Digitisation of Utility Bill Payments in Pakistan

Progress, Gaps and Potential

With 208 million individuals spread across 32 million households, Pakistan is the world's fifth-largest country in terms of population.[1] Given its size, the utility bill payment space is substantial and capturing these payments within the digital ecosystem comprises a viable use-case. Moreover, it has the potential to provide a significant push to financial inclusion, inducing customers to use digital means for other payments and financial services. Since payments are often premised to be a precursor to using a wider array of financial services, it is important to establish the progress made and identify persisting gaps in terms of the digitisation of utility bill payments.

Supply-side statistics demonstrate that domestic utility service consumers have been using multiple modes as an alternative to the conventional means of making utility payments, including automated teller machines (ATMs), mobile wallets (m-wallets), internet banking, mobile phone apps, and interactive voice response (IVR) banking.[2] To study this shift in consumer behaviour, it is vital to review the penetration level of these payment modes *vis-à-vis* total spending on utility services to ascertain under-utilised potential.

Demand-side data from the Household Integrated Expenditure Survey (HIES), 2015–16 has been analysed for this policy brief.[3] The analysis provides an understanding of the current connectivity of households to utility services and their corresponding expenditure, including variations in overall expenditure across provinces. The estimated market size has then been compared to the quantum of payments that are routed digitally. Based on the overall assessment, a set of recommendations for industry stakeholders and regulators has been included.

Recent Trends and Progress

During 2017–19, supply-side data showed a significant increase in the use of digital channels to pay utility bills. Compared to 2017 where 37 million digital utility bill payment transactions were recorded, in 2019, a total of 86 million transactions were completed digitally. In rupee terms, a total of PKR 258 billion was paid digitally compared with PKR 85 billion in 2017, i.e. a 3× increase in value since 2017.

Utility payments made via over-the-counter (OTC) branchless banking (BB) channels have not been included in the assessment and exhibits below, as arguably these transactions do not depict end-to-end digital connectivity. Using OTC services, customers have to go through a human-to-human interaction with BB agents who then electronically transfer the money into the accounts of utility service providers. The value of utility bill payments made through OTC channels stood at PKR 215 billion in 2019 compared to PKR 167 billion in 2017. When benchmarked against aggregated utility bill payments routed through digital channels, the share of OTC utility bill payment transactions in 2019 accounted for 46% of the total (66% in 2017).

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[1] Pakistan Bureau of Statistics (PBS). Block wise provisional summary results of 6th population and housing census-2017 [as on January 03, 2018]. http://www.pbs.gov.pk/content/block-wise-provisional-summary-results-6th-population-housing-census-2017-january-03-2018.

[2] IVR is interactive voice response, i.e. automated telephony system technology that interacts with callers.

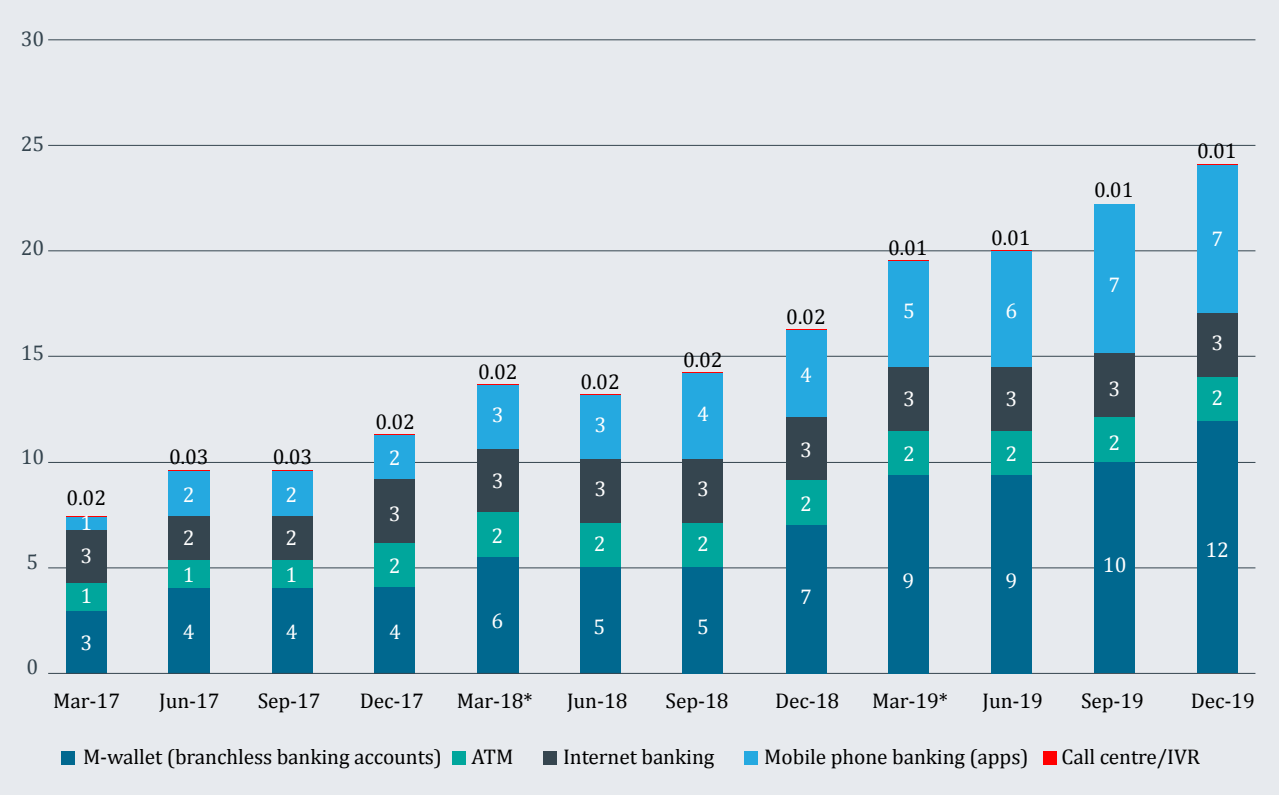
[3] While findings from the HIES 2018–19 wave were recently made public, the dataset does not have the identifiable variables required to estimate overall market size. At the time of this policy brief, data from the latest HIES wave was still being vetted and cross-matched by Gallup Pakistan. Therefore, to avoid any confusion in analysis, figures from the 2015–2016 HIES survey have been used.

