



EVALUATING THE IMPACT OF DIGITAL BANKING ON FINANCIAL INCLUSION IN PAKISTAN

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Abstract:

In developing countries like Pakistan, most of the population lives in rural areas and has a lower literacy rate; as a result, they lack knowledge regarding financial services, their use, and benefits. This study observed and examined digital banking role in financial inclusion in Pakistan. The study observe different factors which are responsible for low digital literacy in Pakistan, for this purpose a mixed method approach has been used via interviews of bank professionals and fintech experts. The study emphasized the importance of the latest digital platforms such as, banking apps, instant payment facilities, and mobile wallets in providing facilities of financial services. The study findings show that there is a strong positive relationship between the growth and development of digital banking and financial inclusion indicators. The research finds that there are some obstacles that make it difficult to use digital banking services properly in rural areas as compared to urban areas. These obstacles include digital illiteracy, lack of internet services, lack of trust and faith in banking applications, threat of data theft, and gender disparity. All these issues need to be solved.

Keywords: Islamic Banking, Financial Inclusion, Pakistan, Fintech

EVALUATING THE IMPACT OF DIGITAL BANKING ON FINANCIAL INCLUSION IN PAKISTAN

Introduction:

The last twenty years have shown how financial inclusion is one of the important ways of addressing poverty and promoting economic development, especially for developing countries¹. Pakistan is one such country where a large part of the population remains unbanked. Therefore, the goal of achieving financial inclusion became a national objective in Pakistan. It involves extending access to vital financial services, which include but are not limited to savings, credit, insurance, and investment accounts. These services are critical in promoting economic participation, reducing vulnerability, and supporting sustainable development².

The proliferation of services such as JazzCash, Easypaisa, and the Raast payment system, which is sponsored by the government, does not alter the reality that there are still a number of difficulties to overcome³. Identify several problems that fall under this category, including but not limited to: poor digital and financial literacy; low trust in digital financial services; infrastructural deficiencies in rural areas; and concerns around cybersecurity.

This study aims to examine the impact that digital banking has had on financial inclusion, to identify demographic and socio-economic variables that affect adoption, and to explore the obstacles that are limiting broad employment. Other objectives of this research include identifying the qualities that drive adoption. However, in addition to this, it studies the growing risks that are associated with digital finance. These risks include data breaches, financial fraud, and issues over consumer protection. All of these risks need to be handled in order to retain trust and ensure fair growth.

Key research questions include:

- How digital banking has impact on financial inclusion in Pakistan?
- What are different factors that affect and slow down the pace of digital banking?
- What are the main issues in provision of digital banking in Pakistan?

2. Literature Review

2.1 Financial Inclusion:

Those financial services that are available to enterprises and persons of all income groups, located anywhere at affordable prices, are known as “financial inclusion”. It includes different products and services as insurance, investment, credit payments, and savings, etc.

No doubt that financial inclusion has a huge impact on individuals, and also on economy as a whole. The financial inclusion significantly contributes to economic growth and the development of the economy. In almost most of the cases, the financial inclusion has a positive impact on economic development. Due to the availability of financial inclusion, the ability to invest and save increases for individuals and businesses⁴. This led to an increase overall welfare of the economy by creating more job opportunities, and by providing necessities of life. After generating new job opportunities, the poverty level falls, and the economy sustains economic development.

In the past few years, financial inclusion has been gaining prominence due to the spread of digital technologies and innovations in the financial system. Digital financial services are revolutionizing how people interact with the financial system, particularly in rural and poor communities⁵. It is making it feasible to narrow the gap for unbanked communities or those with inferior banking services.

When financial resources are easily available to people, then they can easily invest money, save money, debit and credit more effectively as result country running on the path of economic development. There is a positive relationship between economic development and financial inclusion⁶.

2.2 Evolution of Digital Banking:

The term "digital banking" describes various improvements made in delivering financial services. These innovations have been widely adopted. They include banking services accessible through mobile devices and the internet, as well as services provided by financial technology specialists. Customers enjoy simplified banking experiences through web-based platforms and mobile apps, often without the need for physical branches.

