

Banking on Equality Policy: Reducing the Gender Gap in Financial Inclusion

Draft for consultation with stakeholders



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State Bank of Pakistan

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Executive Summary

Financial inclusion demands that men and women get equal opportunities to access and use formal financial services. However, currently, women are disproportionately under-served by the country's financial system. This disparity impedes Pakistan's national economic development. The goal of the proposed policy in this document is to engender equality in banking and reduce the gender gap in financial inclusion. The policy, prepared by the State Bank of Pakistan (SBP), in consultation with relevant stakeholders, is based on the premise that gender-neutral policies in the financial sector have been insufficient to reduce the gender gap in the financial sector and there is a pressing need to view financial sector policies through a gender lens.

The proposed policy identifies five key pillars under which actions are targeted towards improving institutional diversity, product diversification and development capability, customer acquisition and facilitation approaches towards women segments, collection of gender disaggregated data, and prioritizing gender focus in SBP's policies. The policy recommendations will be applicable on SBP's regulated entities including Commercial Banks, Islamic Banks, Microfinance Banks (MFBs), Development Finance Institutions (DFIs) and Electronic Money Institutions (EMIs) etc. Furthermore, Securities and Exchange Commission of Pakistan (SECP) is expected to adopt a similar, yet customized, gender policy for the non-banking financial sector. The key features of the policy are as follows:

Improving gender diversity: A financial institution cannot adequately address the female market segment without addressing its internal gender imbalance. Currently only 13% of the staff of banks and 1% of branchless banking agents are women. More women working in leadership positions at financial institutions can also aid the development of policies and practices for improving gender balance across the financial sector as well as developing women friendly products and services. Presence of women champions and specialized resources at all customer touch points, such as bank branches, branchless banking agents, call centers and alternate delivery channels can aid women's adoption of conventional and digital financial services. Financial Institutions (FIs) shall be asked to develop policies to improve gender diversity and ensure minimum 20% female participation in the work force by 2023. They will create a new management sub-committee on Gender, or amend existing management committee's KPIs to include focus on gender. The FI's will also adopt gender diversity targets and KPIs for all C-suite executives, and improve women representation within senior management ¹ from current 6%.

Women centric products and services: To shift from gender neutral to gender inclusive product design, it is imperative that a dedicated team is working on gender-segmented product designing and creating a business case, while understanding the existing social norms, and marketing products effectively. Therefore, FI's shall create a specialized department within 6 months of issuance of this policy, to apply gender lens on existing and new products and services offerings, keeping in view various use cases within women demographics of all ages and life cycle stages. They may also collaborate with the incubation centers in providing awareness and marketing about their digital financial products & services. Within 6 months of its creation, the specialized women financial services department shall develop products for women that are well researched and backed by demand side insights. Moreover, Banks, MFBs, DFIs, EMIs etc. will also be required to pace up delivery of financial literacy programs specifically for women. Moreover, all FI websites and apps may have a tab/section for "Women's Financial Services" to direct potential customers towards availing products catered to their needs.

Women's Champions at all customer touchpoints: Women's financial inclusion cannot be improved without understanding their needs with careful attention. However, women customers especially entrepreneurs, feel intimidated to visit a bank branch and are not facilitated effectively. Therefore, to enable banks to improve

¹ Executive Vice President (EVP) and above

facilitation of women customers and entrepreneurs, Women Champions shall be deployed at all customer touch points. The women champions must have undergone gender sensitivity training, and should be well versed with the bank's products and government & SBP's schemes for women entrepreneurs. They should proactively guide the women entrepreneurs to have an access to credit. Further, all other virtual touch points of the banks, including call centres, apps and alternate delivery channels should aim to be more women friendly. The resources at physical and virtual touch points will also serve as a main contact point for non-financial advisory services and complaint redressal. The resources should be deployed at-least at 75% of all touch points within a period of three years of policy launch.

Robust collection of Gender-disaggregated data and target setting: The absence of data and targets can dilute FI's focus on the gender in finance, and impede development of informed policies and associated actions for closing the gender gap. Therefore, under the policy, all institutions under SBP's ambit will be instructed to collect and report gender disaggregated data related to gender disaggregated outreach of products and services, to SBP. The data collection will also help FIs to recognize the opportunities and challenges in women's financial inclusion, and help them in developing internal policies to comply with SBP's gender policy and targets. Furthermore, SBP will also strengthen its own research on gender and develop tools in line with international best practices for impact assessment.

Policy Forum on Gender: To discuss opportunities and challenges in women's financial inclusion, internalize gender mainstreaming within organizations, and review the existing legal and policy framework for identification of bottlenecks in women's financial inclusion, a Policy Forum on Gender and Finance will be established at SBP. The forum will be chaired by SBP Governor, include members from Banks, DFIs, MFBs, SECP, women chambers of commerce, civil society, private sector, gender leaders etc. and will meet at least bi-annually to serve as apex forum for future policy formulation on gender. The forum will also create space for innovations that support greater women's financial inclusion. Going forward, under the Forum, SBP will host annual conferences for knowledge sharing, plenary discussions on Gender and Finance, and awards will be given to those banks that have made significant efforts to close the gender gap in finance.