With increased penetration and uptake of actual digital payment modes, the share of OTC payments is expected to decline further.

As stated above, a mix of channels is being used by clients to remit utility bill payments digitally. Of these, m-wallets have been the most preferred channel, constituting ~50% of overall utility bill transactions paid digitally. There has also been a noteworthy increase in the use of mobile phone banking to make utility payments. During October–December 2019, ~31% of digital utility bill payments were transacted through mobile phone banking apps, representing a substantial increase since Jan-March 2017 when only 8% of such transactions were made. In comparison, the respective share of internet banking and ATMs contracted to 13% (a reduction of 20 percentage points since March 2017) and 6% (down 11 percentage points since March 2017), respectively in December 2019.

The channel mix indicates that m-wallet providers continue to benefit from a first-mover advantage. Other players, however, are catching up rapidly with the introduction of easy-to-use apps.

Exhibit 1: Utility bill payments using digital channels (volume of transactions in millions)



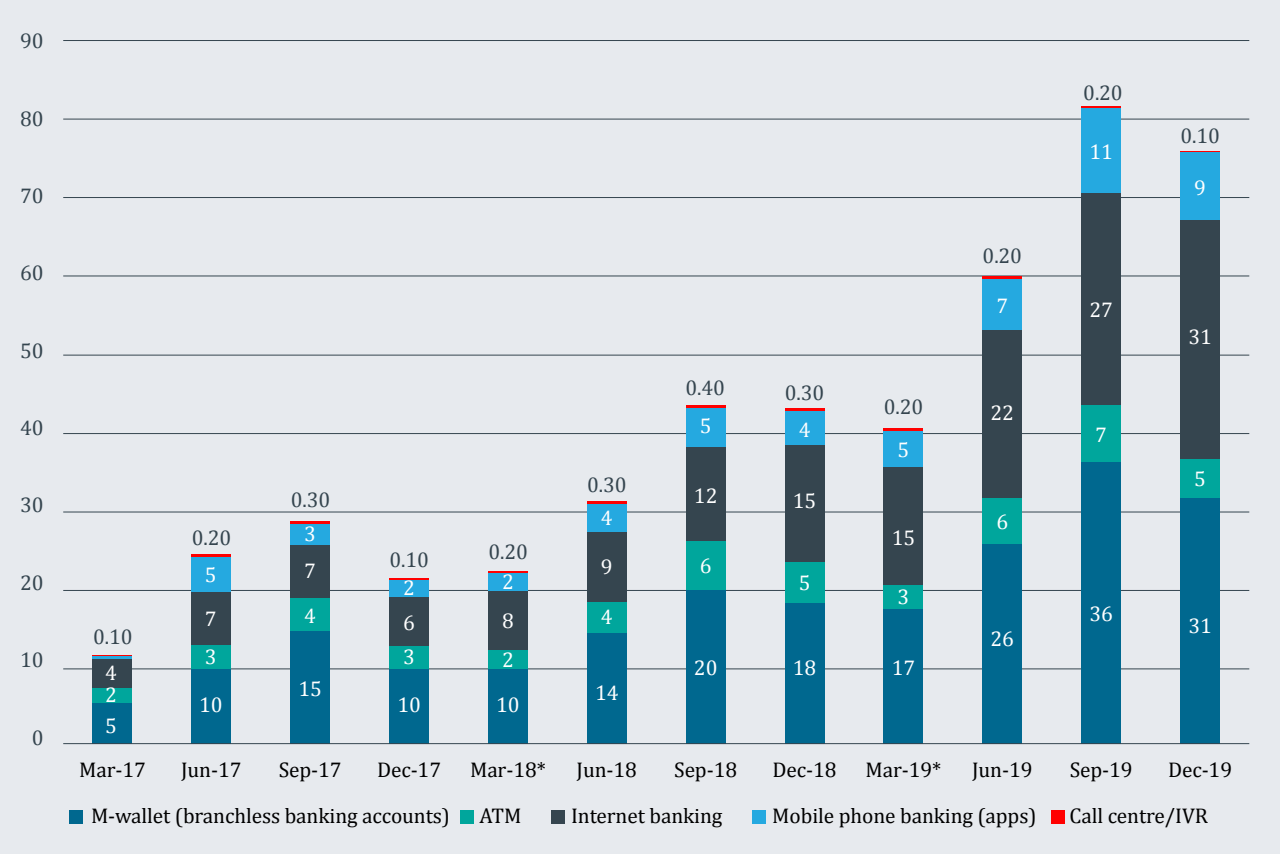
Source: State Bank of Pakistan (SBP). Quarterly branchless banking statistics and payment systems reviews. 2017, 2018, 2019.

Note: M-wallet transactions during quarters March 2018 and March 2019 have been estimated using an average quarterly proportion of m-wallet transactions in total utility bill payments using BB accounts for the relevant year.*

In terms of transacted value, by 2019, the quarterly average of digital utility payments increased to ~PKR 65 billion—in 2017, this number stood at PKR 20 billion. Utility spend routed through m-wallets reached an all-time high of PKR 110 billion in 2019 (2017: PKR 39 billion) despite the fact that its share has declined marginally as new channels have gained visibility and traction among customers.