Growth of digital banking depends on various factors, and among these factors, one of the key factors is increased in the usage of consumer mobile phones. Now people in rural areas and urban areas have easy access to all financial services such as sending money, paying off bills, advancing loans, etc, and all this happened due to digital banking⁷. Digital banking have changed the way of living of people in rural and urban areas, as now they can avail financial services with one click without wasting any time and resources.

2.3 Digital Banking and Financial Inclusion: Global Perspective:

Online banking is currently a key driver for deepening financial inclusion globally, especially in countries with large numbers of people without physical banking accounts. This is particularly common

EVALUATING THE IMPACT OF DIGITAL BANKING ON FINANCIAL INCLUSION IN PAKISTAN

where physical banking accounts do not exist. According to the International Monetary Fund (IMF)⁸, the use of digital banking technologies in developing economies, including mobile banking apps, electronic payment systems, and fintech products, has resulted in a remarkable decrease in the number of barriers hindering people from accessing financial services. This is because the technologies have enabled people to gain access to financial services.

All over the world, digital banking and financial inclusion have changed people's thinking and approach towards the use of financial services. In underdeveloped countries of the world, such as sub-Saharan Africa, some years earlier, it was impossible to get financial services, but due to the introduction of a financial service named 'M-Pesa' lives of people changed. Millions of people in sub-Saharan Africa can now avail banking services within seconds; now they can send money, receive money, and pay their bills easily due to the availability of the M-Pesa service⁹. Similarly, other backward and underdeveloped regions of the world also benefited from the use of digital banking, such as G-Cash in the Philippines, Grabpay in Singapore, providing millions of people an easy access to financial services.

The rise in digital banks operating in Latin America has increased the total number of financial services available in the region. Nubank and Banco Inter are two examples of digital-first banks that have launched in several countries, including Brazil, Mexico, and Argentina. These banks offer banking services that are either free or at a lower cost. Many researchers have suggested that the widespread use of digital banking is directly helping develop a more inclusive and easy financial services access for individuals from diverse backgrounds¹⁰.

2.4 Financial Inclusion in Pakistan: Current Landscape:

Over the last few years, all over the world, digital banking and financial inclusion have spread very fast, but their pace in the case of Pakistan is still very low and slow. In Pakistan, about 61% of the population lives in rural areas, and among these people majority of people are uneducated and have no knowledge of how to get benefits from the digital banking system¹¹. The need of the hour is to provide these people with some awareness regarding the advantages of using digital banking and financial inclusion. Therefore, for the achievement of this objective, the State Bank of Pakistan (SBP)¹² has taken different initiatives and started different programs to provide awareness to people regarding financial services and their benefits. Among these programs, two are most important, the first one is the National Financial Literacy Program, and the second one is Raast.

All over the world, the majority of people use digital banking and own their bank accounts. In 2021, according to a report of the Global Findex Database¹³, about 69% of the people in the world have their bank accounts, while in the case of Pakistan, only 21% of people have their own bank accounts. This

percentage is too low, and the reason for this is that about 61% of people live in rural areas, and they have very little knowledge regarding the use of financial services and their benefits.

2.5 Barriers to Financial Inclusion in Pakistan:

There are a number of advantages that someone can get through digital banking, but unfortunately, in the case of Pakistan, its ratio is too low. No doubt in Pakistan, at least every person has mobile phone either they are living in urban areas or rural areas. One of the barrier to financial inclusion is Pakistan is low digital literacy. Residence of rural areas have mobile phones but they have no knowledge regarding banking applications and even they didn't try to get how to use these applications and save their time and resources. Still today in Pakistan, people stood in big line outside the banks to pay their utility bills while same bills they can easily pay via banking applications in their mobile phones¹⁴.

Another barrier to financial inclusion in Pakistan, is lack of belief and faith on banking applications and financial services. Today, people are still afraid of using financial services on their mobiles and laptops, they are afraid that someone will hack their personal data and use it¹⁵. No doubt, several hackers hacked people data and misused it. Absence of data safeguard is another serious problem, due to its unavailability, fraud has occurred while using online services.