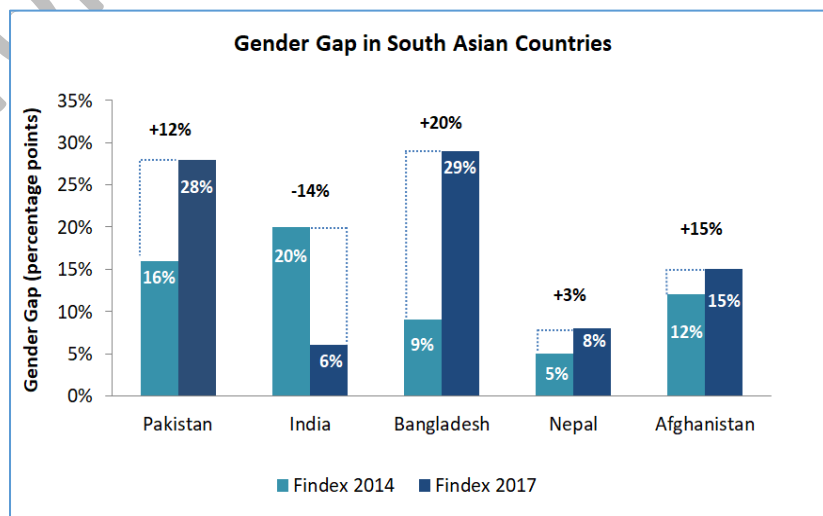
SBP is aware that closing the gender gap is challenging since the root causes go beyond access, and center on powerful social norms. Nonetheless, gender blind practices will continue to perpetuate the gaps, despite advancement in technology innovations and business models. Therefore, with the implementation of the proposed policy, financial institutions shall adopt a holistic and mindful incorporation of gender perspectives in their policies aiming to advance women's financial inclusion in Pakistan. In parallel to the gender mainstreaming policy implemented on the financial sector, SBP is also working on adopting better gender diversity policies to hire, retain and promote more women in the organization.

1. Problem and Context

Promoting equal opportunities for women and men for accessing and pursuing financial and professional endeavors is critical for sustainable and inclusive economic growth in any country. Improved gender parity in financial and economic opportunities can enhance socio-economic development outcomes for not just the present but future generations. Better opportunities for women to earn and control income has been demonstrated to contribute to broader economic development in developing economies, for instance through higher levels of school enrollment for girls, improved productivity of female-owned companies, and raised potential of economic growth (Katrin Elborgh-Woytek, et al, 2013).² Gender equality is also a United Nations Sustainable Development Goal (SDG-5), and ultimately, a country's success for empowering women rests on a gender responsive approach in its public policy management and implementation, including its financial policies.³

In this regard, women's equal access to financial services becomes a priority for a country like Pakistan whose population of 207.8 million⁴ includes 49% women, who largely lag behind men in terms of financial inclusion and contribution to economic activity. In the past, efforts have been made to promote women's financial inclusion such as the establishment of First Women Bank Limited (FWBL) as a specialized public sector bank to provide financial services to women by women. FWBL has helped to service the needs of female entrepreneurs and also groomed women in the country to become career bankers. However, due to its capitalization issues, and limited number of branches, FWBL has not been able to reach as many women clients as envisioned. FWBL's case has revealed, that the approach of a dedicated bank only for women is not the most efficient or effective means to improve women's financial inclusion. Instead, there is a need for mainstreaming gender perspectives across all financial service providers, to effectively address women's wider financial exclusion.

Despite the fact that women have made some progress in terms of financial inclusion, a gaping gender divide exists in the country, which is one of the widest amongst its South Asian peers.⁵ As per World Bank's survey, Female account ownership stands at 76% in India, 73% in Sri Lanka, 36% in Bangladesh, 7% in Afghanistan and 41% in Nepal. Moreover, in other Muslim countries, female account ownership stands at 58% in Saudi Arabia, 82% in Malaysia, 92% in Iran, and 54% in Turkey. According to World Bank's global demand side survey Findex, as of 2017⁶, 21% of adults in Pakistan have a formal financial account, increasing from 13% in 2014. However, a gender-disaggregated analysis reveals that adult



² Women, Work, and the Economy: Macroeconomic Gains From Gender Equity, IMF, 2013

³ Women's Economic Empowerment, OECD 2011

⁴ Pakistan Bureau of Statistics

⁵ As per Findex 2017, the South Asian average of women with a formal financial account is 64%

⁶ Findex has a larger base effect as it defines adults from the age of 15 years and above whereas A2F survey has taken adult population of 18 years and above, which is the legal age of account opening. A2F has a nationally representative sample size of 10650 as compared to Findex sample size of 1000

women's formal financial account ownership has increased from 4.8% in 2014 to 7% in 2017 while; men's account ownership has increased from 21% in 2014 to 34.6% in 2017. This implies that almost 93% of adult women in Pakistan do not have a formal financial account which can provide an avenue for ownership and safe storage of money as well as serve as a conduit for other formal financial services critical for improved socio economic outcomes for them and their families^{7,8}. Therefore, women's financial inclusion is a top priority for SBP for the upcoming years and the country's National Financial Inclusion Strategy (NFIS) envisions ensuring that at least 25% of adult females have a formal financial account by 2020. Moreover, the Government of Pakistan has adopted NFIS with enhanced actions and timelines, and set a gender based headline target to reach 20 million active women owned digital transaction accounts, by 2023.⁹ It is pertinent to note that the NFIS timelines are aligned with UN's SDGs.

2. Demand and Supply side barriers for women's low financial inclusion

There are several reasons for women's low financial inclusion in Pakistan which can be analyzed from the demand and supply side.