The percentage of utility bill payments through ATMs witnessed a decline of more than 42% while the utilisation of internet banking saw a surge—close to PKR 100 billion (37% of total digital utility bill payments) was channelled through internet banking, demonstrating a 4× growth since 2017. PKR 31 billion worth of utility payments were routed through mobile phone banking apps in 2019, growing 3.1× from the level achieved in 2017 i.e., PKR 10 billion. In summary, the major sum of bill payments in 2019 was transacted using internet banking and m-wallet channels.

Exhibit 2: Utility bill payments using digital channels (value of transactions in PKR billions)



Source: State Bank of Pakistan (SBP). Quarterly branchless banking statistics and payment systems reviews. 2017, 2018, 2019.

Note:* *M-wallet transactions during quarters March 2018 and March 2019 have been estimated using the average quarterly proportion of m-wallet transactions in total utility bill payments using BB accounts for the relevant year.*

From the above exhibits, it is evident that the utilisation of all digital channels has been on the rise in Pakistan. While m-wallets continue to be a universally preferred option from the standpoint of both number and value of transactions, internet banking and mobile phone banking are clearly enabling financial institutions to catch-up, with the former accounting for greater throughput in terms of value and the latter for a larger number of transactions.

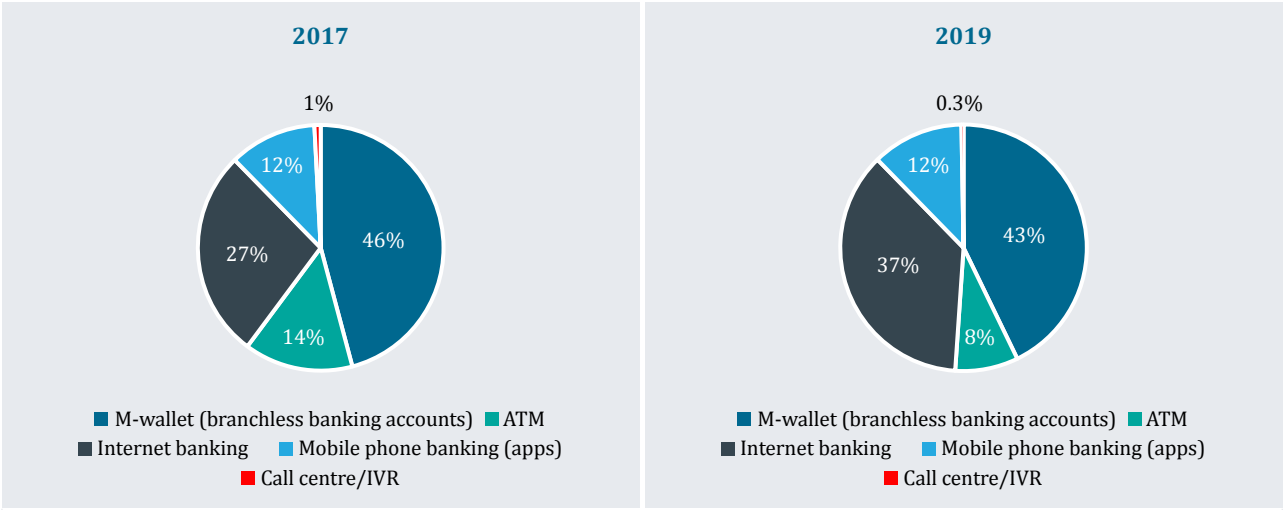
In terms of the average size of a transaction, **Exhibit 3** indicates that internet banking and IVR are preferred options for larger transactions. A possible reason could be the transaction limits that are placed on m-wallets.

Exhibit 3: Average utility payments per transaction by mode of transaction (2019)

Mode of transaction	Value of transactions (PKR billions)	Volume of Transactions (millions)	Average spend per transaction (PKR 000s)
M-wallet (BB account)	110	40	2.75
ATM	21	8	2.8
Internet banking	94	12	7.7
Mobile phone banking (apps)	31	26	1.2
Call centre/IVR	0.7	0.04	16.4

Source: State Bank of Pakistan (SBP). Quarterly branchless banking statistics and payment systems reviews. 2019.

Exhibit 4: Channel-wise distribution of digital bill payments (by value)



Source: State Bank of Pakistan (SBP). Quarterly branchless banking statistics and payment systems reviews. 2019.

Note: *Share of payments through call centres/IVR banking in 2019 stood at 0.3%.*

The Provincial Scenario

Data for all digital channels are not available, but in its quarterly update report on BB, the State Bank of Pakistan (SBP) discloses the volume of BB transactions by province. Using these provincial statistics as a proxy, **Exhibit 5** provides estimates of the provincial share of bill payments via m-wallets.[4] The estimates indicate that BB transactions—and thereby uptake of m-wallets to pay utility bills—are the highest in Punjab, followed by Sindh at a significant lag. BB transactions in Balochistan are very low compared to other provinces—a meagre 2.6%. In 2019, only an estimated 1 million of the total 40 million m-wallet utility payment transactions can be attributed to the province.

Exhibit 5: Province-wise distribution of utility payments made through m-wallets

Province	Share in total BB transactions (%)	Estimated volume of utility payment transactions through m-wallets (millions)	Share in total BB transactions (%)	Estimated volume of utility payment transactions through m-wallets (millions)
	2017		2019	
Punjab (including Islamabad)	65.5%	10	60.3%	24
Sindh	17.2%	3	20.3%	8
Khyber Pakhtunkhwa (KP)	12.3%	2	13.8%	6
Balochistan	2.2%	0.3	2.6%	1

Source: State Bank of Pakistan (SBP). Quarterly branchless banking statistics. December 2017/December 2019

Note: *HIES 2015–16 survey wave does not cover Azad Kashmir and Gilgit-Baltistan. Thus, to maintain consistency with demand-side data, the shares of Azad Kashmir and Gilgit-Baltistan have not been included in the above table.*

While the numbers mentioned above reflect significantly lower uptake of BB services in Balochistan, there are significant challenges that inhibit the provision of value-added digital financial services (DFS). These can be attributed to factors such as the availability of IT and mobile infrastructure, the geopolitical situation, low population density, and the relatively higher incidence of poverty in the province.

