Financial Inclusion of Women
in Punjab

POLICY BRIEF

PUNJAB COMMISSION ON THE STATUS OF WOMEN

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Introduction

Women's economic inclusion, participation and empowerment are cited as key indicators for the progress and development of a country. Globally, and in Pakistan, fewer women hold bank accounts, own a business or are entrepreneurs. Financial services play a major role in consumption smoothening, self-employment, risk mitigation, SME growth, asset accumulation and wealth creation. Financial inclusion implies the timely and meaningful access to financial services and products—transaction accounts, credits, savings, and insurance services—to facilitate individuals in their business activities and daily transactions. The use of financial services allows individuals to conduct day to day transactions and prepare for unexpected shocks, financial crunch and emergency situations through saving account and insurance services. Financial inclusion plays a key role in poverty alleviation[1] and enabling economic opportunities for growth and prosperity by linking individuals with the modern digitalized economy.[2] Financial inclusion of marginalized groups specifically women can facilitate entrepreneurship, help achieve SDG 5 and have positive spillover effects in terms of improved food availability (SDG 2) and better health (SDG 3).[3]

Pakistan ranks 148th out of 149 countries in the Global Gender Gap Report, 2018.[4] Less than 5% of women in Pakistan are included in the formal financial system compared to the regional average of 37% for South Asia.[5] A look at some of the financial institutions in Punjab reveals women's inadequate access to financial services: for example in 2016-17 women owned 26.8% of deposit accounts, 24% of current accounts, 6% of loan accounts and 5% of long-term loan accounts in Bank of Punjab and comprised only 5.3% of borrowers in Zarai Taraqqiati Bank. Almost half of the borrowers in the Pakistan Microfinance Network are women but the value of their

Key Messages

- Only 9% of women (ages 18-64 years) in Punjab vs. 24% men have accounts at banks or other financial institution or have used mobile phone banking e.g. easy-paisa or jazz cash etc. for financial transactions. Only 11% of urban women avail these services.
- Women with more than middle school education are more likely to be financially included as are those in employment and those who are beneficiaries of the larger social assistance programs.
- Factors constraining financial inclusion include inadequately designed gender sensitive and specific financial products with attention paid to women's limited access; women's limited mobility, access to ICT and low literacy and education.
- Specialized, women specific financial products are needed.
- Financial literacy training through educational and training institutions, and NGOs and CBOs.
- Ensure women's access to digital financial services.

loan portfolio is half that of male borrowers.[6] The National Financial Inclusion Policy acknowledges the exclusion of women and emphasizes the need for an enabling environment for improving access to financial services, the use of new technologies and a regulatory framework to support financial inclusion of all. Its target is to improve access to financial services for 50% of the adult population and at least 25% of women.

Constraints to Financial Inclusion of Women

Financial Literacy: Low literacy rates and lack of education results in the absence of basic financial literacy among women in particular. Lack of financial decision making due to social gender norms is another factor that hampers financial literacy.

Mobility, or lack of it, is a key constraint for women's access to financial services, including digital services.

Owning and Using Technology: Mobile based financial solutions can give women access to information and services, however the mandatory requirement of a SIM card registered in an individual's own name to avail of Digital Financial Services means fewer women can use these services. For the majority of women in Pakistan, permission from family is required to own, or use mobile phones, internet services etc.

Financial authority and decision making: In Pakistan, a man is considered the head of the household, primary earner and decision-making authority for all major household decisions. Few women have control over their earnings or make decisions about major purchases.

This brief discusses women's financial inclusion with specific reference to Punjab. It defines financial inclusion as having bank account or account with other formal institution or use mobile phone banking for financial transaction.

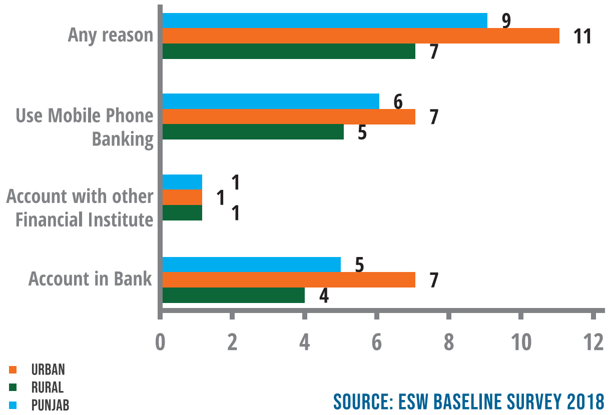
Data Source

Punjab Commission on the Status of Women (PCSW), in collaboration with the Bureau of Statistics Punjab fielded a survey "Economic and Social Well-being of Women" (ESW), in all 36 districts of Punjab in 2018, to collect data from women aged 15-64 years. The survey, designed to be representative at district level, collected data from approximately 32900 women in Punjab on their economic participation, education, health, decision-making and human rights. All figures cited in the brief are from the ESW survey unless otherwise stated.

