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ADVANCING FINANCIAL INCLUSION FOR WOMEN ENTREPRENEURS IN PAKISTAN

SPURRING WOMEN'S EMPOWERMENT THROUGH FINANCIAL INCLUSION AND CONVERTING THE CHALLENGES INTO OPPORTUNITIES

FAEYZA KHAN, MAHNOOR ARSHAD, AND VAQAR AHMED

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LIST OF ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
AFIN	ASEAN Financial Innovation Network
AML	Anti-money laundering
A2FS	Access to Finance Survey
MFI	Microfinance Institution
BCG	Boston Consulting Group
BRICs	Brazil, Russia, India, China, and South Africa
CEO	Chief Executive Officer
CERB	Center of Excellence in Responsible Business
COO	Chief Operating Officer
DFIs	Development Finance Institutions
DFS	Digital Financial Services
DLP	Digital Literacy Program
EBA	Everything but Arms
EU	European Union
FAO	Food and Agriculture Organization
FATF	Financial Action Task Force
FAW	Financial Alliance for Women
FMP	Fair Market Pakistan
FSP	Financial Service Provider
GDP	Gross Domestic Product
GoP	Government of Pakistan
GPFI	Global Partnership for Financial Inclusion
GRM	Grievance Redress Mechanism
GSP	Generalized System of Preferences
HBL	Habib Bank Limited
IBFT	Inter-Bank Funds Transfer
IFC	International Finance Corporation
IFMP	Institute of Financial Markets of Pakistan
ILO	International Labour Organization
KPIs	Key Performance Indicators
KYC	Know your customer
LDCs	Least Developed Countries
MF	Microfinance
MFBs	Microfinance Banks
MFIs	Microfinance Institutions
MFPs	Microfinance Providers
MIS	Management Information System
MSMEs	Micro, Small and Medium Enterprises

NADRA	National Database & Registration Authority
NAVTTC	National Vocational and Technical Training Commission
NBFCs	Nonbank Financial Companies
NBMFCs	Nonbank Microfinance Companies
NFIS	National Financial Inclusion Strategy
NFLP	National Finance Literacy Programme
NFLP- Y	National Finance Literacy Programme for youth
NFS	Non-Financial Services
NGOs	Non-governmental organizations
NIBAF	National Institute of Banking & Finance
NIC	National Incubation Center
NIFT	National Institutional Facilitation Technology
NPLS	Non-Performing loans
OICCI	Overseas Investors Chamber of Commerce and Association
PBA	Pakistan Banks Association
PBC	Pakistan Business Council
PBS	Pakistan Bureau of Statistics
PILER	Pakistan Institute of Labour Education and Research
PKR	Pakistani Rupee
PMN	Pakistan Microfinance Network
PPAF	Pakistan Poverty Alleviation Fund
PSP	Payment Service Provider
PSX	Pakistan Stock Exchange
PTA	Pakistan Telecommunication Authority
ROSCA	Rotating Savings and Credit Association
SAARC CCI	SAARC Chamber of Commerce and Industry
SBP	State Bank of Pakistan
SCWEC	SAARC Chamber Women Entrepreneur council
SDGs	Sustainable Development Goals
SECP	Securities & Exchange Commission of Pakistan
SME	Small and Medium Enterprise
SMEDA	Small and Medium Enterprises Development Authority
SMEs	Small and Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TDAP	Trade Development Authority of Pakistan
TiE	The Indus Entrepreneurs
UKAID	United Kingdom Agency for International Development
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
USD	United States Dollar

WEC	Women Entrepreneurship Challenge
WEF	World Economic Forum
WE-FI	Women Entrepreneurs Finance Initiative

Acknowledgments

The research report "Advancing Financial Inclusion for Women Entrepreneurs in Pakistan" has been produced by Sustainable Development Policy Institute (SPDI) in collaboration with Friedrich Naumann Foundation (FNF), Pakistan. The authors of this study are Faeyza Khan, Mahnoor Arshad, and Vaqar Ahmed. The team acknowledges support and technical inputs by Birgit Lamm, Aniqa Arshad, and Abid Q. Suleri. Umair Hassan carried out the graphic design work in this work.
The research team acknowledges with appreciation the feedback from the State Bank of Pakistan, Ministry of Commerce, Islamabad Women's Chamber of Commerce and Industry, and SAARC Chamber of Commerce and Industry. The report has also been enriched by contributions and observations from interviews with various government and non-government organizations as well as development partners as mentioned in Annex-1.

Suggested Citation
Khan, F., Arshad, M., & Ahmed, V. (2024). Advancing financial inclusion for women entrepreneurs in Pakistan. Friedrich Naumann Foundation (FNF) Pakistan & Sustainable Development Policy Institute (SDPI).

1. Introduction

"You don't know the background story of resilience, struggles and strength of beautiful and outgoing women. All you see is what is showcased."— Germany Kent

a. Background

Female entrepreneurship is manifestly a vast untapped source of innovation, job creation and economic growth in a fast-evolving world. The barriers to women's entrepreneurship are multitude. Women face barriers to accessing credit, training, networks and information, as well as legal and policy constraints. Added to this are the socio-cultural approaches in many traditional societies. The economic gap between women and men is still potent. However, there is a resounding voice around the planet that has recognised the power of half of the world's population and is adamant in finding ways and mean to overcome the obstacles and provide a growing space for the women economy. Innovative initiatives to promote women's entrepreneurship—driven by both the private and public sectors—are on the rise (UNESCAP 2017).

Worldwide, women are now acknowledged as innovators, entrepreneurs, tech-experts, start-up founders, business owners and importantly, home-based workers across multiple fields and disciplines. Their traditional roles are being acknowledged as significant drivers of the economy, even if not monetized. Their contribution to national economies is central to the idea that without vibrant female participation, countries cannot steer towards an ecosystem that can catalyse economies of scale. "Womenomics" was an apt portmanteau used by the Japanese Prime Minister Shinzo Abe in 2013 to facilitate an economic stimulus in his country with promotion of workforce gender equality at its heart.

The gender gap in entrepreneurial opportunity is diametrically opposed to economic transformative progression. A Mc Kinsey report on this topic estimates that in a scenario where all countries match the rate of improvement of the fastest-improving country in their region could add as much as $12 trillion, or 11 percent, in annual 2025 GDP (Madgavkar et al., 2019). In a "full potential" scenario in which women play an identical role in labour markets to that of men, as much as $28 trillion, or 26 percent, could be added to global annual GDP by 2025 (Madgavkar et al., 2019).

At least 231 million women run formal businesses in low- and middle-income countries and many more necessity-entrepreneurs run informal businesses to support their families (UNDP, 2021). The aggregated power of women entrepreneurship could catapult countries towards a better, balanced and more sustainable global economy. To materialize this goal, investment in women entrepreneurs at all strata is necessary to tap this potential which presents itself as a low hanging fruit. The economic impact of women's entrepreneurial success will be not only be transformative but regenerative, as they invest back into their local community and the entrepreneurial ecosystem more broadly (Ahmed et al. 2019).

While globally, women's access to capital is on the rise, in Pakistan, they face multiple social and economic barriers to attaining their full economic potential due to multiple factors, among which is inadequate access to finance. At the global level, women currently represent 38.8 percent of the global labour force. In Pakistan, women represent 22 percent of the working population while comprising 49 percent of the total population of 241.5 million (PBS 2023). Out of the only 13.5 million women taking part in Pakistan's labour force, seven million women working in agriculture fall under the category of contributing family workers and remain unrecognized and unpaid. The gap between men and women's earnings has also increased. In 2018-2019, women earned just 18 percent of what men earned. Cultural expectations must also be addressed, as they contribute to women's 'time poverty'. For example, women in Pakistan spend nearly 10 times the hours as men in unpaid care work (Khan, 2020).

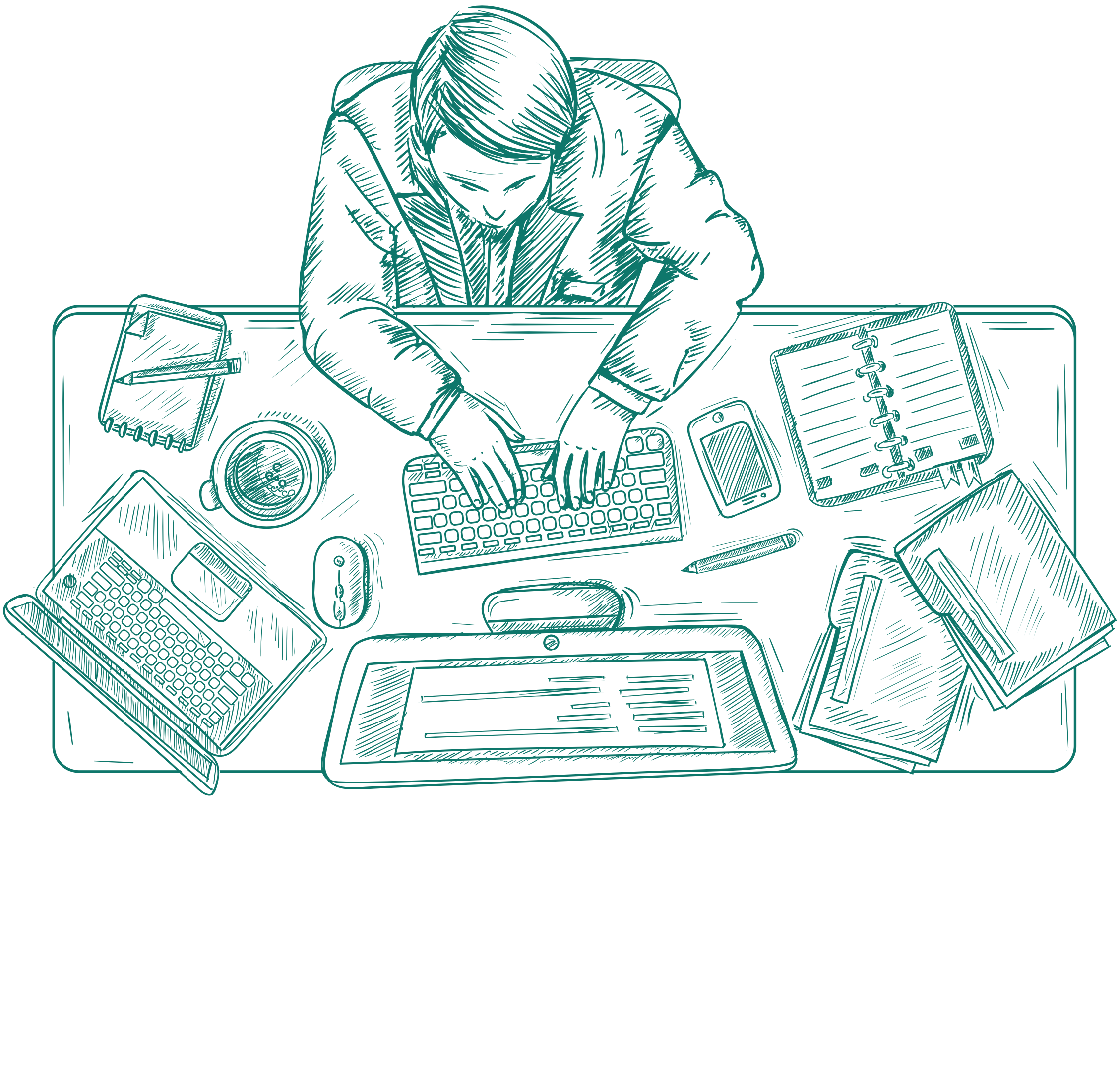
b. Research Objectives and Methodology

This brief provides an overview of the global landscape of women's entrepreneurship and zeroes in on the Pakistani context. It aims to demystify the challenges that women in Pakistan face in accessing finance, and highlights some of the other associated challenges regarding capacity building, socio-legal barriers and mainstreaming financial and digital knowledge among women. Above all, this brief focuses on possible policy approaches and potential solutions to providing women with a business enabling environment. It draws on practical experiences from the public and private sectors in both emerging and developed markets as it has been prepared after consultations with major stakeholders in the female entrepreneurial eco system, including funders.

Our methodology relies on available evidence and recent research conducted through the World Bank-led "Diagnostic Survey Report of Women SMEs in Pakistan, 2021" and a Karandaaz - Gates Foundation led research report "Determining Financial System Needs of Micro-Entrepreneur Women" as well as International Finance Corporation (IFC) and the World Bank's internal research. We also relied on in-depth interviews with stakeholders. Those interviewed included key informants from the following groups: banks, development finance institutions (DFIs), microfinance banks, microfinance network, regulators, non-bank finance companies, multilateral, and local small and medium enterprise (SME) development institutions, federal and provincial chambers of commerce and industry, vocational training and incubation centres, community development programs, and mentorship development programs.

c. Significance of the Study

There are actionable policy implications and recommendations which can facilitate the efforts of stakeholders amongst the policy makers, the private sector regulators, and apex bodies and most importantly, women's own trade and commerce bodies. It points to potential synergies and innovative partnerships, particularly when private and public sector entities are involved. These can together, move the needle on empowering women with the right tools to be able to contribute to their own households and society at large by becoming job providers and generators of successful business models. The efforts must be replicable, scalable, measurable and source identifiable for them to become sustainable. If the stakeholders in this space were to seize the day and embark on a meaningful journey, the boons they are likely to reap will yield rewards in new market opportunities and higher development impact for the country.



2. Literature Review

a. Gender Disparities in Entrepreneurship

SMEs: The Power-engine Behind Economic Growth
Globally, SMEs are now firmly ensconced in the policy making stake-holders' frame of reference as the drivers of economic growth that should be strategically used to propel economies forward.

In many countries, global pressures in the post-pandemic eco-system have led to governments facing slow growth, weak trade and investment, and rising, or persistently high inequality. These are exacerbated by rising dissatisfaction among citizens, manifesting as a tilt towards hyper-nationalism, presented as a panacea by many leaders, leveraging on the state of affairs leading to hazardous socio-political tendencies. At times, this conundrum presents itself as resistance to globalisation and technological change. Against this backdrop, there is a need to create the conditions that enable the benefits of open markets and technological progress to be enhanced and shared more broadly across the economy and society (Javed 2021).

