

Financial Inclusion and Gender Gap

Romesa Razzaq

Summer Research Programme 2019 Fellow

Overview

To understand the dilemma of gender gap in financial inclusion, we first need to understand what financial inclusion (FI) is. According to the World Bank¹, FI is when “individuals and businesses have access to useful and affordable financial products and services that meet their needs such as transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.” The same definition is being used by the State Bank of Pakistan (SBP) as a goal they want to achieve in their 2025 vision.²

While Pakistan is considered to be one of the nations that have developed their policies on financial inclusion, the gender gap clearly shows a lack of effectiveness when it comes to providing women with the same opportunities as men. Gender gap is defined as the lack of opportunities provided, reflected by social, political, intellectual, cultural, or economic attitudes.³ The Global Gender Gap Index 2018 shows that Pakistan is ranked 148th out of 149 countries. This includes economic participation (146th), health and survival (145th), and political empowerment (97th).⁴

As of 2017, 14% of the whole population is considered financially included⁵ - out of which 11% is because of banking, and about 4% is due to the prevalence of mobile phone technology. This is still anastoundingly low number, even though there has been a growth in 2017 from the preceding year (in 2016, it was at 9%). When we divide it gender-wise, 20% of men are financially included, whereas only 7% of women are financially included.⁶ There are more men in Pakistan than women (a net gap of 2.92%), according to the World Population Review,⁷ making the 13% gap in the financial inclusion more damning.

Within financial inclusion itself, there are different ways to include the population.

¹“Overview.” World Bank. <https://www.worldbank.org/en/topic/financialinclusion/overview>

²State Bank of Pakistan. “National Financial Inclusion Strategy,” <http://www.sbp.org.pk/ACMFD/National-Financial-Inclusion-Strategy-Pakistan.pdf>

³Harris, Briony. “What Is the Gender Gap (and Why Is It Getting Wider)?” World Economic Forum. Accessed August 2019. <https://www.weforum.org/agenda/2017/11/the-gender-gap-actually-got-worse-in-2017/>

⁴Ahmed, Amin. “Pakistan among Worst Performers on Gender Equality: WEF.” DAWN.COM, December 19, 2018. <https://www.dawn.com/news/1452284>

⁵FII. “PAKISTAN WAVE 5 REPORT FIFTH ANNUAL FII TRACKER SURVEY,” June 2018. http://finclusion.org/uploads/file/pakistan-wave-5-report_final.pdf

⁶ibid

⁷“Pakistan Population 2019.” Pakistan Population 2019 (Demographics, Maps, Graphs). Accessed August 2019. <http://worldpopulationreview.com/countries/pakistan-population/>

The Financial Services

In my research so far, I have discovered a few section of people – especially the socio-economically disadvantaged people are on the margins of FI. This is a term I have used as a reference for the low-income population, as well as women in developing nations such as Pakistan. My focus will be on banking, microfinance, and payment technologies.

Banking

This is the main industry that has dominated the financial market in the past, and handles most of the cash and credit transactions. The services they offer include current accounts, savings accounts, getting loans, and they also provide a place for us to save our extra cash.

The main problem in this financial service is as described by the World Bank⁸: About 50 percent of the world population does not have a bank account within a formal financial institution. The indicators that this article will touch upon under banking include the percentage of bank accounts and loans.

According to the Financial Inclusion Insights (FII)⁹, it is verified that only 12% of men and 6.4% of women have bank accounts in Pakistan. Urban population accounts for 13.4% of the bank accounts, where 19% are men, and 8.6% are women. Rural population accounts for 7.4% of the population, where 9.3% are men, and 5% are women. They have also uncovered that 98% of the men who own accounts make their own transactions, whereas only 77% of the women conduct their own transactions.

