



## The Digital Payment Revolution in Pakistan

In Pakistan, the digital financial landscape is evolving rapidly and is fueled by an increase in technology acceptance and financial inclusion, as well as real time payment innovations. The most recent data from the State Bank of Pakistan's annual Payment Systems report (March 2025) indicates a significant increase in both retail and large value digital transactions. This increase is largely driven by heightened mobile banking, e-wallets, and merchant digitization.

### Towards Greater Financial Inclusion

Regulatory reforms, combined with the way consumer habits are changing, are gradually guiding Pakistan toward a more transparent and efficient payment system, and this is quite similar to what we have seen in modern financial markets around the world.

According to the latest SBP Q3 payment system report, retail transaction count reached 2.4 billion, marking a 12% increase from the previous quarter. Their total value also climbed 8%, touching Rs. 164 trillion. These numbers show not just the widening digital footprint, but also a shift toward higher value transactions, especially through mobile and internet banking channels.

A major shift is already underway, with 89% of retail transactions now happening through digital channels instead of traditional over the counter methods.



Looking and learning from the global success stories, like India's UPI and Nigeria's Inter Bank Settlement System, Pakistan can fast track financial inclusion and improve the way its payment systems connect and operate. To make this happen, the country will need to update key regulations, launch pilot programs to test new models, and bring banks and fintechs together. Focusing on collaboration with international financial groups can also play a big role by supporting implementation and sharing global best practices.

### Mobile and Internet Banking

In Pakistan, mobile banking remains the primary catalyst for digital transaction growth. According to the central bank figures, the mobile applications processed 1.7 billion transactions valued at Rs. 27 trillion, reflecting 16% growth in volume and 22% in value. The diversity of platforms, including banks, branchless banking providers, and electronic money institutions, reflects a broad market reach and future potential for growth.

The use of internet banking has also shown promising growth numbers with the number of users rising to 14.1 million and the transaction count has crossed the 70 million mark with a total worth of over Rs. 9.6 trillion.

### Real Time Payments (Raast)

SBP's Raast Instant Payment System is also playing a vital role in Pakistan's digital payments journey. The person-to-person segment recorded 368 million transactions worth Rs. 8 trillion, a 25% increase in volume and 31% in value from the previous quarter. According to the SBP data, the new Raast person to merchant service has also grown, with over 700,000 merchants onboarded and Rs. 4.5 billion in transactions processed.



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## Card Payments

Card based payments and e commerce channels continue to expand steadily. The total number of plastic cards has reached 57.4 million, including 89% debit cards, 7% social welfare cards, and only 4% credit cards. This distribution reflects Pakistan's prudent approach to consumer spending pattern and reflects that due to avoidance of interest and high charges on credit cards most consumers still prefer to use their own funds instead of borrowed credit.



## E Commerce and QR Payments

Globally e commerce has played a vital role by streamlining the supply chain and reducing the transaction cost. In the local context of Pakistan, we have witnessed a robust activity with 213 million online transactions, a 40% increase in volume and a 34% rise in value to Rs. 258 billion. However, it is important to note that in Pakistan 94% of the e commerce transactions were conducted via wallets or bank accounts rather than cards, a similar adoption pattern as witnessed in mobile first markets such as Indonesia and Kenya.

It is positive to note that SBP's efforts to onboard small merchants have been effective, with over 778,000 retail and Kiryana stores now accepting digital payments via QR codes and wallets. Last quarter, these merchants processed 22 million payments worth Rs. 61 billion, showing increased grassroots adoption of digital finance. POS terminals increased to 179,383, enabling 99 million transactions worth Rs. 550 billion. Although POS penetration in Pakistan is lower than in regional peers such as Malaysia and Turkey, the 8% quarterly growth indicates strong potential.

## Large Value Settlements

Pakistan Real time Interbank Settlement Mechanism (PRISM) processed Rs. 347 trillion in large value transactions over 1.5 million transactions. Most of the transaction volume comes from customer-initiated payments, while government securities settlements make up most of the transaction value.

As the market behaviors change, more people are moving towards the digital payment system. However, given the nature of cash-based communities branches and branchless agents are still essential, handling 238 million transactions worth Rs. 116 trillion. They are providing key services like transfer of funds, bill payments, and cheque settlements.

## Challenges and Opportunities

The global banking industry dynamics are rapidly changing in the backdrop of technological advancements in the area of data analytics, machine learning, rise of fintech, AI integration, hyper customization and cross border payment integration. These advancements on one hand are increasing pressure on the financial institutions while on the other hand they are making things easier and more personalized for end consumers.

Despite such progress, for Pakistan there are still specific challenges that remain constant. These challenges include lower digital literacy, unreliable internet connectivity, and concerns over cybersecurity and scams. To tackle these challenges, policymakers should implement a nationwide financial literacy program. Moreover, due to interest-based offering by many financial institutions, due to religious misalignment many retail and small merchants are shying away from adoption of digital solutions by conventional players and looking for Islamic alternatives.

Promoting public private partnerships, adopting efficient policies, and advancing digital literacy in Pakistan can sustain the momentum. Pakistan has the potential to emerge as a leading regional center for digital finance by encouraging more fintechs and building alliances between incubators and fintech startups.

Focusing more on tech innovation, Shariah compliant digital products, and investing in interoperability and cybersecurity, Pakistan can be positioned and become a regional leader in digital financial services in Pakistan and around the globe.

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