



NATIONAL FINANCIAL INCLUSION STRATEGY 2024-28



State Bank of Pakistan
بینک دولت پاکستان

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EXECUTIVE SUMMARY

Financial inclusion refers to the accessibility of formal financial services to individuals and businesses, encompassing a variety of payments, savings, credit, and investment options that cater to their needs, with dignity and fairness. The promotion of financial inclusion not only fosters economic growth but also contributes to the attainment of wider developmental objectives.

Recognizing the importance of financial inclusion for economic development, governments and central banks around the world continue to endeavor for increasing access and usage of formal financial services. The 2030 UN Sustainable Development Goals (SDGs) acknowledge financial inclusion as a catalyst for achieving developmental objectives. Financial inclusion is therefore integrated into eight out of the seventeen SDGs covering areas such as poverty eradication, hunger alleviation, health improvement, gender equality, economic empowerment, job creation, innovation support, infrastructure development, and inequality reduction.

In the case of Pakistan, the financial inclusion agenda has remained a key priority for Government of Pakistan (GoP) and State Bank of Pakistan (SBP). Since 2015, SBP has implemented two National Financial Inclusion Strategies (NFIS), from 2015-2018, and 2019-2023, with the goal to improve access and usage of formal financial services by the masses. As a result, financial inclusion level, broadly defined as the share of adult population having a bank account, has jumped from 16 percent in 2015 to 64 percent in 2023.

The implementation of the two NFIS leveraged new technologies, supportive regulatory frameworks, and enhanced public private partnerships to promote financial inclusion. In particular, schemes such as Asaan Digital Account, Asaan Mobile Account, Raast, provided ease of access to and usage of formal financial services. Nonetheless, expanding the scope of digital financial services specifically to cater to the needs of the underbanked segments of the society remains a challenge due to general preference for cash embedded in the culture.

In addition to digitalization of financial services, SBP's Banking on Equality Policy (BOE) has also helped in improving women's financial inclusion in the country. As of December 2023, 31 million adult women had at least one bank account as compared to 13 million in 2018, due to which, the gender gap has reduced from 47 percent in 2018 to 34 percent in 2023.

In order to further advance the financial inclusion agenda, SBP is launching the 3rd edition of NFIS 2024-28, which aims to leverage progress made under the past two strategies, tackle persistent bottlenecks in financial inclusion, and capitalize on further digitalization efforts to foster new innovations. The strategy prioritizes to enhance availability and usage of secure and easy digital financial services, improve ecosystem for priority sector financing, and strengthen capabilities of both financial institutions and consumers. Particular attention has been given to

promote financial inclusion and awareness in the underserved and unserved areas, as well as vulnerable segments of society like women, youth and disabled persons.

Moreover, in order to catalyze inclusive economic growth and development in the country, specific actions have been outlined to revolutionize priority sector financing in the areas of SME, housing, agriculture, microfinance and sustainable finance, with the ultimate aim to enhance the wellbeing of low income and under-privileged population segments. Based on these priorities and actions, the headline targets for NFIS 2024-28 have been set to improve the level of financial inclusion in Pakistan to 75 percent and reduce the gender gap to 25 percent by 2028.

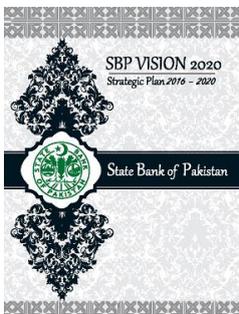
1. THE MANDATE

Financial Inclusion has remained at the forefront of SBP’s policy framework for achieving sustainable growth and inclusive development. It is also one of the key mandate of the SBP under section 4(C) of the SBP Act 1956 (as amended up-to 28th January 2022):

(4C) Functions of the Bank

(I) Promote financial inclusion in Pakistan

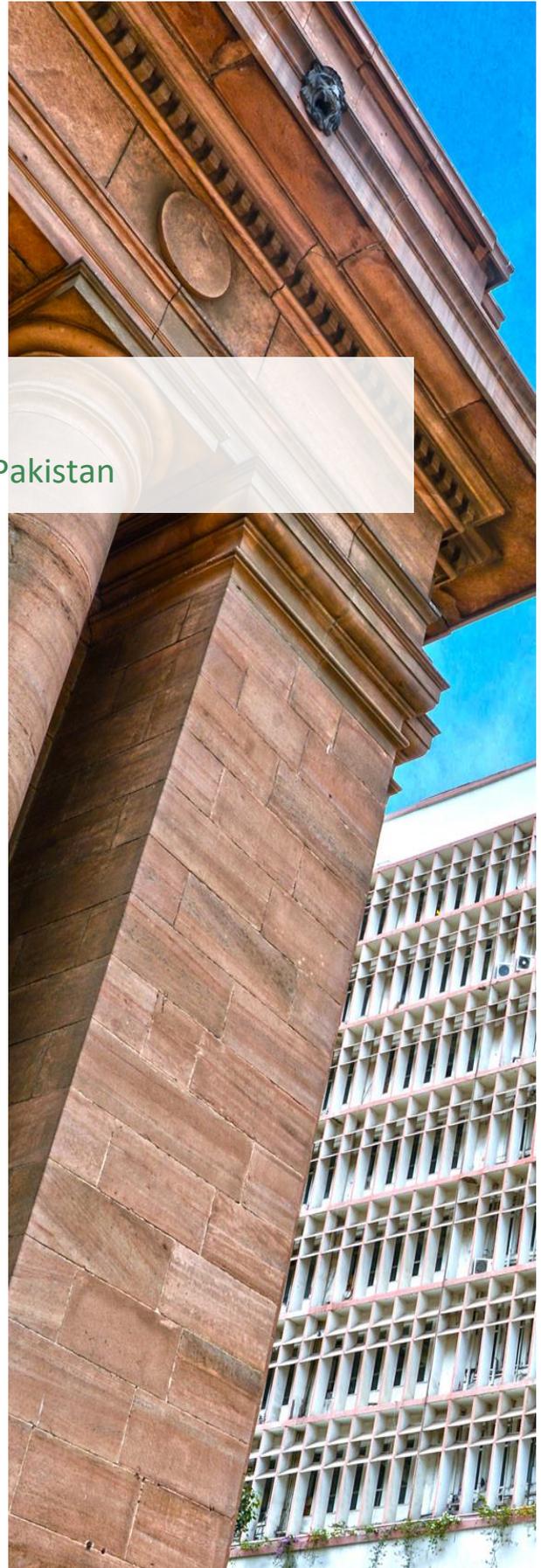
Moreover, financial inclusion has been an important component of SBP Vision since 2015, whereby the strategic plans entail a distinct goal on financial inclusion with targeted policy actions in all priority areas.