[4] Bill payments via OTC are not included in this estimate.

Box A: Universal Service Fund (USF) Policy

USF's vision is: Available and affordable telephony and universal broadband access to enable electronic/mobile services for covering all under served and unserved population.

"The province of Punjab accounts for 26% of the surface area of Pakistan and accommodates 56% of the population, creating a population density of 402 people per square kilometre. However, Balochistan covers almost 50% of the surface area of Pakistan, but has a small population, less than 5% of the total, yielding a population density of only 19 people per square kilometre. As a result, while one or more services cover about 65–75% of the rural populations overall in rural Punjab, Sindh, and KP (with a lot of variation between areas within each province), in Balochistan service access is available to only 14% of the rural population. With such a wide geographic spread, it will take well organized and planned effort to cover the remaining rural populations during the next decade, which amounts to 30 million unserved people. As income levels rise, there is a large and growing unmet demand for telecommunications and ICT services amongst these people.

The key focus areas of USF are:

a) Making available affordable voice telephony and broadband access in unserved and under-served areas;

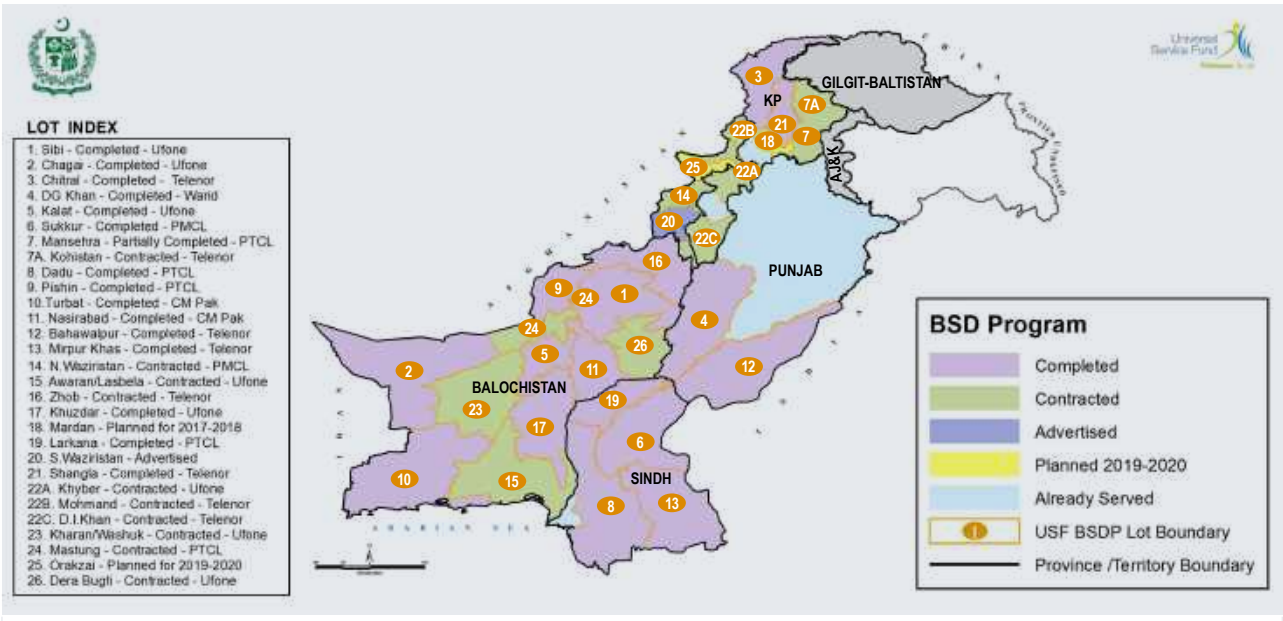
b) Community Broadband Services that provide telephony and broadband access to the Internet in general and government services in particular;

c) Broadband access to education, health, and other institutions in USF Contract Areas."

Source: Government of Pakistan. Undated. Universal Service Fund Policy. Ministry of Information Technology. p. 4. https://usf.org.pk/assets/rules-pdf/usf-policy.pdf

Nonetheless, to bridge the gap in access, the Government of Pakistan has tasked the Universal Service Fund (USF), a section 42 company, with promoting the development of telecommunication services in unserved and under-served areas. **Exhibit 6** shows that being under-served in terms of basic telephony and broadband infrastructure means that the entire province of Balochistan is a key focus area for USF's development programmes. While the bulk of USF's projects in Balochistan have now been completed, it should be noted that development programmes have focused on providing basic telephony and broadband services as the value proposition for the provision of value-added services is low. With a monthly household income of PKR 36,000,[5] coupled with 73% of the households being categorised as rural, commercial players see limited revenue generation opportunities. In order to improve the provision of value-added services, public-private partnership (PPP) models should be explored, especially for the implementation of USF's special projects[6] to make a promising business case necessary to attract investment from the private sector.

Exhibit 6: Province-wise USF projects under the Broadband for Sustainable Development Programme (BSDP)



Source: Government of Pakistan. 2019. Broadband for Sustainable Development Program. Universal Service Fund. https://usf.org.pk/projects/detail/rural-telecom-program.

