

SECTOR BRIEF

Digital Payments and E-commerce Sector of Pakistan

By ICMA Research and Publications Department

FATF compliance has driven the growth of Pakistan's fintech and digital commerce sector, with e-commerce becoming a key competitiveness driver. The COVID-19 pandemic further accelerated this trend, with digital payments now accounting for 89% of retail transactions in Q3 FY25. Pakistan's young population, high mobile penetration, and expanding broadband access offer strong potential for inclusive digital growth. In response,

the State Bank of Pakistan, in partnership with banks, EMIs, and fintechs, is promoting financial digitization. To enhance transparency and efficiency, PM Shehbaz Sharif has formed three high-level committees to expand digital payments nationwide and scale the RAAST system across provinces, which is projected to reach US\$6.7 billion by 2029, growing at a 5.92% CAGR.

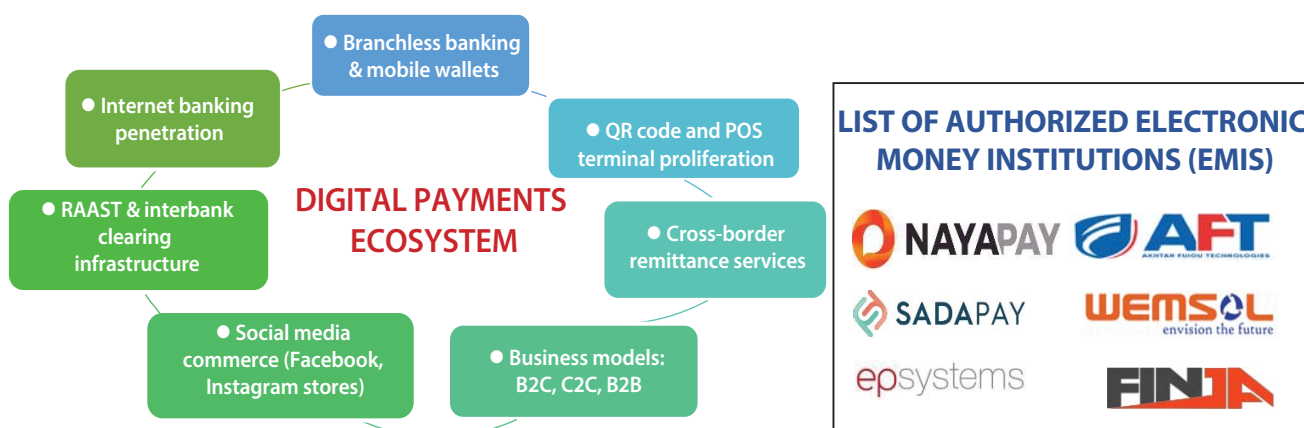
HISTORICAL OVERVIEW

PERIOD	PHASE TITLE	DESCRIPTION
1962-2001	Foundations & Early Infrastructure	The <i>Copyright Ordinance (1962)</i> laid the foundation for Intellectual Property Rights (IPR); NIFT was established in 1995 for electronic cheque clearing; and in 2001, the Trademarks Ordinance and SBP's core banking automation advanced e-commerce and digital infrastructure.
2002-2004	Digital Transactions & ATM Connectivity	The <i>Electronic Transaction Ordinance (2002)</i> granted legal recognition to digital transactions; in 2003 1LINK was launched for ATM interoperability; and by 2004 SBP mandated 1LINKMNET interconnection, achieving nationwide ATM access.
2007-2012	Legal Reforms & Digital Financial Services Growth	The <i>Payment Systems and Electronic Fund Transfers Act (2007)</i> gave SBP oversight of electronic payments; in 2008, PRISM RTGS and Branchless Banking Regulations were introduced; from 2009-2012, EasyPaisa, BISP's digital rollout, and MobiCash launched, while SBP's 2012 ATM mandate accelerated nationwide access.
2014-2016	Alliances, Inclusion & Digital Modernization	In 2014, Pakistan joined the <i>UN's Better Than Cash Alliance</i> and standardized cheque security, the <i>National Financial Inclusion Strategy (2015)</i> and internet banking regulations enhanced inclusion; 2016 saw the launch of PayPak as a domestic card scheme.
2017-2020	Crypto Ban, EMV Compliance & NPSS Launch	Key developments included SBP's ban on virtual currencies like Bitcoin, Litecoin, Pakcoin, and ICOs due to financial and legal risks, increased EMV compliance, and COVID-19-driven digitization. In November 2019, SBP launched the <i>National Payment Systems Strategy (NPSS)</i> to modernize and digitize Pakistan's payment infrastructure.
2021-2023	Digital Payment Ecosystem Expansion & Legislative Transformation	In 2021, Pakistan ranked 37th in e-commerce with US\$5.9 billion sales and US\$174 million funding (25% of total investment), alongside the launch of RAAST Bulk Payments. In 2022, RAAST P2P enabled instant, no-fee transfers, and by 2023, e-commerce captured 34.4% of national investment.
2024-2025	Advancing Digital Governance & Payments Framework	The <i>Electronic Transactions Act of 2024</i> established a legal framework for electronic transactions, recognizing digital documents and communications. In 2025, Pakistan enacted the <i>Digital Nation Pakistan Act (DNPA)</i> to recognize e-contracts and signatures, created the Digital Pakistan Authority, and aligned regulations with global trade standards. The <i>Pakistan Virtual Assets Regulatory Authority (PVARA)</i> was also launched under the <i>Virtual Assets Ordinance 2025</i> . To promote financial transparency and digital payments, Prime Minister Shehbaz Sharif formed three key committees: the <i>Digital Payments Innovation and Adoption Committee</i> , the <i>Digital Public Infrastructure Committee</i> (under the Ministry of IT), and the <i>Government Payments Committee</i> (Cashless Pakistan Steering Committee under the PM's Secretariat).