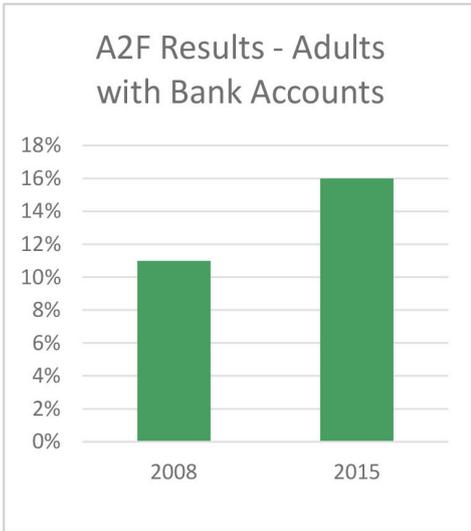
SBP Vision 2020
Strategic Goal 4
“Increase Financial Inclusion”



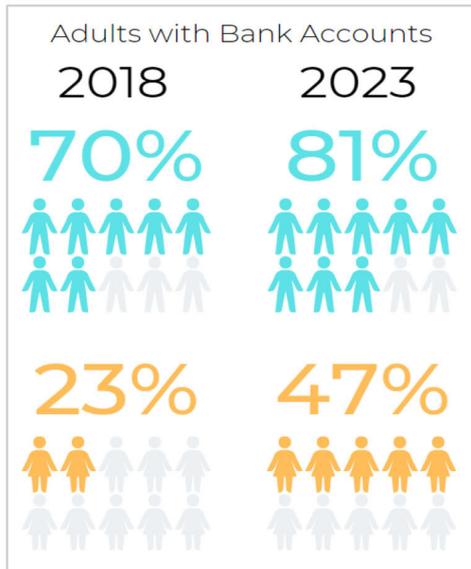
SBP Vision 2028
Strategic Goal 3
“Promote Inclusive and Sustainable Access to Financial Services”



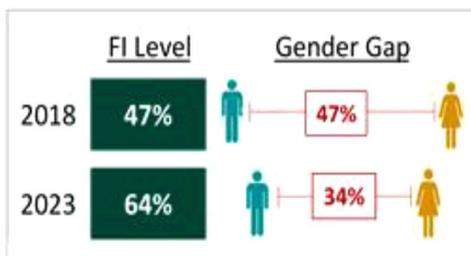
2. FINANCIAL INCLUSION JOURNEY IN PAKISTAN



The financial inclusion journey of Pakistan began with the enactment of the SBP Act 1956, wherein SBP was entrusted with the responsibility of credit management in the economy. The promulgation of 'The Loans for Agricultural, Commercial and Industrial Purposes Act, 1973', introducing the pass book system, played a pivotal role in enhancing access to finance for a large segment of the population belonging to agriculture. Besides, in the early 1980s, private sector entities like Orangi Pilot Project, Aga Khan Rural Support Program also helped in promoting access to micro credit in the country. Later on, the introduction of 'Microfinance Institutions Ordinance, 2001' laid the foundation of microfinance banking in the country.

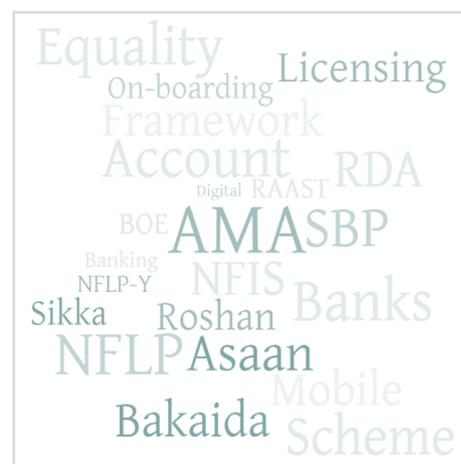


Financial inclusion efforts were strengthened further in 2006, when the Development Finance Group (DFG) was established in SBP. Under DFG, 'Financial Inclusion Program' was launched in collaboration with FCDO (formerly DFID UK) to enhance the capacity of financial institutions and private sector entities. This step was taken to provide equitable and efficient market-based financial services to an otherwise excluded and under privileged population including women and the youth. In 2008, to increase outreach of the banking system in every nook and corner of the country, the concept of Branchless Banking was introduced through special regulations by the SBP, allowing the provision of banking services leveraging the large networks of agents of the mobile network operators.



Initially, financial inclusion grew at a slow pace. The Access to Finance (A2F) surveys conducted in 2008 and 2015, revealed that the level of financial inclusion, defined as the share of adult population having a bank account, increased marginally, from 11 percent to 16 percent, while the ratio of adult women having bank accounts grew from 4 percent to 11 percent only.

To accelerate the pace of financial inclusion in the country, Pakistan's first ever National Financial Inclusion Strategy (NFIS) was launched in 2015, through which a comprehensive reform agenda was adopted to make the financial system more agile, digital and inclusive. Establishing a unique public-private partnership platform, with representation from more than 65 diverse institutions, NFIS 2015 changed the landscape of financial inclusion in Pakistan. Introducing remote account opening under branchless banking provided the much-needed impetus to accelerate financial inclusion of the masses. Within three years, the adult population's access to bank accounts reached to around 50 percent in 2018, significantly improving from 16 percent in 2015. Likewise, the ratio of adult women having bank accounts reached 23 percent from 11 percent in 2015.



Building on this progress, the 2nd edition of National Financial Inclusion Strategy was launched in 2018. NFIS 2023 set higher targets of financial inclusion and aimed at reaching 65 million active digital transaction accounts, including 20 million women-owned accounts by December 2023. The strategy identified several actions to enhance access and usage of a wide range of financial services including digital payments, access to finance, low cost housing, and Islamic banking.



At the core of NFIS 2023, the key priority was to broaden financial inclusion by promoting digital financial services through leveraging technology. SBP undertook multiple initiatives to promote the access and usage of quality financial services through digital means including Asaan Mobile Account (AMA) Scheme, Digital On-boarding Framework, RAST, Roshan Digital Account (RDA), Licensing framework for Digital Banks, etc.

SBP further recognized women's financial inclusion as a foundational step towards improving gender parity in financial and economic opportunities, and ensured that the increase in financial inclusion does not come at the cost of a growing gender gap. Against this backdrop, SBP launched the Banking on Equality (BoE) Policy in 2021. The policy is a landmark initiative of the bank for gender mainstreaming in the financial sector, which set targets to improve availability of financial products and services, better facilitation for women customers, and increase women's representation in banks, both as customers and staff members. The policy embedded a gender lens in the policies and practices of financial institutions and, as a result, the gender gap in financial inclusion has decreased to 34 percent in 2023 from 47 percent in 2018.

Finally, initiatives for enhancing customer awareness and capacity building like 'Sikka Bakaida' and the National Financial Literacy Program for Youth (NFLP-Y) have been instrumental in imparting financial management skills. These programs were especially targetted towards the rural and peri-urban areas, and collectively trained 3.2 million beneficiaries, among which 58 percent were women.

Due to these initiatives, the number of depositors have increased from 54 million in 2018 to 88 million in 2023, registering a growth of 63 percent during the period. The number of women depositors grew from 13.1 million in 2018 to 31.2 million in 2023, improving women's financial inclusion from 23 percent to 47 percent. Similarly, the share of Islamic banking in the overall banking sector increased significantly, with share in deposits at 23 percent, share in assets at 19 percent and share in branch network at 29 percent.