Unavailability of internet services is another obstacle to financial inclusion in Pakistan. We are living in the 21st century, and still in Pakistan, there are a number of areas where there is lack of or unavailability of internet services. According to the Pakistan Telecommunication Authority (PTA)¹⁶, in Pakistan, there are a number of areas where there is no access to mobile data networks and internet services. When people have mobile phones but no internet services, how can they avail the benefits of digital banking?

From the findings of a study that was conducted by Kikulwe et al.¹⁷, traditional gender roles typically preclude women from being involved in the process of making financial decisions and from accessing financial services. This remains an underlying factor in the gender gap that persists in the area of financial inclusion. In Pakistan, the successful uptake of digital banking as a tool for inclusive financial development is still being hindered by a host of issues, including a lack of digital literacy, mistrust in technology, infrastructural constraints, and sociocultural constraints. Overall, these constraints remain a barrier to the successful uptake of digital banking¹⁸.

2.6 Fintech and Mobile Banking Role in Developing Countries:

Advancements in fintech and easily and reliable mobile banking solutions are important tools that could be used to increase financial inclusion in developing countries like Pakistan, which has been very

EVALUATING THE IMPACT OF DIGITAL BANKING ON FINANCIAL INCLUSION IN PAKISTAN

significant and has become useful for people, particularly those who do not have access to traditional banking infrastructure¹⁹. In Pakistan, several services utilizing mobile money applications such as JazzCash and Easypaisa, have been important to include the unbanked formal financial system. By using these applications, people of Pakistan, whether living in urban areas or rural areas, can easily send or receive money, pay their utility bills, get insurance, and also invest²⁰.

In financial sectors, technology changes with the passage of time, and Fintech is a broad term covering many types of technological advances made in the financial sector²¹. These advances include peer-to-peer lending, digital insurance, robo-advisory, and blockchain-based financial services, which are all alternatives to conventional banking that are both user-friendly and cost-effective.

3. Research Methodology

3.1 Research Design:

In research, different quantitative and qualitative aspects are covered by using various techniques. In our research work, we have used a mixed method research design and it covers both quantitative and qualitative aspects. With regard to the quantitative aspect, observable indicators of financial inclusion were assessed. These indicators included the number of digital accounts and the frequency with which they were used.

3.2 Population and Sampling

In research methodology, a mixed-methods research method that covers both quantitative and qualitative aspects has been used. The quantitative component consisted of an examination of observable indicators of financial inclusion, while in contrast, the qualitative component allowed for an exploration of the experiences, challenges, and perspectives of users of digital banking.

3.3 Data Collection Methods

Primary Data

Several distinct instruments were used in order to meet the primary objectives of the data collection process. It was decided to make use of structured questionnaires in order to accomplish the objective of gathering information on the accessibility, use, degree of satisfaction, and issues that are linked with digital banking. Both closed-ended questions and items based on a Likert scale rating were included in the surveys by the researchers.

Secondary Data

Secondary sources of information that were relevant to the study include: publications from different banking channels and most reliable sources from the State Bank of Pakistan (SBP), the Pakistan Telecommunication Authority (PTA), the Global Findex Database, and publications from the World Bank. Previous empirical investigations, academic research, and policy papers, previous to the current one. Reports from commercial banks and groups affiliated with fintech on an annual basis

3.4 Tools and Techniques for Analysis

A correlation analysis will be carried out in order to facilitate the investigation of the connection that exists between the elements that are connected to digital banking and the inclusion of financial services.

3.5 Ethical Considerations

Throughout the whole of the investigation, very stringent ethical requirements were followed to: Informed agreement: Prior to their involvement, participants were given a substantial amount of information on the objectives and procedures of the research, and their agreement was obtained. Confidentiality: All of the personal information was stripped of its identifying characteristics and stored in a secure place, which meant that the researcher was the only one who had access to it. It was possible for individuals to decline participation or quit from the activity without facing any negative consequences associated with their decision.