1.1. Women's Access and Utilization of Financial Services

Only 9% of women (ages 18-64 years) have accounts at banks or some other financial institution or have used mobile phone banking e.g. easy-paisa or jazz cash etc. for financial transactions. Despite the presence of financial services in urban areas, only 11% of urban women avail these services (**Fig. 1**). A higher percentage of men are financially included (**24.3%**) in Punjab with 33.1% of urban men holding bank accounts as compared to 2.4% in rural areas (***ESW Male Perceptions Survey 2018***).

FIGURE 1: FINANCIAL INCLUSION OF WOMEN IN PUNJAB (%)



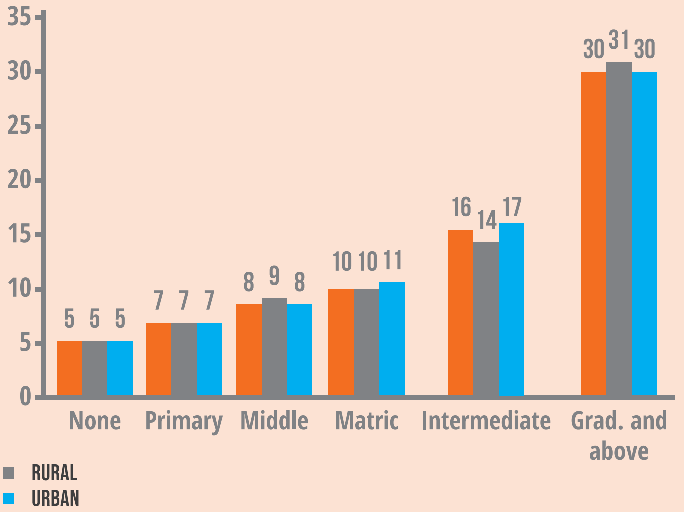
SOURCE: ESW BASELINE SURVEY 2018

Financial Inclusion by Age and Education

Only 7% of younger women (aged 18-29 years) in both rural and urban areas are financially included, while the highest rate of financial inclusion is observed among women, aged 30-49 years at 10%.

Only 5% of women without any education are financially included, both in rural and urban areas; financial inclusion improves for women with secondary schooling and above. For women with more than middle school education, financial inclusion increases consistently in both rural and urban regions, especially for graduate and above educated women, one-third of whom are using financial services (Figure 3).

FIGURE 2: FINANCIAL INCLUSION BY EDUCATION AMONG WOMEN IN PUNJAB (%)