PROGRESS IN FINANCIAL INCLUSION DURING 2015-2023

Key Financial Inclusion Initiatives

Digital Initiatives:



- 2015:** Rationalization of NADRA's biometric verification cost & Enablement of NADRA's Biometric Verification System (BVS) for Micro Insurers
- 2016:** Remote account opening under Branchless Banking Framework
- 2017:** Proof of Life in Pension Payments through Biometric Verification System (BVS)
- 2018:** Creation of Innovation Challenge Facility (ICF) for promotion of Digital Financial services through innovative and client centric products and services
- 2019:** Launch of National Payment Systems Strategy (NPSS)
- 2021:** Implementation of Raast for cost-effective retail payments
- 2021:** Customers' Digital Onboarding through Asaan Digital Accounts (ADA)
- 2021:** Launch of Asaan Mobile Accounts (AMA)
- 2023:** Digitalization of CDNS and integration of CDC and CDNS with Raast

Innovative and Specialized Products:



- 2016:** Dedicated quota to increase branch outreach in rural, underserved and unbanked areas
- 2021:** Launch of Banking on Equality (BoE) Policy to promote gender inclusive financial services
- 2023:** Promotion of Islamic Finance through specialized products to cater faith sensitive segment

Priority Sector Financing:



- 2019:** Establishment of Secured Transactions Registry (Electronic Collateral Registry)
- 2019:** Digitization of Land Record & adoption of Electronic Land Record Management System (eLRMS) by banks
- 2021:** Launch of National SME Policy
- 2022:** Electronic Warehouse Receipt Financing (eWRF)
- 2023:** Establishment of National Credit Guarantee Company (NCGC) to promote SME Financing

Financial Literacy and Awareness:



- **2017:** Implementation of National Financial Literacy Program (NFLP) for adults, youth and children

Progress in Financial Inclusion



*Volume of e-Transactions: 2,073.3M
Value of e-Transactions: Rs.167.4T



Growth in Deposits: 168% (Total: Rs.27.8T)
Growth in Bank Branches: 35% (Total: 16,603)



Growth in Active Accounts (2018-23): 124% (Total: 125.6M)
Growth in Female Active Accounts (2018-23): 224% (Total: 35M)
%age of Adult Population with a Bank Account: 64%



Growth in Islamic Banking Deposits: 391% (Total: Rs.6.7T)
Growth in Islamic Banking Assets: 459% (Total: Rs.9.0T)
Growth in Islamic Banking Branches: 139% (Total: 4,955)



Growth in SME Financing (Outstanding Amount): 78%
Total Outstanding Amount: Rs.543B
Number of borrowers: 172,292



*Growth in Agriculture Financing (Disbursed Amount): 244% (Total: Rs.1.8T)
Growth in Outstanding Borrowers: 49% (Total: 3.0M)



Financial literacy training imparted to 3.2M beneficiaries

*Note: Data Corresponding to Financial Year

3. NFIS 2024-28 WHAT LIES AHEAD!

Over the years, progress in financial inclusion indicators reflect the tangible impact of NFIS initiatives. SBP is geared to build upon the progress made under NFIS 2023 filling persisting lacunas and expanding the access and usage of financial services across all segments of the population and areas of the country.

Under NFIS 2024-28, SBP aims to enhance financial inclusion to reach 75 percent by 2028, from the 64 percent in 2023.

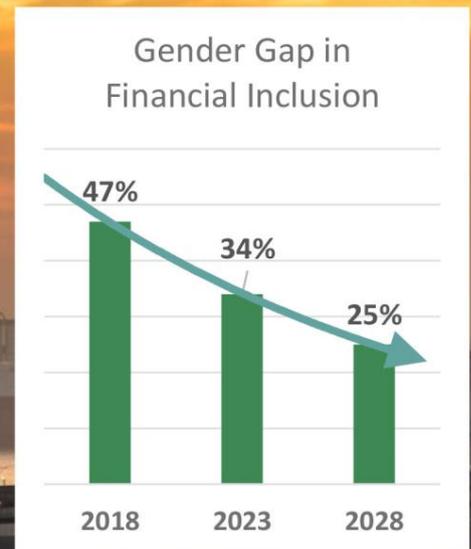
Accordingly, NFIS 2024-28 sets the following vision:

“ Advance financial inclusion to elevate financial well-being and living standards of the people in Pakistan ”

NFIS 2024-28 is focusing on digital innovation, sustainable & inclusive finance, customer awareness, capacity building, and robust data collection & analysis to promote financial inclusion. The strategy will accelerate usage and quality of formal financial services alongside improving the overall level of financial inclusion in the country with the following objective:

“ Improve usage and quality of financial services while extending financial access to all ”

Further, NFIS 2024-28 is expected to improve access to finance, particularly in the priority sectors like agriculture and SMEs, by leveraging technology in the coming years.



4. NFIS 2024-28 ACTION FRAMEWORK

Strategic Goals

The NFIS 2024-28 Action Framework outlines five key strategic goals to promote access, usage and quality of financial services:

SG1	Expanding the availability and usage of financial services in unserved and underserved areas
SG2	Promoting secure and easy digital financial services
SG3	Enhancing priority sector financing ecosystem
SG4	Strengthening capabilities and role of financial institutions
SG5	Enhancing consumer protection, empowerment and awareness



Strategic Goal 1: Expanding the Availability and Usage of Financial Services in Unserved and Underserved Areas

Expanding access and usage of financial services is at the heart of forthcoming efforts for improving financial inclusion. To increase outreach in unserved and underserved areas of the country, NFIS 2024-28 envisions mobilizing diverse stakeholders to contribute towards enhancing access to far-flung areas that remain unserved by the financial institutions. Through multi stakeholder collaborations and engagements, the strategy aims to expand financial services in these areas by increasing access points and development of physical and digital infrastructure.

District profiling to identify gaps and opportunities for financial services

- Establish Data Hubs for understanding the demographics, available infrastructure, banking needs, usage and behavioral trends of underserved segments by:
 - Identifying opportunities and pain points for assessing financial services needs
 - Geo mapping un/underserved areas to develop heat maps and behavioral insights
- Develop a customer, sectoral and geographical segmentation framework to develop/ tailored customer-centric product offerings

Increasing access points to serve unserved and underserved areas and segments of population

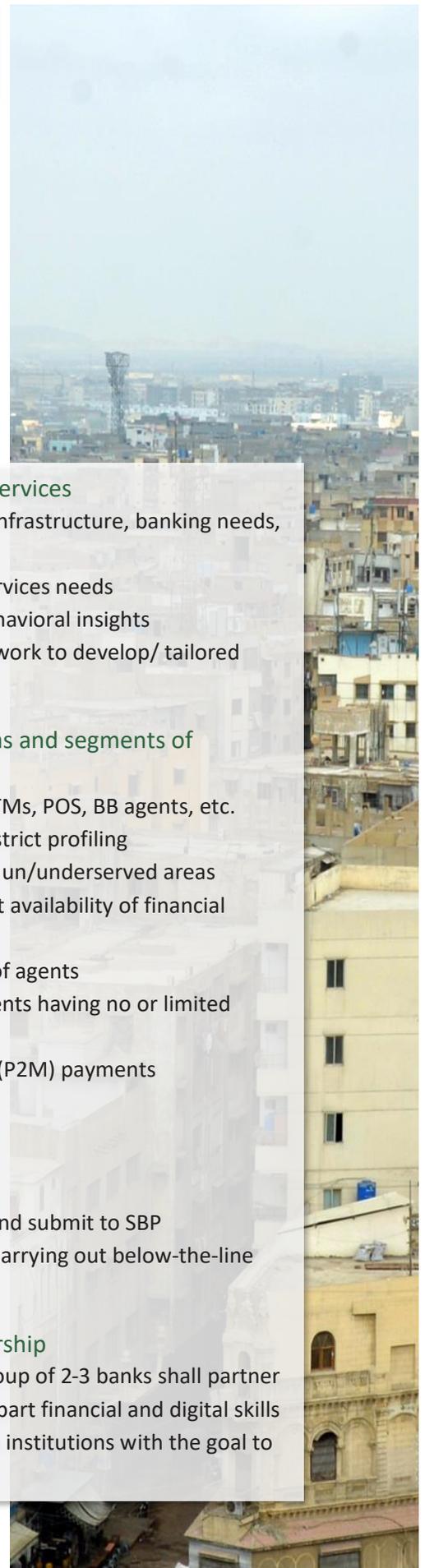
- Develop geo-spatial mapping of access points including Branches, ATMs, POS, BB agents, etc.
- Develop expansion plan of access points based on the mapping & district profiling
- Increase the number of Branches, ATMs, POS, BB agents, etc., in the un/underserved areas
- Achieve agent level interoperability for cost effective and convenient availability of financial services
- Enhance the scope of Agent Registry to improve the service quality of agents
- Enhance the scope of USSD based transactions for population segments having no or limited internet access:
 - Enable USSD based Till payments to facilitate Person to Merchant (P2M) payments
 - Extend USSD channel for conventional banking transactions