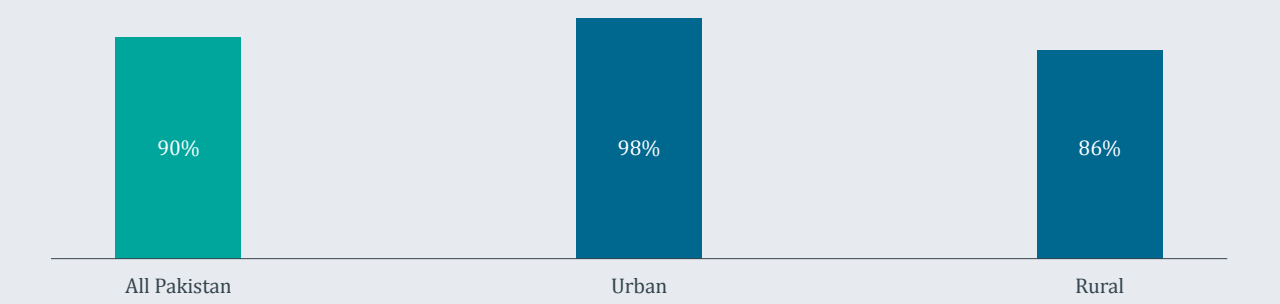
[5] PBS. 2019. Household Integrated Economic Survey 2018–2019.

[6] USF special projects include ICT for girls, enabling persons with disabilities to use telecom services, telemedicine network and services, the establishment of telecentres, empowerment of craft SMEs/MSMEs through e-commerce: developing and managing the value chain.

Households Reporting Payment of at least One Utility Bill

Using HIES 2015–16 survey findings on utility services connections, it can be estimated that of the 32 million households in Pakistan, over 90% (~29 million) made at least one utility bill payment in the last 30 days. These include bills for electricity, gas, water, landline telephones, and internet. Within urban centres, almost all households (98%) made a utility bill payment for at least one of the said services, while for rural areas, this proportion is 86%. Based on the survey findings, it can be estimated that three million households (10% of 32 million) did not make a utility bill payment.

Exhibit 7: Households reporting payment of at least one utility bill over the last one month



Source: Pakistan Bureau of Statistics (PBS). HIES 2015–2016

The Pakistan Social and Living Standards Measurement (PSLM) survey 2018–2019 dataset provides more granular information with regard to the type of utility services available to each household.[7] According to the PSLM, 91% of households use electricity as their key lighting source, a proportion very similar to HIES respondents making at least one utility bill payment a month.

Regional Variations in Utility Bill Payments

The proportion of households reporting utility bill payments varies across provinces. The lowest is reported from Balochistan where 77% (as opposed to a national average of 90%) of respondents reported the payment of at least one utility bill.

Exhibit 8: Proportion of respondents making at least one utility bill payment (by province)

Source: Pakistan Bureau of Statistics (PBS). HIES 2015–2016

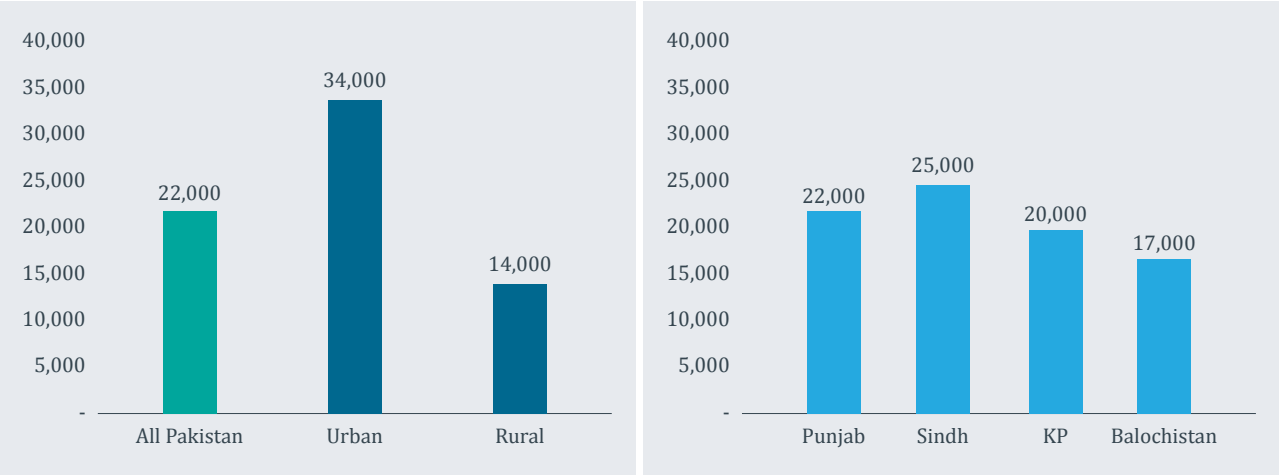
Sizing the Utility Bill Payment Market

Based on the data captured in HIES 2015–2016, an average Pakistani household spends around PKR 22,000 per year on utilities—an aggregated annual utility spend of PKR 638 billion.[8] The annual spend per urban household (PKR 34,000) is approximately 2.5× that of the average spend on utilities by a rural household (PKR 14,000) in a year.

[7] PBS. 2019. Key findings report of PSLM/HIES 2018–19 (national/provincial level survey). http://www.pbs.gov.pk/content/pslm-hies-2018-19-provincial-level-survey-1

[8] PKR 22,000 times the number of bills paying households i.e. 29 million households.

Exhibit 9: Average annual household spend on utilities (urban/rural and by province)



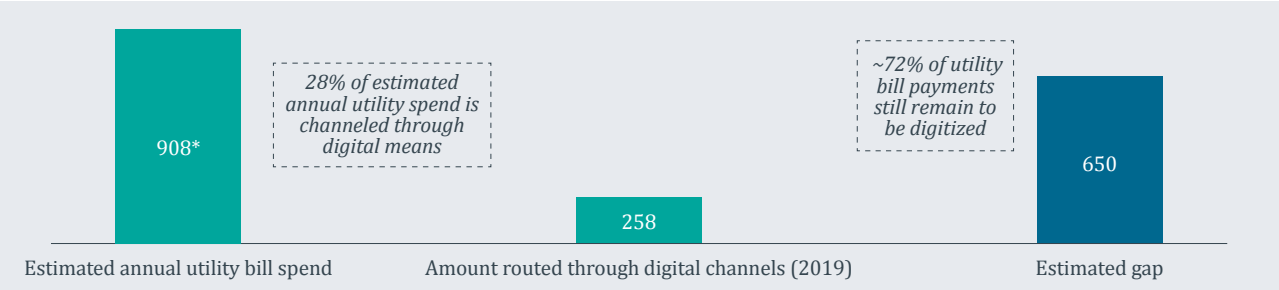
Source: Pakistan Bureau of Statistics (PBS). HIES 2015–2016