CURRENT OUTLOOK

As of mid-2025, Pakistan's e-commerce market has surpassed Rs. 200 billion in annual sales, supported by widespread smartphone penetration, enhanced 4G/5G connectivity, rising trust in online transactions, and government initiatives to promote digital payments and entrepreneurship. Growth momentum is being fueled by increasing adoption of mobile wallets such as JazzCash, Easypaisa, and SadaPay, the digitalization of SMEs and

traditional retailers, faster localized logistics, influencer-driven social commerce, and the expansion of cross-border e-commerce. The Pakistan Software Export Board (PSEB) and Pakistan Telecommunication Authority (PTA) are actively promoting digital entrepreneurship, while the ecosystem is being strengthened through tax exemptions for IT exporters and freelancers, initiatives for women-led online businesses, the development of local payment gateways and unified QR code systems, and training programs aims to boost digital literacy.



LIST OF AUTHORIZED VIRTUAL REMITTANCE GATEWAY PROVIDERS IN PAKISTAN

1LINK Guarantee Ltd	Interbank switch and digital payment infrastructure provider.
NIFT (Pvt.) Ltd	Digital payments processor, known for NIFT ePay and cheque clearing.
Avanza Premier Payment Services (APPS)	Payment systems operator and service provider (licensed by SBP).
Safepay (Pvt.) Ltd	Online payment gateway offering digital checkout solutions
ForeePay (Pvt.) Ltd.	Local fintech offering real-time digital payment services
Accept Technologies (Pvt.) Ltd. (Paymob)	Aggregator and payment facilitator
ZING DigiComm (Pvt.) Ltd	Emerging digital payment solutions provider.
TPL Rupiya (Pvt.) Ltd	Digital wallet and mobile payment app
Mobi Direct (Pvt.) Ltd	Licensed EMLs offering digital wallet and merchant acquiring services.
Infotech (Pvt.) Ltd	Fintech solutions provider across banking, capital markets, and payments.
Webdnaworks (Pvt.) Ltd.	Tech company involved in remittance and digital services.
Euronet (Pvt.) Ltd	Part of the global Euronet group; involved in remittances, ATMs, POS, and digital transactions.

Digital Retail Bank License Awardees by SBP (as of 2025)

- 1. Easypaisa Bank Limited** (formerly Telenor Microfinance Bank Limited) – **Awarded First Commercial DRB License**

Earlier NoCs issued in January 2023 to:

- 2. HugoBank Limited**
- 3. KT Bank Pakistan Limited**
- 4. Mashreq Bank Pakistan Limited**
- 5. Raqami Islamic Digital Bank Limited**

Strategic SWOT Overview of Digital Payment and E-Commerce Sector

The following provides a brief overview of the sector using the SWOT framework and does not represent a detailed analysis