Microfinance

This is a banking service that provides credits to the low-income population and the unemployed, who do not have access to any other financial institution. Their services include microloans that go as large as \$25,000.¹⁰

As of late 2017, in around 106 districts in Pakistan, there were more than 40 accredited microfinance institutions.¹¹ At the time, they were serving about 5.2 million people, with the loan portfolio at 184

⁸Cmara, Noelia, and David Tuesta. "Measuring Financial Inclusion: A Multidimensional Index." *SSRN Electronic Journal*, 2014. <https://doi.org/10.2139/ssrn.2634616>

⁹Samialbtasam, LubnaRazaq, Haider W. Anwar, Hamid Mehmood, Kushal Shah, Jennifer Webster, Neha Kumar, and Richard Anderson. 2018. Knowledge, Access, and Decision-Making: Women's Financial Inclusion In Pakistan. In COMPASS '18: ACM SIGCAS Conference on Computing and Sustainable Societies (COMPASS), June 20–22, 2018, Menlo Park and San Jose, CA, USA. ACM, New York, NY, USA, 12 pages. <https://doi.org/10.1145/3209811.3209819>

¹⁰Kagan, Julia. "Microfinance Definition." Investopedia. Investopedia, August 3, 2019. <https://www.investopedia.com/terms/m/microfinance.asp>

¹¹Acca. "Microfinance Is a Growing Business in Pakistan." ACCA Global. Accessed August 5, 2019. <https://www.accaglobal.com/in/en/member/member/accounting-business/2018/03/insights/microfinance-pakistan.html>

billion Pakistani Rupees.¹² Pakistan Microfinance Investment Company (PMIC) is aiming for a portfolio worth 45 billion Pakistani Rupees (\$406 million) by 2020, according to the CEO of PMIC.¹³

According to MicroWatch's latest report (Quarterly Report from Jan 2019 to March 2019)¹⁴, while the number of branches in Pakistan have decreased by 9.5% since the previous quarter, the number of borrowers and savers have increased by 2.6% and 11.6% respectively, reflecting a large gap.

Mainly the rural population depends on this financial service in Pakistan. In a study regarding women entrepreneurs done by Samia Mahmood¹⁵ in 2011, it was highlighted that female entrepreneurs face more obstacles than their male counterparts. In obtaining a microloan, the majority of the women (57%) made a joint decision with their husbands, whereas 27% of the women made this decision independently. However, 11% of the women did not make this decision, as their husbands just used their names to get the money.

After acquiring it, the usage of the loan followed a similar pattern - 51% of the women coordinated with their husbands, 19% of the women's husband decided alone, and 27% of the women decided independently. When it came to repayments, 43% of all the loans were paid off by both husband and wives, 22% were only paid off by husbands, and 30% were paid off by women alone.

In the actual usage of the loans, it showed that 24% of the loans were used by women to start new businesses, and 38% of the women invested in their businesses that were already established. 14% of the women handed off their loans to either their husband or the head of the household, whereas 5% of the loans were handed off to children/relatives, 3% of the loans were used to payback for another loan, and 16% were used for consumption purposes only. The women who used it for business purposes, are identified 65% as urban, and 35% as rural.

These figures indicate that the male-dominated societies tend to leave financial decisions up to the men of the house, while women are mostly considered to help out with domestic and reproductive needs, especially in the rural areas.

¹² ibid

¹³ ibid

¹⁴ "A QUARTERLY UPDATE ON MICROFINANCE OUTREACH IN PAKISTAN." MicroWatch. Pakistan Microfinance Network, n.d. <http://www.microfinanceconnect.info/assets/articles/3d03cfc4f38c05978cf1338ca38710e4.pdf>

¹⁵ Samia Mahmood, (2011) "Microfinance and women entrepreneurs in Pakistan", International Journal of Gender and Entrepreneurship, Vol. 3 Issue: 3, pp.265-274, <https://doi.org/10.1108/17566261111169340>.

Payments' Technologies

In recent years, many mobile phone apps have been introduced throughout Pakistan. However, the question of whether the ownership of mobile phones is consistent regardless of gender rises. In a recent research¹⁶ conducted in 2018, it was found out that in most rural regions of Punjab, Pakistan, it is considered inappropriate for unmarried women to own mobile phones, as the men of the house were worried that they might fall prey to fraudulent affairs.

According to the Research Manager at FII, Imran Khan, women have been killed just for owning mobile phones in the past.¹⁷ The main reason for women not using mobile phones is because they are not allowed to by their families - in Pakistan, 18% of the women nonusers gave this reason, whereas in Bangladesh only 3% of women nonusers gave this response, and 5% in India.¹⁸

However, the new laws regarding the ownership of SIM cards has led to formal inclusion of women in the society - a CNIC card is necessary when buying a SIM, and one person can only own up to 5 Voice SIMs and 3 Data SIMs.¹⁹ In the case of a child's CNIC, both parents are required to have an identification card. This gives a better idea of the census and includes more women in the society. Although these laws were required to keep a better control of who owns which number, it has been misused, as a lot of the male family members use their female house members' identities to buy new SIM Cards.²⁰

In the 2017 report by FII²¹ it is highlighted that the gender gap in access to a mobile phone is 13%; where 84% of men versus 71% of women have access, and whereas 80% of men own mobile phones, only 39% of the women do. The proportion of men with SIM card ownership is double that of women; 78% of men versus 39% of women own a SIM card. Text messaging is twice more frequent amongst men than women; 68% of men versus 34% of women have ever sent or receive a text message.

