

Circulars/Notifications / Agricultural Credit & Microfinance Department

AC&MFD Circular No. 1 of 2021

September 17, 2021

The Presidents / Chief Executives/ Managing Directors

All Commercial Banks/Islamic Banks/Microfinance Banks/
Development Finance Institutions/Electronic Money Institutions

Dear Sirs/Madams,

Banking on Equality Policy

State Bank of Pakistan (SBP) has launched "*Banking on Equality Policy: Reducing the Gender Gap in Financial Inclusion*" to enhance women's financial inclusion. Under the policy, it has been decided to introduce a gender lens within the financial sector through specific measures in key areas, to bring a shift towards women friendly business practices.

Framework of Measures under Banking on Equality Policy

These measures are targeted to improve institutional diversity, product diversification, customer acquisition & facilitation approaches and better gender-disaggregated data collection for improving women's access to financial services. The implementation of this policy will facilitate in reducing the gender gap in bank staff, as well as in improving the access and use of financial products & services by women. It will also be helpful in achieving National Financial Inclusion Strategy (NFIS) headline target of 20 million active women bank accounts by 2023.

1. Applicability/Scope

The ensuing instructions shall be applicable on Commercial Banks, Islamic Banks, Microfinance Banks (MFBs), Development Finance Institutions (DFIs) and those Electronic Money Institutions (EMIs) that have received commercial approval, hereinafter referred collectively as Financial Institutions (FIs).

2. Measures to Enhance Gender Diversity

Proportionate improvement in the ratio of women working in FIs is expected to aid the development of policies and practices for improving gender balance across the financial sector as well as developing women friendly products & services. Accordingly, FIs shall take the following measures:

2.1. Comprehensive Policy

All FIs shall develop a comprehensive gender mainstreaming policy to reduce the gender gap, duly approved by their Boards within six months of issuance of this circular. The policy must include:

- 2.1.1. Action plans along with timelines and responsibilities, to reach the goal of improving their institution's overall gender diversity.
- 2.1.2. Proportionate strategies/ policies to encourage women's employment rate. Towards this end, strategies/ policies shall encompass specific measures for hiring, retention, promotion, and mentoring gender diversity.
- 2.1.3. Strategies to improve representation of women in senior management, where merit-based criteria should be developed for women's career growth path. The objective of the FIs' policies should be to promote high potential women to senior management and improve the FIs' outreach towards more women.
- 2.1.4. Set gender diversity action plans and targets in the Key Performance Indicators (KPIs) of their C-suite executives. The KPIs shall cascade to the regional and branch level staff to include a certain weightage of targets for accounts opened and financings for females.
- 2.1.5. Framework for protection against workplace harassment, harassment in customer interactions and improving overall work environment for women.
- 2.1.6. Strategies and measures to enhance women's access and use of FIs' products & services.

2.2. Governance

In order to have institutional readiness for creating more focus on gender intentional approaches:

- 2.2.1. FIs must have at least one female independent director in their Board of Directors preferably within six months of the issuance of this circular, in-line with the SECP's instructions under Section 154 of Companies Act, which states "Public interest companies shall be required to have female representation on their board".
- 2.2.2. FIs shall create a dedicated Management Sub-Committee on Gender, or amend TORs of existing Management Committee within three months of the issuance of this circular, to create gender perspective in their institutions' policies and practices. Moreover,
 - FIs will appoint one to two focal person(s) on gender.
 - The focal person(s) shall submit quarterly progress to SBP on FIs women's financial inclusion measures in line with their gender mainstreaming policy.
- 2.2.3. FIs shall set up a specialized dedicated Women's Financial Services Department within six months of the issuance of this circular. The key functions of the department are detailed in **Annexure I**.

2.3. Gender Diversity KPIs and Targets

The policy envisions that all FIs as a whole shall have 20% women in their workforce by 2024. However, keeping in consideration the FIs' business models and women's ratio in existing work force, SBP will assign separate institutional targets to Commercial Banks, MFBs, Islamic Banks, Specialized Banks and DFIs.

The following target grid for incremental percentage increase in women workforce will be observed by FIs from the baseline of women workforce as of December 2020:

Exiting Ratio of Women in FIs' Workforce as of December 2020	Target for Annualized Growth in Number of Women Workforce (Commercial Banks/MFBs/Islamic Banks)			Target for Annualized Growth in Number of Women Workforce (Specialized Banks & DFIs)		
	2022	2023	2024	2022	2023	2024
Up to 10%	20%	35%	50%	10%	15%	20%
Above 10% to 20%	15%	30%	45%			
Above 20%	5%	10%	15%			

3. Women Centric Products & Services and Outreach Targets

To shift from gender neutral to gender inclusive product design and marketing, it is imperative that all FIs have dedicated teams tasked to embed a gender lens in all product offerings and marketing strategies.

3.1. Women Centric Products & Services

Towards this end, the specialized Women Financial Services Department at FIs would:

- 3.1.1. Be responsible for reviewing and designing the FIs' products, services and marketing strategies from a gender perspective, while keeping in view various use cases of women demographics of all ages and life cycle stages.
- 3.1.2. Develop new digital financial products for specific segments including startups with focus on women segments.
- 3.1.3. Ensure the achievement of assigned gender disaggregated outreach targets for women centric products & services, access & usage of accounts, and financing to women entrepreneurs under priority sectors like agri finance, housing finance, MSME finance, etc. Further, each FI will be assigned indicative gender disaggregated targets for active accounts separately.

