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Knowledge Brief

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Beyond Account Ownership: What Do We Know About Financial Inclusion, Poverty and Inequality in Pakistan?

Dr Irem Batool
Chief of Research
PIDE

Key message

Financial inclusion can help reduce poverty and strengthen household resilience, but only if access to financial services translates into safe, affordable, actively used, and well-designed products, supported by sufficient income opportunities, financial capability, and consumer protection.

Executive Summary

Pakistan's national poverty rate rose to an estimated **28.9 percent in 2024–25**, up from 21.9 percent in 2018–19, while income inequality — measured by the Gini index — rose to 32.7 from 28.4 in 2018–19 (Ministry of Planning, Development and Special Initiatives, 2026). Financial inclusion is often proposed as one channel through which households can smooth consumption, manage shocks, and build resilience against these pressures. Yet Pakistan's inclusion statistics are reported inconsistently across sources. The World Bank's Global Findex 2025 estimates that about **113.3 million adults — roughly 73 percent**[1] of the adult population in 2024 — still lack a formal account, while the State Bank of Pakistan's administrative measure put financial access at 69 percent[2] as of December 2025 against a target of 75 percent by 2028. These are two different estimates and should not be used interchangeably. The SBP financial inclusion statistics are administrative, supply-side measures based on accounts reported by regulated institutions, whereas the World Bank Findex values are demand-side survey results of individual adults. This brief synthesizes evidence on when financial account ownership translates into active, appropriate use and improved household welfare in Pakistan, identifies which barriers matter most for unbanked households, and sets out a measurement and research agenda.

1. calculated as (100 − 27.3) percent × 155.8 million adults aged 15+; World Bank, Global Findex Database 2025, Pakistan country table)
2. up from 64 percent in 2023; State Bank of Pakistan, 2026.

Purpose, Scope, and Limitations

Purpose.
The knowledge brief aims to explain under what conditions access to financial services in Pakistan translates into active, appropriate use, and when that financial use produces measurable gains in household resilience, poverty reduction, and narrower income inequality. Although rising account ownership is a good indicator, however, not an evidence of welfare improvement on its own. This brief treats access, use, product quality, and distributional outcomes as distinct stages in assessing the actual benefits of financial inclusion.

Scope.
The brief covers four service areas — payments, savings, credit, and insurance — for the adult (15+) population. It draws on the Global Findex Database 2025, State Bank of Pakistan (SBP) administrative and strategy documents, and peer-reviewed evidence on Pakistan and comparable South Asian economies.

Limitations.
This is a synthesis of existing evidence, not new primary research. It does not evaluate individual actions under NFIS 2024–2028, does not cover business or SME financial inclusion, and Pakistan-specific causal evidence on welfare impacts remains thin — a limitation this knowledge brief treats as a finding in its own right (see Knowledge Gaps).

Context and Background

Pakistan is experiencing rapidly rising poverty and widening income inequality driven by inflationary shocks, macroeconomic instability, climate-related disasters, and limited employment growth. These pressures have weakened household purchasing power and reduced economic resilience, particularly among low-income and vulnerable populations. As per the Ministry of Planning, Development and Special Initiatives' estimates, the poverty line is drawn at Rs. 8,484 per adult per month for 2024-25, using the “Cost of Basic Needs” approach. Accordingly, nearly one-third of the population is living below the poverty line, unable to earn sufficient income to meet their basic needs. Further, the estimated poverty incidence is more severe in rural areas than urban areas. Pakistan has also witnessed a rise in income inequality as the Gini coefficient rose to 32.7 in 2024-25 from 28.4 in 2018-19 (Ministry of Planning, Development and Special Initiatives, 2026). This rise in the Gini coefficient is descriptive; on its own, it does not demonstrate that financial inclusion affects inequality. Moreover, income inequality is more severe in urban areas than in rural areas. The key factors behind this are overwhelming inflationary pressures created by supply shocks, supply chain management issues, and natural disasters. In addition, low income, unemployment, inadequate financial planning, financial exclusion, and low savings at the household level make it difficult for households to cope. As a result, a typical household may be unable to sustain itself and can quickly fall below the poverty line.