Average utility bill payment per household was the highest in Sindh (PKR 25,000). However, in Balochistan, a typical household spends ~PKR 5,000 less than the national average per year. Along with income, a primary factor in determining spend is likely to be the number of utilities available in a specific area. For comparison with the latest supply-side payment data, the aforementioned estimation of PKR 638 billion is extrapolated using two projection variables: (i) growth in overall population (in the case of landline and internet connections,[9] growth in respective subscriber bases has been used instead of population) and (ii) inflation in order to arrive at a market size as of December 2019. The figure is first adjusted for an increase in population[10] during the period. Next, the annual utility spend per household is adjusted for inflation (using Consumer Price Index [CPI] base 2015–2016).[11] Based on these assumptions, the total annual utility spend for 2019 is projected at PKR 908 billion.

How Much of the Annual Utility Spend is Paid Digitally?

While the preference for digital modes of payment has undoubtedly been on the rise, the data also clearly reveals that there is still significant potential for enhanced digitisation. As shown in **Exhibit 10**, approximately a quarter of the total estimated annual spend has currently been captured via digital channels, with the bulk of these payments still being made through conventional means. With total utility bill payments estimated at around PKR 908 billion, the persisting gap amounts to PKR 650 billion.[12]

Exhibit 10: Estimated gap between total and digitally transacted utility bill payments (PKR billion)



Source: (i) PBS. HIES 2015–2016. (ii). SBP. Quarterly branchless banking statistics and payment systems review. 2019.

Note: The figure for 2019 is estimated based on: 1) Increase in population during the period. 2) For landline and internet connections, growth in respective subscriber bases has been used instead of population. 3) Annual utility spend per household is then adjusted for inflation (using CPI base 2015–2016).*

[9] To assess bill payments for internet connections, the HIES 2015–2016 questionnaire does not include mobile broadband in this category. Furthermore, due to an exponential increase in cellular mobile and mobile broadband subscribers, basic fixed landlines and wired internet connections have been declining since 2015–2016. Therefore, pegging them with population growth might not yield a true estimation. It has also been assumed that each household has only one fixed landline and internet connection, and the connections for these categories reported by PTA, therefore, represent each household.

[10] Data from the Economic Survey, 2015 and Economic Survey, 2020.

[11] For electricity, gas, and water bills, the inflation index for the group 'housing, water, electricity, gas and fuels' has been used, while for internet and landline bills, the inflation index for the 'communications' group has been taken into account.

[12] As explained above, the "amount routed through digital channels" only includes utility bill payments made through branchless banking m-wallets, ATMs, internet banking, mobile phone apps, and IVR. OTC branchless banking payments have not been included in these estimates, as arguably, these transactions do not depict end-to-end digital connectivity.

Estimating the Gap by Type of Utility

An assessment based on each type of utility has been presented in this section to enable policymakers and utility service providers to take targeted action. The gap for each utility has been estimated using a static proportion based on the overall proportion of utility bill payments and the amount routed via digital channels, i.e. approximately 28%.

Electricity Bills

The PSLM 2018–2019 dataset provides more granular information with regard to the type of utility service available to each household.[13] As per the PSLM, 91% of households (29 million households) use electricity as their key lighting source, a proportion very similar to HIES respondents making at least one utility bill payment per month. Accordingly, electricity bill payments account for the highest share in overall annual household spend on utilities. With an estimated annual spend of PKR 709 billion for electricity services, given that 28% is transacted digitally, there exists an opportunity to shift an estimated PKR 508 billion onto digital channels.

Exhibit 11: Electricity bill payments (PKR billions)

Source: (i) PBS. HIES 2015–2016. (ii). SBP. Quarterly branchless banking statistics and payment systems review. 2019.

Note:* *The annual electricity bill spend has been estimated using the average monthly electricity spend of PKR 1,458 per household from HIES 2015–16 and extrapolated for 2019 using inflation and population growth (weighted for households that report paying electricity bills).*

Water Bills

Unlike the ubiquitously available electricity services, only 23% of HIES survey respondents reported paying a water bill. This is in line with the availability of piped water in the country, which is estimated at less than 30% (Box B).

Box B: Access to Piped Water in Pakistan

> “Only 25 percent of households have access to piped water, most are urban dwellers. The rest, disproportionately rural, rely mainly on self-provided hand pumps and motorized pumps or at the worst on unprotected water sources.”

Source: World Bank. When water becomes a hazard: A diagnostic report on the state of water supply, sanitation and poverty in Pakistan and its impact on child stunting. 2018. http://documents1.worldbank.org/curated/en/649341541535842288/pdf/131860-WP-P150794-PakistanWASHPovertyDiagnostic.pdf.

As per HIES, the average water bill of respondent households was approximately PKR 500–550 per month. Applying the static proportion of 28% to the total water spend of PKR 52 billion yields an estimated PKR 15 billion being transacted digitally. However, this number is likely to be significantly lower, given that digital integration to the payment services of water boards is comparatively rarer than it is for electricity and gas utility service providers. It is worth noting, however, that with the expected increase in billing amounts for piped water, larger flows are expected. The estimated gap figure can be reasonably expected to surge.

[13] PBS. 2019. Key findings report of PSLM/HIES 2018–19 (national/provincial level survey). http://www.pbs.gov.pk/content/pslm-hies-2018-19-provincial-level-survey-1.

Exhibit 12: Water bill payments (PKR billions)

Source: (i) PBS. HIES 2015–2016. (ii). SBP. Quarterly branchless banking statistics and payment systems review. 2019.

