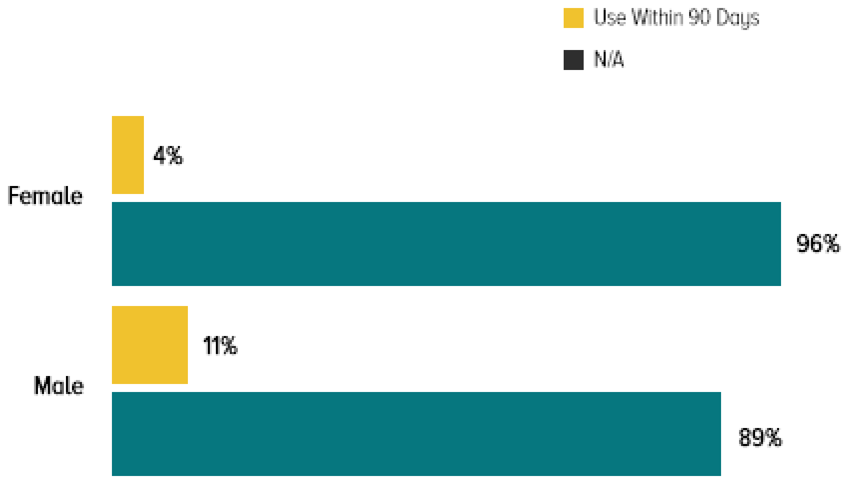
Financial Behaviour - Investment



The graph shows that 38% of the male population invest while only 10% of the female Pakistan population invest.

FINANCIAL BEHAVIOR BANK ACCOUNT USE OF PEOPLE IN PAKISTAN BY GENDER*

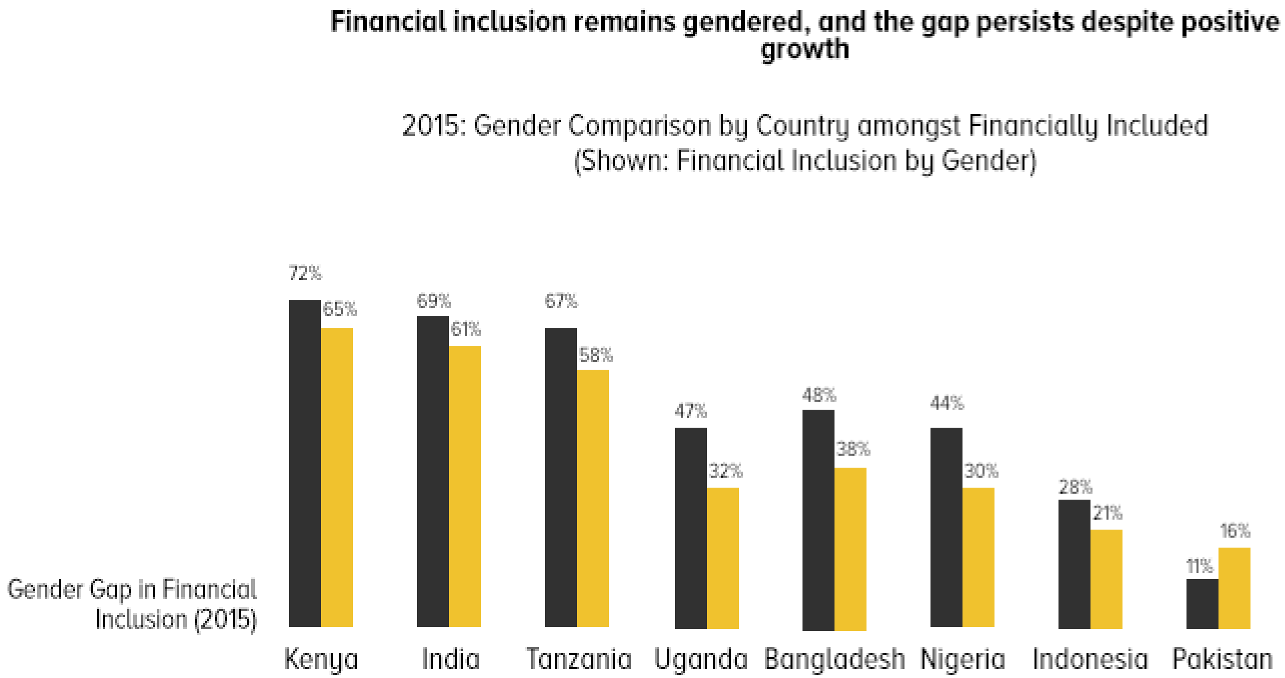
Bank Active Use



The graph shows that 11 % of the male population uses bank account actively while only 4 % of the female Pakistan population use bank account actively.

*Published on Finclusion
(Click here to access the website)

THE GENDER GAP IN PAKISTAN WITH RESPECT TO FINANCIAL INCLUSION HAS NARROWED BY 5% BETWEEN 2014 & 2015*



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