Financial inclusion refers to ensuring that all segments of society—particularly low-income and vulnerable groups—have access to and can effectively use appropriate and affordable financial products and services, including credit, savings, insurance, and payment systems. Financial institutions collect and mobilize savings into productive businesses, increasing credit generation and boosting aggregate investment and economic development. Financial inclusion is acknowledged as a catalyst for achieving developmental objectives by the United Nations under the 2030 Agenda for Sustainable Development. It is therefore integrated into nine of the 17 Sustainable Development Goals (SDGs), including no poverty, no hunger, health, gender equality, empowerment, job creation, innovation support, infrastructure development, and inequality reduction.

Conceptual Framework: From Access to Outcomes

Financial inclusion is intended to make life better for everyone, especially for the underprivileged segments of society (Beck & de la Torre, 2007). Poverty is defined as a person's inability to meet their minimum basic needs like food, shelter, health, clothing, and education (Ravallion, 1992). Even though poverty may also be recognized in the social and cultural aspects of a society, the term is typically used to refer primarily to the economic sector. Poor households that have formal financial accounts may obtain credit, make payments, pay insurance premiums, and safely store money outside of the home with the use of bank accounts (Mohan, 2006). In this way, financial inclusion can serve as a fundamental tool for poverty mitigation and income inequality reduction worldwide (Astuti et al., 2022). A number of studies have examined the relationship between financial inclusion and income inequality; however, results are not uniform across developed and developing economies (Omar & Inaba, 2020; Fonseca & Matray, 2024). Whether financial inclusion narrows or widens income inequality gap depends heavily on its distributional effects on earnings, institutional quality, regulatory effectiveness, and digital infrastructure (Mbodj & Laye, 2025). Verma and Giri (2024) document several deposit-mobilization initiatives that have contributed to reduced income inequality, though the mechanisms behind these declines vary by income group, meaning low- and high-income earners experience the benefits differently.

This brief shows that poverty has increased substantially despite the expansion of formal financial access over time. This does not mean that financial inclusion has failed. It means that increasing account ownership alone is not sufficient to establish improvement in household welfare. The literature shows that the effect of financial inclusion on poverty and inequality materializes only through a chain of connected conditions, set out below.

Table 1. Conceptual framework: from access to outcomes

Enabling conditions	Access	Active & appropriate use	Mechanisms	Outcomes
ID, connectivity, income, trust and confidence	Account ownership	Regular, product-appropriate use	Lower transaction costs; safer storage; risk pooling; borrowing; consumption smoothing; productive investment; bargaining power	Resilience; Risk management; poverty reduction; narrower income inequality

Each link in this chain is important. The theory behind financial inclusion is straightforward: once poor households gain access to banking and financial services, they become less reliant on others for support and gain room to invest in themselves. A savings account or insurance product may help a household manage an emergency, avoid selling assets, or smooth consumption without necessarily moving that household above the poverty line. In this way, building skills, pursuing education, accessing credit, and starting small businesses may help break the cycle of poverty. Further, the relationship between poverty and financial inclusion should be treated as bi-directional. Financial exclusion may limit opportunities for saving, investment, insurance and risk management. At the same time, poverty itself may prevent households from saving regularly, keeping money in accounts, purchasing insurance, or qualifying for formal credit.

Findex 2025 survey results show that 27.3 percent of respondents in Pakistan have a financial account: **18.3 percent have an account at a formal financial institution, 18.4 percent have a mobile money account and 19.8 percent have a digitally enabled account.** Only 10.6 percent of respondents have a debit card, and 24.6 percent made or received a digital payment in the past 12 months. Further, only 11.4 percent of respondents save in a financial account, while only 8.0 percent of all adults aged 15+ (not only account holders) borrowed from a formal financial institution or used a credit card in the past 12 months (World Bank, Global Findex Database 2025,

Pakistan country table). This implies that even account holders rarely use their accounts for borrowing; they prefer to borrow from informal channels such as family, friends and relatives. Additionally, only 33.2 percent of adults are financially resilient, defined as adults who do not find it difficult to obtain emergency funds within 30 days (World Bank, Global Findex Database 2025, Pakistan country table), which means that most adults remain vulnerable to financial shocks.