Account opening drives in unserved and underserved areas

- SBP to set targets for account opening and activity at district level
- Banks to design account opening and activation drives in their FIPs and submit to SBP
- Implement the plans by arranging camps at high footfall areas, and carrying out below-the-line activities

Promoting financial skills to enhance micro & small entrepreneurship

- To encourage entrepreneurship among underserved segments, a group of 2-3 banks shall partner with at least one vocational institute/NGO/Incubator/network to impart financial and digital skills
- SBP/SC Field Offices to facilitate the partnerships of banks with such institutions with the goal to finance start ups



- 
- Banks to identify their partner institutions and accelerator programs to reach out to underserved segments
 - Banks to offer financing facilities to the aspiring entrepreneurs

Launching Asaan Business Account (ABA) with e-KYC regulations

- Develop a concept note on ABA to provide an easy access to MSEs
- Conduct market consultations with stakeholders
- Develop product aligned with customer needs
- Launch and implement ABA

Designing sprints to promote innovative products and delivery channels to enhance financing in priority sectors

- Conduct sessions to identify innovative solutions for improving financing to priority sectors
- Test prototypes of identified solutions to gauge its efficacy
- Conduct re-iterations of prototype to fill gaps and finalize consumer testing in pilot phase
- Launch and scale up of product in live environment

Developing payment acceptance ecosystem in unserved and underserved areas

- Establish and operate an Industry led Digital Payment Infrastructure Development Fund in association with banks and card schemes to expand payment acceptance infrastructure in untapped areas
- Engage market players including corporates, businesses, SMEs, self-employed persons to enable usage of digital acceptance channels.

Enabling a digital ecosystem in unserved and underserved areas

- SBP-BSC to roll out a pilot project in association with banks to convert at least 20 villages to become 100 percent digitally enabled, to promote greater access, usage and awareness of digital financial services among the masses
 - Selection of villages and assessment of existing infrastructure
 - On-boarding meetings with relevant organizations
 - Deployment of physical and digital infrastructure
- Sensitize relevant government and private sector organizations for investing in physical and digital infrastructure, including reliable electricity and internet access, to support the expansion of digital financial services in these areas

Strategic Goal 2: Promoting Secure and Easy Digital Financial Services

Digitalization is a powerful catalyst for financial inclusion, as it helps in bridging geographic limitations and closes digital divides, bringing marginalized populations from unserved areas into the formal financial system. The importance of digitalization in financial inclusion lies in its ability to empower individuals and businesses with the tools to make swift payments and manage their financial wellbeing through savings, investments and credit, to ultimately foster economic growth and reduce poverty. By leveraging current progress of digitalization, NFIS 2024-28 aims to boost avenues for digital financial inclusion of masses.

Promoting Retail Payments through Raast P2M

- Enhancing digital payment access points
- Enabling merchant payments through Raast features like QR codes, Request to Pay, alias based payments
- Using Raast Central Addressing Scheme (CAS) registration as merchant for acceptance and payments of funds

Establishing an Innovation and Fintech Hub (IFH)

- Conduct on-site visits of different innovation hubs and incubation centers for landscape analysis
- Establish the first Innovation Office at Karachi leading to establishment of such units in other major cities

Developing Open Banking regulatory framework to allow data sharing among FSPs, to boost tech-enabled financial inclusion

- Review international best practices in Open Banking
- Onboard banks and non-banks in Raast test environment for testing use cases of open banking
- Develop and launch open banking framework and steer testing with the banks and non-banks
- Incorporate lessons learned in the framework

Promoting the use of DFS through innovation and infrastructure development

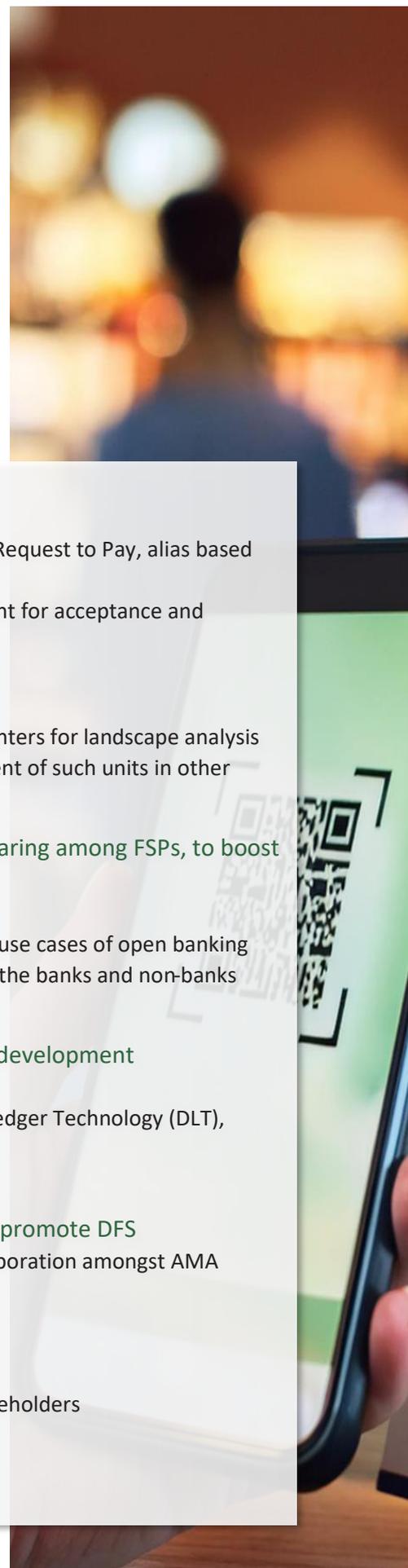
- Fully operationalize Digital Banks
- Conduct a feasibility study for innovative solutions like Distributed Ledger Technology (DLT), Central Bank Digital Currency (CBDC) etc. for financial inclusion
- POC for solutions like CBDC

Enhancing the scope of Asaan Mobile Account (AMA) services to promote DFS

- Implement AMA Scheme with enhanced service menu through collaboration amongst AMA participating banks

Establishing Regulatory Sandbox

- Develop draft guidelines for SBP's Regulatory Sandbox
- Launch consultation on draft guidelines with internal & external stakeholders
- Issue guidelines for Regulatory Sandbox
- Setting up of Regulatory Sandbox





Strategic Goal 3: Enhancing Priority Sector Financing Ecosystem

Promotion of priority sector financing is an ongoing theme of NFIS that will continue till such lending becomes a routine business activity among banks. Considering the technological and environmental advancements over time, specific strategic actions have been outlined to align the current practices with the evolving market needs and trends in Agriculture, SME, Housing, Microfinance and Sustainable finance.