Demand Side Insights:

According to Access to Finance Survey (A2FS) 2015¹⁰, women are less aware of financial terms and products than men, while employed women are more likely to use formal financial services. In various discussions with low income women,¹¹ the most commonly understood value proposition for opening bank accounts correlates to its effective function of safe-keeping of money. Hence, a formal financial account is a basic need that even urban/rural women can recognize. Nonetheless, World Bank's "State of Financial Inclusion of Women in Pakistan"¹², using A2FS insights, noted that one of the top reasons women cited for not saving in financial institutions was that they lacked trust in financial institutions. The same study also notes that if perceptions are shifted and women's uptake of mobile wallets is improved, the potential market for saving accounts held by women can be estimated at 30.1 million.

Research also shows that powerful social norms and cultural traditions play a key role to deter low-income women from opening an account. The norms in rural areas grant men more mobility to travel than women¹³; and hence, the latter are not adequately aware of types and availability of financial offerings and how to avail them. Similarly, research also shows that in agricultural belts of Pakistan where arable land holds value, social norms deny women of land titles.¹⁴ Due to this women struggle to find collateral to seek financing.

It is interesting to note that according to the A2FS survey 2015, majority of our population takes financial decisions in consultation with their spouse or other members of their family, while only 11% of respondents said that they take financial decisions alone. Therefore, women often do not get permission from their husbands

⁷ Financial inclusion: Policies and practices Thankom Arun , Rajalaxmi Kamath; IIMB Management Review (2015)

⁸ Voice and Agency: Empowering Women and Girls for Shared Prosperity; Jeni Klugman, Lucia Hanmer, Sarah Twigg, Tazeen Hasan, Jennifer McCleary-Sills, Julieth Santamaria (WB 2014)

⁹ <http://www.finance.gov.pk/NFIS.pdf>

¹⁰ A2FS 2015 is a country specific demand side survey conducted in 2015, and 2008

¹¹ Interviews conducted with urban female low-income workers in Karachi during March 2018. Across the board, the main motivation for working women to open a bank account/ mobile wallet is saving. However, the high expenses of healthcare, house rents, and travelling (to and from home villages) do not allow most women to maintain balances in account. Despite that fact, they still see value in opening an account to maintain savings in the future. In almost all cases, women started saving for their children's future

¹² World Bank report on State Of Financial Inclusion Of Women In Pakistan funded under Financial Inclusion Support Framework(FISF) Country Support Program for Pakistan

¹³ Sakiko Tanaka and Maricor Muzones; "ADB Policy Brief on Female Labor Force Participation in Pakistan" 2016

¹⁴ Women's Land Rights: Research Findings from Pakistan, Saba Gul Khattak, et al, 2010, (SDPI)

to open an account to deposit their income. In other cases, women are not encouraged to obtain Computerized National Identity Card's (CNIC) which are mandatory for account opening.¹⁵ The Prudential Regulations for Microfinance Banks (MFBs) instruct MFBs to guide rural women customers to obtain a CNIC for opening a micro-saving account, while allowing MFBs to open micro-saving accounts, based on her father/husband's CNIC for a limited time. Nonetheless, women are neither aware of this facility, nor do banks effectively guide women. Since many Pakistani women also tend to avoid going to bank branches,¹⁶ digital financial services can be a promising solution, whose success rests on women's mobile phone ownership. Unfortunately, a gender gap exists in phone ownership, where only 46% of women own a mobile phone, compared to 78% in case of men;¹⁷ whereas rural areas, households may only have one mobile phone used by all family members. According to GSMA's report on gender gap in mobile phone ownership, Women are 37% less likely to own a mobile phone due to low literacy skills and family's disapproval.¹⁸

Hence cultural norms, low mobility, financial literacy, and mobile phone access may all be seen as some of the reasons for women's limited access to formal financial accounts, which marginalizes their ability to safely store money, have ownership of income and finances, formally save, avail credit, or buy insurance.

Supply Side Insights:

On the supply side, the country's financial inclusion levels are progressing, albeit with a glaring gender gap, leaving women largely excluded from the formal financial system. SBP's internal gender disaggregated data shows that unique accounts held by adult women comprise of 25% of total unique bank accounts. Moreover, 29% of adult female population has a bank account. However, only 18% of adult female population are active users of bank accounts (See Table 1).

| Table 1: Gender Disaggregated Unique Accounts | | | |
|--|----------|----------|--------|
| | Jun-2017 | Jun-2020 | Growth |
| Total Accounts* (in Millions) | 50.4 | 73.1 | 45% |
| Male Accounts (in Millions) | 37.3 | 54.5 | 46% |
| Female Accounts (in Millions) | 13.1 | 18.6 | 42% |
| Female Accounts in Total Number of Accounts | 26% | 25% | -1% |
| Female Accounts in Adult Female Population** | 22% | 29% | 7% |
| Active Female Accounts in Adult Population** | 14% | 18% | 4% |

* Includes BB accounts

** Adult Female Population estimated at 59.8 Million (2017) and 64.2 Million (2020)

¹⁵ As per NADRA's database, 45% of registered CNIC holders are female

¹⁶ Tatiana Nenova Cecile Thioro Niang with Anjum Ahmad, "Bringing Finance to Pakistan's Poor: A Study on Access to Finance for the Underserved and Small Enterprises", 2009

¹⁷ A2FS 2015

¹⁸ The Mobile Gender Gap Report 2019, GSMA

SBP's internal studies have found that a gendered approach in product development, service offerings, and customer acquisition and facilitation approaches is lacking amongst commercial banks, leaving women segments out of the radar. In some cases, a few banks have initiated focus on women with targeted campaigns. However, little work is done in terms of development of demand based product development. One mostly witnesses re-branding of credit cards and cheque books, which leaves a vacuum of adequate and meaningful value propositioning, that could be filled through tailored reward mechanisms, easier processing of loans, and saving plans, etc.