Table 2. Financial Inclusion Chain: Weighted percentages of adults aged 15+ (N=1000)

Stage	Indicator	Weighted %
Access	Has any account	27.3
	Financial-institution account	18.3
	Mobile money account	18.4
	Digitally enabled account	19.8
	Has a debit card	10.6
Active use	Stores money in the account	14.4
	Made or received a digital payment	24.6
Mechanisms	Saved formally	11.4
	Borrowed formally (% of all adults 15+, past 12 months)	8.0
Outcomes	Financially resilient (does not find it difficult to obtain emergency funds within 30 days)	33.2
	Could cover 1+ month if main income lost	51.4
	Emergency money would come from own savings	10.1
	Emergency money from a distress sale, or none available	28.9

Source: Author's calculations based on FindexMicrodata2025

Low or irregular income, product mismatch, fees and minimum-balance requirements, weak connectivity, limited control over the account, fraud, poor complaint redress, and over-indebtedness can all prevent access from becoming use, or use from producing welfare gains. Every empirical claim in the rest of this brief is organized to explain this chain: a statistic about account ownership speaks only to "access," not to "use" or "outcomes," and should not be read as evidence of welfare impact on its own.

Table 3. Access, use and resilience by respondent characteristics (weighted %)

Group	n	Account	FI acct	Mobile	Active use	Digital pay	Resilient
Women	500	11.9	9.5	4.2	2.1	8.8	18.5
Men	500	42.3	26.8	32.2	23.7	40.1	47.9
Rural	460	21.1	12.2	14.0	9.5	19.0	26.7
Urban	540	32.9	23.8	22.3	16.2	29.8	39.7
Poorest 40%	298	13.6	9.3	7.4	4.6	12.5	23.8
Richest 60%	702	36.4	24.3	25.6	18.6	32.7	40.0
Primary education or less	553	18.9	11.8	10.0	4.8	16.1	24.2
Secondary or above	446	46.7	33.5	37.6	32.0	44.5	55.3
No mobile phone	320	8.9	6.9	2.7	0.8	5.7	17.1
Basic phone	283	22.7	13.2	13.6	3.7	20.2	32.9
Smartphone	397	52.6	36.0	40.7	35.8	50.4	52.5
Does not use the internet	564	15.3	10.4	7.4	2.6	11.9	23.4
Uses the internet	436	48.8	32.5	38.1	31.9	47.7	51.7

Source: Author's calculations based on Findex Microdata 2025

Why Access Does Not Always Become Use: A Pakistan Diagnosis

Lack of Money. Lack of money is the most frequently cited reason Pakistani adults give for not having an account. It signals that low and irregular income is the binding constraint for many households. Further, limited awareness about the banking system, documentation requirements, distance to service points, and lack of trust are also cited as barriers. Treating all barriers as equally important therefore risks misdirecting policy attention.

Informal sector. Informal employment[3] accounts for 80.8% of total employment in Pakistan (Pakistan Bureau of Statistics, 2026, Labour Force Survey 2024–25). Informal sector employment compounds this constraint through a specific mechanism: irregular, cash-based earnings do not flow through payroll systems that would otherwise create a low-cost entry point into formal accounts, and informal workers often lack the documentation that formal institutions generally require.

Gender gaps. Women make up about half of Pakistan's adult population; however, their participation in the national labour force is very limited. These gender disparities in labour force participation, employment, and education are barriers to their financial inclusion, and many women do not maintain their own individual accounts. Further, the relevant policy question is not only whether a woman's name is on an account but whether she controls the credentials, decides how funds are used, and benefits from the financial service — data on which remain scarce for Pakistan (see Knowledge Gaps).