¹⁶Samialbtasam, LubnaRazaq, Haider W. Anwar, Hamid Mehmood, Kushal Shah, Jennifer Webster, Neha Kumar, and Richard Anderson. 2018. Knowledge, Access, and Decision-Making: Women's Financial Inclusion In Pakistan. In COMPASS '18: ACM SIGCAS Conference on Computing and Sustainable Societies (COMPASS), June 20–22, 2018, Menlo Park and San Jose, CA, USA. ACM, New York, NY, USA, 12 pages. <https://doi.org/10.1145/3209811.3209819>

¹⁷"Pakistan's Gender Gap in Financial Inclusion." CGAP. Accessed August 5, 2019. <https://www.cgap.org/blog/pakistans-gender-gap-financial-inclusion>

¹⁸ibid

¹⁹Attaa, Aamir. "Supreme Court Limits 3 Data SIMs and 5 Voice SIMs per CNIC." ProPakistani. ProPakistani, November 6, 2015. <https://propakistani.pk/2015/11/05/supreme-court-limits-3-data-sims-and-5-voice-sims-per-cnic/>

²⁰Samialbtasam, LubnaRazaq, Haider W. Anwar, Hamid Mehmood, Kushal Shah, Jennifer Webster, Neha Kumar, and Richard Anderson. 2018. Knowledge, Access, and Decision-Making: Women's Financial Inclusion In Pakistan. In COMPASS '18: ACM SIGCAS Conference on Computing and Sustainable Societies (COMPASS), June 20–22, 2018, Menlo Park and San Jose, CA, USA. ACM, New York, NY, USA, 12 pages. <https://doi.org/10.1145/3209811.3209819>

²¹FII. "PAKISTAN WAVE 5 REPORT FIFTH ANNUAL FII TRACKER SURVEY," June 2018. http://finclusion.org/uploads/file/pakistan-wave-5-report_final.pdf

Current Initiatives

The initiatives to financially include more population in Pakistan are mainly related to digital wallets and mobile apps that allow easy transfer of cash. These include, but are not limited to, EasyPaisa, JazzCash, SimSim, ZongPayMax, uPaisa, Keenu Wallet, and UBL Omni.²²

According to the Press Release²³ of Benazir Income Support Programme (BISP) in September 2018, the programme will be working with Bill and Melinda Gates Foundation (BMGF) to reduce gender gap in financial inclusion across the country. This initiative will be focusing on shifting the unconditional cash transfers towards digital payments, converting the current model into a digital format and easing the Government to Public (G2P) payments in Pakistan. This comes under the Gender Equality that was announced by BMGF in 2017.

Another initiative that was spearheaded by the BISP is their collaboration with FINCA Microfinance Bank Limited (FMBL). As per the Memorandum of Understanding (MoU)²⁴ that was signed in March 2018, women from underprivileged backgrounds will be first trained so that they gain financial literacy. This training will allow them to act as field agents to go in different regions that have been financially excluded in the past, and raise awareness regarding Branchless Banking. This way, not only are the women participating financially included and literate themselves, they are also spreading the literacy in the excluded regions and easing them into financial inclusion.

This model is similar to the GuddiBaji program that was implemented by Unilever to penetrate the rural markets. Jazz sought a collaboration²⁵ with Unilever so that this model can be used to increase awareness in the rural population and empower women to take charge.

Similar programmes and models will need to be funded in Pakistan, as financial literacy is the first step towards financial inclusion. If people are just provided with loans but do not understand how to spend it effectively, financial inclusion policies will fail.

