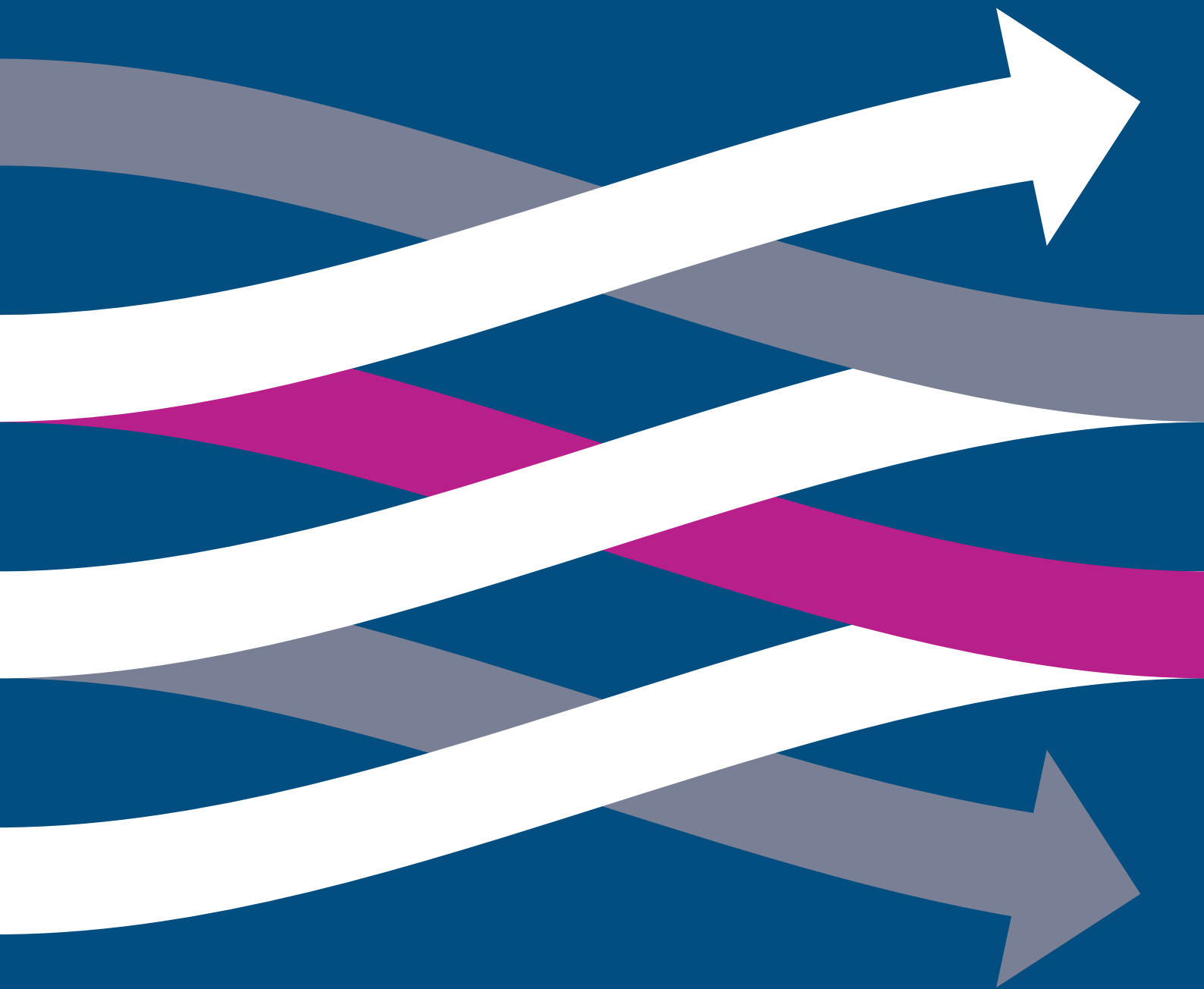


# Fintech Innovation in Pakistan

Disrupting and Reinventing Financial Services



## MESSAGE FROM THE FOUNDERS

“The recent news on the improvement in global ranking of the Pakistani Startup Ecosystem is a result of the efforts of various support organizations like the NIC and Teamup, startups, regulators and public and private sector organizations. Our research aims to create more opportunities for collaboration across different verticals so various sectors can contribute to uplift the economy. This report, particularly is very exciting as Fintech has emerged as one of the fastest growing sectors in the country and across the globe in recent times. We are optimistic that the key insights presented in this report will help multiple stakeholders build solutions for improving financial inclusion in the country.”