SBP's data has also revealed a lack of gender balance in bank staff and Branchless Banking (BB) agents. As of October 2019, women represent 13.2% of overall bank staff, 15.8% of head office staff, 12% of branch staff, while only 1% of BB agents are women. Research has shown that lack of female representatives at access points of financial institutions can prove to be a barrier in women's adoption of digital financial services. Furthermore, based on SBP's consultative workshops held with banks, banks have limited understanding of innovative businesses started by women. Challenging requirements such as asset collateral, strict business plans and audited financial statements come in the way of women entrepreneurs getting financing due to which the bank staff often has low confidence in financing women-run businesses. Moreover, housewives are considered high-risk clients due to AML/CFT concerns, in addition, banks have been found to resort to marketing strategies that alienate women by not directly addressing, or encouraging them to avail products and services offered by formal financial service providers.

Recently, SBP has attempted to support the flow of funds to women entrepreneurs through dedicated credit guarantee schemes and refinance facilities for banks.¹⁹ However, the off take has remained dismal, primarily due to lack of banks focus in women clients. On the bank's front, no effort has been seen to invest in customer awareness or facilitation of such schemes, while minimal efforts are exerted to facilitate women with non-financial advisory services.

Given the prevalent social landscape, the gender-neutral approach may be not be sufficient to jump start women's participation. Hence, due to the above reasons, women continue to get fewer opportunities to access and use formal financial services, and the gender gap in financial inclusion keeps growing.

3. National Financial Inclusion Strategy and its focus on Gender

Against the existing backdrop, SBP and the Government of Pakistan launched a comprehensive National Financial Inclusion Strategy (NFIS), which prioritized women's financial inclusion, and set targets to ensure that at least 25% of adult women have a bank account by 2020. Moreover, under its 100-days agenda, the Government of Pakistan has adopted NFIS with enhanced actions and timelines, and set an activity based headline target, to reach 20 million active women owned digital transaction accounts, by 2023²⁰.

However, reaching these targets requires an understanding of the ecosystem within which women exist, in order to formulate policies based on their economic and social realities. This implies paying deliberate attention to incorporate a gender perspective in policies and business practices by all stakeholders. As pervasive gender inequalities continue to become a critical obstacle in the effectiveness of development initiatives, the need for gender mainstreaming interventions for the financial sector has become imperative. Therefore, to tackle women's financial inclusion strategically, a holistic approach needs to be taken towards building inclusive financial systems that are gender sensitive and meet women's needs and requirements as well as they meet men's. It is pertinent to mention that the First Women Bank Ltd (FWBL) was established as

¹⁹ SBP's Refinance and Credit Guarantee Scheme for Women Entrepreneurs in Underserved Areas

²⁰ <http://www.sbp.org.pk/ACMFD/National-Financial-Inclusion-Strategy-Pakistan.pdf>

a specialized women focused bank in the public sector; however, it has not been able to play its role effectively due to capitalization issues. Under NFIS 2023, the government has agreed to strengthen FWBL to play a meaningful role in enhancing women financial inclusion in Pakistan.

In addition to NFIS, other SBP's initiatives will also reinforce women participation. For example, the recently launched National Payment System Strategy (NPSS)²¹ will create synergetic nexus with the NFIS and would bring more women into formal financial system and improve their digital financial inclusion.

The overall goal of NPSS and key result of its implementation will be to make it easier for people to access the financial system, therefore, it is expected that it will help advance the SBP's agenda on financial inclusion and particularly helping women gain access to the financial system. However, a more targeted gender policy in this regard with measureable goals could support in providing greater access to financial services to women in Pakistan.

4. International Policy Recommendations for women's financial inclusion

Key recommendations from international policy makers suggest that greater focus on the value proposition of women's financial inclusion with explicit policy objectives and quantitative targets can lead to improved women's financial inclusion. Further, gender-disaggregated data collection and research will enable fine-tuning of policy reforms. It is also important that legal and regulatory frameworks create space for innovation that support women's financial inclusion, however, the development of financial infrastructure is critically important to ensure implementation of a sound policy.

Furthermore, platforms where dialogues can be held on issues related to women's empowerment are integral for understanding underlying issues and gaining commitment from stakeholders. These platforms should draw representation from high-ranking officials responsible for a broader spectrum of economic policies, as well as from private sector leaders from business, academia or civil society in their respective economies to discuss issues on women's empowerment and take concrete actions. Moreover, gender-specific perspectives need to be integrated at each stage of policymaking while understanding the ecosystem within which women live, so that policies are created based on existing economic and social circumstances.²²

Therefore, in order to have a structured roadmap for reducing the gender gap in financial inclusion, SBP has identified five pillars under which specific policies will be respectively introduced, which are elaborated on in the next section.

