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"THE ROLE OF MOBILE BANKING IN PROMOTING FINANCIAL INCLUSION: ANALYSIS OF PAKISTAN DIGITAL FINANCE LANDSCAPE"

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Abstract

The effect of mobile banking on financial inclusion in Pakistan from 2014 to 2024 is studied here. More specifically, it asks the question whether increases in having more mobile banking users, more mobile payment transactions and a larger mobile agent network mean that financial inclusion outcomes are improved. Secondary time-series data from various institutional sources, including the State Bank of Pakistan, Pakistan Telecommunication Authority, the Global Findex dataset of the World Bank and GSMA reports, are used to answer this. The relationships were primarily tested using descriptive statistics and multiple regression analysis.

The results of the analysis revealed that there is actually a positive relationship between the indicators of mobile banking and financial inclusion in Pakistan. The model of regression was quite powerful, with R^2 value of 0.89, Adjusted R^2 value of 0.82, and the overall model was statistically significant with $F = 12.14$ and $p = 0.005$. However, on its own, only agent network expansion was significantly related ($\beta = .987$, $p = .048$). However, mobile banking users and mobile payment transactions did not make it over the significance bar by themselves. This was likely due to high multicollinearity among the predictors – the Variance Inflation Factor scores were significantly higher – making it increasingly difficult for each predictor to make a distinct contribution. In practical terms, what this means is that expanded physical access to financial service touchpoints (via agents) could be more relevant for actual inclusion, rather than user signing up or transactions made. The key takeaway: While there are certainly financial inclusion effects of mobile banking, improved financial inclusion depends on whether people are adopting mobile banking services, on the uptake of trust and knowledge in and against digital finance, and on how widely the agent network reaches into remote and underserved corners of the country.

Keywords: Mobile Banking, Financial Inclusion, Digital Finance, Agent Network Expansion, Branchless Banking, Financial Technology, Pakistan

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