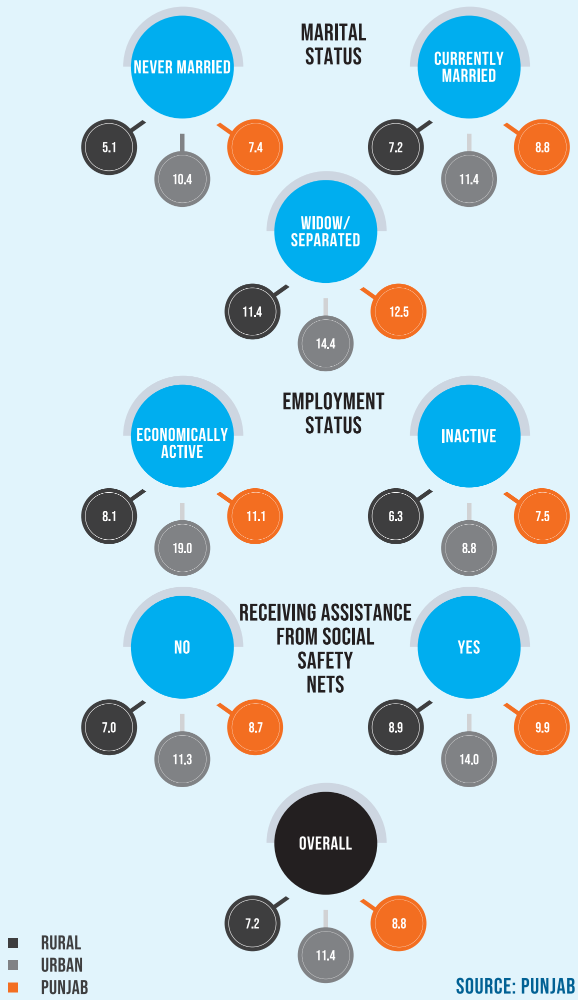
SOURCE: ESW BASELINE SURVEY 2018

Financial Inclusion by Marital Status, Employment and Social Assistance

The lowest utilization of financial services is observed among the unmarried women, both in rural and urban areas. Widows and separated women have the highest utilization of financial services, possibly because they are recipients of income from other sources including pensions, remittances etc.

Utilization of financial services is also high among the economically active women, either employed or unemployed, compared to the women who are not part of labour force. Women who are in the formal labour force are more likely to receive salaries via formal means and at the minimum would have bank accounts. Being a recipient of social assistance from the larger safety net cash transfer programs also inducts women into the financial system, as such programs (e.g. BISP, Khidmat card, Sehat card etc.) disburse cash assistance through formal banking channels. This is borne out by the ESW survey findings as women who have been receiving assistance from social safety net programs have more financial inclusion in both rural and urban areas (Table 1).

TABLE 1: % OF FINANCIAL INCLUSION AMONG WOMEN BY MARITAL AND EMPLOYMENT STATUS

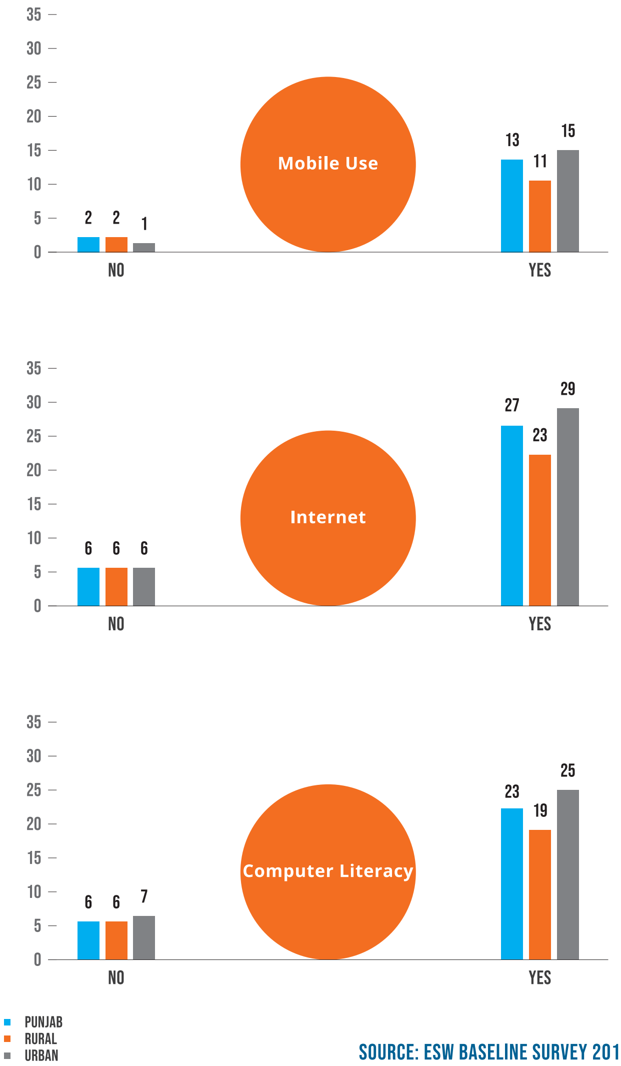


SOURCE: PUNJAB ESW 2018

ICT and Financial Inclusion

Over the last few years, there has been a rapid diffusion of information and communication technologies (ICT) in Pakistan with rising users of mobile, internet and computer. The number of mobile/wireless subscribers in Pakistan was only 5 million in 2004 and 140 million in 2017. By the year 2020, 90% of the Pakistani population is expected to have access to 3G networks while an impressive 80% population will have access to 4G.[1] Women who use mobile, internet and computer are much more likely to be financially included (Figure 3).