5. Proposed Solution: Banking on Equality: Policy to Reduce the Gender Gap in Financial Inclusion

Gender-neutral policies, assumed to equally affect both sexes, may not be effective against inherent gender inequalities, which continue to create obstacles in women's financial inclusion.²³ Hence, incorporating gender perspectives to assess the implications for women and men in existing industry practices is imperative to build inclusive financial systems, which serve men and women equally. Accordingly, a policy to reduce the gender gap in financial inclusion is being proposed to prioritize gender sensitive focus in the financial sectors. The policy aims to introduce a mindful gender lens within the financial institutions' policies and practices via

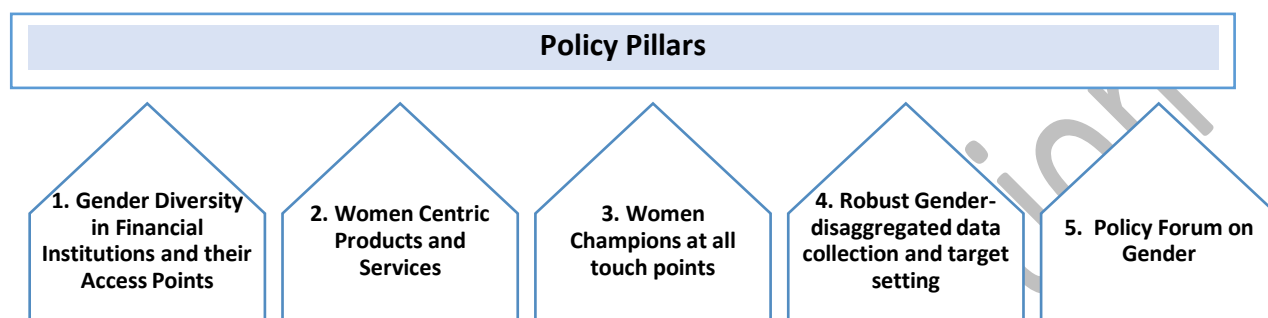
²¹ <http://www.sbp.org.pk/PS/PDF/NPSS.pdf>

²² Policy Frameworks to Support Women's Financial Inclusion 2016

²³ European Institute for Gender Equality

carefully identified pillars, to enable a shift towards women friendly business practices, and reduce the gender gap in financial inclusion.

5.1 Pillars of Policy to Reduce the Gender Gap in Financial Inclusion



Pillar 1: Gender Diversity in Financial Institutions and their Access Points

Policy Overview: Maintaining gender balance in the “access points” of banks, including bank branches and BB agents, is essential to encourage women towards formal financial services. Research and international case studies have shown that women are more successful as BB agents than men, for reaching new segments. Nonetheless, SBP’s internal research has shown that women represent 13.2% of total bank staff, with a break up of 12.1% of branch staff, and 15.8% of head office staff. Further, during a research exercise to train women to become BB agents²⁴, it was found that when compared with a male agent, women were more likely to approach a female agent. Further, women customers were more likely to learn about, and use additional financial services, when dealt with a female agent.²⁵ To improve women’s access to financial services, and prompt their adoption of digital financial services, more female bank branch representatives and branchless banking agents must be working at financial services access points. Therefore, banks must maintain balanced gender ratios for bank representatives, and branchless banking agents, to cater to urban and rural women.

A bank cannot begin to seriously address the female market segment without first addressing the internal gender imbalance. Ultimately, a holistic approach is necessary for introducing measures for improving gender representation within the financial sector in a sustainable manner. More women working in leadership positions at financial institutions can aid the development of policies and practices for improving gender balance across the financial sector as well as developing women friendly policies. Moreover, IMF’s²⁶ study finds that “greater inclusion of women as users, providers, and regulators of financial services would have benefits beyond addressing gender inequality”. The analysis suggests that controlling for relevant bank and country-specific factors, the presence of women as well as higher shares of women on bank boards, associated with greater financial resilience. Researches also find a positive effect between gender diversity and a firm’s innovation level, which will be crucial to invent new products and customer facilitation and onboarding strategies for women.²⁷

Eventually, a financial institution with a focus on women’s financial inclusion must ensure that their own staff also reflects the gender diversity they are seeking, at all levels. Therefore, it is important that banks have an

²⁴ SBP Development Project ID-AC&MFD-11/16-17

²⁵ As of 2018, out of 200,000 unique agents in the country, more than 2,000 agents are women

²⁶ IMF Staff Discussion note; Women in Finance: A Case for Closing Gaps, by Ratna Sahay ; Martin Cihak (Sep 2018). The Study found that women accounted for less than 2 percent of financial institutions’ chief executive officers and less than 20% of executive board members

²⁷ Miller and del Carmen Triana, 2009; Torchia et al., 2011

internally approved policy on maintaining a balanced gender ratio in their senior management and staff, and that vision is adequately reflected in balance of all its workers, including BB agents.

Policy Measure and Instrument:

To improve representation of women in financial institutions and their access points, the following policy measures will be taken:

Gender Representation in FI's and Access Points:

1. Circulars will be issued by BPRD and AC&MFD to their regulatees as follows:
 - a. All FI's shall develop and submit a Policy to Reduce the Gender Gap in Financial Inclusion, duly approved by their BOD, with a commitment and roadmap to improve their institution's overall gender diversity amongst Bank Staff, and their customer representatives, to ensure women comprise of at-least 20% of their work force by 2023.
 - b. All FI's shall create a new Management sub-committee on Gender, or amend TORs of existing Management Committee to include focus on gender, and appoint one to two focal person(s) on gender. The focal persons will meet on a quarterly basis with SBP to share their experiences, updates against policy actions and targets.
 - c. The Key Performance Indicators (KPIs) of the C-suite executives shall include achievement on gender diversity targets and milestones.
 - d. All FI's shall introduce policies to improve representation of women in their senior management, where merit-based criteria should be developed for women's career growth path. The objective of the FI's policies should be to promote high potential women to senior management and improve the FI's outreach towards more women.
2. Circulars will be issued by BPRD to Branchless Banking Providers to improve the ratio of women in their branchless banking agent network, and ensure that by 2022, women agents represent at least 10% of their agent network. Amendments in Framework for Branchless Banking Agent Acquisition will be made as per follows:
 - a. *Point 9- Central Agent Management Policy:* All BB Provider Banks shall formulate a clear, well-documented Gender Mainstreaming in Agents Policy (GMAP) duly approved by its Board, with a goal to meet the regulatory requirement of 10% women agents in their portfolio. The GMAP shall be cascaded down the line to concerned employees for strict compliance as per the following timelines:

| Target | Timeline |
|--------|---------------|
| 4% | June 2021 |
| 7% | December 2021 |
| 10% | December 2022 |
 - b. *Point 10- Agent Network Supervision by SBP:* SBP as it deems fit, shall carry out inspection and/or diagnostic study of BB service providers and their agents to monitor compliance of mandatory requirement of women agents in their portfolio.
3. Amendments will be made in Guidelines for Training and Development of Bank Employees as per follows:

- a. All FI's shall provide basic gender sensitivity training to all employees, and focused training for employees who frequently interact with women customers.
- b. FIs, especially BB Providers, may undertake training programs for women BB agents every fiscal year.

Pillar 2: Women Centric Products and Services

Policy Overview: All banks must develop suite of financial products and services that cater to women's financial needs (household, entrepreneurial and others) while remaining mindful of existing social norms. Further, respective literacy and marketing campaigns must be created in parallel in order to improve awareness, and tap in to the various segments of the female market.²⁸

Policy Measure and Instrument:

1. To improve the development of women centric products and services, instructions will be issued by BPRD, PSD and AC&MFD for their regulatees, as follows:
 - a. All FI's shall create a specialized banking department, applying gender lens on existing and new products and services offering, keeping various use cases within women demographics of all ages and life cycle stages, in view. They may also collaborate with the incubation centers and accelerators in providing awareness & marketing about their digital financial products and services.
 - b. All FI's may ensure compliance of the above instructions as per the following timelines:

| Key Areas | Indicated time lines |
|---|--|
| Women's Financial Services Department | Set up within 6 months of issuance of the instructions |
| Apply Gender Lens to all business lines | To apply gender lens on existing & new products within 6 months of creation of department and sale/market strategies to address women's financial needs. Awareness should also be created. |

2. To improve the marketing and awareness of women centric products and services, instructions will be issued by BPRD and AC&MFD for their regulatees, as follows:
 - a. All FI websites and apps may have a tab/section for "Women's Financial Services" to direct potential customers towards availing products catered to their needs.
 - b. All FIs may create and disseminate women's financial literacy marketing campaigns to improve awareness of financial products and services for women.

²⁸ SBP has already launched a 5 year flagship financial literacy program called Sikka Bakaida in 2017, which aims to educate at-least 1 million adult population with 50% female beneficiaries in districts all over Pakistan, with basic financial literacy concepts such as budgeting savings, investments, use of mobile money etc. The program is being conducted in partnership with FI's. However more targeted campaigns need to be developed by banks independently to improve women's financial inclusion.

- c. FIs may also formulate a female marketing team, tasked to increase financial literacy in the female masses and enhance their inclusion in the formal financial system. They may also educate men to encourage and facilitate women to avail financial services.
3. Banks, MFBs, DFIs and EMIs will be required to pace up delivery of financial literacy programs specifically for women. Outreach programs would also be started in far-flung areas where formal financial services are not available. The outreach programs facilitated by women should provide last mile service by opening wallets/accounts of women and train them to use financial products and services. Adoption of simplified customer due diligence shall lead to the desired results.

Pillar 3: Women's champions at all customer touch points

Policy Overview: SBP's demand side surveys have revealed that women feel intimidated to visit a bank branch. Furthermore, SBP has found that banks are unable to facilitate women customers and entrepreneurs, effectively. It is important that the needs of women customers are met with careful attention and towards this end, having gender diversity trained staff as champions at all customer touch points can improve women's trust and comfort in FIs. In this regard, ADB's Tool Kit on Gender Equality suggests that women's desks at banks can help to boost women's economic empowerment²⁹, which is a practice, already seen in Bangladesh and Zimbabwe³⁰. This will aid women customers and entrepreneurs to get access to credit/savings products and non-financial advisory services from a dedicated contact point at the bank.

Policy Measures and Instruments:

1. In order to make women comfortable to approach banks and access financial products suited to their needs, FI's will be advised to ensure presence of women champions at all customer touch points at financial institutions, such as bank branches, call centers and alternate delivery channels which will aid women's adoption of conventional and digital financial services. Women champions at each branch and touch point to cater for improved provision of women centric products and facilitation for females, especially entrepreneurs. The women's champions shall have the following features:
 - a. The women champions will serve as a central point of contact for women to seek information about financial products and services created for women by the FI.
 - b. A bank representative that has undergone gender sensitivity training is well versed in the bank's financial products for women, and can share details of current SBP/government schemes for women, shall serve as the women champion.
 - c. The champion will also serve as a main contact point for non-financial advisory services, and complaint redressal.
2. While FI's will place women champions in all of its branches in next 18 months staffed by existing human resources that have undergone gender sensitivity training, it must be ensured that at least 75% of touch points should have women champions within the next 3 years, FI's may adhere to the following targets and timelines:

²⁹ Gender Tool Kit: Micro, Small, and Medium-Sized Enterprise Finance and Development

³⁰ Gender, Women's Economic Empowerment and Financial Inclusion in Zimbabwe, 2019 AFI

| Targeted Ratio of touch points with Women Champions | Time line |
|---|-----------|
| 15% | 1 year |
| 30% | 1.5 years |
| 45% | 2 years |
| 60% | 2.5 years |
| 75% | 3 years |

Pillar 4: Robust collection of gender-disaggregated data and target setting

Policy Overview:

Recommendations from international policy makers show, that absence of gender-disaggregated data can create a mismatch of perceived barriers to women's financial inclusion and policy interventions to address these constraints.³¹ Greater focus on women's financial inclusion with quantitative targets can lead to improved women's financial inclusion. Currently, there is a dearth of gender disaggregated data collection and a coordinated effort is required to close the gender data gap. Therefore, FI's will be asked to start collecting and submitting quarterly gender-disaggregated data, to remain attentive towards women's share in bank accounts, credit off take, payments, agri credit disbursements, Islamic financing etc.

Thereon, banks will be assigned indicative targets for maintaining gender balance in products and services, and asked to submit their respective roadmaps for reaching their targets, to SBP after due approval from their BOD. Strict compliance of completion of targets will be ensured.

Furthermore, SBP will also strengthen its research on gender dimensions in internal research and studies.

Policy Measure:

1. S&WHD will start collecting quarterly gender-disaggregated data related to share of men, women and transgender in bank accounts, credit, payments, agri credit disbursements, Islamic financing etc. from all Commercial Banks, DFI's, EMIs and Microfinance Banks.
2. Thereon, banks will be assigned indicative targets for maintaining gender balance in products and services, and asked to submit their roadmap, duly approved by the BOD, for reaching them.
3. SBP will assign minimum benchmarks and gender wise metrics and banks that meet them will receive a "Women Friendly" certification from PBA. This can give confidence to women to use financial services and products from those respective banks.
4. Further, the SBP will improve its research on various gender dimensions and develop or deploy tools for impact assessment in line with international best practices.³²

³¹ Policy Frameworks to Support Women's Financial Inclusion 2016

³² SBP will also conduct a survey to determine barriers faced by women in access and use of formal financial services

Pillar 5: Policy Forum on Gender and Finance

Policy Overview:

Research proves that high level platforms on Gender, which regularly invite leaders from various spheres of private and public sectors, prove to be instrumental to prioritize women's financial inclusion, drive the agenda forward, and a mass support and buy-in from multiple stakeholders. Currently, there is no such high-level policy forum that brings together regulators and other stakeholders to engage on policy matters around women's financial inclusion. Therefore, a Policy Forum on Gender and Finance will be formed, to discuss opportunities and challenges in women's financial inclusion and review the existing policy framework for improvements.

The Policy Forum on Gender and Finance would be able to prompt reforms in legal and regulatory frameworks to create space for innovations that support greater women's financial inclusion. For example, dialogues may be held to improve the existing legal, regulatory and supervisory frameworks, which considers house-wives as high-risk clients due to AML/CFT concerns which may be addressed by introducing risk based tiered accounts. Moreover, since asset ownership is an important issue impacting women's access to financial services, legal reforms may be initiated for co-titling of landholdings between husbands and wives. In other cases, revised account opening forms for widows may be needed to facilitate easy account opening. Moreover, to improve women's digital financial inclusion, the forum will bring telecom and financial sector policy makers/practitioners to synergize for closing the gender gap in technology access. Hence, the Policy Forum will be essential for necessary policy discussions and actions needed for women's financial inclusion, as well as monitoring the implementation of the Policy to Reduce the Gender Gap in Financial Inclusion.

Going forward, under the Forum, SBP will host annual conferences for knowledge sharing, plenary discussions on Gender and Finance, and give awards to those banks that have made significant efforts to close the gender gap in finance.

Policy Measure:

The Forum shall be established with representation from banks, microfinance banks, electronic money issuers, SECP, PTA, SMEDA, Government's Commission on women, women chambers of commerce civil society, gender leaders and other relevant institutions. It will be chaired by Governor, or in his absence, by the Deputy Governor. Forum will meet at-least bi-annually. Furthermore, SECP is expected to adopt a similar, yet customized, gender policy for the non-banking financial sector and share progress.

6. Initiatives at SBP

State Bank of Pakistan is also working on similar policy interventions. Gender ratios at the SBP, for overall staff as well as for higher level positions, are noticeably low. According to the Official Monetary and Financial Institutions Forum (OMFIF), an independent think tank for central banking, globally, the central banks' Gender Balance Index score is 25%. Therefore, in parallel to the gender mainstreaming policy implemented on the financial sector, SBP is also working on adopting better gender diversity policies to hire, retain and promote more women in the organization.

7. Conclusion

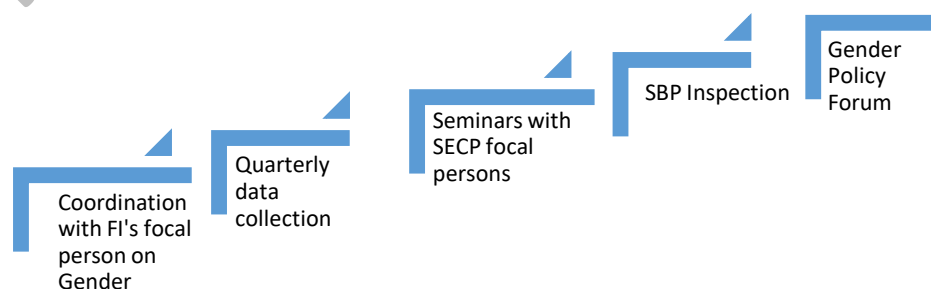
Closing the gender gap is challenging since the root causes go beyond access, and center on powerful social norms. Nonetheless, gender blind practices will continue to perpetuate the gaps, despite advancement in technology innovations and business models. Hence, with the proposed policy, a holistic and mindful incorporation of a gender lens can be incorporated in banking practices for closing the gender gap within the financial sector and advance women's financial inclusion.

