**Banking the unbanked**

**[Omar Ashraf](https://nation.com.pk/Columnist/omar-ashraf)**

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Pakistan has seen it all, from military coups to uninterrupted, what some might call, a thriving democracy. However, despite the difference in the vision and governance system, the sole promise each government made to the people of Pakistan was to give them a more equitable and sustainable economic system. Unfortunately, the systematic neglect of the masses and an uncoordinated effort in silos from the stakeholders has not helped in breaking the vicious cycle of poverty in the country. Over time, roughly 25 percent of the total population has chronically remained under the poverty line since inception. Nevertheless, in an effort to break the trend, in 2015, the government of Pakistan introduced a National Financial Inclusion Strategy (NFIS) as one of the mechanisms to address the problem. The strategy focused on banking the unbanked marginal population of the country and vowed to provide greater access to financial services to the population.

The targets set by NFIS primarily focused on creating an enabling digital financial transaction system in the country. For instance, by 2023, NFIS aims to create 65 million active digital transaction accounts with a prime focus on bringing at least 20 million women into the financial service system of the country. Moreover, it is looking to bring 6 million farmers on to digital financial solutions, extend finance to 700,000 SMEs, and increase the deposit to GDP ratio by 50 percent by the end of 2023. These are ambitious, yet achievable targets.

[NAB summons CM Buzdar's principal secretary on July 8](https://nation.com.pk/02-Jul-2021/nab-summons-cm-buzdar-s-principal-secretary-on-july-8)

In 2020, the State Bank of Pakistan announced completion of NFIS’ primary target of achieving 65 million digital accounts. Though, it is a great achievement on part of the State Bank of Pakistan, however, it was only possible because a majority of the population already had a basic personal identification document; a mandatory prerequisite for opening an account. According to the Financial Inclusion Survey, NADRA had documented 95 percent of Pakistanis by the end of 2020. Therefore, the identification documents provided by NADRA became the backbone of the verification system used to open digital transaction accounts across the country. Similarly, the government also showed commitment towards enabling a digital financial system and moved social transfer payments through digital accounts across the country.

Though it is great that we are increasing the number of digital accounts in the country, to reap any benefit for the poor, these accounts need to be used on a regular basis. The premise is simple—the more an economic agent utilises digital accounts, the greater that person creates visibility on the data metrics. Ultimately, allowing policymakers to make better and informed decisions aligned with the needs of the population. Currently, according to a report published in 2020 by the GSMA, only 11 percent of the adult population accesses their banking accounts regularly. Indicating that the data collected on the digital transaction accounts only presents a limited picture of the behaviours of the marginalised population.

[India still trying to derail Afghanistan peace push: President Arif Alvi](https://nation.com.pk/02-Jul-2021/india-still-trying-to-derail-afghanistan-peace-push-president-arif-alvi)

Now the question is, how do we create a sustained and regular use of the digital accounts? Firstly, like many developing countries, the economy of Pakistan is, majorly, a cash economy, signalling that people prefer transacting in cash rather than utilising different technologies available for making transactions within the financial system. Now, this is a behavioural pattern. The people of Pakistan have been conditioned to distrust the system. Resultantly, people move away towards the undocumented economy which currently stands at 26 percent of the total GDP of the country. Therefore, the solution lies in addressing the problem on a behavioural level

In that regard, the first step is to create an environment of trust and responsibility in the realm of financial inclusion debate. For 65 million newly onboarded digital transaction accounts, and the unbanked segment, the financial system needs to build an image of a facilitator. Keeping in mind that the financial literacy of the country stands at 20 percent, financial institutions need to develop indigenous solutions and offerings for their population. For instance, combining the transaction accounts with incentives like access to the Ehsaas programme, Sehat Suhlaat programme, loan disbursement schemes and Kamyab Jawan etc. Similarly, a behavioural change can be triggered and solidified into action through application of the concept of mental accounting, presented by Nobel Laureate Richard Thaler. In this, policymakers need influential people to begin using digital accounts regularly by developing a mental bucket around using their digital transaction accounts for their health, education, and other welfare services. The association of digital accounts with positive outcomes for users will create a loop of action and reward, ultimately, building confidence of individuals to repeat the behaviour.

[Denmark to vaccinate children on immediate basis; paediatricians remain sceptical](https://nation.com.pk/02-Jul-2021/denmark-to-vaccinate-children-on-immediate-basis-paediatricians-remain-sceptical)

Pakistan has long tracks to cover to develop a financially inclusive economic system. The unbanked not only need to be nudged to jump into the formal economic system, but also, be hand-held and supported to stay in the system. Correspondingly, to provide that, it is important that policymakers focus their attention on creating a sustainable behavioural change in the system, create synergy between the financial and non-financial stakeholders, formulate strategies that complement existing programmes focused around financial inclusion and build upon the work that has already been done in the country.