4. Digital Banking in Pakistan

4.1 Growth and Penetration of Digital Banking Services:

If we make a comparison between digital banking in Pakistan, in 2015 and now in 2025, we find out that from last ten years, digital banking usage and its services have increased in Pakistan with fast pace²². Use of mobile phones, internet services is growing day by day in Pakistan. The State Bank of Pakistan (SBP) has been the key driving factor behind these achievements.

4.2 Key Players in Pakistan's Digital Banking Sector

Different financial institutions play an important role in Pakistan's digital banking sector. These financial institutions are financial banks, mobile companies (Jazz, Telenor, Zong), fintech companies, and microfinance institutions²³. The following are some of the most notable contributors to this contribution:

EVALUATING THE IMPACT OF DIGITAL BANKING ON FINANCIAL INCLUSION IN PAKISTAN

- Telenor Microfinance Bank offered the services of Easy Paisa in Pakistan. Through Easy Paisa, we can get services of Mobile wallets, domestic remittances, bill payments, QR-based payments, health and life insurance, investment, and savings²⁴.
- Mobilink Microfinance Bank is the provider of JazzCash, which functions as a product that provides its customers with a wide range of services²⁵. Mobile accounts, microloans, e-commerce transactions, and digital government transfers are all examples of the services that fall under this category.
- Raast: Raast is a real-time payment platform conceptualized and developed by the State Bank of Pakistan²⁶. Its goal is to make it possible for individuals, businesses, and financial institutions to conduct transactions that are inexpensive, safe, and instantaneous.

4.3 Regulatory Environment and Government Initiatives:

The SBP is taking an active approach to providing a safe and inclusive digital banking ecosystem through the following regulations and frameworks²⁷:

1. Branchless Banking Regulations. These regulations are working since 2008 and onwards. That allows banks to cooperate and work with all telecom providers in Pakistan and can provide services all over Pakistan²⁸.
2. Electronic Money Institutions (EMI) Guidelines. These guidelines were passed in 2019²⁹. That allows non-bank entities to provide digital payment services. These guidelines contribute to the fintech ecosystem.
3. Raast Instant Payment System. To provide payment services within seconds, the State Bank of Pakistan launched a key component of the National Payments Systems Strategy, Raast³⁰. Raast is meant to be an enabling universal real-time low-cost payment method.
4. Digital Banks Licensing Framework (2022). This framework allows the formation of solely digital banks for innovative purposes, delivering services and increasing financial inclusion³¹.

These regulations will be used to establish consumer protection standards, consumer education standards, and platform interoperability.

4.4 User Demographics and Usage Patterns:

Digital banking users in Pakistan cover a broad section of society³². In urban areas, there is considerable uptake from salaried professionals, students, freelancers, and small business owners. In rural areas platforms like Easypaisa and JazzCash are increasingly popular with people eager to get on board with

digital banking people like them find it easy to adopt and use, especially because of the agent-based model. Notwithstanding the significant progress, a number of persistent stumbling blocks are inhibiting full adoption including:

- Limited digital and financial literacy
- Low smartphone ownership and limited internet connectivity
- Lack of confidence exhibited by customers towards digital platforms
- Concerns relating to data security and vulnerability to cyber attacks

Typical digital banking activities include:

- Transferring and receiving money
- Utility bill payments
- Mobile phone recharging
- Making payments using QR codes
- Receiving government social transfers (e.g. Ehsaas cash program)

While confidence in digital banking is increasing, to increase and broaden adoption, it will be important to continue to consider infrastructure and educational gaps and to ensure that digital financial tools and processes are made accessible enough to enable broader usage.

5. Impact of Digital Banking on Financial Inclusion

5.1 Rural vs. Urban Access to Financial Services:

In Pakistan, about 61% of the population lives in rural areas, and no doubt that in these areas, use and access of digital banking is too limited³³. While conventional banking services have always served urban customers, technological developments are creating processes that is more user-friendly and cheaper at the expense of the customer so they do not have to physically attend the bank. Digital banking in rural areas has many advantages³⁴. Traditional banking services have helped urban dwellers for a long time, and the introduction of digital tools has made those services more accessible and easy to use, thus reducing the need to travel to a physical location to access these tools. Almost every person in rural and remote areas has access to documented means to complete essential banking activities through agent-based models or mobile wallets.