8. Matrix of Gender Policy measures

Summary Matrix of SBP's Gender Policy Measures

| Short term | Medium term | Long term |
|---|---|---|
| <input type="checkbox"/> FI's will create management sub-committee on Gender and appoint one to two focal Person(s) on Gender. <input type="checkbox"/> FI's to develop and submit a board approved Gender Policy to improve their institutional gender diversity <input type="checkbox"/> Ensure 4% ratio of women in agent portfolio of BB players <input type="checkbox"/> All FI's may create a specialized department <input type="checkbox"/> All FI websites and apps may have a tab/section for "Women's Financial Services" <input type="checkbox"/> FI's will appoint women champions at-least at 15% of banks' touch points. <input type="checkbox"/> SBP will start collecting quarterly gender-disaggregated data from all FI's. <input type="checkbox"/> SBP will establish a Gender Policy Forum with representation from key stakeholders. It will be chaired by Governor and will meet on their experiences, bi-annual basis. | <input type="checkbox"/> The Key Performance Indicators (KPIs) of the C Suite executives shall include achievement on gender diversity targets and milestones. <input type="checkbox"/> All FI's shall introduce policies to improve representation of women in their senior management, where merit-based criteria should be developed for women's career growth path. <input type="checkbox"/> Ensure 7% ratio of women in agent portfolio of BB players <input type="checkbox"/> All FI's shall provide basic gender sensitivity training for all employees, and focused training for employees who frequently interact with women customers, by 2021. <input type="checkbox"/> FIs, especially BB Providers, may undertake training programs for women BB agents every fiscal year. <input type="checkbox"/> All FI's may create and disseminate women's financial literacy marketing campaigns to improve awareness of financial products and services for women. <input type="checkbox"/> FI's will appoint women champions at-least at 45% of banks' touch points. <input type="checkbox"/> Thereon, banks will be assigned indicative targets for maintaining gender balance in products and services, and asked to submit their roadmap, duly approved by the BOD, for reaching them. <input type="checkbox"/> SBP will assign minimum benchmarks and gender wise metrics to banks to ensure women's financial inclusion. <input type="checkbox"/> Banks that meet the gender metrics will receive a "Women Friendly" certification from PBA. <input type="checkbox"/> SBP's will improve its research on gender dimensions. <input type="checkbox"/> SBP will adopt better gender diversity policies to hire, retain and promote more women in the organization. | <input type="checkbox"/> Ensure 10% ratio of women in agent portfolio of BB players <input type="checkbox"/> Banks, MFBS, DFIs, EMIs etc. will be required to pace up delivery of financial literacy programs specifically for women. Outreach programs would also be started in far-flung areas <input type="checkbox"/> FI's will appoint women champions at-least at 75% of banks' touch points. |

Policy Monitoring Tools



References:

- Evidence for Action Gender equality and economic growth- June 2010 OECD.
- World Bank Data, modeled on International Labour Organization estimates, 2017.
- Sakiko Tanaka and Maricor Muzones; “ADB Policy Brief on Female Labor Force Participation in Pakistan” 2016.
- Tatiana Nenova Cecile Thioro Niang with Anjum Ahmad, “Bringing Finance to Pakistan’s Poor: A Study on Access to Finance for the Underserved and Small Enterprises”, 2009.
- Access to Finance Survey 2015.
- ADB Gender Toolkit: Micro, Small and Medium sized Enterprise Finance and Development.
- Policy Frameworks to Support Women’s Financial Inclusion 2016.
- Findex 2017.
- AFI Global- Denarau Action Plan.
- Women in Finance: A Case for Closing Gaps; IMF Staff Discussion Note No. 18/05.

| Unique Number of Depositors (Provisional) | | | | |
|---|-------------------|-------------------|-------------------|--------------------|
| Period | 30-Jun-17 | 30-Jun-18 | 30-Jun-19 | 30-Jun-20 |
| Total Accounts | 69,611,221 | 90,334,362 | 92,974,499 | 114,293,590 |
| Active Accounts | 41,434,724 | 49,727,672 | 59,940,626 | 76,165,865 |
| Dormant Accounts | 28,176,497 | 40,606,690 | 33,033,873 | 38,127,725 |
| Total Male Unique Depositors | 37,365,237 | 49,746,856 | 47,519,186 | 54,522,365 |
| Active Accounts | 21,266,005 | 25,859,038 | 29,161,221 | 34,170,546 |
| Dormant Accounts | 16,099,232 | 23,887,818 | 18,357,965 | 20,351,819 |
| Total Female Unique Depositors | 13,076,137 | 14,227,398 | 14,497,114 | 18,573,278 |
| Active Accounts | 8,208,498 | 7,756,223 | 8,871,699 | 11,745,144 |
| Dormant Accounts | 4,867,639 | 6,471,175 | 5,625,415 | 6,828,134 |