SMEs are key drivers of the economy and the wider supply chain network of larger firms. Creating an enabling environment whereby they may adapt and thrive while catalysing digital transformation opportunities is essential for boosting economic growth and delivering a more inclusive globalisation. SMEs have an important role to play in achieving the Sustainable Development Goals (SDGs), by promoting inclusive and sustainable economic growth, generating employment, promoting sustainable industrialisation and fostering innovation while reducing income inequalities.

Boosting SME potential for optimal contribution to the economy and reaping the benefits of a globalised and digital economy depends to a great degree on conducive framework conditions and healthy competition. Evidence states that SMEs are disproportionately affected by market failures and barriers and inefficiencies in the business environment and policy sphere. SMEs' contributions also depend on their access to strategic resources, such as skills, knowledge networks, and finance, and on public investments in areas such as education and training, innovation and infrastructure. A conducive environment for the transfer of business ownership or management represents an important condition for ensuring business viability over time, with implications for jobs, investment, and growth.

The SME policy space is nuanced, comprising framework conditions; broad policies that impact SMEs; and specific targeted policies. These are sometimes cross cutting and overlapping areas across various regulators and ministries as well as other governmental bodies. Intrinsically, SMEs are embedded in local eco-systems, which represent their primary source of knowledge, skills, finance, business opportunities and networks. It is important to consider the lay of the land at the local level, and how policies developed at national level are suited to localised conditions, while aligning with policies that are formed at the regional or global level. Policy strategies should consider the changes in regulations, markets and technologies that occur across borders which may affect SMEs' opportunities and performance and most importantly, policy making should consider inclusivity for women as SME progress without an active and vibrant female participation would not have a deeply penetrating effect if half the population were to be left behind (Yaseen and Ahmed 2016).

Gender Disparities for Women Entrepreneurs

Women-owned SMEs are more likely than their male counterparts to cite access to finance as a constraint stating that they face difficulties in accessing necessary financial services and products. The glaring gap regarding unmet demand for access to finance has been discussed above. The following are among the many factors that contribute to this dilemma:

b. Financial and Structural Disparities and Obstacles

Lack of Collateral and Proper Documentation: Financial institutions often request land or property deeds as forms of collateral or verified documentation such as national identification cards or birth certificates. This can often become problematic for women to provide, especially in patriarchal societies where ownership of property and access to legal documentation is challenging for women.
Risk Assessment by Financial Institutions: Female-owned SMEs are often seen as riskier, higher cost and/or lower return. For this reason, financial institutions are less keen to lend to female-owned SMEs.

High Cost and Challenging Asset Class: Overall commercial banks shy away from providing products and services suited to SME needs and preferences due to multiple factors such as lack of formal documentation, unstable business cycles, vulnerability to personal cash needs and situation, lack of good governance oversight etc. These factors are seen as exponentially higher for women-owned businesses. As a result, entrepreneurs rely on financing their businesses through personal savings, investment from private sources (family and friends) or through re-invested business earnings. Accessing financial services is especially challenging for women, particularly those women who reside in remote areas, hiking up the inaccessibility factor as well as cost of doing business. Though there are solutions for this in the form of digitalization, it will take a strong push to enhance digital literacy levels.

Non-financial Disparities and Obstacles

Small Size, Limited Skills & Networks: Globally, women entrepreneurs control less than 40 percent of formal microenterprises, less than 36 percent of small firms, and less than 21 percent of medium-sized firms (Akram, 2016). Most of these businesses operate in the informal, lower value-added service sectors and home-based businesses—all of which are more likely to lack the education, training, financial literacy, business skills and business acumen necessary for ensuring sustained growth of their firms. These factors severely limit their ability to engage in strategic focus and long-term planning of their firms. Furthermore, small professional networks and limited mentorship opportunities have a knock-on effect by constraining women's ability to widen their connections and prospects for their businesses.

Social and Cultural Roles: Deeply entrenched traditional and patriarchal perceptions on the roles of females within the household and society have kept women from engaging in entrepreneurial activity in certain countries. As such, women have restricted mobility, decision-making powers, and limited time available for working towards the growth of their businesses. In some countries, these perceptions can permeate into regulatory and legal structures and policy documents, which often request a male signatory.

The legal framework in many patriarchal societies is not conducive to women; for example, not having a collateralise-able property in their own name, needing male family members' identity documents for business registration, licences, etc.

Financial Sector and Women-Owned Firms

Women entrepreneurs in developing economies make significant contributions to growth and to poverty reduction. But disparities in access to inputs (financial and nonfinancial) leads to women's businesses to be under-resourced, undercapitalized, and caught in cycles of low productivity. The IFC estimates that there are roughly 8 to 10 million SMEs with full or partial female ownership in developing countries, of which about 57 to 71% are unserved or underserved by financial institutions (Stein et al., 2011). These firms can be an important driver for job creation and economic growth. A 2014 study by Goldman Sachs found that a credit gap of approximately US$285 billion existed for women owned SMEs in the formal sector in developing countries. If this gap were to be closed by 2020 in just 15 countries, including the BRIC countries (Brazil, Russia, India, and China), per capita incomes could rise by 12 percent, on average, by 2030 (Goldman Sachs, 2014).

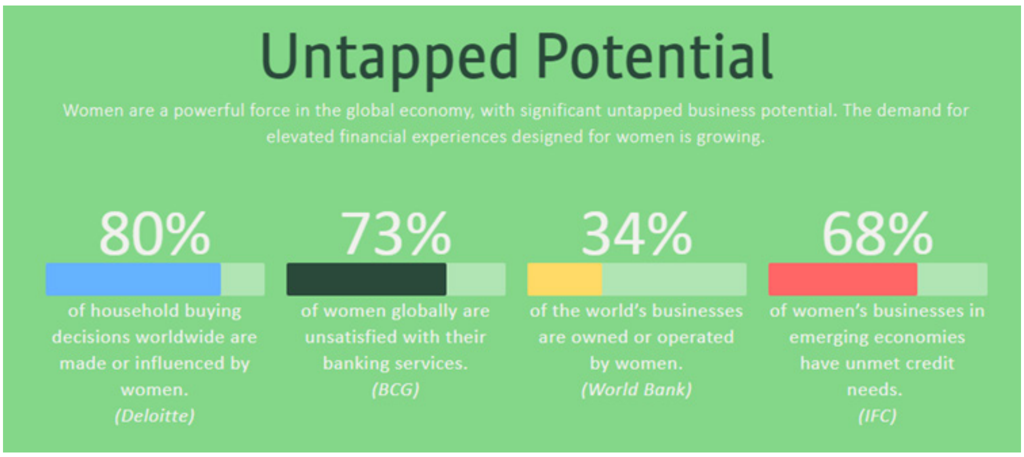


Figure 1: Untapped Potential of Women Globally
Source: Financial Alliance for Women

Credit is just one of the factors, access to appropriate savings services as well as an eco-system of non-financial services, access to market models and digital literacy also contribute to increasing the capacity of women entrepreneurs to manage their businesses and increase productivity. A randomized evaluation in rural western Kenya found that access to a new commitment savings service enabled female market vendors to increase investments in their businesses by 38 to 56 percent over female vendors without access to a savings account (Dupas and Robinson, 2013).
According to a Food and Agriculture Organization (FAO) estimate, if women had the same access to financial and other productive resources as men have, they could increase yields on their farms by 20 to 30% (FAO, 2011); this could raise total agricultural production in developing countries by 2.5 to 4.0 percent, which in turn could reduce the number of hungry people in the world by 12 to 17%. These are significant gains from which the economy can benefit if investments are made towards advancing the financial inclusion of women.

c. Access to Finance for Women Entrepreneurs in Pakistan

Structural Gender Disparities in Accessing Financing

In the World Economic Forum's (WEF) Global Gender Gap Report 2023, Pakistan has been ranked 142 out of 146 countries, with a 57.5 % gender parity, the highest since 2006. The annual report benchmarks the current state and evolution of gender parity across four key dimensions: economic participation and opportunity, educational attainment, health and survival, and political empowerment. Pakistan ranked 143rd in the sub-indicator of economic participation and opportunities. The country ranked 140th in terms of labour-force participation, 71st in terms of wage equality for similar work, 137th in terms of estimated earned income, 139th in terms of legislators, senior officials and managers, and 132nd in terms of professional and technical workers. Though, the country has improved by 5.1 percentage points on the "economic participation and opportunities" sub-index in the last decade to attain 36.2 % parity, this level of parity remains one of the lowest globally, with only Iran, Algeria, Chad, and Afghanistan below Pakistan.

South Asia has achieved 63.4 % gender parity, the second-lowest score of the eight regions. The score has risen by 1.1 percentage points since the last edition based on the constant sample of countries covered since 2006, which can be partially attributed to the rise in scores of populous countries such as India, Pakistan and Bangladesh. Along with Bhutan, there are other countries in Southern Asia that have seen an improvement of 0.5 percentage points or more in their scores since the last edition. Bangladesh, Bhutan and Sri Lanka are the better performing countries in the region, while Pakistan, Iran and Afghanistan are at the bottom of both the regional and global ranking tables.

Labour and Entrepreneurial Snapshot in the Gender Context

Out of the only 13.5 million (20%) women taking part in Pakistan's labour force, 7 million women working in agriculture fall under the category of contributing family workers and remain unrecognized and unpaid. The gap between men and women's earnings has also increased. In 2018-2019, women earned just 18% of what men earned (UNDP 2021).

Overall, Pakistan's SMEs are estimated to be around 5.3 million, operating mostly in industrial, services and trade sectors in Pakistan and employ around 70% of the non-agriculture labour force. These enterprises also contribute over 30% to GDP and 25% to the country's total export earnings. Their share in value-added manufacturing is estimated at 35% (CCP 2023). In view of the critical importance of SMEs in low-cost job creation and poverty reduction, successive governments have tried in the past to focus on their development, but the sector remains uncompetitive in the world markets owing to structural weakness, obsolete technology, lack of access to credit and marketing and management skills, unfriendly business and regulatory environment, and other factors, despite various initiatives both at the federal and provincial levels. Of these, only 1% are women (World Bank 2022). A fourth of Pakistan's women owned businesses are microenterprises. World Bank also estimated that between 50 to 70 % of microloans to women in Pakistan may be used by their male relatives. Moreover, nearly 68% of women borrowers required a male relative's permission to qualify for any kind of loan (Safavian & Haq, 2013).

Pakistan has a low rate of female entrepreneurship, with only 1% of female entrepreneurs compared to 21% of male entrepreneurs (Bosma et al., 2020). Access to finance is one of the factors that has prevented women from engaging in entrepreneurial activities, with only 5% of women having access to an account at a formal financial institution. Beyond this, there are many structural, institutional, and socio-cultural barriers that restrict the entrepreneurial capabilities of Pakistani women. Women business owners face a range of challenges, from legal barriers that prevent them from establishing a business, to lack of access to loans and financial know-how among various others. There are several programs being run by development organizations, regulators, and bodies to ramp up these numbers, but the journey is a slow one. Multi-faceted approaches are being taken such as increasing access to finance and investments, capacity building, digital and financial literacy programs, and market access facilitation.

Access to finance is only one of the factors that has prevented women from engaging in entrepreneurial activities. Among others are many structural, institutional and socio-cultural barriers that restrict the entrepreneurial capabilities of Pakistani women. These reflect many of the barriers discussed above, including limited access to information and mentorship, small and ineffective professional networks, limited business development skills, limited effective marketing platforms to promote visibility, patriarchal perceptions on women's role in society along with constitutional structures, policy documents and regulatory arrangements that put women at a distinct disadvantage.

As such, we find that the majority of women operating micro and small businesses in Pakistan are low or middle income earners, who generate products specifically for a middle man, and focus on small home-based businesses with little growth potential such as fashion-designing, dress-making, knotting, canning work and food retailing. Efforts have been made to develop female entrepreneurship and support women-owned micro and small businesses in Pakistan; however, PMN 2022 explains that these efforts are often piecemeal and inadequate as they fail to ensure significantly increased female access to financial products and services and have had limited success in promoting the development of female entrepreneurs beyond the small home-based businesses that they are currently engaged in. In 2018, the World Bank conducted a study "The State of Financial inclusion for Women in Pakistan" where they identified a missing market of 7.6 million loans to women, based on a methodology triangulating data from the central bank, the Pakistan Microfinance Network and own data.

Women-owned SMEs are a profitable, but underserved segment of the global economy. They have the capacity to generate sustainable and profound economic and non-economic returns to countries, including Pakistan. Despite this, the constraints women face in attempting to grow their businesses are often insurmountable, especially at the individual level. Though steps are being taken to overcome these constraints, it is pertinent that policymakers and financial institutions take on concerted and vigorous efforts to create an enabling environment for women-owned SMEs to thrive and contribute to their economies.

Pakistan's Aspiration on Women's Financial Inclusion

In 2015-18, Pakistan's financial and economic stakeholders articulated the aspirations and pathway towards financial inclusion through the National Financial Inclusion Strategy (NFIS) developed with the assistance of the World Bank and with the collaboration of all stakeholders such as the State Bank of Pakistan (SBP), the Securities and Exchange Commission of Pakistan (SECP) and various ministers. Under the NFIS, Pakistan has been pursuing a target of ensuring that 50% adult population is financially included by 2020, whereas the broader objective remains to achieve universal financial inclusion by promoting digital financial services and increasing priority sector lending like agriculture, SME, Islamic banking, and low-cost housing among others.

Women's account ownership has more than quadrupled since 2008, when the early inclusion measures were put in place, from 4% in 2008 to 18% in 2020. Despite this progress, 82% of Pakistani women remain unbanked and the gender gap in access that had started to shrink is expanding. Pakistan, has succeeded in more than tripling its overall financial inclusion in recent years. From a mere 10% of the population in 2008, formal account ownership stood at 35% as of 2020.