FIGURE 3: UTILIZATION OF FINANCIAL SERVICES AMONG WOMEN USING ICT (%)

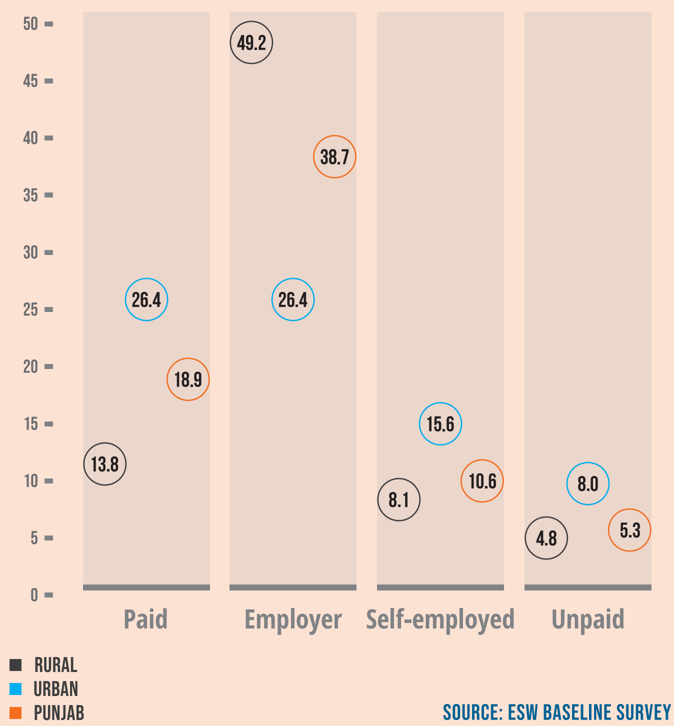


SOURCE: ESW BASELINE SURVEY 2018

19% of women in the upper quintile have access to financial inclusion compared to 3% in the bottom quintile. The trend with wealth quintile is almost the same for both rural and urban women.

Using financial services is related to quality of employment as self-employed and business-related workers are more likely to have a bank account and use formal institution channels for financial transactions. Self-employment increases among youth who use financial services (Sykes et al., 2016). Paid employees and employers are the main users of financial services, while unpaid family workers use these the least (Table 2).

TABLE 2: % OF FINANCIAL INCLUSION BY TYPE OF EMPLOYMENT



SOURCE: ESW BASELINE SURVEY 2018

The ***determinants of financial inclusion*** are measured through two separate models using multivariate analysis (Logistic Regression Model). The first model includes all women (age 18-64) and the second model includes only employed women (age 18-64).

Age has a positive impact on financial inclusion, more at an earlier age than later ages (age square). Currently married and widow/divorced have more financial inclusion than unmarried women. Education and awareness (internet use) increase the probability of financial inclusion, as those with none or primary education has lower financial inclusion as compared to those with middle school education. There is 2.4 times more financial inclusion among women with B.A and above education as compared to those with middle school only. Internet use raises the probability of financial inclusion by 3.3 times. Being a recipient of a social safety net program slightly increases the likelihood of financial inclusion.

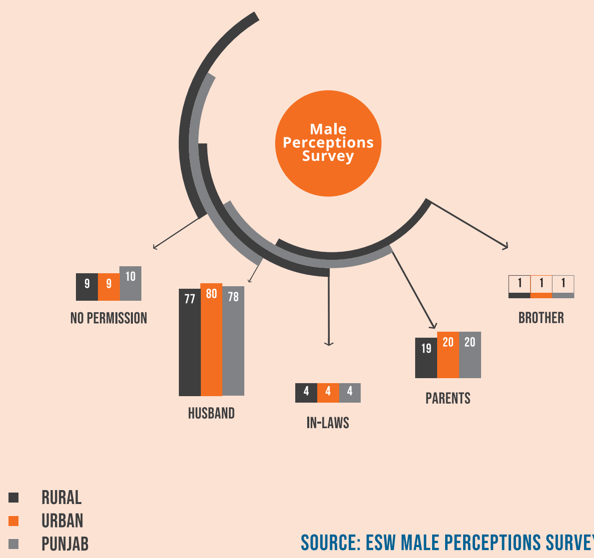
Compared to employed women, both the unemployed and inactive are likely to be financially excluded. In Model 2 (Table 2: only employed workers), employer and self-employed have more chances of financial inclusion compared to paid workers. The coefficient of unpaid family helper is not significant. While comparing the other quintiles with 3rd quintile (used as a reference category), the poorest in the bottom quintile have 0.8 times less financial inclusion; women in the upper quintile have 1.3 times more financial inclusion. No significant difference exists among the various regions of Punjab, however the probability of urban women being financially included is 1.8 times higher than their rural counterparts.