Smartphone access. Digital connectivity does not create an automatic path to financial inclusion. Findex survey data show that 23 percent of Pakistan's unbanked adults already own a smartphone, but a phone alone does not guarantee an accepted form of identification, account control, affordable data, digital skills, merchant acceptance, or protection from fraud; it is better read as only one enabling condition among several rather than a sufficient one.

Financial Worries. Respondents showed high anxiety and concern about bills and medical costs — most plausibly reflecting poverty and inequality gaps in Pakistan's public health and social-insurance systems. However, the majority do not treat financial account ownership as a solution to this specific concern.

3 informal employment as classified under the 21st ICLS framework, covering agricultural and non-agricultural employment).

Evidence Synthesis: What Financial Services Do — and Do Not Do — for Pakistani Households

Table 4. Evidence Synthesis: What Financial Services Do — and Do Not Do —

Service area	Where evidence broadly agrees	Pakistan and cross-country experience	Risks to weigh alongside benefits
Payments	Digitizing government and private-sector wage payments increases the likelihood that recipients open and keep using an account.	In 2024, only 24.6% of adults in Pakistan made or received a digital payment, compared with 47.3% of adults in lower-middle-income countries (World Bank, Global Findex Database 2025). This is an access-to-use gap, not only an access gap.	Failed transactions, agent unavailability, and coercive digitization can exclude users without smartphones, IDs, or digital skills.
Savings	Formal savings access supports consumption smoothing and shock resilience when products are trusted, low-cost, and accessible.	Findex data show that Pakistani households save less than most regional peers except Bangladesh. Low and volatile income, inflation, limited control by women over household income, and fees/minimum balances are all cited; their relative weight is not established.	Negative real returns and informal savings mechanisms can substitute for formal products without necessarily reducing vulnerability.
Credit/borrowing	Cross-country evidence on microcredit's poverty impact is mixed; product design and borrower matching predict outcomes better than access alone.	Only 8.0% of adults aged 15+ borrowed formally (from a financial institution or using a credit card) in the past 12 months, while the majority of Pakistani borrowers prefer informal channels, maybe due to high perceived cost and low trust in the financial system.	Aggressive digital lending, over-indebtedness, and inappropriate product design are documented risks elsewhere and warrant monitoring as digital credit expands.
Insurance	Formal insurance and risk-pooling can reduce reliance on asset sales or debt after shocks.	About 26% of surveyed adults experienced a natural disaster or severe weather event in the past three years (9% report income loss, 17% property/asset loss — Findex 2025), while formal coverage among affected adults is not evidenced for Pakistan.	The primary issue here is the absence of coverage rather than product misuse.

Source: World Bank, Global Findex Database 2025.

Pakistan's central constraint is not simply low account ownership but a series of breaks between access and active, appropriate use, and between use and measurable welfare gains. At present, Pakistan's evidence base is too thin to test this chain of hypotheses (Chinnakum, 2023; Nasir et al., 2025; see also Knowledge Gaps).

Measuring Inclusion in Pakistan: Reconciling the Numbers

Two measures of financial inclusion circulate in Pakistani policy discussion, and they are not interchangeable:

Table 5. Two measures of financial inclusion in Pakistan

Measure	What it counts	Population / Year	Latest value	Source
Global Findex account ownership (demand-side survey)	Self-reported account ownership from a nationally representative household survey	Adults 15+; survey year 2024	27.3% own an account; about 113.3 million of 155.8 million adults report no account.	World Bank, Global Findex Database 2025, Pakistan country table
SBP administrative inclusion rate (supply-side data)	Registered deposit / mobile accounts at regulated institutions, reported by institutions	Adults 15+; Dec 2025, 2023, 2018, 2015 (target year 2028)	69% as of December 2025; 64% in 2023; 47% in 2018; 16% in 2015; SBP target of 75% by 2028	SBP, National Financial Inclusion Strategy 2024–2028; SBP, NFIS 2024–28 Annual Progress Report CY25 (2026)