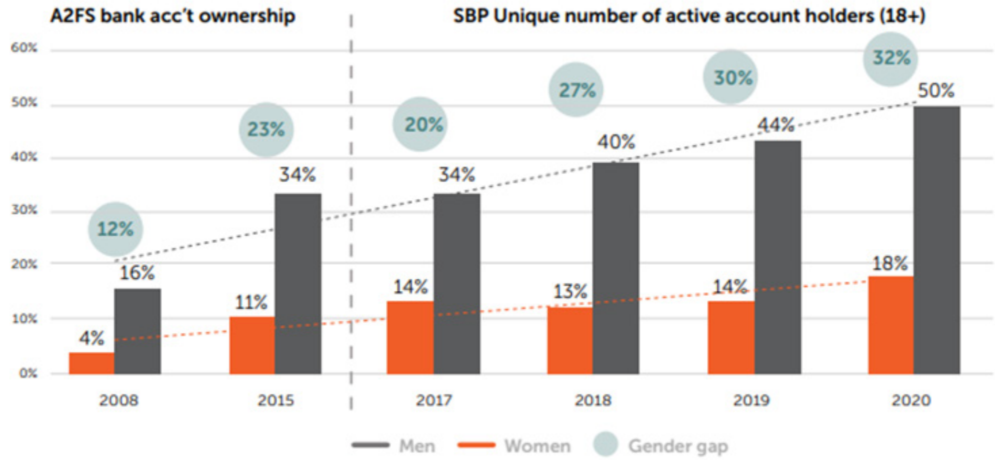


Figure 2: Gender-wise Distribution of Bank Account Holders (2008 – 2020)

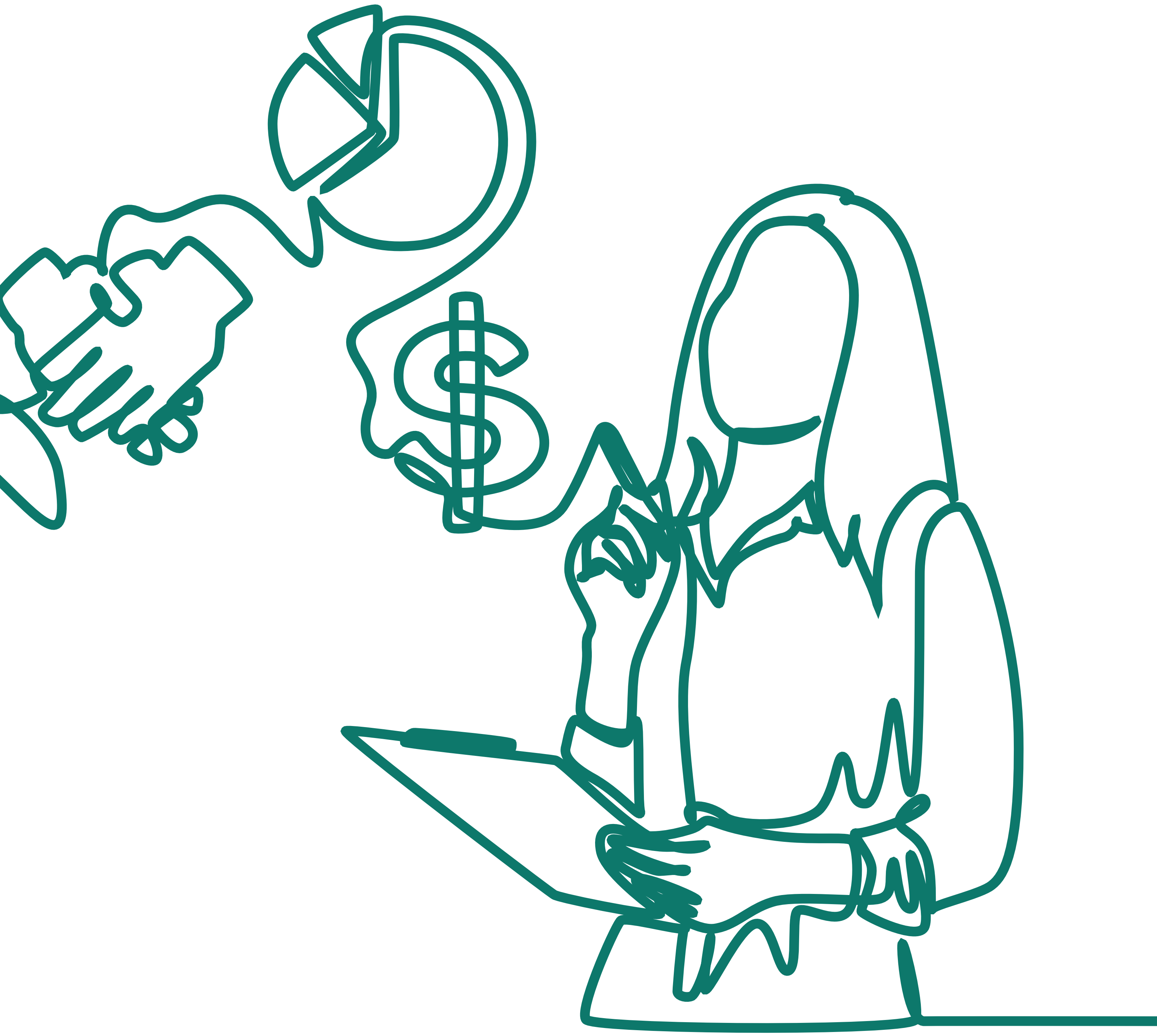
Source: Access to Finance Survey; State Bank of Pakistan

By enacting progressive laws and policies, Pakistan's government and SBP have driven tangible progress on women's financial inclusion and increased the availability of gender data. In 2008, the banking regulator SBP introduced a sweeping change: a branchless banking policy that enabled banks to offer services through a network of agents, making it easy for customers to open and manage simple accounts without setting foot in a bank branch. This action catalysed initial momentum on inclusion, sparking a marked increase in the overall number of Pakistani citizens with accounts.
Subsequently, in 2015, the government collaborated with SBP to introduce the NFIS, with women's financial inclusion designated as a specific priority. The initial strategy envisioned that at least 25% of adult women would hold a formal financial account by 2020. Government officials updated the strategy in 2018, adjusting the targets with a goal of 65 million total active digital transaction accounts, with 20 million accounts by women (about 29% of the female population, ages 14 and up), including digital accounts, by 2023.

In 2017, SBP began mandating six-monthly sex-disaggregated data reporting of unique account holder data from regulated Financial Service Providers (FSPs). This requirement has transformed the sex-disaggregated data landscape in Pakistan. The availability of quality data has allowed for more accurate measuring of progress on Women Financial Institutions, benchmarking against government inclusion targets, and evidence-based identification of areas where improvement is needed. It has enabled the reliable sizing of the women's market opportunity and has helped inform decisions on future policies. One of the major initiatives under NFIS was the launch of National Financial Literacy Program that imparts basic financial literacy to unbanked/underserved population. The program has a mandate to cover 50% of women to be financially literate under this program.

Figure 3: A Timeline of Pakistan's NFIS Efforts

Source: Towards Women's Financial Inclusion: A Gender Data Diagnostic of Pakistan, 2022



3. State of Financial Sector Lending to Women

a. Overview of Pakistan's Financial Sector

To understand the dynamics of women's financial inclusion, it is necessary to assess the broader financial sector ecosystem in Pakistan to reach realistic conclusions and devise recommendations and policy measures tailored to the peculiar financial structure of the country.

The financial sector is overall competitive and well regulated under an engaged central bank – the SBP. The banking sector is led by 15 local private banks, 5 public sector banks, 4 specialized banks, 5 Islamic banks, 4 foreign banks and last but not the least, 11 microfinance banks which reach the lower end of the pyramid. There are also 8 licensed development finance institutions, 2 credit bureaus and 3 payment system operators. In 2023, 5 digital banks have been granted licences and are in the process of setting up operations.

The SBP provides regulatory oversight including through adaptive approaches such as a sandbox environment for digital banks. In 2023, the SBP granted licences to 5 digital banks which are in the process of setting up operations.

The SECP is the apex regulator for more than 100 non-bank financial companies (NBFCs) including 30 licensed non-bank microfinance companies (NBMFCs) of which around 25 are active.

The country's financial system is not a significant contributor to overall economic output; the finance and insurance category accounted for 2.5% of GDP in fiscal year 2019-20, according to the Pakistan Bureau of Statistics (PBS). The sector's contribution to overall employment is small. In 2018-19 it stood at 0.5%, according to the PBS, which was largely unchanged since 2014-15.

There is a burgeoning digital financial services (DFS) ecosystem at the centre of which is National Database & Registration Authority (NADRA) which provides a unique biometric identity to almost all Pakistanis. There were 87.35 million internet users in Pakistan at the start of 2023, when internet penetration stood at 36.7%. More than one third of the entire population is internet-abled (Ahmed and Javed 2022). The Government of Pakistan (GoP) has also introduced an interoperable payment system called Raast. 64% of Pakistan's population is below 30 years. This generation needs more contemporary banking and microfinancing solutions that can speak to their fast-paced lifestyle requirements, regardless of the economic strata they belong to. Players can seize the opportunity to tap into new frontiers by leveraging technology and deploying interfaces and services that speaks to the soul of the young entrepreneur, craftsman/woman or farmer (Manzoor et al. 2021).

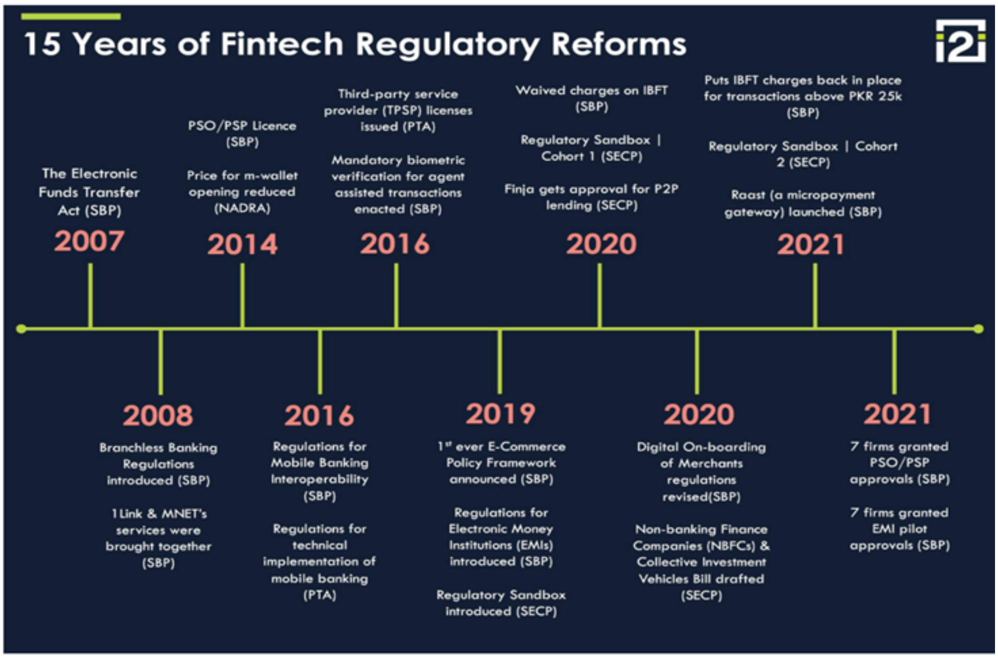


Figure 4: 15 Years of Fintech Regulatory Reforms

Source: Demystifying Pakistan's Growing Fintech Sector, invest2innovate, 2021

SWOT analysis of the financial framework in Pakistan

Strengths

- Pakistan's financial institutions are well established and the legislative framework and regulatory structure have nimbly evolved to create sufficient infrastructure for growth across the board.1
- NBMFCs were donor dependent in early years but now are considered a credit worthy asset class and have healthy funding lines from banks and apex bodies.
- The GoP was swift in recognizing the pressures on the economy in a pandemic scenario and was able to put in place a system of loan repayment deferment mechanisms to avoid shocks to the economic cycle.
- Banks now have sustainable and self-generating funding from deposits thanks to good, credible brand creation over the years.
- Strong sponsors who are able to support capitalization efforts and providing solid contextual guidance.
- Credit bureaus now engaging microfinance institutions (MFIs) for mitigation of over-indebtedness.

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1 Financial sector in Pakistan, or entities therein, can be grouped into banking sector firms and development finance institutions. A list of entities within each main segment of Pakistan's financial sector is provided at Annex-2.

Weaknesses

- Banks prefer low risk Government lending (treasury instruments) rather than private credit uptake because of the healthy spreads.
- Microfinance banks (MFBs) have exposure to same type of risks as commercial banks, but risk management structures are rudimentary.
- Operation costs too high to allow innovation and product diversification – mezzanine level fund is needed for banks to innovate without risk of wiping out equities.
- MFBs considered too insignificant by big players when an MFI wants to consider partnerships (for example Telcos), and hence need to position more strategically, recognize their own strength, and have strong board members who can push the agenda.
- While management structures are strong at top level, middle management needs to be developed and empowered.
- Lack of aggregated data such as MSME, gender segmentation etc.
- Availability of affordable data chunks is limited – this is needed for development of credit scoring models.
- While the SBP has introduced much higher limits, MFBs do not have ready products.

Opportunities

- SBP has recently granted digital banking licenses to 5 applicants which is expected to spur the digital banking space:
    * Easy Paisa DB, a joint venture of Telenor Pakistan and Alipay;
    * Hugo Bank, by Getz Bros, Atlas Consolidated, and M&P Pakistan;
    * KT Bank, by Kuda Technologies, Fatima Fertilizer, and City School;
    * Mashreq Bank, a subsidiary of the UAE's Mashreq Bank;
    * Raqami, by Kuwait Investment Authority, through PKIC and Enertech.