EVALUATING THE IMPACT OF DIGITAL BANKING ON FINANCIAL INCLUSION IN PAKISTAN

5.2 Improving Financial and Digital Literacy:

In Pakistan, at least every person has a mobile phone, whether they are living in urban or rural areas³⁵. One of the barriers to financial inclusion in Pakistan is low digital literacy. Residents of rural areas have mobile phones, but they have no knowledge regarding banking applications, and they haven't try to learn how to use these applications and save their time and resources. Still today in Pakistan, people stand in big line outside the banks to pay their utility bills, while same bills they can easily pay via banking applications in their mobile phones. Today, people have a lack of belief and faith in banking applications and financial services³⁶. They are still doubtful of using financial services on their mobiles and laptops; they are afraid that someone will hack their personal data and use it. All these are serious concerns and need to be solved; therefore, different initiatives have been taken by all financial institutions, mobile companies. They provide awareness programs, customer services in Urdu and English languages and provide awareness through ads on social media.

5.3 Advancing Gender Inclusivity:

In conservative rural environments where women's access to banks is limited due to the culture of mobility restrictions or lack of national identity documentation, digital banking offers a new opportunity for women's financial inclusion through technological innovations³⁷. Due to technological innovations in the space of digital banking, women's financial inclusion is an operational possibility. This is evident in rural areas.

Mobile banking gives women the ability to privately conduct financial accounts, receive welfare payments like those from the Ehsaas Kafalat initiative, and exercise greater decision-making authority over their households' finances³⁸. When viewed in the context of social norms that are considered to be acceptable, these platforms not only make it simpler to achieve convenience but also encourage empowerment.

5.4 Reducing Transaction Time and Costs:

The use of digital platforms, which simultaneously reduces the amount of time and money spent on transactions, results in a significant improvement in the efficiency of financial transactions³⁹. Also, the efficiency of the transactions is significantly improved. This is because digital platforms use less time and money. The presence of lengthy lines, complicated paperwork, and transaction fees is one of the most common characteristics of traditional banking services⁴⁰. Other characteristics include the presence of service fees. Other characteristics include the presence of service fees. An additional feature that distinguishes this product from others is the fact that it has fees attached to it. On the other hand, digital solutions make it possible to provide instant services such as fund transfers, payments for utilities, and

mobile top-ups at a cost that is either minimal or nonexistent. These services can be provided at any time. The provision of these services is permissible at any time. At any point in time, we are permitted to provide these services to our customers.

5.5 Implementation in Practice: Case Studies and Initiatives:

In Pakistan, various initiatives have been taken and it shows practical implementation. These are as under;

- Ehsaas Emergency Cash Program: To provide fast assistance and access in all over Pakistan during the COVID-19 crisis, the government successfully mobilized digital platforms like JazzCash and Easypaisa for this purpose⁴¹.
- Benazir Income Support Programme (BISP): Transitioning from cash to digital disbursements using mobile wallets and debit cards has reduced leakage, increased transparency and improved efficiency⁴².
- UBank Kiva Digital Microloan Partnership: Leveraging global lending platform Kiva, UBank was able to deliver digital microloans to entrepreneurs and small businesses, particularly women⁴³. The fully digital loan application process to repayment has improved transparency, lower default risk and extend outreach to small business communities.

These examples illustrate how digital banking can improve transparency, efficiency, and access to financial services for the poor and underserved when used as part of broader development programs.

6. Challenges and Risks:

There are some difficulties and risks which are associated with the implementation of digital banking in Pakistan

6.1 Cybersecurity Risks:

Over the last ten years, digital banking usage and its services have increased in Pakistan at a fast pace⁴⁴. Use of mobile phones, internet services is growing day by day in Pakistan. With the increasing use of digital banking, the threat of cybersecurity is also increasing⁴⁵. Another barrier to financial inclusion in Pakistan is a lack of belief and faith in banking applications and financial services. Today, people are still afraid of using financial services on their mobiles and laptops; they are afraid that someone will hack their data and use it⁴⁶. No doubt, due to digital illiteracy, several hackers hacked people's data and misused it.