²²Ahmed, Rehan. "These Are the 7 Best Mobile Banking Services in Pakistan." ProPakistani. ProPakistani, October 31, 2017. <https://propakistani.pk/2017/10/31/7-best-mobile-banking-services-pakistan/>

²³"Press Release." Benazir Income Support Programme, September 27, 2018. <https://bisp.gov.pk/bisp-to-collaborate-with-bill-melinda-gates-foundation-for-financial-inclusion-of-beneficiaries-september-27-2018/>

²⁴"Press Release." Benazir Income Support, March 7, 2018. <http://bisp.gov.pk/bisp-fmbl-sign-mou-for-financial-inclusion-of-bisp-beneficiaries-march-07-2018/>

²⁵"The Power of Partnership: A Corporate Collaboration to Advance Women's Financial Inclusion in Pakistan." Women's World Banking, February 21, 2019. <https://www.womensworldbanking.org/insights-and-impact/the-power-of-partnership-a-corporate-collaboration-to-advance-womens-financial-inclusion-in-pakistan/>

Bibliography

- “A QUARTERLY UPDATE ON MICROFINANCE OUTREACH IN PAKISTAN.” MicroWatch. Pakistan Microfinance Network, <http://www.microfinanceconnect.info/assets/articles/3d03cfc4f38c05978cf1338ca38710e4.pdf>.
- Acca. “Microfinance Is a Growing Business in Pakistan.” ACCA Global. Accessed August 5, 2019. <https://www.accaglobal.com/in/en/member/member/accounting-business/2018/03/insights/microfinance-pakistan.html>.
- Ahmed, Amin. “Pakistan among Worst Performers on Gender Equality: WEF.” DAWN.COM, December 19, 2018. <https://www.dawn.com/news/1452284>.
- Ahmed, Rehan. “These Are the 7 Best Mobile Banking Services in Pakistan.” ProPakistani. ProPakistani, October 31, 2017. <https://propakistani.pk/2017/10/31/7-best-mobile-banking-services-pakistan/>.
- Attaa, Aamir. “Supreme Court Limits 3 Data SIMs and 5 Voice SIMs per CNIC.” ProPakistani. ProPakistani, November 6, 2015. <https://propakistani.pk/2015/11/05/supreme-court-limits-3-data-sims-and-5-voice-sims-per-cnic/>.
- Ccmara, Noelia, and David Tuesta. “Measuring Financial Inclusion: A Multidimensional Index.” *SSRN Electronic Journal*, 2014. <https://doi.org/10.2139/ssrn.2634616>.
- FII. “PAKISTAN WAVE 5 REPORT FIFTH ANNUAL FII TRACKER SURVEY,” June 2018. http://finclusion.org/uploads/file/pakistan-wave-5-report_final.pdf.
- Harris, Briony. “What Is the Gender Gap (and Why Is It Getting Wider)?” World Economic Forum. Accessed August 2019. <https://www.weforum.org/agenda/2017/11/the-gender-gap-actually-got-worse-in-2017/>.
- Kagan, Julia. “Microfinance Definition.” Investopedia. Investopedia, August 3, 2019. <https://www.investopedia.com/terms/m/microfinance.asp>.
- “Overview.” World Bank. Accessed August 5, 2019. <https://www.worldbank.org/en/topic/financialinclusion/overview>.
- “Pakistan Population 2019.” Pakistan Population 2019 (Demographics, Maps, Graphs). Accessed August 2019. <http://worldpopulationreview.com/countries/pakistan-population/>.
- “Pakistan's Gender Gap in Financial Inclusion.” CGAP. Accessed August 5, 2019. <https://www.cgap.org/blog/pakistans-gender-gap-financial-inclusion>.

“Press Release.” Benazir Income Support Programme, September 27, 2018. <https://bisp.gov.pk/bisp-to-collaborate-with-bill-melinda-gates-foundation-for-financial-inclusion-of-beneficiaries-september-27-2018/>.

“Press Release.” Benazir Income Support, March 7, 2018. <http://bisp.gov.pk/bisp-fmbl-sign-mou-for-financial-inclusion-of-bisp-beneficiaries-march-07-2018/>.

State Bank of Pakistan. “National Financial Inclusion Strategy,” <http://www.sbp.org.pk/ACMFD/National-Financial-Inclusion-Strategy-Pakistan.pdf>.

“The Power of Partnership: A Corporate Collaboration to Advance Women's Financial Inclusion in Pakistan.” Women's World Banking, February 21, 2019. <https://www.womensworldbanking.org/insights-and-impact/the-power-of-partnership-a-corporate-collaboration-to-advance-womens-financial-inclusion-in-pakistan/>.