- Develop strong risk mechanisms (even if regulation does not require immediately)
- Explore opportunities and partnerships that allow sandboxing and experimentation at little or no cost (for example Asian Fintech (AFIN) platform)
- Leverage board members niche specializations to get middle management mentored for capacity building - can also use for building partnerships and positioning the institution solidly.
- Explore local opportunities for capacity building (for example partnerships with incubation centres such as National Incubation Centre (NIC) and accelerators). This will not only build capacity but may build pipeline as well. It will also build inroads into low-cost tech providers.
- Explore insurance and risk sharing mechanisms offered by various players such as IFC, USAID-Development Credit Authority etc.
- Increase links with academia: introduce relevant courses, link up with incubation centres, links to chambers of commerce.

- Explore microfinance leveraging from DFS partnership models to lower costs and increase footprint. Additionally, value chain financing, bespoke products such as gender and development of credit scoring models needs exploration.
- With the emphasis of the GoP on affordable housing, NBMFCs can develop housing loans or partner up with the Pakistan Mortgage Refinance Company.
- Secondary players can add NIFT, NIC and other accelerators, can add incubators associated with universities, National Vocational and Technical Training Commission (NAVTTC), and chambers of commerce (for example to link up with women entrepreneurs).

Threats

- Over indebtedness indicators are still weak, and all MFIs are not reporting. PMN can play a role in advocacy. The credit bureaus report to SBP and NBMFCs report voluntarily.
- Small credit limits can be a missed opportunity for MFBs to serve.
- Lack of transparency – by the time the entire sector reveals non-performing loans (NPLs), it's too late. There may be lots of missed lessons in quick and transparent sharing of experiences.
- Lack of deep funding sources (apart from equity and bank lines) for NBMFCs.
- The economy is still heavily affected by trends in the agricultural sector, which is mostly rain-fed and heavily influenced by monsoons. Poor weather could fuel food price inflation and undermine the incomes of much of the population that depend on agriculture for an income.
- Banks and other financial institutions have to put in place robust anti-money laundering (AML) and know your customer (KYC) measures to mitigate the high risk of money laundering and terrorism financing, which negatively impacts the financial sector (Pakistan has recently exited the Financial Action Task Force (FATF) grey list). (Ahmed, 2021).

b. Women Owned and Women-led Firms in Pakistan

Overall, Pakistan's SMEs are estimated to be around 5.3 million. Of these, only 8% are women-owned or women-led SMEs. This is still low compared to India where 14% of firms are women-led or owned while in Bangladesh, it is 7.2%. Overall, South Asia fares the worst among World Bank's regions, with around 18% business ownership in the hands of women. Female entrepreneurs make up 43% of all global entrepreneurs.

Pakistan Gender Factsheet

Socioeconomic Status

- Among most populous countries in the world; growing youth population
- 5% of residents live on $1.90/day or less
- 47% overall literacy rate for women; 71% for men

- 21.3% of women are in the labour force
- 34% of Pakistani girls attend high school; only 8% enrolled in post-secondary courses
- World Economic Forum gender gap rank: 153 out of 156 countries in the world

Women in Business

- 1% of Pakistani women are entrepreneurs - the world's lowest rate
- Pakistani women earn 26% less than men
- Women represent only 5% of managers in Pakistani firms

Financial Inclusion

- 35% of Pakistanis hold formal bank accounts
- 18% of Pakistani women hold formal bank accounts
- 32% gender gap in active account ownership
- 6% of women have mobile money accounts as of 2022
- 6% of Pakistanis have saved and 2% have borrowed from financial institutions
- 2% of Pakistani women have saved and 1.5% have borrowed from financial institutions
- 70% of surveyed commercial banks reported having women-focused products and services

Source: Data 2X in collaboration with Financial Alliance for Women, 2022

As per a report "Gender Data Diagnostic for Pakistan, 2022" prepared by Data 2X in collaboration with Financial Alliance for Women, the market sizing undertaken for this diagnostic estimated an annual USD 650 million (PKR 101 billion) revenue opportunity for Pakistani banks and other FSPs if they effectively target the women's market. There is plenty of opportunity in all women segments, including from the 5% of the female population earning more than USD 97 per month. This segment alone represents a USD 124 million opportunity. At the other end of the spectrum, the 82% of the female population earning less than USD 32 per month (including those in the informal and formal economies) represents a USD 320 million opportunity. Additionally, all government subsidy beneficiaries will soon be required to open full bank accounts, into which subsidy payments will flow, enabling more access for women and an additional FSP opportunity.

In 2018, the World Bank conducted a study "The State of Financial inclusion for Women in Pakistan" where they identified a missing market of 7.6 million loans to women, based on a methodology triangulating data from the central bank, the PMN, and own data.

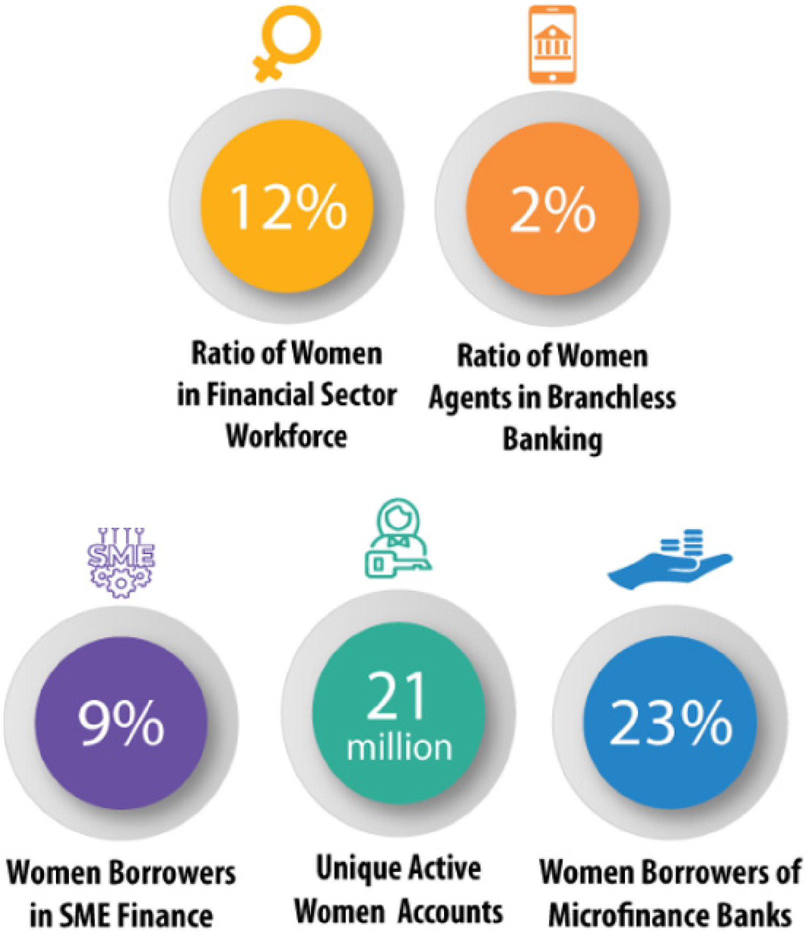

Figure 5: State of Financial Inclusion for Women in Pakistan

Source: State Bank of Pakistan, 2021

c. Access to Finance for Women Entrepreneurs - A Gendered Approach

Though Pakistan's financial inclusion figures are improving, the accompanying gender gap needs to be addressed as it threatens to leave women behind. SBP's internal gender disaggregated data which although dated, shows that women accounts are 25% of total accounts while only 18% are active.

Key Indicators	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 Adults Female Population**	22%	29%	7%
Active Female Accounts in Adult Female Population**	14%	18%	4%

* Includes branchless banking accounts. ** Adult Female Population estimated at 59.8 million (2017) and 64.2 million (2020).

Table 1: Comparative growth rates of bank accounts and adult female population

Source: Gender Disaggregated Data, SBP 2021

A gendered approach to product development, service offerings, customer segmentation and acquisition, facilitation and recovery approaches result in positive results for women's uptake of financial services. It has been observed that some banks are merely 'pink-washing', i.e. rebranding existing facilities for example colouring their credit cards pink and other such methods without genuinely applying a gender lens in their product approach (AFI 2023). In Pakistan, banks themselves are lagging on women employee account. As of 2020, women represented 13.2% of bank staff overall. From a global best practice perspective, a prudent approach would be to first define what the bank calls female loans. For individual clients, this is simple, for companies, it could be a certain ownership ratio, number of females on the board or even if the firm, though male owned, has hired a majority of female employees and/or serves mostly female clientele.

As a next step, there should be tagging in the bank's Management Information System (MIS) system to be able to monitor and tune the data to a nuanced level so as to be able to use in prediction models, scorecards or to develop more bespoke offerings for women on both saving and asset side. This data can also help convert some of the liability customers into loan customers while leveraging existing niche penetration rather than trying to create new customers without enough history to be able to offer gender products.

Similarly, on the asset side, a differentiated collateral system should be devised as Pakistan's structural framework shows very limited mortgage-able property documentation in a female's name. As an example, gold-based loans have proved effective albeit a double edged sword as they come with social risks and other issues which do not make them very attractive for banks. However, in a South Asia context, they are a good source of gender product diversification. The credit cycle may need to be tweaked to align to women-specific needs such as lack of formal documentation, limited onsite visits by staff which has been trained regarding business premise visits to females, for example exercising discretion. Importantly, the recovery mechanism should be designed in a way that women can easily communicate with their client officers and not face mobility issues in making repayments.

Moreover, the recovery mechanism should not be aggressive or threatening but collaborative in its approach in case the female is facing cash flow or other issues. As another responsible finance measure, the grievance redressal mechanism (GRM) should be in place and clearly communicated to the female clients in case they want to deposit any complaints or suggestions. In some geographies, banks organize financial literacy programs through dedicated workshops for females as well as market linkages as part of their non-financial services. KYC may need to be adjusted as housewives are considered riskier clients due to informality factors. HBL has developed a gender product by the name of NISA (in collaboration with the IFC), thus spearheading the gender product approach, resulting in a demonstration effect on peer banks. This is especially significant in the wake of the Banking on Equity guidelines issued by the SBP which are discussed in detail in later sections.

Women's Financial Inclusion According to the 2021 FINDEX

Adult account ownership in developing economies increased to 71% in 2021 (from 63% in 2017). Meanwhile, the average gender gap is now 6 percentage points, down from 8 percentage points in 2017 (Demirgüç-Kunt et al., 2022). However, some countries continue to lag across both indicators. A deeper look at the Findex reveals that some populations have fallen out of the formal financial net, while others have simultaneously entered. Pakistan saw its gender gap narrow from 28 percentage points to 15 percentage points, despite flat account ownership.

Globally, in 2021, about 1.4 billion adults are still unbanked—that is, they do not have an account at a financial institution or through a mobile money provider. This number has declined from 2.5 billion in 2011 and 1.7 billion in 2017. Pakistan, with 115 million unbanked adults, and Indonesia, with 100 million, have one of the largest populations of unbanked individuals (Demirgüç-Kunt et al., 2022).

4. Challenges in Accessing Finance for Women Entrepreneurs

Women entrepreneurs are severely limited in their capacity to optimise their business models and grow to their full potential because of the socio-economic factors that play against them. These include financial barriers, legal challenges and social value systems that do not support an enabling environment for the business to thrive. These have to be identified and deliberated upon in order to find solutions at the policy level as well as translate them into actionable items for trade bodies, development institutions and other stakeholders.

Women in some rural setting also remain in a disadvantaged position due to the informality of their businesses, inability to take economic decisions, weak financial literacy, absence of credit history, and failure to meet lending criteria of the financial institutions. To exacerbate these factors, women in a patriarchal society also face discouraging social attitudes towards women in decision-making positions. Financial institutions, on the other hand, do not consider lending to women a profitable commercial case and a riskier segment although evidence shows women being more diligent in repayments and allocating the loan to the stated purpose as compared to men (Cowling et al. 2020). There is a need to educate and convince financial institutions to understand this vital client niche which is one of the fastest growing and can yield profitability in the years to come. However, there needs to be a bit of handholding and encouragement from the regulator and the government to facilitate a better understanding of the peculiar needs and dynamics of this segment.

The challenges discussed in the following section, though well known in the industry, are based on documented research conducted through the World Bank-led "Diagnostic Survey Report of Women SMEs in Pakistan, 2021" and a Karandaaz - Gates Foundation led research report titled "Determining Financial System Needs of Micro-Entrepreneur Women", as well as IFC and the World Bank's internal research. The interviewed groups included key informants from the following segments: banks and DFIs, microfinance banks, Microfinance Network, regulators, non-bank finance companies, multilateral and local SME development institutions, chambers of commerce and industry, vocational training and incubation centres, community development programs, and mentorship development programs.

a. Socio-cultural factors

Overall, financial institutions lack a nuanced approach towards SME loans and especially when these are women owned SMEs. They do not contextualize the circumstances in which women operate their businesses and offer them the usual cookie cutter loans from their regular suite for lack of bespoke products. Very few banks have found alternative ways to assess the creditworthiness of women borrowers and have mostly pink-washed and rebranded the existing gender-neutral products to be offered to women entrepreneurs.

The biggest social obstacle to advancing women's entrepreneurship is the social framework under which women are generally discouraged from going out of the house for reasons such as religious beliefs, security fears and long-held traditional beliefs. Punjab and Sindh fare slightly better than Khyber Pakhtunkhwa, Balochistan and Gilgit Baltistan. Entrepreneurship is regarded as a 'man's job' while women are expected to fulfil their traditional roles. There is a belief that children would be neglected, not realizing that the enhanced awareness and exposure would only benefit the living standards of the children through education, better nutrition and healthcare. Moreover, entrepreneurship is something that allows women the flexibility to build their daily activities around the needs of the children compared to being an employed individual. A workplace may or may not have day care facilities or flexible hours, however, entrepreneurship allows more flexibly managed and structured daily activities.