**Parvez Abbasi**, Co-founder Teamup Group and Project Director, NIC



“I am extremely excited to announce the launch of yet another research publication by the NIC and Teamup. Fintech is a growing space in the country, and with the recent surge in investments, the sector has promising prospects for growth. This report is a humble effort of the NIC and Teamup to contribute to the space by highlighting key dynamics of the sector and setting grounds for new collaborative initiatives. The NIC and Teamup is committed to its vision of leading the entrepreneurial ecosystem in Pakistan and will continue to contribute in various ways for the global recognition and projection of startups in the country.”

**Zouhair Khaliq**, Co-founder Teamup Group and NIC



## PREFACE

This report, published by the **National Incubation Center**, presents the findings of a research study conducted on ‘**Fintech Innovation in Pakistan.**’ The study aims to highlight key challenges and opportunities in the Fintech sector in the country, and to investigate the role of tech startups in revolutionizing the sector. The report is organized to discuss the current landscape and recent developments in the Fintech space in Pakistan and across the globe, to put forward the viewpoints of experts on what the future of Fintech in the country looks like, so that startups can collaborate with incumbents to develop innovative solutions for the growth of the sector.

The analysis presented in the report is based on primary research conducted with industry experts and founders of Fintech startups. Around **49 industry experts** and **32 startup founders** responded to survey questionnaires shared with them. The responses helped us gain insights into the key dynamics of the Pakistani Fintech Space, identify key challenges, and understand what can be the way forward.

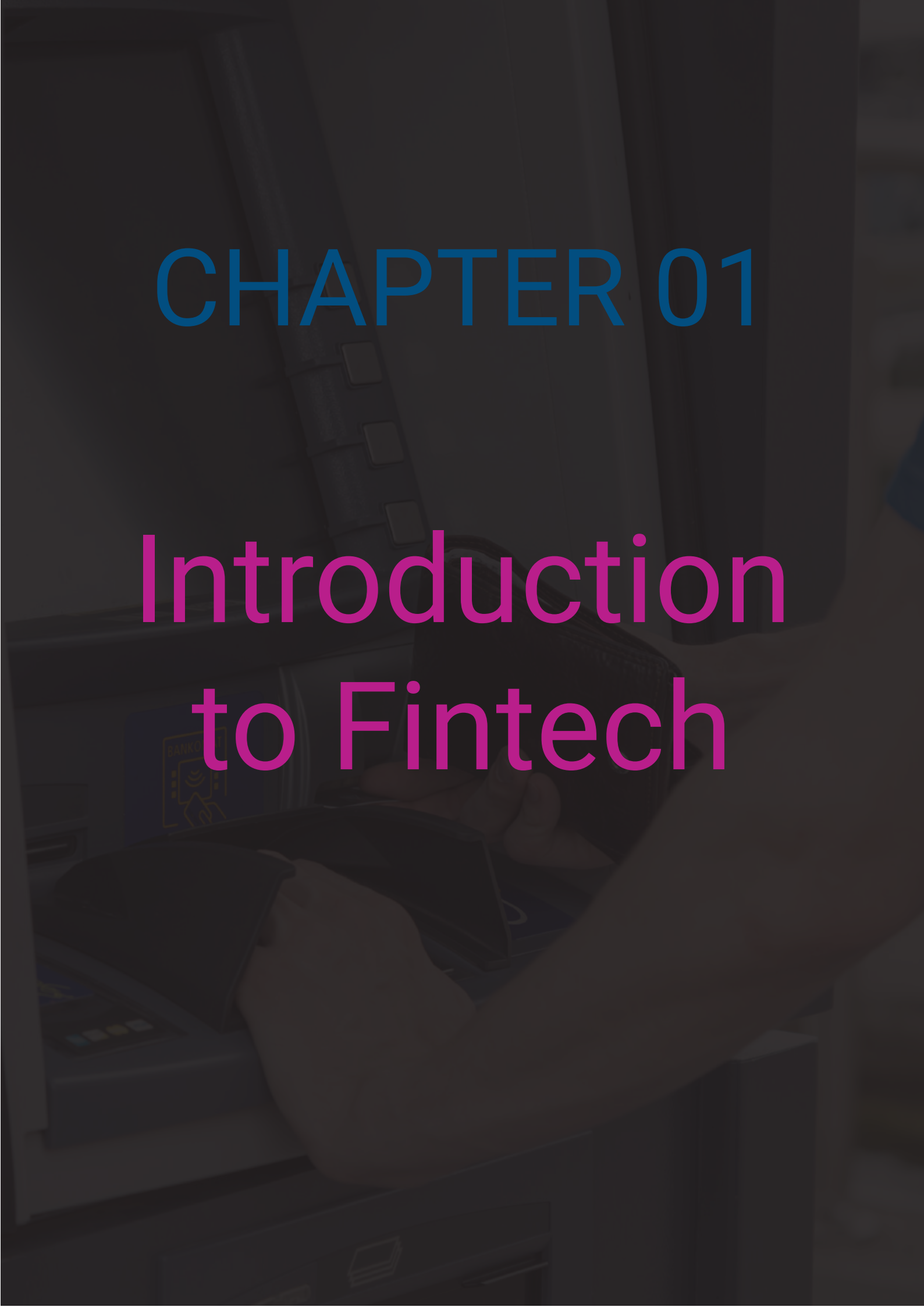
We would like to extend gratitude to the **Pakistan Fintech Network** for its support in co-authoring a chapter of the report with us. The NIC would like to acknowledge all participants of the experts and startups survey for the timely submission of their valuable contribution.