Microfinance

Microfinance plays an important role in promoting financial inclusion of the low-income population segment. It serves as a conduit to alleviate the socio-economic status of the masses by supporting small businesses, which otherwise would have no access to traditional bank credit.

In Pakistan, Microfinance sector consists of Microfinance Banks (MFBs) regulated by SBP, Microfinance Institutions (MFIs) regulated by SECP, and Rural Support Programs (RSPs). MFBs largely operate through Branchless Banking (BB), which has the potential for increasing outreach through BB Agents, mobile wallets etc. across the country. Most MFBs have partnered with telecom operators to increase footprint and serve as a key driver for improving financial inclusion. NFIS 2024-28 aims to revamp the microfinance sector through digitalization of existing services, boosting liquidity for the sector, developing scorecard based financing, strengthening partnerships with commercial banks, and reducing operating costs.

Promoting Digital Lending for individuals and micro enterprises

- Issuance of regulatory instructions for digital lending for microfinance banks
- Facilitate development of credit scoring model for digital lending based on alternative data sources, and integrate with banks websites/apps

Strengthening microfinance through collaborations

- Facilitate collaboration among MFBs/MFIs and commercial banks (CBs) for enhancing MF outreach
 - Review the existing models such as subsidiary model, MF windows in CBs, Agent model for provision of MF services by CBs
 - Development of regulatory framework to allow Commercial Banks to partner with MFBs to cater to needs of MF sector

Promoting digitalization to reduce operating costs of MFBs and MFIs, and improving customer outreach

- Improve technology adoption to facilitate back-end automation in following areas to improve efficiency, reduce costs and enhance market penetration:
 - Process automation: Quick application processing, reduced Turnaround Time, quick verifications

- Scorecard based financing by MFBs/MFIs through AI technology and alternate data resources
- Develop partnerships with FinTech companies and/or mobile network operators (MNOs) to leverage their existing infrastructure/expertise and adopt cloud-based solutions to reduce IT infrastructure costs and improve scalability

Increasing access to financial services through Islamic Microfinance

- Develop a supportive regulatory framework that encourages the growth & development of Islamic microfinance
 - Islamic banks to support MFBs/MFIs to provide Islamic microfinance

Developing safeguards and creating a conducive environment for the microfinance sector

- Establish Microfinance Credit Guarantee/Risk Sharing Facilities to provide risk coverage to microfinance sector
 - Mobilize domestic and donor funding
- Promote micro-insurance products
- Establish a deposit protection mechanism
- Inclusion of microfinance sector in the ambit of National Credit Guarantee Company (NCGC)

Agriculture Finance

Agriculture sector contributes 24 percent in Pakistan’s GDP and employs over 37 percent of the labor force, while 65 percent of population is dependent upon agriculture sector for their livelihood. Numerous industries such as textile, chemicals, and processed foods etc. are also dependent on the agriculture sector for raw materials. Due to its immense economic contribution, unique sectoral linkages, and direct connection to the under-served areas, SBP considers strengthening of agriculture credit as one of the vital drivers of financial inclusion in the country.

Increasing access to finance in the agriculture sector is crucial for sustainable economic development, poverty reduction, and food security. Hence, SBP remains keen to foster innovations for promoting inclusive agriculture financing, such as incorporating digitalization in land records for agriculture finance, collateral management, score cards, and disaster/climate-risk management, to significantly enhance the inclusion of farmers and rural communities.

Promoting use of Digital Land Records in agriculture financing

- Scale-up adoption of digitalized land records by banks for agricultural lending in Punjab
- Banks to integrate with Provincial BORs/ Land Record Authorities to expedite processing of agriculture loans in other provinces, where land records are digitalized
- Initiate pilot projects with banks in selected districts





Upscaling of Electronic Warehouse Receipt Financing (EWRF)

- Enhance collaboration with stakeholders, including federal and provincial governments, to strengthen the infrastructure of accredited warehouses for EWRF
- Broaden the scope of the EWRF regime by incorporating a wider range of agricultural commodities
- Design and execute a nationwide awareness campaign targeting investors, farmers, and other stakeholders on EWRF

Promoting Digital Finance for agriculture

- Develop end-to-end digital agriculture finance model, from onboarding to disbursements, through digital means
 - Consultation with key stakeholders including PITB, PLRA, Agriculture Department and PBA to co-develop a sustainable agri. financing digital platform
 - Develop business requirement document with roles and responsibility of each stakeholder
 - Development of mobile App to enable farmer to apply through mobile application

Promoting partnership of banks with Agriculture Service Providers

- Banks to engage Agri Service Providers (ASPs) offering services related to inputs, advisory, warehousing, crop monitoring, and farm mechanization to enhance agri finance outreach.
 - Develop database of ASPs in collaboration with different stakeholders
 - Develop district-wise mapping of ASPs and pilot test with selected banks
 - Scale-up the model with enhanced participation and geographies

SME Finance

SMEs are vital drivers of economic growth and job creation in the country. As engines of innovation and entrepreneurship, SMEs need access to affordable credit and payment solutions, which are fundamental to their growth and expansion.

There are around 5 million SMEs operating in Pakistan that employ around 80 percent of the total non-agriculture labor force, contribute towards 40 percent of the country's GDP and 25 percent of the total exports of Pakistan. However, out of these total SMEs, only 155,000 SMEs (3 percent) are availing financing from the banking sector. Furthermore, the share of SME financing in total domestic private sector credit stands at 6 percent. Therefore, under NFIS 2024-28, SBP aims to support SMEs in their journey towards financial success through measures to ensure their full participation in the mainstream financial ecosystem.

Develop digitally enabled SME Finance Ecosystem

- Encourage banks for digitalization of loan application forms and credit management
- Encourage banks to adopt scorecard based financing
- Leverage technology for Supply Chain Financing

Enhance women's share in SME financing

- Promote development and marketing of women-centric SME financing products and services
- FISD to facilitate banks/SBP-BSC field offices for collaboration with institutes (international/local) working for promotion of women sector
- BSC Field offices to provide mentorship to women entrepreneurs under SME Mentorship programs
- Use social media (FB, YT, Instagram etc.) for promotional activities to improve women's financing

Establishing Non-Financial Advisory Service (NFAS) Touch Points to facilitate SME financing to start ups

- Collaborate with banks to develop contents for conventional and/or digital NFAS touch points
- Banks to ensure display of NFAS content at customer service desks and websites
- Banks to convert NFAS beneficiaries/ start-ups as bank borrowers
- NFAS content to be displayed at BSC Field offices

Housing Finance

In Pakistan, addressing the need for affordable housing through housing finance is critical. Moreover, construction and housing sector plays a significant role in reviving economic activity in the country. With its forward and backward linkages to a large number of allied industries, the housing sector carries the potential of creating jobs for low-income segments, and uplifting standards of living. Under NFIS 2024-28, key initiatives have been identified to support the growth in housing finance in the country.