Findex 2025 indicators and SBP supply-side indicators differ in unit of observation (individuals surveyed vs. accounts reported by institutions), treatment of multiple or dormant accounts, and reference period. Administrative counts can overstate individual-level inclusion if one person holds several accounts or inactive accounts remain on the books; in contrast, survey data may understate financial inclusion if respondents misreport or if financially included households are hard to reach in the sample. This brief notes that no published reconciliation between these two statistics currently exists for Pakistan (see Knowledge Gaps).

Knowledge Gaps

- No published reconciliation exists between Global Findex demand-side estimates and SBP's administrative inclusion estimates for Pakistan.
- Evidence on women's control over account credentials and fund-use decisions, rather than nominal ownership, is scarce.
- Data on active or unique adult account usage — as distinct from registered or ever-opened accounts — are limited.
- Product-level welfare evaluations for specific Pakistani savings, credit, and insurance products are few.
- Systematic data on fraud incidence, failed transactions, and complaint resolution relative to account growth are not readily available.
- The relative importance of normative or religious preferences (e.g., for interest-free products) versus cost and trust barriers in explaining low formal credit and savings uptake has not been established with Pakistan-specific survey evidence.
- No independent evaluation has yet assessed the 10 of 52 NFIS 2024–2028 actions completed by December 2025 (State Bank of Pakistan, 2026) against outcome indicators.

Implications for Policy and Research

Three implications follow directly from the evidence above.

Track Use, Not Only Access. Since the evidence above shows access outpacing use, the NFIS monitoring committee should treat active and appropriate use, payment frequency, account dormancy, and digital payments share as primary indicators alongside account-ownership rates. Future research work may focus on the links from financial access to welfare across different income quintiles, provinces, rural and urban areas, employment categories, and household characteristics.

Prioritize Pakistan-Specific Product Research Over Literacy Campaigns Alone. Financial literacy, awareness campaigns, and digital access can help, but they cannot fully address exclusion where households have low, irregular, or uncertain incomes, high relative prices and product mismatch. Research and pilot funding should prioritize product design for informal-sector and irregular-income households, complementing rather than replacing literacy programming.

Build Trust by Collecting Consumer-Protection Data Alongside Access Data. Fraud, over-indebtedness, and grievance-redress statistics should be collected and reported with the same regularity as account-ownership statistics, so risks stay visible as access expands.

Conclusion

Pakistan has expanded formal financial access, but available evidence does not yet establish that this has systematically translated into active use, stronger household resilience, lower poverty, or reduced inequality. The state of knowledge supports a narrower, more useful conclusion: access, use, product quality, and distributional outcomes are distinct concepts that must be measured and evaluated separately. A sustainable financial inclusion strategy should move beyond financial account ownership. Policies should aim to create an ecosystem where individuals can access appropriate financial services, use them regularly to improve their economic well-being, and trust the financial system enough to engage with it confidently. Achieving these three objectives requires coordinated action across government, regulators, financial institutions, fintech firms, telecom providers, educational institutions, employers, civil society, and development partners. Such a whole-of-ecosystem approach is particularly important in developing economies, where barriers to inclusion are multidimensional and mutually reinforcing.

Disclaimer:

During the preparation of this work, the author used Artificial Intelligence (AI) tools to improve grammar, sentence structure, clarity, and readability. After using the AI tool, the author reviewed and edited the content as necessary and takes full responsibility for the originality, accuracy, and integrity of the final content. The research ideas, conceptualization, methodology, empirical analysis, interpretation of results, and conclusions are entirely the author's own.

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PAKISTAN INSTITUTE OF DEVELOPMENT ECONOMICS

QAU Campus, P.O. Box 1091, Islamabad 44000, Pakistan.

Tel: 051-9248094