Another significant reason is the mobility factor. The public transport infrastructure in Pakistan is inadequate, especially in peri-urban areas and smaller cities. This leads to some barriers in mobility, translating into sub optimal business operations. Some organizations such as Kashf foundation (which gives loans to women entrepreneurs) have embarked on a scheme to provide subsidised small motorbikes on instalment to employees as well as clientele but the social attitudes in Pakistan are yet to evolve to allow women the freedom to ride motorbikes, contrary to India and Bangladesh. This limits market access and its development as well.

As most of the staff in financial institutions is male, there is discouragement among families to allow females to deal with them. There is a clear opportunity here to enhance female champions at institutions to improve approachability and invoke confidence among women.

Weak literacy is another factor as there are some strata within microfinance entrepreneurial space who are not educated enough to understand the fine line text for loan and collateral documentation. Globally, this issue has been addressed through non-financial trainings and financial literacy programs. The higher end women entrepreneurs would not be facing this but may have their own training needs for specific industries, for example, a lady exporting gemstone jewellery would need to know the technicalities of international standards and benchmarking for quality.

Another factor identified during IFC research was the approach towards mobile ownership. The issue of mobility and market access can be addressed to some extent through mobile marketing and account management though mobile wallets. However, in some rural setting, women are discouraged from owning mobile phones. This is regardless of the cost factor because there is a widespread belief that women may be more vulnerable to online harassment or stalking if they own cell phones. This is also an opportunity for financial institutions to develop products where a single-family cell phone can be used for KYC, account transfers and other matters.

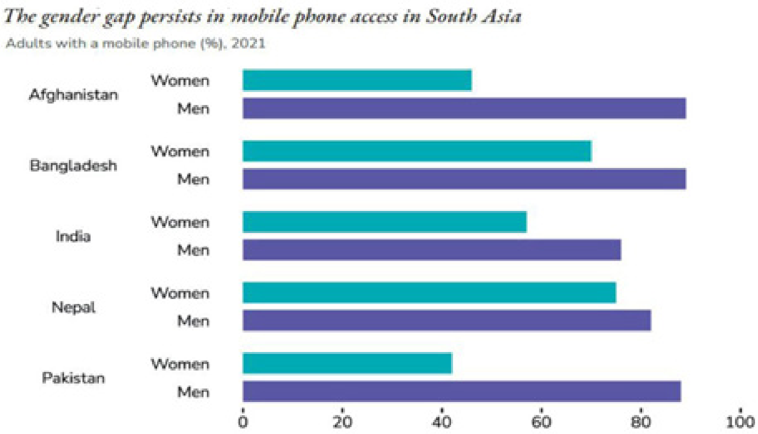

Figure 6: Adults with a mobile phone (%), 2021

Source: Findex Report, 2021

A World Bank report finds between 50 to 70% of microloans to women in Pakistan may actually be used by their male relatives. Similarly, research showed that 68% of women require the male family member's permission to obtain a loan. These are deeply rooted in the patriarchal approach prevalent in Pakistan (World Bank, 2012).

b. Legal and Regulatory Barriers

The World Bank publishes data exploring legal and regulatory challenges faced by women through different stages of their working lives. Launched in February 2019, "Women, Business and the Law 2019: A Decade of Reform" analyses data for eight indicators over the past decade for 187 economies and benchmarks legal barriers to women's entry into businesses and operations. As seen below, Pakistan counts among the countries that are yet to introduce legal reforms to end gender discrimination.

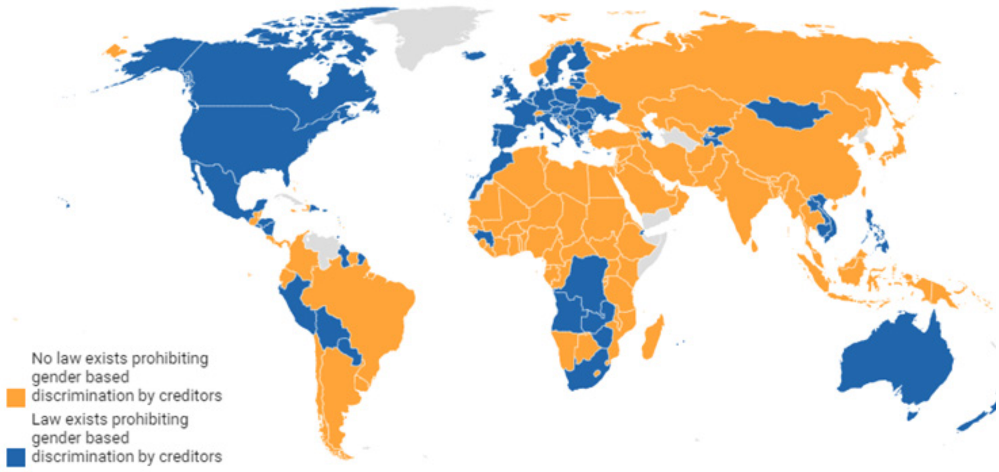

Figure 7: Legal Discrimination in Access to Credit: A Global Snapshot

Source: Women, Business, and the Law Database, 2019

As an example, in Pakistan, married women could not legally register a business in the same way as married men as the business registration procedures differed for women and men. Based on this, amendments to Articles 31 and 37 of the Pakistan Companies Bill, which equalized the business registration process for men and women were enacted. The amendments lifted the requirement for women entrepreneurs to provide the name of their father or husband (for married women) during the company incorporation process and in the submission of the company memorandum and articles of association.

Under the revised provisions, women and men only need to provide their own name. The World Bank's Women Entrepreneurs Finance Initiative (We-Fi) team supported the authorities in drafting and reviewing the legal amendments and well as providing reference to global good practices in this area. Following the reform, entrepreneurship procedures for men and women have been fully equalized. The amendments were enacted in June 2020.

Similarly, a structural issue with Pakistan's social framework is that women are usually not given rightful share in inheritance on the plea that a woman has access to her husband's assets as well. This results in a widespread phenomenon that properties are in the name of the family's male member. This restricts the women's ability to seek financing based on mortgage of pledge. This is a wider issue than merely legislative and will require governmental intervention at a holistic level. Hence, banks will have to develop products whereby a woman entrepreneur's lack of collateral will have to be adjusted.

Legislative reforms in countries that restrict women in starting a business are necessary to increase financial growth in local markets. Comprehensive legal frameworks that ensure discrimination based on gender is prohibited and removal of legal provisions that require women to obtain their husband's permission to exercise their legal rights are key to developing a conducive environment that allows female-owned business to thrive.

c. Inadequate Financial Literacy and Training

The Standard and Poor's Ratings Services Global Financial Literacy Survey shows that only 26% of adults are financially literate in Pakistan. There are five major components that students need to be taught when it comes to financial literacy: earning, spending, saving, borrowing and protecting. There have been a few notable initiatives, such as those by the Pakistan Poverty Alleviation Fund (PPAF), the Institute of Financial Markets in Pakistan (IFMP), the Fair Market Pakistan (FMP) and the Association of Chartered Certified Accountants (ACCA), the National Finance Literacy Programme for Youth (NFLP-Y) introduced by SBP and the financial literacy initiatives by microfinance providers (MFPs) for their employees and clients.

For women, the vacuum is even larger. Financial and digital literacy levels are low, leading to lack of capacity and confidence in approaching financial institutions. Financial institutions prefer to secure verifiable income. The personal and business tax returns reflect the entrepreneur's own and enterprise's financial condition. Hence, the tax filer status of the applicant adds value and helps evaluate the loan request.

d. Gender Bias in Lending Practice

Despite recent efforts made by the central bank along with other, smaller financial institutions, it seems that deeply rooted social biases may continue to restrict female participation in the financial system. There is an intrinsic risk-aversion towards women clientele by banks.

Generally, banks are not so open to lending to women because they see them as a risky segment due to

- Instability of their business cycles
- Lack of credit history
- Perceived issues in providing a guarantor or collateral.
- Difficult KYC due to informality about documentation as well as absence of business documentation (cash flows, financial book-keeping etc.)
- Challenging recovery procedures

According to the World Bank survey alluded to above, very few (2 percent) women-owned businesses had been financed by the banks and DFIs with most financing through own savings, borrowings from friends and family or ROSCA (committee) schemes.

- As women entrepreneur loans are usually small ticket, banks, in general, did not prefer to deal in this segment. Mostly the minimum loan size is PKR 3 million (or USD 10, 000).
- Banks lack specific women loan products and were offering only standard SME finance products.
- Very few banks were participating in women's credit guarantee scheme.
- A few of the banks and DFIs provided refinance facilities ranging from one to seven years.
- Very few banks provided/participated in non-financial services (NFS) like assistance in preparing the financial statements/projections, project advisory, awareness campaigns in collaboration with SMEDA and chambers of commerce. This has proven to be a very important tool in the successful dissemination of gender lens financing.
- The banks informed that most of the women owned businesses were operated by men and women acted as a proxy which become a reason for default, hence a shyness factor from banks to avoid women loans.
- The staff of banks did not discriminate between women and men clients, and because of a social shyness about gender interaction, very few women approached banks for financing needs.
- Generally, the banks did not consider any need for training of their staff to deal with the women customers.
- The challenges faced by banks included undocumented business profiles, poor financial record, off-the-book transactions, inadequate collateral, inability to effect foreclosure in case of women

borrowers, succession risk, undocumented record inability to meet regulatory compliance, etc.

- Banks were of the view that women enterprises were mostly of microenterprise level and were deficient in providing required information to process their loan/finance applications. This points to the missing middle niche as bank financing usually starts at PKR 3 million while the upper limit of micro enterprise lending is PKR 1.5 million (usually the average is less than a million). These amounts haven't changed in the face of recent high inflation.
- Banks were of the view that bankability/creditworthiness could be enhanced if technology/mobile apps were adopted by women entrepreneurs.
- Legal system allowed soft corners in the case of women which makes the move for any legal action difficult.
- Recovery procedures were found to be too aggressive for Pakistani social norms and frequent follow ups were perceived as 'harassment'. At times, the bank officers also lacked the sensitivity or training to approach women.
- It was hard to identify collateral in the name of the borrower because the assets which the women were willing to volunteer were in the names of the husband or brother.

5. Benefits and Opportunities of Enhancing Financial Inclusion for Women

a. Economic Empowerment

When women entrepreneurs advance, they are more likely to invest back into their families, community and their family's socio-economic mobility through education, nutrition, wellbeing, and children's health. Their businesses are more likely to contribute in the first wave to their own communities. Female economic outreach ensures the future of the economically empowered woman with access to financial and technological tools in her own name and has the capacity to employ them. She can make financial decisions for her household, ensure her kids stay in school while securing her and her family's financial future. As a business owner, she is empowered and studies show that women entrepreneurs support her immediate family and community in the first wave and then sets out to invest in her business and her family, thus ensuring sustainability of her business. This is why the fifth SDG addresses gender equality and empowerment of girls and women as a standalone goal, while gender is a cross cutting theme across all the seventeen SDGs.

Without women, there's no inclusive economic growth. Today, nearly one billion women around the world are unserved or underserved by the formal financial sector and unable to reach their full economic potential. If one was to aggregate this rich untapped reservoir, one could create the third-largest country in the world.

There is an untapped USD 700 billion annual revenue opportunity for banks and other financial service providers if they only provided financial services to women at the same rate they are provided to men. If women participated equally, USD 12 trillion could be added to global annual GDP by 2025. Financial inclusion is not just a driver of economic growth, but inclusive growth. Millions of women in developing countries are micro-entrepreneurs, and that number is growing. Yet, 70% of women entrepreneurs report inadequate access to the capital necessary to grow their businesses.

The standard approach to describing 'reached' women is:
Women who have access to new or enhanced products or services, delivered directly in partnership with financial service providers.
Women projected to benefit from products, services, or policies that deepen their financial inclusion, through investment and influence with financial service providers and policymakers.

b. Poverty Reduction

In most countries, private financial institutions account for most of the financial sector's assets and serve to provide the financial impetus needed to carry forward the gamut of SMEs driving growth and national economies. They serve to provide a thriving environment towards financial inclusion and without their commitment and conviction to provide financial access for women, a nation's true growth potential cannot be achieved. Financial institutions need to recognize the business case in addition to the social and economic case if they are to commit to this agenda, but the case is a strong one and it is growing stronger with time as women previously outside the labour force are becoming economically active. According to a Boston Consulting Group study, women have control over more than US$20 trillion in consumer spending globally and are increasingly becoming a major force as entrepreneurs running SMEs (Unnikrishnan & Hanna, 2019).

With an unmet global credit demand of nearly US$300 billion every year among women-owned businesses, the market is ripe to value this viable and vibrant asset class for investors and bankers to consider. In addition, evidence shows women are more prudent borrowers than men. Their risk averseness makes them less likely than men to borrow if they cannot repay.

c. Job Creation and Economic Growth

Female entrepreneurship represents a vast untapped source of innovation, job creation and economic growth in the developing world.

Corporations and nongovernmental organizations (NGOs) have provided women entrepreneurs with skills training and mentoring, often as part of corporate social responsibility initiatives. Goldman Sachs' "10,000 Women Program," which has only been operational for a relatively short period and with whom IFC has collaborated in the past, is already showing promising results, according to a 2012 assessment by the International Centre for Research on Women. Eighteen months after completing the program, 66 percent of graduates had created new jobs, 80 percent had experienced revenue growth and 70 percent had increased profitability (Brookings Institute Policy Note 2013: Women, Entrepreneurship and the Opportunity to Promote Development and Business).

The experience of microfinance also shows that women are better at generating business growth and repaying loans than men and are also better at saving; for example, women are 16 percent more likely than men to save for future expenses and tend to be more loyal customers according to Women's World Banking. Women not only stay with an institution longer, they are also more likely to recommend it to others. Case studies and performance analysis of financial institutions' data shows that serving women contributes to the profitability of financial institutions. The following are some examples (Global Banking Alliance 2014; Quinlan and Vanderbrug 2017) mentioned in "The State of Financial inclusion for Women in Pakistan":

- Women-owned businesses served by BHD León (the second largest private bank in the Dominican Republic) have a lower proportion of nonperforming loans than businesses owned by men, across all segments.
- Data from BLC Bank (one of the oldest banks in Lebanon) show that the average profit margin for

SME loans to women is 15 percent higher than for SME loans to men.