Note: The annual water bill spend has been estimated using the average monthly water bill of PKR 410 per household from HIES 2015–16 and extrapolated for 2019 using inflation and population growth (weighted for households reporting the payment of water bills).*

Metered Gas Bills

Some 37% of respondent households claimed to pay a gas bill.[14] With an average monthly bill of PKR 750–800, aggregated annual household spend is estimated at PKR 115 billion. Of this, PKR 82 billion is currently paid using OTC options and can be potentially digitised.

Exhibit 13: Metered gas bill payments (PKR billions)

Source: (i) PBS. HIES 2015–2016. (ii). SBP. Quarterly branchless banking statistics and payment systems review. 2019.

Note: The annual metered gas bill spend has been estimated using the average monthly gas bill of PKR 557 per household from HIES 2015–16 and extrapolated for 2019 using inflation and population growth (weighted for households that reported paying gas bills).*

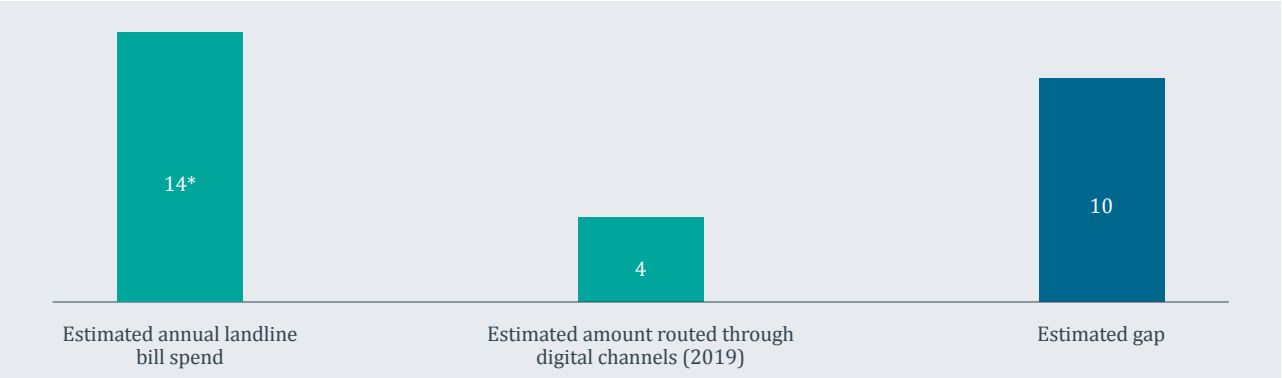
Landline Bills

Five percent of Pakistani households are estimated to be paying for landline telephones. According to the Pakistan Telecommunication Authority (PTA), as of 2019, fixed landline connections stood at 2.5 million—the number has been declining sharply due to the rising penetration of mobile phones.[15] According to HIES data, on average, a Pakistani household is estimated to spend ~PKR 750–850 per month on landline telephone bills, which takes the aggregated spend to around PKR 14 billion per annum. Currently, less than half of this value, i.e. PKR 4 billion is paid digitally; the rest can be considered for potential digitisation.

[14] The threshold is further backed by the connection base of domestic gas distributing companies that serve ~9.5–10 million connections across the country. The Nation. 2020. Gas companies to provide 549,821 new connections in current FY. 13 July, 2020. https://nation.com.pk/13-Jul-2020/gas-companies-to-provide-549-821-new-connections-in-current-fy.

[15] As of June 2019, fixed line subscribers stood at 2.5 million users, declining ten percent since 2016. PTA. 2019. Annual report, 2019. https://www.pta.gov.pk/assets/media/pta_ann_rep_2019_27032020.pdf.

Exhibit 14: Landline bill payments (PKR billions)



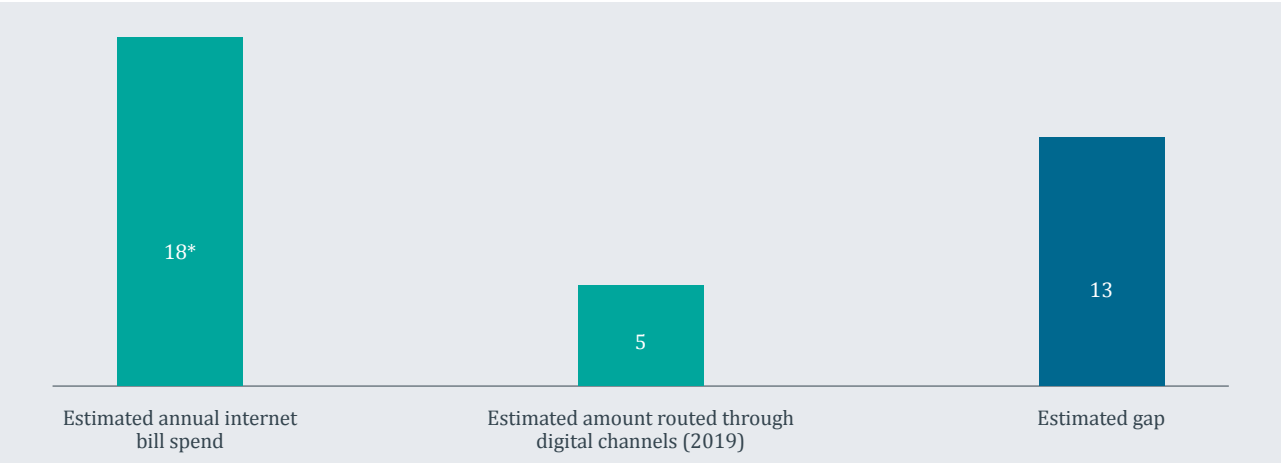
Source: (i) PBS. HIES 2015–2016. (ii). SBP. Quarterly branchless banking statistics and payment systems review. 2019.