STRENGTHS

- ◆ Pakistan's digital payments reached **2 billion** transactions accounting for **89%** of total retail payments during the Q3 of FY25.
- ◆ Pakistan achieved Tier 1 status in the ITU Global Cybersecurity Index, climbing from **79th** to the top **46th** position globally.
- ◆ Mobile banking, the fastest-growing channel, processed **1,686 million** transactions worth **Rs. 27 trillion** in Q3 FY25, reflecting **16%** growth in volume and a **22%** surge in value.
- ◆ Internet banking throughput grew **58.6%** YoY, with high-value transactions averaging **Rs. 84.9k**.
- ◆ POS network expanded to over **132,000** devices, boosting acceptance infrastructure.
- ◆ RAAST processed **371 million** transactions worth **Rs. 8.5 trillion** in Q3 FY25.
- ◆ Branchless banking wallets reached **64.3 million** users, driving transaction growth.
- ◆ Youth-heavy population (**64%** under 30) fuels rapid digital adoption.
- ◆ E-commerce transaction value grew **29–30%** in Q2 FY2025 despite volume shifts.
- ◆ JazzCash boasts **48 million** registered users, **350,000** merchants, and an annual value equal to **9%** of GDP.
- ◆ Daraz leads e-commerce with **US\$857 million** GMV and **34,500** sellers.
- ◆ Entry of Mashreq as Pakistan's first SBP-approved digital retail bank shows regulatory openness.
- ◆ SadaPay's acquisition by Papara validates fintech market attractiveness.
- ◆ E-commerce revenues reached **US\$504 million** in July 2025, up **5–10%** from June.
- ◆ National E-Commerce Policy (2025–2030) prioritizes QR code standardization and logistics upgrades.

WEAKNESSES

- ◆ Persistent cash reliance hinders digital payments, limits e-commerce growth, sustains informality, while delayed RAAST merchant payment features compound challenges.
- ◆ Card-based payments remain a minor share of e-commerce compared to cash transfers, e-wallets and mobile banking.
- ◆ E-commerce volumes fell **40%** YoY despite merchant growth.
- ◆ Digital divide persists, with limited internet penetration in rural areas.
- ◆ Weak logistics networks hinder last-mile delivery efficiency.
- ◆ Inconsistent enforcement of e-commerce and digital transaction laws.
- ◆ Low financial inclusion and digital literacy restricts uptake.
- ◆ SME reluctance due to onboarding complexity and compliance costs.
- ◆ Limited capacity of regulators to monitor fintechs and venture capital.
- ◆ Exclusion of informal, OTC, and branchless data limits overall market visibility.
- ◆ Fragmented inter-agency coordination slows digital policy execution.
- ◆ Digital banks struggle with high startup costs, delayed profitability, entrenched bank competition, and weak dispute resolution.
- ◆ Regulatory uncertainty, particularly around taxation, deters investors.
- ◆ Lack of standardized brokerage and payment integration software.
- ◆ Over-reliance on bank-led innovation, with fintechs still small-scale.

OPPORTUNITIES

- ◆ Doubling of e-commerce users from **6.9 million** in 2024 to **14 million** by 2029.
- ◆ Projected digital commerce market growth to **US\$32.94 billion** by 2030.
- ◆ Digital payments market projected to reach **US\$92.83 billion** by 2030.
- ◆ Centralized KYC/AML onboarding could reduce duplication and speed adoption.
- ◆ Expanding QR code and pull-payment use cases via Raast.
- ◆ Integration of SECP, FBR, NADRA, and provincial data for seamless seller onboarding.
- ◆ Growing EMI penetration, led by brands like SadaPay and Nayapay.
- ◆ Public procurement adoption of digital payments can set industry precedent.
- ◆ IFMP-led training reforms to professionalize digital finance workforce.
- ◆ Expansion of Mashreq and other digital banks could diversify competition.
- ◆ *National Financial Inclusion Strategy (NFIS) 2024–28* will drive digital microfinance, boosts liquidity, and would reduce operating costs.
- ◆ Rising mobile internet coverage unlocking rural markets.
- ◆ E-commerce CAGR forecast at **17%** in 2027.
- ◆ Emergence of fintech-led merchant credit innovation for SMEs.
- ◆ Potential cross-border B2B platforms like Shoplus for export growth.

THREATS

- ◆ Banking complaints surged to 16,915 in H1-2025, straining consumer trust.
- ◆ Cybersecurity risks, including phishing and AI fraud, persist.
- ◆ Weak logistics contribute to congestion and environmental issues.
- ◆ Fragmented tax system complicates compliance for SMEs.
- ◆ Resistance from legacy banking models could slow fintech entry.
- ◆ Gaps in digital ID verification hinder onboarding, especially for women.
- ◆ Weak payment dispute resolution discourages daily users.
- ◆ Global e-commerce giants pose competitive pressure on local platforms.
- ◆ Macroeconomic instability may limit fintech scaling, particularly in lending.
- ◆ Merchant discount rate changes could slow POS growth.
- ◆ New tiered transaction taxes may dampen e-commerce and payment adoption.
- ◆ Over **500,000** gig workers remain outside social protection schemes.
- ◆ Regulatory bottlenecks delay digital banking licenses.
- ◆ Inadequate cross-border payment frameworks for exporters/importers.
- ◆ Consumer shift back to cash-on-delivery in times of uncertainty.