- BLC Bank's program was profitable within 18 months, and Banca Mujer—a program focused on women-owned SMEs at Banco Nacional de Costa Rica, the largest bank in Central America—became profitable in its first year after a 60 percent growth in the number of women SME customers.
- Fundación Delamujer, a Colombian MFI, found that 75% of the clients who had been with the firm for more than four years were women.
- Women customers of Westpac (the only Australian bank with a dedicated unit serving women) held a greater number of products than men in 2013 and accounted for top-line revenue of US$1.5 billion. The untapped potential of the women's market for financial services offers a tremendous opportunity to financial institutions in terms of growth and profitability. However, effectively serving this segment requires that banks and financial institutions understand that women have different attitudes toward finance than men have. They also lead economic lives that are different. Merely "feminizing" a product does not make it relevant to the needs of women customers.

d. Corporate Diversity and Innovation

Entrepreneurship was once a field dominated by men but women are now taking charge and making their mark through innovative approaches. Women entrepreneurs not only create successful businesses, but they also contribute significantly to social impact. Female-led enterprises often focus on solving social problems and giving back to their communities. According to a study by the Global Entrepreneurship Monitor, women are 5% more likely than men to launch social ventures (Brush et al., 2019).

Women entrepreneurs bring diversity and innovation to the business world. According to a study by Boston Consulting Group, companies founded by women generate more revenue per dollar invested than those founded by men (BCG, 2018). Women entrepreneurs also help close the gender gap in the business world. For every 10 male entrepreneurs, there are now 7 female entrepreneurs (GEM, 2020). McKinsey started profiling women innovators in early 2021 on International Women's Day to celebrate and recognize unsung pioneers with the objective of documenting a set of profiles that could inspire. Top Women Innovators, largely sourced from those responses, includes many heroic women in corporate, academic, and entrepreneurial realm. These women leaders are pioneering new frontiers and building legacies in agriculture, banking, education, fashion, healthcare, high tech, block chain and fintech among others.

Recommendations

a. Strengthening the Legal and Regulatory Frameworks

One of the significant barriers to women's contribution to the entrepreneurial eco-system has been identified as the non-conducive legal and regulatory operating environment. The World Bank's "Women, Business and the Law 2022 (WBL2022) presents an index covering 190 economies and structured around the life cycle of a working woman. In total, 35 questions are scored across eight indicators. Overall scores are then calculated by taking the average of each indicator, with 100 representing the highest possible score. Data refer to the laws and regulations that are applicable to the city of Karachi. Different rules may apply in other jurisdictions so local legislation should be reviewed. Based on this approach, Pakistan scores 55.6 out of 100. The overall score for Pakistan is lower than the regional average observed across South Asia (63.7). Within the South Asia region, the maximum score observed is 80.6 (Nepal).

Figure 8: Pakistan: Scores for Women, Business, and the Law, 2022
Source: The World Bank's "Women, Business and the Law 2022"

This is an improvement over Pakistan's 2019 ranking score of 46.25 and was made possible through some steps taken to ease the company registration procedures (which earlier required husband's credentials when married women sought to register businesses especially for Memorandum and Articles of Association), legislation on workplace harassment, lifting of laws on ability to work at night, and corporate governance legislation requiring at least one female director on listed company boards.

Some of the areas for improvement pointed out in the study focussed on constraints on freedom of movement, laws affecting women's pay, constraints related to marriage, laws affecting women's work after having children, constraints on women starting and running a business, gender differences in property and inheritance, and laws affecting the size of a woman's pension. It would require a committed engagement with the relevant ministries and advocacy groups to move the needle on some of these.

Top echelons in Pakistani corporations continue to be male dominated. In 2017, a report surveyed 550 listed corporations on the Pakistan Stock Exchange (PSX) which showed that for every nine male directors, there was only one female director. More than 91% of female directors were either related or associated to the sponsors or majority shareholders in listed corporations. Globally, the business case for diversity in the boardroom has been established as several empirical studies have established a statistically significant correlation between diversity and corporate performance (McKinsey, 2015). While gender-equality in the corporate boardroom across the world is gradually improving, Pakistan needs to push for inclusivity as women on boards are the change agents who can advocate for more gender friendly policies in companies and financial institutions.

To address gender-equality, the Securities and Exchange Commission Pakistan (SECP) issued a Code of Corporate Governance for listed corporations in 2019. This is predominantly based on a 'comply or explain' approach, reserving certain subjects as 'mandatory'. Under the Code, it is mandatory' for every board to have at least one female director, failing which, listed corporations' risk being financially penalized. The 2019 Code treats the quota akin to a self-executing, automated solution to boardroom diversity which will improve overall corporate value. While it is true that this top-down approach will help in permeating the gender message through the organization, the boons will not be harvested till there is diversity at all levels of the corporate rungs so that women can compete equally for senior management positions.

Currently, the SECP does not obligate Pakistani corporations to formulate, implement or publish diversity policies. If done in a phased manner, a diversity policy, along with relevant boardroom disclosure requirements set as targets for the annual filings could prove an effective tool towards providing an enabling environment for women. Moreover, the SECP could require corporations to periodically publish recruitment policies on the hiring of directors and employees along with explaining how diversity is ensured in recruitment. This would provide an effective check, pushing corporations to 'walk the talk'. The experiences of Australia and New Zealand have shown how stock exchanges can also be drivers of gender diversity. Similarly, the PSX can also play a significant role in bridging the gap. Currently, the PSX has no diversity policy in its listing requirements. But the adoption of a 'comply or explain' approach would encourage listed corporations to set targets and to adopt and disclose a written diversity policy.

In July 2023, SECP has introduced amendments in the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Companies (Postal Ballot) Regulations, 2018. The notified amendments aim to facilitate listed companies in meeting their regulatory requirements relating to the election of independent and female directors on their boards. The new regulations will also strengthen corporate governance framework by introducing the concept of voting in categories on proportionate basis.

Under the category voting, a three-tier voting structure for listed companies is being prescribed whereby votes shall be cast separately for the three categories of directors i.e. female, independent and others. The division of maximum votes available to each member for a category shall be in proportion to the number of seats of directors under such category.

Furthermore, the number of votes for each category shall be counted separately. For the female director, the seat shall be fixed to one; and for the independent director it shall be two or one-third, whichever is higher. However, there will be no restriction in the total number of female and independent directors that can be elected on the board of the company in all categories combined.
Policy Implications and Recommendations

While Pakistan has taken significant forward steps in addressing improvements in the legal and regulatory environment, there are still significant steps in order to internalise the socio-legal improvements as implementation in a society where women do not have a very public role is always going to be a challenge. Laws on constraints on freedom of movement, laws affecting women's pay, constraints related to marriage, laws affecting women's work after having children, constraints on women starting and running a business, gender differences in property and inheritance, and laws affecting the size of a woman's pension are still work in progress and the relevant ministries need to take a proactive approach. It's pertinent to note that the issue does not belong to one ministry only. Ministries or provincial departments dealing with labour, law and finance are all responsible and a possible push can come from a parliamentary committee to collectively mobilise on this issue.

The government will have to take the lead in pushing for a change in social behaviour but it cannot do so without partnering with the private sector and civil society organizations. As an example, the government could pick up a women-centric sector, such as textiles, and push for awareness sessions, not only for the workers but top and middle management.

Awareness building on the business case for serving the women's market should be introduced. Businesses are intrinsically profit-driven so a buy-in is necessary for industry leaders to commit to giving women owned businesses an opportunity by seeking their products through the supply chain. Apex bodies such as chambers of commerce, including the women chambers along with industry representatives and trade bodies can play a significant role. The nudge and support should be provided by the regulator while development agencies in partnership with local think tanks can push to hold roundtables to bring the stakeholders together as well as engaging through the implementation phase.

b. Promoting Financial Literacy and Training

Entrepreneurial literacy refers to empowering women (or men) with the appropriate tools that enhance the attitudes, financial skills, and knowledge and market awareness among existing and potential entrepreneurs to identify an opportunity and transform it into a successful and sustainable venture.

The central bank has spearheaded a financial literacy program nationwide which is one of the priority areas identified under the NFIS. The Program intended to target middle income households, youth, and women in particular through building partnerships with education institutions in a phased manner. The key objectives of the program are:

- Imparting knowledge and understanding of, financial concepts, banking/financial products, and services.
- Develop skills and attitudes towards budgeting, savings, investment, debt management, financial negotiation, rights and obligations, etc.
- Facilitate behavioural changes and practices to improve financial outcomes; including financial well-being through increased savings, improved debt management, perceived financial stress.

National Institute of Banking & Finance (NIBAF) in collaboration with SBP is implementing "National Financial Literacy Program for Youth" (NFLP-Y) to impart essential financial education to Pakistani youth and school going children for strengthening of their money management skills and enhance their understanding of financial matters. The program is targeting three age groups (School going Children: age 9-12 years; Adolescent: age 13-17 years; Youth: age 18-29 years) across 45 selected districts of Pakistan including GB & AJK. NIBAF (NFLP-Y) aims at reaching out to 1.6 million children, adolescents and youth through classroom trainings including 0.6 million on digital learning platform during five years i.e. 2018 - 2023.Key objectives of the program are:

- Strengthen and improve money management knowledge, skills and behaviours among youth.
- Inspire the youth to set financial goals through saving, budgeting and planning for their future.
- Educate the youth about their rights and responsibilities as consumers of financial services and products.

Financial literacy especially in the context of women's entrepreneurship cannot be mentioned without digital literacy. Digital finance has been proven to be a very effective tool in advancing women entrepreneurship through digital marketing, conducting digital transactions, exploring market linkages, and identifying supply chains.

Some of the commercial banks such as HBL are also delivering non-financial services (NFS) as part of their efforts towards financial and digital literacy. Together with SBP, HBL is taking proactive steps to ensure that women and the underserved population has access to the financial services they need by actively promoting financial education, basic banking services, and developing innovative products that can help people manage their finances better. Keeping in view the national importance of financial literacy and inclusion for the country, the NFLP Steering Committee, chaired by the Governor SBP and comprising of industry stakeholders including Pakistan Banks' Association (PBA), has decided to continue the program for next five years. NFLP-II (2023-27) shall be implemented in collaboration with the banking industry and local organizations. The target audience includes:

a. Unbanked and underserved population in the age group of 18-60 years, having valid CNIC.
b. District-wise targets for classroom sessions have been assigned to banks which have to be achieved accordingly.
c. Ensure at least 50% participation is by females

d. Ensure at least 80% of the participants open their regular/mobile accounts.

Similarly, street theatres are also held with a view to educate masses from low-income classes on financial literacy and benefits of financial inclusion. Again, the target Audience needs to be at least 50% female. This emanates from HBL's commitment to pioneering a financial inclusion role in its capacity as the largest private sector bank in Pakistan. HBL was also the first bank to have launched a specific women's product suite by the name of "NISA" which was developed through an advisory engagement with one of its shareholders, the IFC. Other banks are also developing similar gender specific products, especially after some nudging from the SBP after publication of its "Banking on Equality" directives discussed in the next point.

There are other private sector initiatives for women entrepreneurs such as Circle Pakistan, being run in collaboration with organizations such as Citi Foundation, Engro, HBL, L'Oréal Foundation, UN Women and Unilever among others. The focus is on capacity building, advocacy and community mobilization through various channels such as:

DIGITAL LITERACY PROGRAM

Digital Literacy Program (DLP) is a high impact training program for women from low-income households focusing on digital literacy, financial inclusion, and entrepreneurship.

DIGITAL ACCELERATION PROGRAM

CIRCLE with the support of British Asian Trust and CITI is offering a specialist package of micro-entrepreneurship and digital marketing training

SHE LOVES TECH

She Loves Tech is the world's largest start up competition for women and technology including an acceleration program, resource matching and global pitch competitions.

TECH KARO

CIRCLE partnered with Engro Foundation to offer technological training to majority young girls and youth from underserved communities under the initiative of Tech Karo.

TECH HUB

Tech Hubs promote a safe space for women to come together, meet mentors and learn core skills promoting financial inclusion.

ELEVATE GROWING FUTURE WOMEN LEADERS PROGRAM

Revolving around the theme of building an equitable future for women, CIRCLE, Unilever and OICCI came together for Elevate for Equity 2.0

Policy Implications and Recommendations

Financial literacy improvement among women has long been recognised as one of the pillars for enhancing the productivity of women entrepreneurs through better marketing, productivity, access to market and financial transaction capacity. This was especially poignantly felt during the pandemic period when the country intermittently went into lockdowns. Many SMEs, including women were able to continue and sustain their businesses through the power of digital economy. Hence, it must feature centrally in any policy that seeks to approach women's entrepreneurship.

Recent studies by IFC and others yielded suggestions on many opportunities for financial institutions to develop women-centric products such as digital ROSCA schemes or 'committee' in common terms, digital remittance products for families with members working abroad, specialised agri-bullet loans for women farmers etc. Now, especially in the backdrop the SBP's push on access to finance for women through the banking on equality policy, financial institutions must add specific women's digital products to their existing suite and continuously engage with women clients to understand needs and monitor response to the specific products. This can be raised at industry round tables as well as through apex bodies such as Pakistan Banking Association, National Network of Economic Think Tanks (NNETT) as well as Pakistan Microfinance Network. For reaching the lower rung of women entrepreneurs, the Pakistan Poverty Alleviation Fund can also play a part as there is a critical mass of marginalised women entrepreneurs in their portfolio (through engaging partners among the microfinance organizations).