Exploring options for equity unlock for promoting low cost housing and SME financing

- Study of international best practices
- Consultation with market stakeholders for identifying suitable solutions
- Develop policy, regulatory and market interventions

Rolling out Digital Score Card Model for Low Cost Housing Finance

- Development of digital score card for housing finance
- Roll out scoring model
- Capacity building of banks on the score card

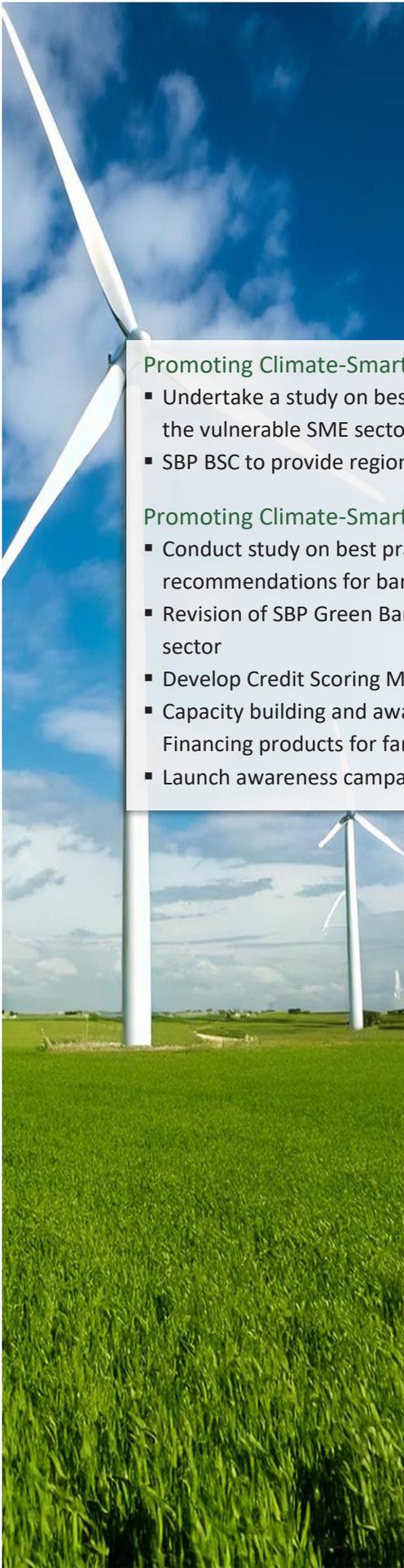
Promoting green housing finance

- Develop and implement green housing finance policy to incentivize affordable green mortgages

Sustainable Finance

Pakistan is one of the most vulnerable countries to face the impacts of climate change, which poses an even higher threat for low income and financially excluded individuals. In 2022, Pakistan experienced extreme weather events such as heatwaves, torrential rains and consequent floods that submerged one-third of the country under water and displaced around 33 million people. With this background, it is imperative for Pakistan's financial sector to become sensitive to





financial consequences arising from climatic, environmental & social risks, and embed sustainability and climate resilience in inclusive financing.

SBP is actively promoting green banking in Pakistan's financing sector, and a number of green initiatives have been undertaken to ensure sustainability. Going forward, sustainable finance will remain a particularly important area for SBP to ensure inclusive and sustainable economic progress.

Promoting Climate-Smart SME Financing

- Undertake a study on best practices on climate smart SME financing solutions, which may help the vulnerable SME sector to build resilience against climate catastrophes
- SBP BSC to provide regional insights in collaboration with relevant stakeholders.

Promoting Climate-Smart Agri Financing

- Conduct study on best practices for Climate Smart Agriculture Financing outlining recommendations for banking industry
- Revision of SBP Green Banking Guidelines (GBG) with focus on green financing to agriculture sector
- Develop Credit Scoring Model for Climate Smart Agriculture Financing
- Capacity building and awareness workshops for banks on developing Climate Smart Agriculture Financing products for farmers
- Launch awareness campaigns for farmers to adopt climate-smart agricultural practices

Strategic Goal 4: Strengthening Capabilities and Role of Financial Institutions

In order to adjust with the evolving industry landscapes, both locally and globally, it is vital to modernize the existing policies and regulatory frameworks to strengthen SBP's role and capabilities to foster financial inclusion. In parallel, it is equally important to strengthen the financial institutions and their human resources to adapt to the shifting dynamics. A game-changer, in this context, is the collection of robust data and analytics to foster data-driven policymaking.

Policy & Regulatory Framework, and Infrastructure Development

Policy and regulatory frameworks are important components for creating an enabling environment to ensure financial inclusion, as they establish rules, practices, and processes that financial institutions must align with. Accordingly, NFIS 2024-28 outlines the following key regulatory initiatives to address the gaps in the financial sector.

Strengthening the Legal Framework for MFBs

- Make amendments in Microfinance Institutions Ordinance (MFIO), 2001 to adjust with the changing market dynamics for strengthening microfinance sector and enhanced consumer protection

Enhancing research on increasing Islamic Banking penetration

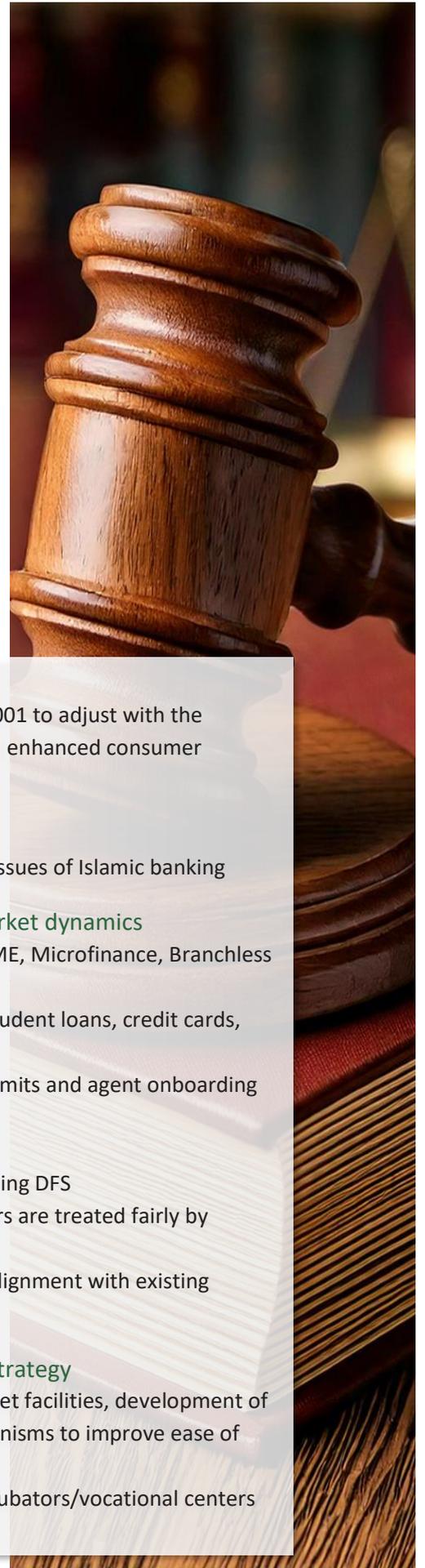
- Conduct a comprehensive study to identify demand and supply side issues of Islamic banking

Reviewing SBP's Regulatory Framework to align with evolving market dynamics

- Review all PRs in line with changing market dynamics (Agriculture, SME, Microfinance, Branchless Banking etc.)
 - Revisions in MF regulations related to MCR, CRR/SLR, loan limits, student loans, credit cards, etc.
 - Revisions in branchless banking regulations related to transaction limits and agent onboarding framework
- Add provisions for digital financing modes in PRs
- Strengthen consumer protection frameworks, particularly for promoting DFS
- Improve policy and regulations to ensure that underserved consumers are treated fairly by financial service providers
- Review Branch Licensing Policy (BLP) instructions issued in 2016 for alignment with existing market dynamics

Developing and launching a dedicated Youth Financial Inclusion Strategy

- Develop a strategy/framework to cover regulatory instructions, market facilities, development of products and services, e-KYC facilities, and alternate collateral mechanisms to improve ease of access and usage of formal financial services for youth
- Launch nation-wide partnerships between banks and universities/incubators/vocational centers to boost youth entrepreneurship and financing