1.2. Constraints to Financial Inclusion for Women

Demand and supply side barriers constrain women's financial inclusion, despite the efforts undertaken in recent years. While an inclusive regulatory environment is important to ensure their inclusion, it is also important to acknowledge that broader social constraints related to intra- household bargaining power and the social status of women limits the broader impact of financial inclusion on women's economic empowerment and thus constrains the transformational impact (Ngwemo et al. 2018). Women face multiple barriers that limit their access to and use of financial services, including lack of an ID to prove identity, insufficient traditionally required collateral, mobility constraints and limited financial literacy, amongst others (Carolina et al., 2018).

One of the major barriers is their lack of decision making that makes them dependent on permissions from male household members. Women require permissions from husbands or fathers to open and operate a bank account, to take up employment or education, and to marry. Only 10% men thought that women should open and operate bank account independently; the remaining reported that she should take permission from husband or parents for financial inclusion (***Figure 5, Male Perceptions Survey 2018***).

FIGURE 4: WOMEN REQUIRE PERMISSION FOR BANK ACCOUNTS – MALE PERCEPTIONS (%)

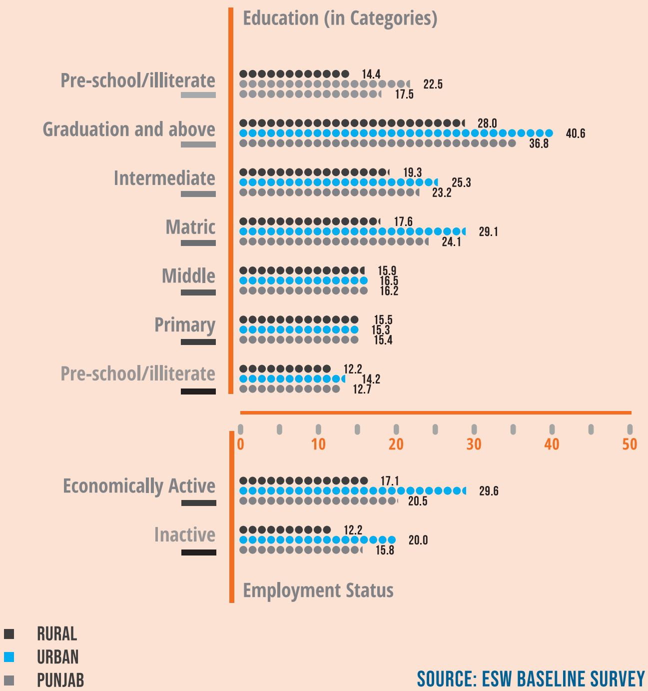


SOURCE: ESW MALE PERCEPTIONS SURVEY 2018

Financial inclusion is important for women to access loans, credit and to make transactions, but it is also essential to save money and build assets, which can in turn help them move out of poverty. Savings interventions increase women's business earnings. Women use personal savings to invest in their businesses (Aldana and Boyd, 2015). Women's ability to save has effects on other aspects of their lives, as evidence shows that saving can positively impact women's empowerment (Holloway et al., 2017; Trivelli and de los Rios, 2014) and household welfare (Karlan et al., 2016). Studies also show that even poor women are eager to save if interest rates are attractive and financial services are conveniently located. Bankers in Indonesia, rural Mexico and South Asia finding that convenience of location is more attractive than interest rates to women (Morduch, 1999; Trivelli and Montenegro 2011).

Overall the saving rates of Pakistan 14-17% of GDP are lowest as compared to the South Asian countries. Only 18% of the women (aged 18-64 years) reported that they have personal savings more in urban areas (23%). Both education and economic participation in the labour market has a considerable impact on women's saving as 37% educated women, especially graduate and above maintain personal savings compared to only 13% for women with no education. The impact of education in both rural and urban areas is similar; however, it is more evident for urban women who are part of the labour force (Table 3).

TABLE 3: % OF WOMEN (AGED 18-64) WHO HAVE PERSONAL SAVING



SOURCE: ESW BASELINE SURVEY 2018

Saving and financial inclusions are interlinked if savings are maintained in banks, it will enhance financial inclusion and ultimately there could be more saving. However, women prefer the traditional methods of saving i.e. saving cash and through "committees", while saving through formal channels such as prize bonds and savings certificates are limited, even in urban areas.