## TABLE OF CONTENTS

<b>Chapter 01</b>	<b>02</b>
<b>Introduction to Fintech</b>	
1.1 Fintech Sectors	03
1.2 The Fintech Ecosystem	04
<b>Chapter 02</b>	<b>05</b>
<b>The Global Fintech Industry</b>	
2.1 Global Fintech Market Segmentation	06
2.2 Fintech Market Size and Growth	06
2.3 Financial Technology Statistics	08
2.4 Market Drivers for Fintech	09
2.5 Key Trends for the Global Fintech Industry 2020-2021	10
2.6 A Glimpse of the Global Fintech Startup Space	10
2.7 Digital Financial Inclusion and COVID-19	14
<b>Chapter 03</b>	<b>15</b>
<b>FinTech in Pakistan</b>	
3.1 History	16
3.2 Current Landscape- Key Categories and Players	17
3.3 The FinTech Gender Gap	17
3.4 Recent Developments in the Pakistan Fintech Space	19
3.5 The Fintech Startup Ecosystem in Pakistan	23
<b>Chapter 04</b>	<b>26</b>
<b>Research Analysis-Key Challenges and the Future of Fintech in Pakistan</b>	
4.1 Data Analysis- Fintech Industry Experts Survey	27
4.2 Data Analysis- Fintech Startups Survey	33
<b>Chapter 05</b>	<b>36</b>
<b>Conclusion</b>	
<b>Acknowledgements</b>	<b>38</b>
<b>Appendix A</b>	<b>30</b>
<b>Appendix B</b>	<b>41</b>
<b>About Us</b>	<b>43</b>
<b>References</b>	<b>44</b>

