Social Enterprise Development Centre

FINANCIAL INCLUSION IN PAKISTAN

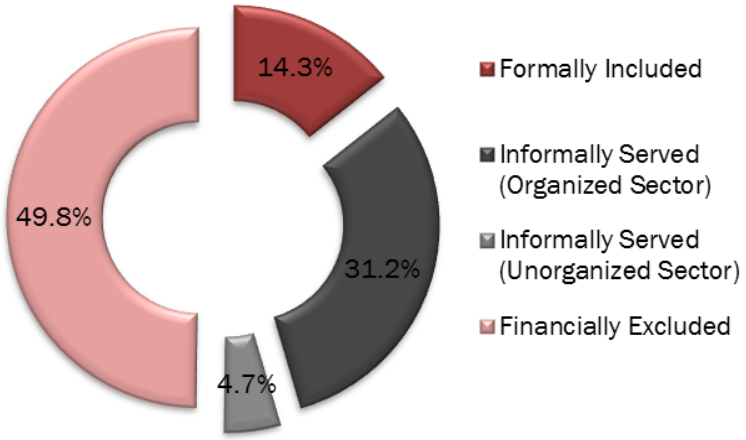
ZAINAB RAZA

WHAT IS FINANCIAL INCLUSION?

Financial inclusion is the affordable access of quality financial services for all citizens. This should particularly include disadvantaged and low income segments of society. These services include credit, savings, deposits, payments, transfers and insurance etc. In recent years an important driver towards financial inclusion has been mobile money where users are able to conduct financial transactions through their mobile phone providers, allowing them to convert their mobile phone into a financial access channel.

Although financial inclusion is usually categorized as access to formal financial services, in developing countries including Pakistan, a significant proportion of people prefer and have access to informal finance. Informal access can occur through the organized sector (though committees, shopkeepers, moneylenders, *hawala/hundi* money transfers, and so forth), or informally through friends and family. An estimated 19 percent have voluntarily excluded themselves through lack of understanding, or need, due to preference, due to poverty, or for religious reasons.

Figure 1: Status of Financial Inclusion in Pakistan



(Nenova, Niang, & Ahmad, 2009)

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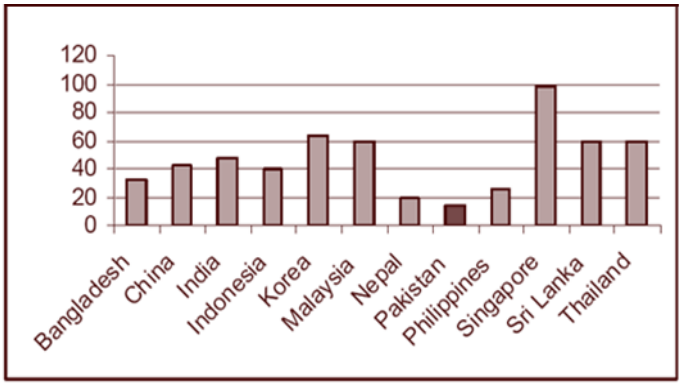
Figure 2: Share of the Population with Formal Financial Access



(Nenova, Niang, & Ahmad, 2009)

As Figure 2 shows Pakistan has the lowest level of formal financial inclusion among comparable developing countries of East and Southeast Asia

- As of 2015, only **16 percent** of Pakistanis had a bank account and **23 percent** had formal financial access
- In rural areas formal financial access stands at **22 percent** while in urban areas it stands at **27 percent** (State Bank of Pakistan , 2015).

ACCESS IN RURAL VS. URBAN AREAS

Figure 3 shows that when informal financial services are taken into account, rural areas have a higher participation than urban areas in services that are informally available (savings and credit). However, rural areas have lower participation in services available largely through formal institutions (banking, money transfers and insurance).