1.3. Conclusion

As noted earlier, women's better access to financial inclusion improves household wellbeing, saving and contributes to empowering women. Women who have access to formal financial services fare better than those who are excluded, as can be seen in Table 4. Women who are part of financial inclusion differ from those are excluded as follows:

i. Have decent work (paid jobs and employer) as compared to those in vulnerable employment (self-employed and unpaid family helper).

ii. Own an enterprise either currently or in past.

iii. A higher number possess CNICs, and have voted in the 2018 general elections.

iv. They also have more coverage of health insurance with 10% compared to only 2% of those who lack financial inclusion.

v. 56% of the women belong to upper two quintiles of wealth index of those who have financial inclusion compared to 38% who don't.

vi. Women who have financial inclusion are less tolerant of spousal violence against women.

vii. Higher percentage of women with financial inclusion, can go outside of home to meet their friends and relatives independently (they do not require permission from their husbands or parents etc.).

TABLE 4: IMPACT OF FINANCIAL INCLUSION (%)

	NO FINANCIAL INCLUSION	FINANCIAL INCLUSION
Vulnerable employment	68.5	40.0
Currently Own enterprise	1.3	2.7
Ever own enterprise	2.5	3.9
Having CNIC	75.9	95.1
Voted in 2018 election	70.5	76.8
Health Insurance	2.6	8.5
Less Tolerant of Spousal Abuse	47.7	56.1
Part of upper two quintile	38.6	65.8
Woman can make decision about meeting friends and relatives	15.7	30.8
Unmarried & widow/divorced women	26.7	54.3
Currently married women	12.6	24.1
Access to credit	3.2	8.0

SOURCE: ESW BASELINE SURVEY 2018

Pathway to Enhanced Financial Inclusion of Women:

1 Financial institutions should include research into gender specific issues before designing a new product for the financial market, to prevent marginalization of women.

2 Financial Literacy trainings for women should be conducted to give women the confidence and familiarity with financial matters beginning with primary and secondary schools and in higher education as well as though programs with a larger outreach such as through NGOS, the Virtual University and the Allama Iqbal Open University.

3 Digital financial services need to be increased and be specifically designed for women to overcome the mobility issues faced by women. Inclusion of women in “mobile wallet” services and access to branchless banking is essential. Moreover, Over the Counter (OTC) payments should be located in places which are mostly frequented by women.

4 Women require trustworthy sources of information as well as frequent reassurance. Outreach through other influential women in rural areas should be developed by financial institutions.

5 Phones should be designed that can easily be operated by women for using digital financial services.

End Notes

[1]Ashraf, N., Karlan, D. and Yin, W., 2010. Female empowerment: Impact of a commitment savings product in the Philippines. World development, 38(3), pp.333-344.

[2]Brune, L., Giné, X., Goldberg, J. and Yang, D., 2016. Facilitating savings for agriculture: Field experimental evidence from Malawi. Economic Development and Cultural Change, 64(2), pp.187-220.

[3]Klapper, L., El-Zoghbi, M. and Hess, J., 2016. Achieving the sustainable development goals. The role of financial inclusion. Available online: http://www. ccgap. org. Accessed, 23(5), p.2016.

[4]The Global Gender Gap report 2018. https://www.weforum.org/reports/the-global-gender-gap-report-2018

[5]What Will It Take For Pakistan to Achieve Financial Inclusion? https://tinyurl.com/yd8ucnz3

[6]Punjab Gender Parity Report 2018. Punjab Commission On The Status Of Women (PCSW).

[7]The estimates have been shared in a recent country profile report published by the Global System Mobile Association (GSMA).

CONTRIBUTORS: SHUJAAT FAROOQ, YASMIN ZAIDI, MUHAMMAD NAEEM KHAN,

This policy brief has been prepared by Punjab Commission on the Status of Women with support from DFID and UNFPA under the project "***Generating Data to Advance Women's Social and Economic Wellbeing in Pakistan***".

The Punjab Commission on the Status of Women is a Special Institution of the Women Development Department, Government of Punjab, established through the Punjab Commission on the Status of Women Act, 2014 as an oversight body to ensure that laws, policies and programs of the Government of Punjab promote women's empowerment; that efforts are made for expansion of opportunities for socio-economic development of women, and discrimination against women in all forms is eliminated. PCSW provides periodic feedback and status updates on international instruments affecting women and girls. PCSW is represented in all 9 divisions of Punjab through its Members and Divisional Coordinators.