- Islamic Banks to explore waqf based micro entrepreneurship fund and explore the possibility of creating funds to finance youth startups in universities
- Capacity building of banks to identify youth customer segments and develop products and outreach strategy
- Integrate financial literacy content in the national curriculum to inculcate FL concepts, entrepreneurship skills and awareness of consumer rights among children and youth, with particular emphasis on digital and Islamic banking
- Collection of age-disaggregated data

Developing and disseminating Banking on Equality (BoE) Policy – 2nd Edition

- Embed BoE policy instructions in Prudential Regulations and Supervision manuals
- Conduct an assessment of BoE compliance and challenging areas
- Develop the next edition of BoE for launch by mid-2025 for smooth continuity and compliance
 - Enhance the scope of BoE to facilitate women’s easier access to capital markets
 - Widen coverage of BoE Policy towards Microfinance, Branchless Banking, Digital Banks and EMIs
 - Launch supervisory framework to assess banks’ gender responsiveness and BoE compliance
 - Adoption and implementation of WE-FI code to boost Women MSME Financing

Developing a comprehensive Digital Financial Literacy Strategy

- Develop detailed digital financial literacy strategy focusing on:
 - Develop content for targeted segments including youth, women, MSMEs, farmer community, pensioners, PWDs etc. using appropriate digital platforms
 - Create awareness about digital financial products & service, digital financial risks, risk controls, and consumer rights/redress procedure
- Improve availability of local language options in mobile banking apps
 - Integration of Chatbots with banks’ apps / ATMs/ websites



Capacity Building

Capacity building of bank staff is crucial for the successful implementation of periodically introduced regulatory initiatives by the central bank. It is essential to equip the employees with the necessary knowledge, skills, and resources to not only keep them abreast of new technological and regulatory developments, but also enhance their performance and productivity to attain the desired outcomes set under NFIS 2024-28.

Capacity building for Housing Finance, SME, and Sustainable Finance (including climate change risk management, and green finance)

- Develop sector specific industry wide standardized content
- Conduct TOT sessions for capacity building of SBP-BSC/banks for providing trainings to their staff for improving financing in these areas

Capacity building of stakeholders on Islamic Finance

- Hold capacity building programs to enhance the capacity of Government officials of various

- ministries/ departments on Islamic finance
- To impart Islamic finance training to Shariah Scholars of Madaaris

Capacity building of financial institutions and related stakeholders on banking conduct & consumer protection

- Conduct TOT for relevant BSC officers
- Conduct trainings/workshops on banking conduct & consumer protection of regulated entities of SBP
- Enhancement in role of Banking Customers Facilitation Desks at BSC filed offices

Creating knowledge sharing platform to sensitize stakeholders of emerging financial inclusion trends

- Establish a knowledge sharing platform for domestic NFIS stakeholders, including banks and private sector entities, to create awareness on global best practices and emerging trends in financial inclusion
- Conduct regular online and in person sessions

Enhancing Data Collection and Analytics Framework

Data is critical for evidence-based decision making to boost access, usage and quality of financial services. SBP aims to drive financial inclusion efforts by focusing on more granular data collection and analysis to fill gaps, identify disparities, and reach client segments that have been previously excluded. Accordingly, NFIS 2024-28 lays out key enablers for adopting a culture of promoting data driven decision making in Pakistan.

Developing Financial Inclusion Dictionary

- Identify key financial inclusion concepts and terms
- Define the terms in light of the domestic & global perspectives, laws & regulations, practices, literature, etc.

Developing National Green Taxonomy

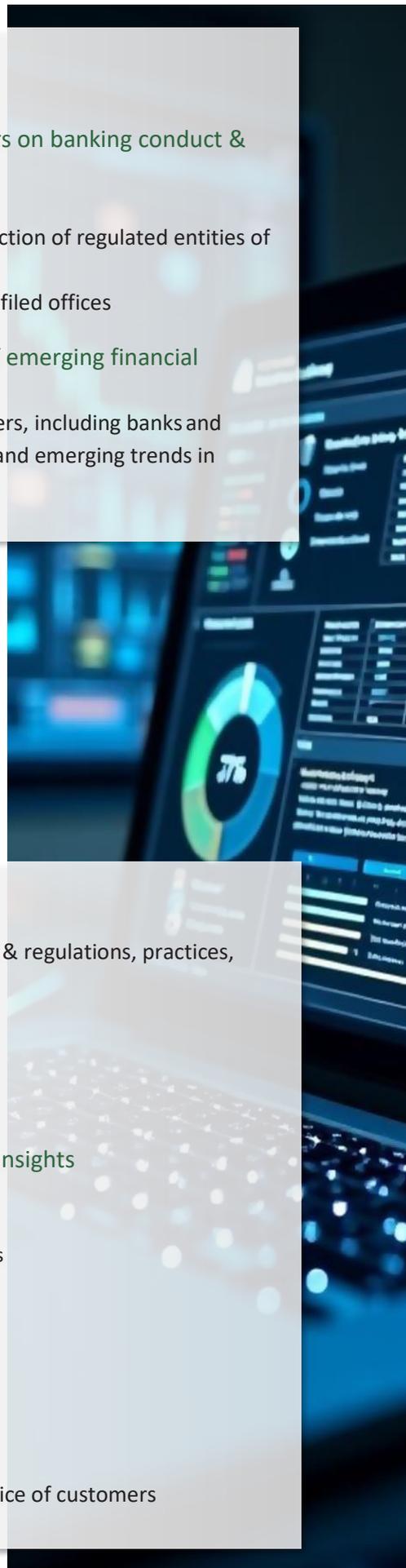
- Hold consultations with relevant stakeholders
- Develop the taxonomy document

Conducting Access to Finance (A2F) survey to gain demand-side insights

- Design A2F survey questionnaire that systematically captures:
 - Customer journeys of financial inclusion
 - Behavioral shifts with respect to evolving financial habits and preferences
 - Pain points in financial access and usage
 - Level of financial literacy
 - Impact of actions taken under NFIS 2024-28
- Conduct regular surveys with suitable sample(s)
- Evaluate the results

Capturing the Voice of Customers

- Launch a study to design a mechanism to periodically capture the voice of customers
- Conduct Industry-wide Voice of Customer Survey



- Develop center of excellence in research with respect to consumer behavior and financial services

Developing Financial Inclusion Index

- Develop national financial inclusion index to annually assess the true level of financial inclusion in the country through following measures:
 - Identify supply and demand side financial inclusion indicators
 - Conduct study of global best practices
 - Finalize the index results

Developing Financial Inclusion Dashboard

- Develop a financial inclusion dashboard to provide a visual presentation of financial inclusion indicators/results
- Ensure accessibility of financial inclusion dashboard to relevant stakeholders to facilitate informed policy decisions and industry actions

Strategic Goal 5: Enhancing Consumer Protection, Empowerment and Awareness

The nexus between financial inclusion, financial literacy, and consumer protection plays a key role in promoting access and usage of the quality financial services. SBP has been at the forefront to enhance trust and confidence of customers in adopting and using formal financial services. In this regard, several measures have been taken for improved banking conduct and consumer protection, and enhanced financial literacy and awareness among the masses. With the advent of digital financial services, there is now a larger need to address emerging risks for consumers such as data theft, account hacking, phishing schemes, over indebtedness, etc. Therefore, going forward, SBP is committed to effectively utilize digital channels to reach wider audiences for financial literacy and awareness messages.