Promotion of digital literacy is also a priority for the government under the NFIS and the SBP should play a role in imparting digital literacy across the various strata of women entrepreneurs. The training approach should be different for urban, peri-urban and rural women while keeping in mind that mobile ownership among the rural women would tend to be minimal and a program can be designed around single ownership for one family.

c. Encouraging Gender-Inclusive Lending Policies

Banking on Equality Initiative by SBP

To improve access to finance for women, in December 2022 the SBP released the Banking on Equality policy which mandates financial institutions to report gender-disaggregated data and maintain adequate female representation in their staff mix. The SBP also revised the Refinance and Credit

Guarantee Scheme for Women Entrepreneurs. To promote access to finance for women entrepreneurs across the country, financing is available at a mark-up rate of up to 5%. The maximum loan size is PKR 5 million. Maximum tenor of the facility is five years including a grace period of up to 6 months. Shariah compliant versions of the scheme are also available.

SBP's Inclusive Finance Initiatives

Figure 9: State Bank of Pakistan's Inclusive Finance Initiatives

Source: State Bank of Pakistan

SBP has consciously been supporting financial inclusion but without being too over bearing to allow a natural adoption by financial institutions. In 2001, it was among the first regulators in the region to formulate microfinance regulations and this pioneering streak has continues two decades later with the SBP pushing for gender friendly financial inclusion through the Banking on Equality guidelines of 2022 after deliberating the draft with multiple stakeholders within the banking, and international development bodies' realm. There are basically 5 policy pillars through which the SBP seeks to enhance access to finance for women:

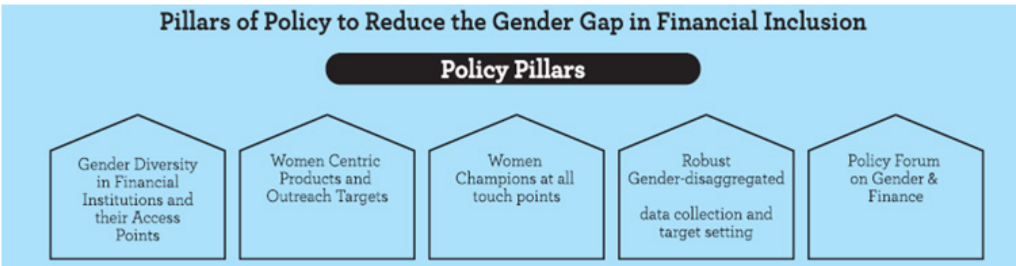

Figure 10: Pillars of Policy to Reduce the Gender Gap in Financial Inclusion

Source: State Bank of Pakistan

Improving Gender Diversity

The ethos of this pillar lies in the fact that no financial institution can encourage loans to women without having internalised the concept through its own gender diversity. Currently banks have 13% female staff (6% among senior management) while 1% females act as branchless banking agents.

FIs have been asked to ensure at least 20% female staff participation by 2024 along with creation of management sub committees on gender. Gender diversity KPIs are to be developed for all the C-suite management along with board presence. Anti-harassment framework as well as a grievance redressal mechanism should be developed.

Women Centric Products and Outreach Targets

Within 6 months of issuance of the policy, banks are to create a specialised department to develop gender specific products for both assets and liabilities. To meet those targets, financial institutions are encouraged to collaborate with civil society organizations, think tanks, trade bodies, chambers of commerce etc. This is to ensure that banks have a pulse on the real needs of women entrepreneurs and understand the nuances of their particular demands as well as their limitations.

Women Champions at all touchpoints

By 2024, women champion resources should be deployed within at least 75% of touchpoints. Women entrepreneurs are intimidated and hesitant to approach male agents while visiting a branch to fulfil their financial needs. The women agents should be trained and gender sensitised and must be able to guide the women entrepreneurs about all the bank's gender product suite as well as all the SBP supported facilities.

Collection of disaggregated gender data and target setting

What is not measurable cannot be improved. SBP will require all banks to report gender disaggregated data. This will not only help the SBP in devising the right policies but also the financial institutions to be able to see their areas of strength and weaknesses in different geographies and thus be able to consider appropriate gender products. For example, if more women are asking for a certain loan with a particular tenor, there is an obvious demand in that niche. Banks would have to appropriately tag women loans in their MIS systems and for this, they would have to first define what they call gender loans and set up the right parameters to tag them. For example, the bank would have to consider, should it only be a woman owned business or could they also define a business with a certain percentage of woman ownership as a gender loan.

Policy Forum on gender and finance

This forum will be chaired by the governor SBP and will include representation from finance sector think tanks, banks, SECP, women chambers of commerce, women advocacy groups, civil bodies and will meet at least bi annually. The purpose is to internalise, communicate and brainstorm the pathway to a more gender inclusive financial eco system.

One can say that this initiative along with the credit guarantee scheme for women is one of the most ground-breaking events in the policy ecosystem for access to finance for women entrepreneurs. Never have financial institutions seen so much impetus from SBP and it is being overseen personally by the deputy governor in 2023. She brings with her a rich experience in this field of not only being one of the most senior Pakistani women to rise to senior management of a commercial bank but also has the experience of having pioneered HBL's NISA, a specific product offering for women and a huge step in the gender finance eco system in Pakistan.

The case of HBL

HBL deserves a mention in his study, being a forerunner in gender finance. There are learnings from this journey for other institutions. Established in 1947, HBL was the first commercial bank in Pakistan and over the years, HBL has grown its branch network to become the largest commercial bank. It is focussed on development initiatives as it positions itself as an important player in responsible finance. HBL has taken a leading role in enhancing gender diversity through ensuring women's access to the financial sector.

In 2014, the International Finance Corporation (IFC) launched an advisory project with HBL to help the bank improve its offerings to women employees and customers in Pakistan. HBL began working on a program designed to give women across the nation a chance to realize their dreams. Launched in 2016, HBL's Women's Market program – HBL NISA – is a unique initiative dedicated to understanding, educating and developing services that cater to the financial needs of women, especially entrepreneurs. The program offers a complete suite of financial services catering to the daily banking, savings and investment, protection, and borrowing needs of customers, along with a host of value-added services.

The development of the women's platform started with initially studying the available data and helping the bank tag women clients in its MIS to see existing pool of women and their service usage as well as geographical footfall. Appropriate criteria was developed along with international specialists to tag women clients. IFC defines women-owned enterprises as a firm with (a) 51 percent ownership/stake by a woman/women; or (b) 20 percent owned by a woman/women and 1 woman as CEO/COO (President/Vice-President) as well as ≥ 30 percent of the board of directors being women where a board exists (IFC undated).

Assessment was also carried out based on banking history what might be the potential needs of women client. As part of the pilot, potential products on both asset and liability side were developed and tried and tweaked. Credit processes were analysed to see where women may be facing challenges such as collateral provision and recovery mechanism. Some changes were proposed to develop a separate procedure starting with marketing, analysing potential products for the women's niche through customer segmentation techniques and finally incorporated as part of the credit procedure.

Therefore, HBL has a separate platform for women. Hence HBL has been able to take a head start where other banks are commencing now after the issuance of the SBP's Banking on Equality policy. The bank also made sure that the governance around women's products was in place with appropriate procedures, approval levels and board reporting. The bank is constantly trying to improve the women's offering through multiple channels and linkages. The bank also has appropriate anti-harassment, whistle blowing and grievance redressal mechanisms in place. Without this support structure women centric products cannot be developed and deployed successfully. The bank has also introduced some gender friendly policies such as "Waapsi program" which allows women who have taken career breaks due to family or other responsibilities to return to work with some flexibility in work arrangements such as flexible and remote hours.

The bank now has more than 5 million women clients (July 2023). They also offer non-financial services such as financial and digital literacy sessions, engage with women rural workers, with women chambers of commerce and others to find synergies and identify financial needs of women entrepreneurs of various strata. The bank also engages with women crafts NGOs such as Hunar Foundation to provide financing for the raw material needed along the supply chain. HBL also runs a flagship program for women in remote areas such as Gilgit Baltistan where capacity building through skills and financial literacy is done, especially for women farmers. HBL is also a part of the policy forum, the fourth pillar of the Banking on Equality initiative of SBP and is often called upon for brainstorming sessions and imparting earnings from this experience.

Gender Bond

While gender bonds are prevalent in many developed as well as emerging economies, Pakistan is still in a nascent stage as far as gender finance is concerned. As a first step towards deepening of gender related capital markets, Kashf Foundation (a women-entrepreneur centric microfinance organization) has just recently issued Pakistan's first gender bond in July 2023. The bond is aimed at expanding Kashf's micro-loan portfolio and promoting gender equality in Pakistan. The bond issuance, classified as a 'Gender Bond,' will be the first of its kind in the country and follows the guidelines prescribed by the Securities and Exchange Commission of Pakistan (SECP).

The issue size of the bond is set at Rs. 2.5 billion, inclusive of a PKR 500 million green-shoe option, with a tenor of three years, including a one-year grace period. The proceeds from the bond will be utilised by Kashf to provide micro-infrastructure finance loans exclusively to women-led businesses. It is guaranteed by InfraZamin Pakistan which covers 100% of the principal amount and a 1x semi-annual interest instalment, ensuring an AAA credit rating for the bond. This heralds a good omen for deepening the capital markets for a just cause as it is projected that the Kashf Foundation's provision of approximately 30,000 new micro-loans, with each loan generating 1-2 new jobs, will lead to an estimated 50,000 new job opportunities for women.

Policy Implications and Recommendations

In the backdrop of the SBP's Banking on Equality policy, there is a very solid opportunity to advance gender inclusive lending policies through direct and indirect policy approaches.

Under the policy there is a much-needed directive to collect gender disaggregated date. Just data collection does not ensure data usage for the best market segmentation and product development policy. SBP should also be seeking information from institutions how the data was analysed and used. As this is a competitive market, despite the existence of many data analytical companies, banks would be reluctant to share this information with anyone other than the SBP. Moreover, in time, the better institutions would be able to introduce more nuanced data collection which could be used for purposes such as credit scorecards. The SBP should also regularly publish insights from this gender-disaggregated data as the reporting institutions would not be having a holistic picture. The insights should be dynamic and SBP should make a dashboard accessible to all so that the women's economy can be explored and tapped into by all.

While the SBP does not mandate the mobile companies to share data, there could be some collaboration between their regulator, the PTA and SBP to share data (albeit with anonymity) as mobile companies are holders of very rich and diverse chunks of data. There could be some conflict of interest as many of the mobile companies also own banks. Although inter-institutional synergies exist and could be tapped at a later stage, this could be a complex exercise given the competitive nature of their financial arms, even though the niche clientele of digital banks differs from that of the commercial banks'. Hence, as a first go the data of mobile firms should be triangulated with their sister concern banks (U-fone-U Bank, Mobilink-Mobilink Bank etc.).

Development agencies such as the IFC and USAID should hold knowledge sharing initiatives in this regard as they have a rich global experience of score card modelling.

SBP, in collaboration with the development agencies in Pakistan should also be introducing global contemporary practices in access to finance for women such as non-financial services as ancillary banking offerings. This may include financial skills training, capacity building workshops, and creation of business-to-business linkages for better market access. There is a consensus that these types of offering are far more effective in attracting and maintaining women clients as compared to cosmetic offerings like pin-coloured cards and check books.

d. Creating Supportive Ecosystems for Women Entrepreneurs

Pakistan is at a very early stage as far as the eco-system for women entrepreneurs is concerned. Apart from the SBP's refinance scheme envisioning access to finance for women, multiple development agencies, venture capitalists and incubation centres are targeting growth models for women entrepreneurs. Below are some of the initiatives by the government and the private sector to bolster the eco-system for women entrepreneurs:

Parwan-e-Nisa

The government of Pakistan has formally launched Parwan-e-Nisa, a year-long grant project funded by the U.S. State Department which focuses on empowering women entrepreneurs of Pakistan in partnership with The Indus Entrepreneurs (TiE). Around 150 female entrepreneurs have been selected for training workshops, mentorship, and business incubation. The program envisions capacity building of emerging entrepreneurs by providing them with the right skills, mentorship, facilities, and co-working space to scale their businesses. The platform also seeks to provide women with a platform to network with investors, mentors, and industry experts from across the globe. TiE, was founded in 1992 in Silicon Valley by a group of successful entrepreneurs, corporate executives, and senior professionals with roots in the Indus region.

Karandaaz Women's initiative

Karandaaz launched its own program to help serve women-owned businesses. Karandaaz Women Entrepreneurship Challenge (WEC) has evolved into Women Ventures, an institutionalized and scaled-up approach to supporting women-led businesses in Pakistan. They serve high growth, scalable, enterprises seeking growth capital while providing business development support to selected businesses.

Sarmayacar

This is an IFC investee venture capital fund which identifies investable companies to catalyse follow-on funding from existing and external limited partners. The early stage of local venture capital ecosystems is often the most crucial building block for sustaining healthy entrepreneurship and innovation. Part of the IFC investment is from the World Bank's We-Fi Initiative. The Women Entrepreneurs Finance Initiative (We-Fi) is a collaborative partnership among fourteen governments and eight multilateral development banks with a mandate to unlock the potential of female entrepreneurs through a capital boost as well as business development support.

National Incubation Centres (NICs)

The government, through the Ministry of IT and Telecom has established incubation centres both at national and provincial levels with a view to bolster entrepreneurship, especially in the tech sector. "FoundHer" is a community of women entrepreneurs. It is a flagship program of NIC Islamabad focused on building a network of women entrepreneurs, creating mentorship, networking, and investment opportunities for women with a view to help women translate their ideas into reality.

Pakistan Business Council (PBC)

PBC is composed of the largest and most successful businesses in the country. As an outreach initiative to grow the formal sector, the PBC established in 2016 a Centre of Excellence in Responsible Business (CERB). CERB focusses on research on the good practices for businesses in Pakistan, especially provision of an enabling environment for women entrepreneurs and traders. They provide a platform for companies to network, build capacity and collaborate with peer companies as well as capacity building through specialised institutions for women in business.