Figure 3: Access to Finance, by Service (Formal & Informal)

Service	% Population Using	Rural	Urban
Savings/Investment	55.4%	55.7%	54.8%
Loan and credit	35.0%	38.7%	28.6%
Banked	12.9%	10.4%	17.2%
Money transfers	2.3%	1.9%	3.2%
Insurance	1.9%	1.7%	2.3%

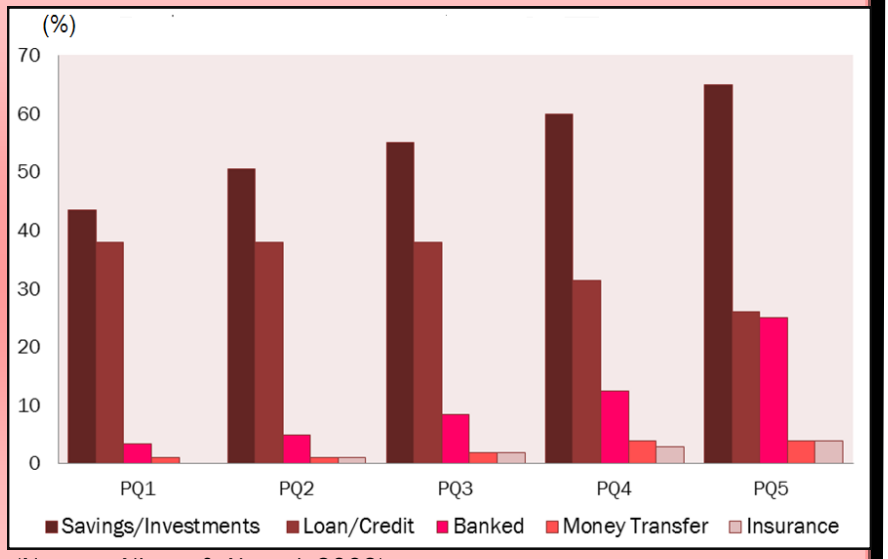
(Nenova, Niang, & Ahmad, 2009)

THE IMPACT OF INCOME LEVEL ON FINANCIAL INCLUSION

Figure 4 shows that household and personal income is positively associated with the use of different financial services, with the possible exception of credit.

The share of population having access to general banking services increases six times from the lowest income quintile (3.8 percent) to the highest income quintile (25.5 percent).

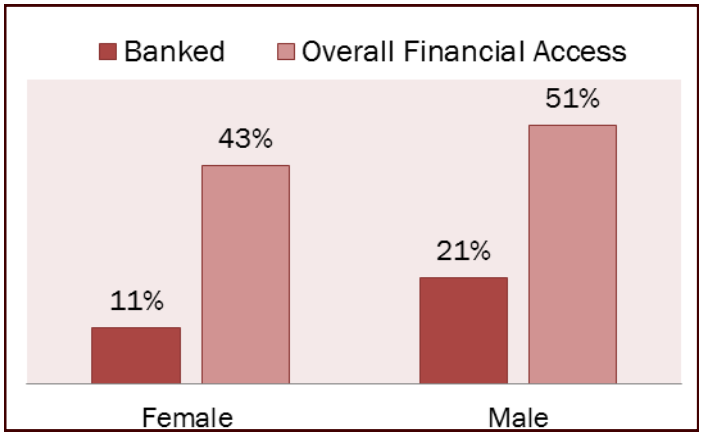
Figure 4: Access to Financial Services by Income Quintiles



(Nenova, Niang, & Ahmad, 2009)

THE EXCLUSION OF WOMEN

Figure 5: Financial Access for Women



(State Bank of Pakistan , 2015)

Women have far less access to financial services as compared to men.

- 24.7 percent of women have access to credit vs. 46.4 percent men
- 52.6 percent of women have access to savings vs. 58.5 percent men and they are significantly more likely to save informally
- 0.6 percent women have access to insurance vs. 3.3 percent men
- 1.4 percent of women have access to money transfers vs. 3.3 percent men (Nenova, Niang, & Ahmad, 2009).

References:

Nenova, T., Niang, C. T., & Ahmad, A. (2009). *Bringing Finance to Pakistan's Poor : A Study on Access to Finance for the Underserved and Small Enterprises.* Washington DC: World Bank.

State Bank of Pakistan . (2015). *2015 Access to Finance (A2F) Survey: Presentation of Final Results* . Karachi: State Bank of Pakistan .