Awareness on digital financial inclusion

- Create awareness of digital on-boarding processes for the targeted population to encourage use of digital channels
- Use digital/social mediums to reach a wider audience for awareness of consumer protection
- Run dedicated campaigns and adopt measures with a specific focus towards unserved and rural areas
- Conduct sessions to increase the awareness of freelancing banking solutions and encouragement of remittances

Awareness on banking conduct & consumer protection

- Organize general awareness raising programs on banking conduct & consumer protection across country
- Hold dedicated awareness raising programs for segments like youth, women, persons with disabilities etc. and underserved regions
- Design and implement specific programs for women to create awareness

Awareness on Islamic Finance

- Hold awareness creation sessions with students of universities across Pakistan with an emphasis of engaging with women specific universities
- Hold awareness sessions on Islamic banking and finance for students and teachers of Madaaris of diverse schools of thoughts across the country

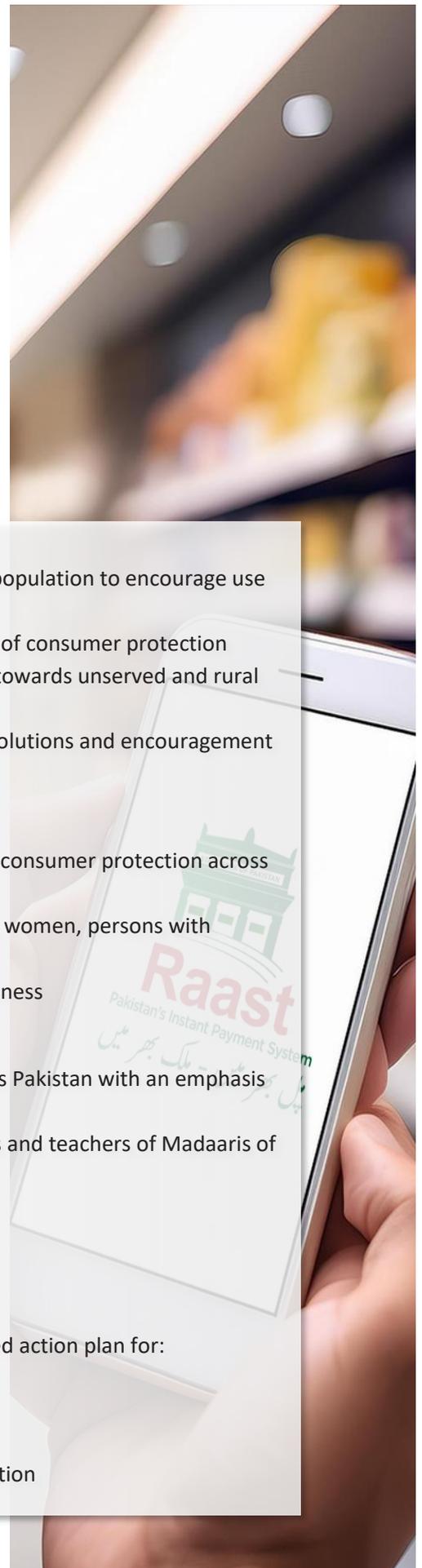
Media campaigns on Raast P2P and P2M payments

- Engage media firms to develop media messages for general public

Developing National Financial Education Roadmap

Develop a National Financial Education Roadmap comprising of detailed action plan for:

- Customer centric content development & dissemination
 - Identification of FL themes w.r.t. different segments and sectors
 - Creation of content as per the need assessment
 - Ensure suitability of content w.r.t different mediums of dissemination



- Integration and dissemination of Financial Literacy Content in National Curriculum
 - Development and approval SLOs
 - Development of model chapters (Grade 6 to 12) and supplementary learning materials (Grade 1 to 12)
 - Designing an assessment framework
- Extending financial literacy through face-to-face and digital means
 - Establish Center for Excellence in Financial Literacy



5. NFIS 2024-28 HEADLINE TARGETS

Under NFIS 2024-28, following headline targets have been set to monitor the progress of the strategy, to be achieved in a phased manner till 2028.

Indicators	Baseline	Targets
	(December 2023)	(June 2028)
Financial Inclusion		
I. Financial inclusion level	64%	75%
II. Gender gap in financial inclusion	34%	25%
Priority Sector Lending		
a) New-to-Bank Borrowers		
Microfinance	-	3 million
Agri finance	-	1 million
SME finance	-	200,000
b) Share of financing in Total Private Sector Credit		
Microfinance	5%	7%
Agri finance	9%	12%
SME finance	6%	10%
Digital Payments		
Share of e-payments transactions in total payments (excluding ATM cash withdrawals)	~50% (at end June 2023)	>80%

GLOSSARY

A2F	Access to Finance Survey	MoL&J	Ministry of Law and Justice
ADA	Asaan Digital Account	MoPS	Ministry of Planning Development & Special Initiatives
AGPR	Accountant General Pakistan Revenues	MoU	Memorandum of Understanding
AMA	Asaan Mobile Account	MNFSR	Ministry of National Food Security & Re
ATM	Automated Teller Machine	MPG	Micro Payment Gateway
BB	Branchless Banking	MSME	Micro, Small and Medium Enterprise
BISP	Benazir Income Support Program	NADRA	National Database and Registration Authority
BoE	Banking on Equality Policy	NCGC	National Credit Guarantee Company
BoR	Board of Revenue	NCIS	National Crop Insurance Scheme
BVS	Biometric Verification System	NFIS	National Financial Inclusion Strategy
CAR	Capital Adequacy Ratio	NFLP	National Financial Literacy Program
CDC	Central Depository Company	NPSS	National Payment System Strategy
CDNS	Central Directorate of National Savings	P2M	Person to Merchant
CIC	Currency in Circulation	P2P	Person to Person
CMC	Collateral Management Company	P2G	Person to Government
CMO	Cellular Mobile Operator	PBA	Pakistan Banks' Association
CNIC	Computerized National Identity Card	PBS	Pakistan Bureau of Statistics
DFI	Development Finance Institute	PLRA	Punjab Land Records Authority
DFS	Digital Financial Services	PMEX	Pakistan Mercantile Exchange
DTA	Digital Transaction Account	PMN	Pakistan Microfinance Network
EMI	Electronic Money Institutions	PMO	Prime Minister's Office
EWRF	Electronic Warehouse Receipt Financing	PMYB&ALS	Prime Minister's Youth Business and Agriculture Loan Scheme
FBR	Federal Board of Revenue	PMRC	Pakistan Mortgage Refinance Company
GDP	Gross Domestic Product	PSP	Payment System Provider
HFC	Housing Finance Company	PSO	Payment System Operator
IBAN	International Banking Account Number	PSX	Pakistan Stock Exchange
IBFT	Interbank Fund Transfer	PTA	Pakistan Telecommunication Authority
ICT	Islamabad Capital Territory	RTGS	Real Time Gross Settlement
MFB	Microfinance Bank	SECP	Securities and Exchange Commission of Pakistan
MoC	Ministry of Commerce	SMEDA	Small and Medium Enterprise Development Authority
MoF	Ministry of Finance	STR	Secured Transactions Registry
MoIB	Ministry of Information & Broadcasting	SUPARCO	Pakistan Space & Upper Atmosphere Research Commission
MoI&P	Ministry of Industries and Production	USSD	Unstructured Supplementary Service Data
MoIT&T	Ministry of Information Technology and Telecommunication		



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