Note: The annual landline bill spend has been estimated using the average monthly landline bill of PKR 775 per household from HIES 2015–16 and extrapolated for 2019 using inflation and growth in fixed landline subscribers.*

Internet Bills

Approximately seven percent of Pakistani households report an internet connection at home[16] and their annual spend is estimated at PKR 18 billion—this does not include pre-paid mobile internet. Of this PKR 18 billion, according to SBP statistics, PKR 5 billion is currently estimated to be paid via digital channels while approximately PKR 13 billion is still remitted conventionally.

Exhibit 15: Internet bill payments (PKR billions)



Source: (i) PBS. HIES 2015–2016. (ii). SBP. Quarterly branchless banking statistics and payment systems review. 2019.

Note: The annual internet bill spend has been estimated using the average monthly internet bill of PKR 795 per household from HIES 2015–16 and extrapolated for 2019 using inflation and growth in the subscriber base of conventional internet connections—excluding mobile broadband.*

In summary, the uptake of digital methods to settle utility bills has been improving—the overall volume of such transactions has grown two-fold since 2017. However, even with this stellar growth, so far, only a third of the estimated annual utility bill spend has been captured within the DFS ecosystem and there remains a considerable gap that still needs to be digitised. The annual electricity and gas bill spend makes up to 91% of the overall estimated utility payment market—electricity distributors and gas utility companies should be encouraged to facilitate digital payments as this can provide an instant momentum for the digitisation of utility payments. Efficient, accessible, and safe retail payment systems and services are critical to leveraging the opportunity. Another noteworthy deduction is that there are significant variations in the penetration level of value-added DFS across different regions of Pakistan. Balochistan needs special consideration as it lacks a robust IT infrastructure, and the situation is exacerbated due to its demographics and geopolitical situation. Public and private sector entities can collaborate and leverage the programmes initiated by USF to demonstrate a viable investment case for the provision of value-added services in the province. This can augment interest within the private sector and attract additional investment.

[16] As of June 2019, internet subscribers (excluding broadband subscribers) stood at 2.1 million users, declining 22% since 2016. PTA. 2019. Annual report, 2019. https://www.pta.gov.pk/assets/media/pta_ann_rep_2019_27032020.pdf.

Recommendations

1. All demand-side surveys are now outdated. The government needs to take up these critical surveys providing demand-side data so that evidence-based policy measures may be adopted.

2. A facilitating environment should be provided, especially to the bottom of the pyramid market, as this segment is most affected by the cost of paying bills digitally vis-à-vis overall bill size, compared to others. However, it is this segment of the population that may be left out because its access to current BB architecture is limited. The majority of the digitally excluded population lives in rural areas where there are fewer mobile money agents. Therefore, it is recommended that the government take policy measures to expand the reach of BB to rural areas. The data suggests that the country's rural regions spend an estimated PKR 269 billion annually against utility bills—DFS providers may be helped to tap into this market. Partnerships between BB players and the Pakistan Post can also extend the outreach of BB services, including bill payments to rural areas. This is imperative to reach the goal of having 65 million active digital accounts by 2023 as set in the enhanced National Financial Inclusion Strategy (NFIS).

3. Currently, a large chunk of digitised utility payments takes place through intermediaries, i.e. transactions occur using OTC agents. The Government and DFS operators need to further invest in improving digital literacy so that users can open m-wallets and opt to transact digitally.

4. Balochistan is the least penetrated in terms of the provision of value-added DFS. This has resulted in low uptake and poses significant challenges in the digitisation of household payments. Balochistan has been a key focus area for USF programs; however, these programs primarily emphasize on provision of access to IT infrastructure. The existing USF fund or a new fund having specialised focus on financial services may also be considered to extend delivery of value-added digital finance services in un/underserved areas.

5. In order to enhance overall financial inclusion in the country, the government may consider financial incentives to promote digital payments in Pakistan and take meaningful strategic actions with the private sector to enhance digital footprint across all provinces, necessary to cater to this largely untapped market.

6. The majority of utility service providers—electricity, metered gas, or water—are government-owned. The government needs to adopt a zero-cash policy so that a push for digitisation can be created. All banks and utility companies should be mandated to facilitate the digital payment of utility bills by ensuring the availability of such options. For example, currently, very few water boards accept online banking for the collection of water fees. Similarly, some banks do not currently offer the option of digital payment to certain utility companies, thereby limiting the uptake of these payment methods. To address the persistent digital divide, the supply side must be digitised with a fully developed ecosystem, i.e. infrastructure, connectivity, and internal digitised processes. This will enhance the availability of multiple payment options to consumers and, with minimal incentivisation, they can be converted to digital users.

7. A significant gap exists in terms of demand-side data on utility bill payments. The Financial Inclusion Insight (FII) survey has some inherent limitations in its prevalent sample design which undermines the reliability of its provincial statistics, especially in the case of KP and Balochistan. For prospective waves, the survey's sample design methodology needs to be revisited so that distribution is truly representative at the provincial level, and the survey becomes an effective tool for providing appropriate statistics to policymakers.

About Karandaaz

KARANDAAZ PAKISTAN is a Section 42 company established in August 2014 and focuses on fostering economic growth and creating jobs through financial inclusion of unbanked individuals and unserved enterprises, with a special focus on women and youth. The company has four verticals:

Karandaaz Digital

Focuses on expanding the poor's access to digital financial services in Pakistan by working across the ecosystem with all stakeholders.

Karandaaz Capital

Provides wholesale structured credit and equity-linked direct capital investments to micro, small and mid-size enterprises (MSMEs) that demonstrate compelling prospects for sustainable business growth and employment generation in Pakistan.

Karandaaz Innovation

Manages the Innovation Challenge Fund and Women Entrepreneurship Challenge, providing risk capital and grants to partners with the aim to generate innovative solutions in areas of financial inclusion and entrepreneurship.

Knowledge Management and Communications

Supports the company's core financial inclusion goal by developing and disseminating evidence based insights and solutions.

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