EVALUATING THE IMPACT OF DIGITAL BANKING ON FINANCIAL INCLUSION IN PAKISTAN

Such people who have low digital awareness can become an easy target for fraudulent people. Absence of data safeguards is another serious problem, due to its unavailability, fraud has occurred while using online services.

6.2 Infrastructure Deficiencies:

Unavailability of internet services or poor network coverage is another obstacle to financial inclusion in Pakistan⁴⁷. We are living in the 21st century, and still in Pakistan, there are a number of areas where there is a lack of or unavailability of internet services. According to the Pakistan Telecommunication Authority (PTA), in Pakistan, there are a number of areas where there is no access to mobile data networks and internet services⁴⁸. When people have mobile phones but no internet services, how can they avail the benefits of digital banking? Due to the absence of internet services, people can't get benefits from digital banking.

6.3 Regulatory and Policy Limitations:

Whenever there is a lack of a regulatory and policy framework, achieving economic development would be difficult⁴⁹. No doubt that Pakistan has developed quite a bit in building a regulatory structure for digital finance; however, there are still significant policy barriers that prevent growth. There is also still no clarity regarding licensing pathways, KYC requirements are inconsistent, and platform interoperability is limited. All of these factors are connected. The existence of all of these sets the stage for a disconcerting environment that stifles innovation for FinTech startups.

A number of the existing financial regulations have been taken from traditional banking models⁵⁰. These examples may not necessarily be adaptable enough to fully address the needs of digital services. That is problematic because digital services have very different needs compared to traditional banking. The fact that digital services have proliferated over recent years compounds this issue even more. A rigid regulatory framework can prevent new market entrants from entering and slow development in some industries.

7. Findings and Discussion

7.1 Summary of Key Findings:

Digital banking and financial inclusion have a huge impact on individuals and also on the economy. The financial inclusion significantly contributes to economic growth and the development of the economy⁵¹. Due to the availability of financial inclusion, the ability to invest and save increases for

individuals and businesses. This led to an increase overall welfare of the economy by creating more job opportunities. In the past few years, financial inclusion has been gaining prominence due to the spread of digital technologies and innovations in the financial system⁵². Digital financial services are revolutionizing how people interact with the financial system, particularly in rural and poor communities

In Pakistan, about 61% of the population lives in rural areas, and among these people majority of people are uneducated and have no knowledge of how to get benefits from the digital banking system. The need of the hour is to provide these people with some awareness regarding the advantages of using digital banking and financial inclusion. Therefore, for the achievement of this objective, the State Bank of Pakistan (SBP)⁵³ has taken different initiatives and started different programs to provide awareness to people regarding financial services and their benefits. If we make a comparison between digital banking in Pakistan in 2015 and now in 2025, we find that over the last ten years, digital banking usage and its services have increased in Pakistan at a fast pace. The use of mobile phones, internet services is growing day by day in Pakistan. The State Bank of Pakistan (SBP) has been the key driving factor behind these achievements. Different financial institutions play an important role in Pakistan's digital banking sector. These financial institutions are financial banks, mobile companies (Jazz, Telenor, Zong), fintech companies, and microfinance institutions.

Taking the initiative to promote a digital banking environment that is both secure and welcoming to all individuals within the industry, the SBP has initiated the promotion of this environment⁵⁴. The implementation of a number of specific regulations and frameworks has been how this objective has been achieved. Because of the Branchless Banking Regulations, which came into effect in 2008, it is now feasible for financial institutions to work together with telecom providers in order to broaden the scope of their services across the nation.