SAARC Chamber of Commerce and Industry

Representatives of National Federations of Chambers of Commerce and Industry of SAARC countries came together at the second meeting of Chambers of Commerce & Industry of the developing countries (G-77) in New Delhi in December 1988 to establish the Chamber of Commerce and Industry of SAARC countries for the promotion of trade and industry in the SAARC region and to develop and achieve common objectives in these areas. The objective was to bring about improvement in the business environment, disseminate information about potential tradable goods and identify joint ventures in the SAARC region. Women's entrepreneurship is a priority area under the SAARC CCI and a program was formulated by the name of SAARC Chamber Women Entrepreneur Council (SCWEC). This provides capacity building opportunities as well as trade exhibitions in each other's countries with a view to promoting regional synergies and bolstering trade volumes within the SAARC region.

There is an ambition to access and promote supply chains within the region rather than outside. The SAARC CCI headquarter is in Islamabad and meetings revealed that women entrepreneurial ecosystem in Pakistan is among the weaker ones although there are case studies of women in relatively remote areas of Pakistan such as interior Sindh having taken the initiative to export indigenous products such as dates and local crafts and there is a need to bolster the representation of Pakistani women in this network. They work with local chambers of commerce including the women chambers.

Many women businesses in Pakistan are engaged in the textile sector (designing, embroidery etc.) and the SAARC CCI is aiming to bring about diversity in this pool while tapping the opportunities within the digital economies. They regularly hold SAARC bazaars and other such forums to showcase and provide networking and investment opportunities for women entrepreneurs. The ecosystem s likely to improve through structural changes in the women entrepreneurial eco system such as socio legal barriers and access to finance which are discussed in detail in earlier sections (see Batool and Ahmed 2021).

Women Chambers of Commerce and TDAP

In Pakistan, nearly all the chambers of commerce have associated chambers for women embedded in them. The Women's chambers work closely with stakeholders such as Trade Development Authority of Pakistan (TDAP) for capacity building as well as creation of conducive business environment for networking and etching a pathway to promote trade.

A program by the name of WEXNET under TDAP functions to prioritise and position women as significant contributors to Pakistan's trade efforts. Women are included in all general delegations sent abroad by TDAP. Women entrepreneurs' participation is encouraged through subsidy (50% of airfare and USD 100/- per day of daily allowance) in all trade delegations. TDAP has supported women entrepreneurs' participation in international exhibitions and fairs in all product categories. There is a 10% quota for selection of women entrepreneurs and new exporters in exhibitions and fairs. Women entrepreneurs' pay 50% of the normal stall charges in all international and domestic exhibitions.

Women Traders and the GSP Plus opportunity in EU countries

The primary objective of the Generalized System of Preferences (GSP) is to contribute to the reduction of poverty and the promotion of sustainable development and good governance through a set of autonomous concessions. Tariff preferences in the EU market enable developing countries to participate more fully in international trade to generate additional export revenue and support implementation of their own sustainable development and poverty reduction policy strategies. The European Union's GSP covers three separate regimes; (i) the standard GSP, which provides preferences to 90 (previously 177) developing countries and territories on over 6300 tariff lines; (ii) the special incentive arrangement for Sustainable Development and Good Governance, known as GSP+, which offers additional duty free exports to support vulnerable developing countries (previously 16 now 25 countries – including Pakistan) in their ratification and implementation of relevant international conventions in these fields, and; (iii) The Everything But Arms (EBA) arrangement, which provides Duty-Free, Quota-Free access for the 50 Least-Developed Countries (LDCs). In the region, Bangladesh is a recipient of EBA status.

For Pakistan, textiles remain the largest export of EU, also its largest market. Since 2013, exports under the GSP plus framework have increased by 108%, the bulk of which (75%) comprises textiles, linen, and knitwear. Hence, an obvious concern is the need to diversify as there are more than 6,000 product lines that fall under this regime. While the GSP opportunity does not directly differentiate between a female entrepreneur or otherwise, it does seem like natural opportunity for women. Pakistan's textile and garment industry employs around 45% of the country's total labour force. According to the Pakistan Institute of Labour Education and Research (PILER), about 30% of the workers in the industry are women. This is an opportunity for the women chambers of commerce to spur exports albeit in a diversified way. Another area which can become a low hanging fruit for Pakistan is surgical and sports goods. While there are exports in these product lines, they are not mostly to the EU because of a standardization issue. There is an opportunity to link up Pakistan's industries with institutes that support and establish standardization among the EU for better acceptability. Given this is an opportunity to earn precious foreign exchange for the country as well as the exporting industrialists, they should consider hiring international advisory firms that can hand hold them through the standardization effort as well as positioning themselves as responsible businesses as that helps build the narrative for Pakistani exporters. Another issue of importance in advanced countries is also source identifiability. There is an intrinsic opportunity to open new markets by simply documenting and identifying the supply chain. Women would surely be a significant part of that supply chain and if that can be established, there are many grant and other support opportunities from international organizations such as Financial Alliance for Women, Cherie Blair Foundation, and Cartier Initiative. Becoming a part of these international eco systems can help open up the market as well as networking and investment opportunities.

Women-led start-ups

There are other mentionable players in the market such as i2i ventures, a standalone venture capital fund which runs an accelerator program by the name of WeRaise in collaboration with the World Bank under the We-Fi initiative. In the last five years, women-led start-ups in Pakistan only raised 3% of the start-up ecosystem's total funding. WeRaise now aims to address this gap by supporting high growth women-led companies in Pakistan to attract and raise capital to grow their businesses. WeRaise is being implemented by i2i and global partners efino and Valhalla Private Capital.

Over the next two years, WeRaise will support 30+ women-led Pakistani companies – selected through a competitive process – in raising capital from investors in Pakistan and worldwide through an investment readiness and capital raising coaching and support program. Selected start-ups will benefit from a tailored and bespoke coaching and support program, which will include hands-on guidance from world class investment readiness coaches, access to a pool of local and international mentors, capital raising seminars and topical resources, and connections with investors, all in service to raising funding to grow and scale their companies.

Policy Implications and Recommendations

The entrepreneurial ecosystem, though nascent, is starting to grow with the realization among many stakeholders that the women's economy can yield significant boons. Therefore, policy measures must be consistently introduced and fervently implemented.

The women's entrepreneurial eco system requires targeted policies and programmes to promote and support women in business creation and self-employment particularly in the secondary cities. Till this becomes a socio-economic reality, there need to be bespoke and supportive governmental and private sector frameworks. As women are under-represented in entrepreneurship compared to men, closing this gap would result in welfare gains for the economy, society and for individual women. Women are often held back by institutional and market failures, including social attitudes that discourage women from creating businesses, accessing resources and generally have a lower awareness of public support programmes as the in-take mechanisms favour men entrepreneurs.

As social attitudes and cultural views still tend to exert a negative influence on women's propensity to start businesses, a focussed policy should be developed to raise awareness about the potential of entrepreneurship and the positive impact on the welfare of the entire family. One such approach that has been taken in other countries is that of promoting role models that break the gender stereotypes who can play a crucial role in having a demonstration effect. This can be developed through representations and stories in the media, through direct interactions and learning materials and case studies.

Basic entrepreneurial education and training programmes can be developed for dissemination in the mainstream media through publicity campaigns. The government can find many partners in the international community who would be willing to give a grant for such an activity and technical support. The National Network for Economic Think Tanks (NNETT) focuses on secondary cities and with government's support it can scale up its capacity building initiatives.

As the economy becomes more digital, the government can leverage this connectivity for supporting women entrepreneurs. There are under-explored opportunities to deliver support online, including entrepreneurship training, building entrepreneurial networks, improving access to finance and opening-up procurement markets to women. Online entrepreneurship training, including through mobile applications, is increasingly considered to be a viable approach to delivering entrepreneurship skills and advice to women business owners. The advantage is that it is cheaper to deliver, and it can reach a wider audience than in-person delivery. The disadvantage is that it may not be as effective as in-person delivery methods since users tend to be more passive in their engagement.

Another policy approach which can be taken is through focussing the government's own procurement and contracting awards policy on women entrepreneurs. This can be done through allocation of quotas. However, a challenge in this approach would be the identification of women owned businesses in the supply chain.

Women traders and industrialists who are members of the chambers of commerce could be introduced to more market linkages both domestically and abroad. Market opportunities should be identified and communicated effectively to women operating in the relevant sector. Similarly, synergies within the domestic markets should be explored so women may be able to tap into raw material procurement from other women operating in the market as there would be a greater ease of doing business among such women.

The global e-commerce market for example amazon resellers, eBay, Etsy etc. should be explored and the drill of doing business in this fashion must be explained and disseminated to women especially. They would also need to be taught the mechanism of holding foreign currency account to be able to receive payments in other currency. Similarly, the international market for services also needs to be explored by women entrepreneurs. There are platforms like Up work and Fiverr where a gamut of services like digital design, copy writing, data entry and essay writing can be offered. All these digital options would minimise the need for physical mobility and provide a better work-life balance for women.

There is a need to improve results measurement frameworks and to systematically document successes and failures along with the underlying factors. For example, how to determine the effectiveness of business training that can guide policymakers? Most international organizations have their own results measurement framework but perhaps time has come to try to reach a consensus on some universally accepted framework to be able to compare apples to apples. Many financial organizations lack any kind of results measurement framework at all. This is also a recommendation for the concerned regulatory bodies to impose measurement and monitoring requirements.

Conclusion

Women's entrepreneurship will continue to matter in areas of national significance and developmental policy goals. Both business and developmental growth impact will continue to perceive this important area as one without any country cannot stride confidently into the new world order and stand shoulder to shoulder in the comity of nations. Putting half of Pakistan's population on the back burner will be inconsistent with the aspirations toward a sustainable future. While women still face obstacles to establishing and growing their businesses, there are now a variety of documented successful approaches to promote women's access to finance, training and markets. Building on these available case studies and emerging business networks, both public and private sector players have an opportunity to collaborate in order to bring these initiatives to scale. Each market is unique, and women entrepreneurs' demands are not universal; instead, they need customized solutions.

Policy makers must not lose sight of the near term objectives of ensuring that legislation provides equal opportunities for women and men and where legislation is gender-neutral, ensure that non-discrimination is actually practiced. There are synergies in partnering with private sector companies (including financial institutions) to enhance regulatory frameworks for the benefit of women entrepreneurs (e.g., credit reporting, opening hours of financial institutions). Supplier diversity opportunities must be explored as well (policies that promote sourcing from SMEs (including from women-owned enterprises). Academia and think tanks can provide an additional impetus while consistently disseminating further knowledge and case studies about opportunities and obstacles faced by women-owned enterprises. They can conduct market research to identify the potential business case for women-targeted interventions.

Similarly, the private sector must commit itself to this cause, not as a corporate social responsibility but as a genuine business case which will diversify and improve their portfolio quality while creating an eco-system which will benefit the women's households as well as society at large. Banks must proactively sniff out opportunities to finance women- owned SMEs, including through sources of finance and equity capital. Banks have the financial bandwidth to enter the international ecosystem of women entrepreneurs and can join programs that provide knowledge on how to profitably reach the women's market (e.g., the Financial Alliance for Women, Alliance for Financial Inclusion etc.) Banks can explore partnerships that better link access to finance with capacity-building programs (including targeting entire value chains). Nationally and internationally, there are many support-program mechanisms for women entrepreneurs that can have an impact on the entire value chains where women entrepreneurs are concentrated. Chambers of commerce must develop inter-institutional relationships for better program linkages. Any successful initiative must be replicable, scalable, and measurable to be able to make a true impact on women and society.

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Annexure

Annex-1: List of Institutions Interviewed

- SAARC Chamber of Commerce and Industry
- EU Mission to Pakistan
- World Bank
- International Finance Corporation
- Habib Bank Ltd.
- Pakistan Banking Council-CERB (Centre of Excellence in Responsible Business)
- Karandaaz
- Benazir Income Support Program
- Pakistan Poverty Alleviation Fund
- National Network of Economic Think Tanks
- United Nations Development Program
- Benazir Income Support Program
- Ministry of Planning, Development, and Special Initiatives
- Planning & Development Department, Government of Khyber Pakhtunkhwa
- The Indus Entrepreneurs (Islamabad Chapter)

Annex-2: Key Entities in Financial Sector of Pakistan

Public Sector Commercial Banks
First Women Bank Limited
National Bank of Pakistan
Sindh Bank Limited
The Bank of Khyber
The Bank of Punjab

Specialized Banks
Industrial Development Bank of Pakistan Limited
Punjab Provincial Cooperative Bank Limited
SME Bank Limited
Zarai Taraqiati Bank Limited

Local Private Banks
Allied Bank Limited
Askari Bank Limited
Bank Al-Falah Limited
Bank Al-Habib Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Samba Bank Limited
SILKBANK Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited
United Bank Limited

Islamic Banks
Al-Baraka Bank (Pakistan) Limited
Bank Islami Pakistan Limited
Dubai Islamic Bank Pakistan
MCB Islamic Bank Limited
Meezan Bank Limited

Foreign Banks
Bank of China Limited
Citi Bank N.A
Deutsche Bank AG
Industrial & Commercial Bank of China

Microfinance Banks
Advans Pakistan Microfinance Bank Limited
APNA Microfinance Bank Limited
FINCA Microfinance Bank Limited
HBL Microfinance Bank Limited
Khushhali Microfinance Bank Limited
Mobilink Microfinance Bank Limited
NRSP Microfinance Bank Limited
Pak Oman Microfinance Bank Limited
Sindh Microfinance Bank Limited

Telenor Microfinance Bank Limited
U Microfinance Bank Limited

Development Finance Institutions
House Building Finance Company Limited
PAIR Investment Company Limited
Pak China Joint Investment Company Limited
Pak Libya Holding Company Limited
Pak Oman Investment Company Limited
Pak Brunei Investment Company Limited
Pak Kuwait Investment Company Limited
Pak Mortgage Refinance Company Limited
Saudi Pak Industrial and Agricultural Investment Company Limited

Credit Bureaus
Aequitas Information Services Limited
Data Check Limited

Payment System Operators
1LINK (Pvt.) Ltd.
National Institutional Facilitations Technologies (Pvt.) Ltd. (NIFT)
Virtual Remittance Gateway (Pvt.) Ltd.