

Information Technology (IT) Sector in Pakistan

By ICMA Research and Publications Department

The Information Technology (IT) sector of Pakistan has witnessed significant growth and development in recent years, positioning itself as a prominent player in the global market. The IT industry has emerged as a unique provider of software development, BPO, and freelance services to the global clients.

Many Pakistani IT companies have successfully established themselves as service providers for some of the world's largest corporations. These companies offer a wide range of services, including software development, data analytics, web development, mobile app development, and digital marketing. They have gained recognition for their technical expertise, innovative solutions, and cost-effectiveness.

In Kearney's Global Services Location Index for 2021, Pakistan has secured the second position as the most financially attractive location globally for offshore outsourcing services. Additionally, according to the ILO Flagship Report 2021, Pakistan is the second-largest provider of online labor in software development and technology.

IT & ITeS Exports

The IT sector in Pakistan is export-oriented, with a substantial portion of its services aimed at international clients. Approximately 60% of IT-enabled services (ITeS) are dedicated to

serving customers from across the globe.

In FY 2022, the IT & ITeS industry in Pakistan achieved an unprecedented milestone by generating remittances of \$2.616 billion, surpassing all previous records. Within the services sector, the IT industry emerged as the leader in exports, boasting a trade surplus of 77%, unparalleled by any other industry.

Looking ahead to FY 2023, the Government has established an ambitious target of \$5 billion for IT exports. During the period of July to December in FY 2022-23, the country's IT and ITeS sector experienced remarkable growth, with remittances totaling \$1.333 billion. This figure accounted for 37.8% of the total export of services, representing a 2.4% increase compared to the \$1.302 billion reported during the same period the previous year.

The United States holds the dominant position as the largest market, contributing to 57% of the export remittances receipts. It is followed by the United Kingdom at 8%, the United Arab Emirates at 7%, Singapore at 5%, and Ireland at 4%. The top 20 destinations for IT and ITeS exports collectively account for 97% of the export remittances, while the remaining countries and territories presently make up only three percent.

In the Trade Policy Framework Review (STPF) 2020-25, the IT software exports sector has been recognized as a priority focus for growth and development over the next five years.

SWOT analysis of IT Sector of Pakistan

Strengths

- Contributes almost 1% of the GDP or around \$3.5 billion
- 600,000 plus IT professionals & Freelancers
- 25,000 plus IT Graduates annually
- 17,000 plus SECP registered IT companies
- 10,000 plus Software houses
- 13 Software Technology Parks
- Largest net services exporter with exports to 169 countries
- IT exports surged by 70% in the last 3 years
- Competitive Pricing provide edge in global market

Weaknesses

- Infrastructure Limitations
- Low quality of Internet
- Limited Access to Funding
- Limited Intellectual Property Protection
- Lack of Legal Framework For E-Commerce
- Lack of Technology & IT Parks
- Limited Research and Development (R&D)
- Reliance on Freelancing Platforms
- Limited Diversity in Services

Opportunities

- Pakistan emerging as worlds' fast growing IT hub
- Growing Global IT Market
- Rising Domestic IT Market
- Ample Talent Pool
- Government Support
- Cost-Effective
- Strategic Location
- Role in thriving startup ecosystem in Pakistan

Threats

- Intense Global Competition
- Political and Economic Instability
- Internet shutdowns due to law and order situation
- Inadequate physical infrastructure
- Inadequate market intelligence
- Limited Awareness and Marketing
- Skill Gap and Brain Drain
- Cyber Security concerns