7.2 Comparison with Previous Research

Different research carried out demonstrates that, despite the fact that digital financial services play a significant role in increasing access to financial services, there are still significant obstacles that need to be overcome⁵⁵. Some challenges that need to be addressed include inefficiently developed digital skills, limitations on infrastructure, and possible security issues. In the prior literature on Pakistan, gender gaps in digital banking have received very little attention⁵⁶. This study aims to investigate these disparities, which are a topic that has received relatively little attention.

7.3 Implications for Policy and Practice

EVALUATING THE IMPACT OF DIGITAL BANKING ON FINANCIAL INCLUSION IN PAKISTAN

Those stakeholders who are interested in enhancing the role that digital banking plays in financial inclusion are provided with a number of strategic directions. All of the following are included in these instructions:

- Increase the number of programs that are geared toward the development of digital literacy skills⁵⁷. It is of the utmost importance that initiatives be initiated on a national scale in order to improve digital literacy, with a particular emphasis on women, senior citizens, and members of rural communities.
- Make the necessary adjustments to the infrastructure that is lacking. The improvement of digital infrastructure should be given the highest priority, especially in suburban and rural areas⁵⁸. This is of the utmost importance and should be given top priority.
- The third step is to enhance regulatory mechanisms and regulations. The regulatory environment needs to be strengthened to encourage an increase in the level of trust that individuals have in digital banking systems⁵⁹. This is a necessity. It is of the utmost importance that policies concerning cybersecurity be adhered to in a manner that is both transparent and consistent.
- Promote Gender-Inclusive Digital Finance: Gender discrepancy is another serious problem that needs to be eliminated⁶⁰. Policies should be made to reduce these gender-based barriers by introducing gender-sensitive financial policies and services through the promotion of gender-inclusive digital finance. This will help reduce the number of barriers that are determined by gender. By doing so, we will be able to lessen the number of obstacles that are brought about by gender.
- Encourage collaboration between the public sector and private companies to foster partnerships between the two organizations⁶¹. In order to accommodate the growth of digital banking applications, it is necessary for the public sector and private businesses to have a close working relationship with one another.
- There is the potential for a significant improvement in the accessibility of financial services in Pakistan if digital banking is implemented⁶². This improvement could be significant. The ability of stakeholders to collaborate in order to overcome the obstacles that are currently in the way is essential to the realization of this potential, despite the fact that it is contingent upon the ability of stakeholders to work together.

8. Conclusion and Recommendations

According to the findings of this study, the utilization of digital banking services is contributing to the promotion of financial inclusion in Pakistan⁶³. This is as indicated by the findings of the article. No doubt that digital banking and financial services have made our lives much easier compared to ten years earlier. In urban areas, the use of financial services and tools such as Easy Paisa, Jazz Cash, and Raast is increasing day by day⁶⁴. In urban areas, life is too busy; therefore, by using financial services, anyone can make their payments, bills, and insurance in a short period⁶⁵. The research finds that there are some obstacles that make it difficult to use digital banking services properly in rural areas as compared to urban areas. These obstacles include digital illiteracy, lack of internet services, lack of trust and faith in banking applications, threat of data theft, and gender disparity. All these issues need to be solved.

Recommendations

- i. The government, including the finance sector and telecommunications service providers, should have an overarching aim of expanding digital infrastructure in underdeveloped areas.
- ii. The population (especially women, seniors, and people who live in rural areas) should be introduced to appropriate digital literacy initiatives to enable them to successfully utilize digital financial options.
- iii. In order to help reduce the gender gap in terms of digital banking participation, targeted initiatives need to be designed and implemented.
- iv. Robust Cybersecurity best practices need to be put in place to build trust in digital online offerings (like the internet). Regulation of service providers for consumer privacy protections and risk management should ensure equal compliance with international standards.
- v. Policymakers must continue to develop the system for digital banking. Regulations must be periodically reviewed and updated to ensure that they align with the evolution of technology and emerging threats.

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EVALUATING THE IMPACT OF DIGITAL BANKING ON FINANCIAL INCLUSION IN PAKISTAN

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EVALUATING THE IMPACT OF DIGITAL BANKING ON FINANCIAL INCLUSION IN PAKISTAN

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