3.2. Partnerships and Collaborations

The FIs shall:

- 3.2.1. Explore partnerships with statutory bodies such as NADRA to create opportunities for raising awareness and facilitating bank account opening of women when they are registering/updating ID cards, and/or voting etc.
- 3.2.2. Explore partnerships with Ehsaas program to facilitate their beneficiaries to graduate from simple cash transfers to use of other products & services such as savings and credit products, etc.
- 3.2.3. Develop linkages with universities/ academia, chambers of commerce and trade bodies to develop scholarship, career counselling and mentorship programs to attract more women in banking careers.
- 3.2.4. Team up with the Fintechs, Incubation Centers and Accelerators for developing & marketing digital financial products and services for women startups.
- 3.2.5. Partner with women associations/networks and civil society organizations to engage with women at the grassroots levels for provision of financial services.

3.3. Trainings and Capacity Building of FIs' Staff

FIs shall ensure that all of their employees including those involved in mobilizing, onboarding and serving women customers, must go through gender sensitivity training. To ensure facilitation and availability of proper guidance for women customers, the training must include:

- 3.3.1. Appropriate contents to help employees to understand existing gender relations, eliminate implicit gender biases, improve the workplace environment and customer interactions, and factor in the needs and priorities of men & women to understand their expectations while planning, implementing and evaluating its activities.
- 3.3.2. Whistleblowing policy to disclose wrongdoings and instances of non-compliance.
- 3.3.3. Effective marketing approaches to offer informed and improved products, including better facilitation for women customers.
- 3.3.4. Key features and important information about FIs' products & services including SBP and Government schemes.

3.4. Financial Literacy and Mass Awareness

To create awareness and impart financial literacy among women to access formal financial products & services to make well-informed financial decisions, FIs will:

- 3.4.1. Conduct women's financial literacy and marketing campaigns, based on need assessment/ market analysis/ consumer surveys, to improve awareness of financial products and services for women.
- 3.4.2. Invest in digital initiatives that increase financial literacy and digital skills of women and girls across all levels of education and income.

- 3.4.3. Activate influencer women leaders at local level as brand ambassadors to reach out to more women customers.
- 3.4.4. Formulate a female marketing team, tasked to increase women financial literacy and enhance their inclusion in the formal financial system. They may also educate men to encourage and facilitate women to avail financial services.
- 3.4.5. Create tab/section of "Women Financial Services" on their websites and apps for their respective women centric products & services.

3.5. Simplification of Loan Processes & Documentation

To make the financing process easier for women, all FIs must:

- 3.5.1. Simplify the credit policies & processes for financing to women and provide non-financial advisory services especially to women SMEs to access formal financial services.
- 3.5.2. Provide digital access to SBP Refinance & Credit Guarantee Scheme for Women Entrepreneurs in due course of time.

4. Women's Champions at all Customer Touch Points

Presence of women champions and specialized resources at all customer touch points, such as bank branches, branchless banking agents, call centers and alternate delivery channels is critical to aid women's adoption of conventional and digital financial services.

- 4.1. In order to make women comfortable to approach FIs and access financial products & services suited to their needs, all FIs shall preferably place women champions at all customer touch points, such as branches, call centers and alternate delivery channels etc.

4.2. Women Champions Targets

- 4.2.1. FIs must ensure that at least 75% of touch points should have women champions within three years of the issuance of this circular, as per timelines stipulated below:

Timelines	Targeted Ratio of Touch Points with Women Champions
June 2022	15%
December 2022	30%
June 2023	45%
December 2023	60%
June 2024	75%

- 4.2.2. FIs may consider their existing male /female / transgender staff members for being assigned the role of Women's Champion, provided that the resource has undergone gender sensitivity training, is well versed in the bank's financial products for women, and can share details of current SBP/ Government schemes for women.
- 4.2.3. The women champions will serve as a central point of contact for women customers to provide information about FIs' financial products & services, non-financial advisory services, complaint redressal facilitation and share the details of current SBP/ Government schemes for women.

5. Robust Collection of Gender-Disaggregated Data and its Reporting Framework

Absence of gender-disaggregated data can create a mismatch between perceived barriers to women's financial inclusion and policy interventions to address these constraints. Therefore:

- 5.2.1. FIs shall immediately make necessary arrangements to collect reliable gender-disaggregated data, to accurately reflect the uptake and usage of products & services by men, women and transgender, at-least in terms of bank accounts, deposits, financing, payments, etc. as per **Annexure II** attached.
- 5.2.2. FIs will submit the gender-disaggregated data to SBP on periodic basis in the prescribed areas as per the attached **Annexure II**.
- 5.2.3. FIs will share regular progress with SBP against the headline targets and instructions/measures as laid down in this circular and Banking on Equality Policy.

All FIs are advised to meticulously comply with the above instructions in true letter & spirit and submit a comprehensive compliance/progress report to SBP on quarterly basis. Further, all FIs must make necessary arrangements, preparations, allowances in budgets and infrastructure, for implementation of Banking on Equality Policy within three months of issuance of this circular. Please acknowledge the receipt of this circular.

Encl: **Banking on Equality Policy Document**

Yours truly,

Sd/-

(Noor Ahmed)
Director

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