# CHAPTER 01

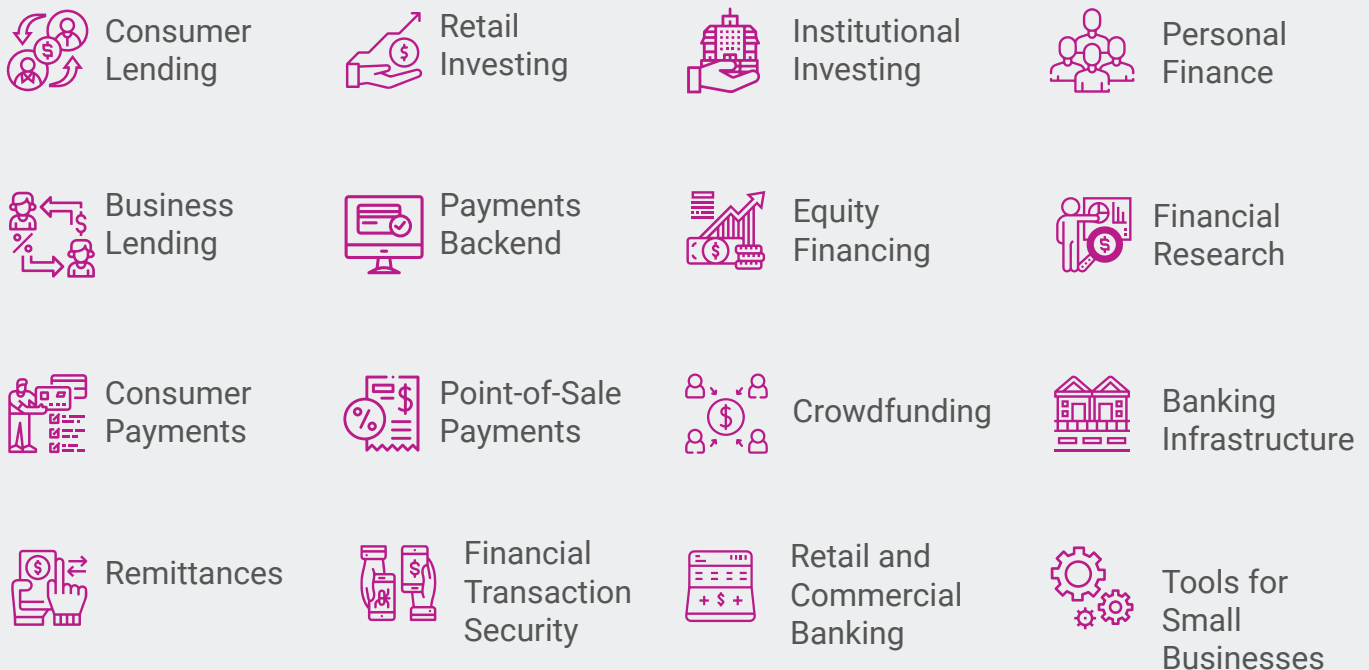
## Introduction to Fintech



While the term Fintech has been around for many years, however latest technology developments and multitude of new players have accelerated its popularity. Technological advances, a growing base of tech savvy consumers with an increasing appetite for digital financial services, and willingness of incumbents to adopt technology and collaborate with emerging players, are driving a new wave of Fintech across the globe. The COVID-19 pandemic has catalyzed the adoption of DFS and demise of cash as consumers are actively seeking contactless payment options and are adopting digital tools for managing their finances. While some argue that this might be a temporary disruption, specially for the most reluctant consumers; popular opinion and statistics suggest there will be a permanent shift in behavior and Fintech is meant to be the new normal.

Fintech is one of the fastest growing tech sectors across the world, as new companies are introducing innovations in sectors encompassing all areas of finance from payments and loans, to credit scoring and stock trading. Emerging fintechs are integrating technologies like Artificial Intelligence, Blockchain and Big Data into traditional financial sectors and institutes, making them safer, faster and more efficient.

## 1.1 Fintech Sectors



## 1.2 The Fintech Ecosystem

An efficient and functioning ecosystem is a prerequisite to meeting radically changing consumer demands, to ensure coherent collaboration between emerging Fintechs and incumbents. At the heart of this ecosystem lies a supportive regulatory regime that enables an environment conducive to growth of the sector. Fintech ecosystems, in order to flourish, require incumbents to step out of status quo, believe in the power of collaboration and embrace change as new players develop innovative ways to disrupt the traditional financial services space.

A growing fintech ecosystem offers greater avenues for collaboration amongst various stakeholders and allows greater integration between traditional products and services, enabling customization and tailor-made products for consumers. Fintech promises to transform the traditional financial markets, improve financial inclusion by reaching out to lower-income households and women, and contribute to the overall GDP growth across countries. The delivery of digital financial services is evolving with new models of interactions between incumbents and emerging fintechs. While the young disruptors offer competition to traditional players who respond by investing heavily in fintech; collaboration between the two can reap maximum benefits as both utilize their strengths to seize new opportunities.

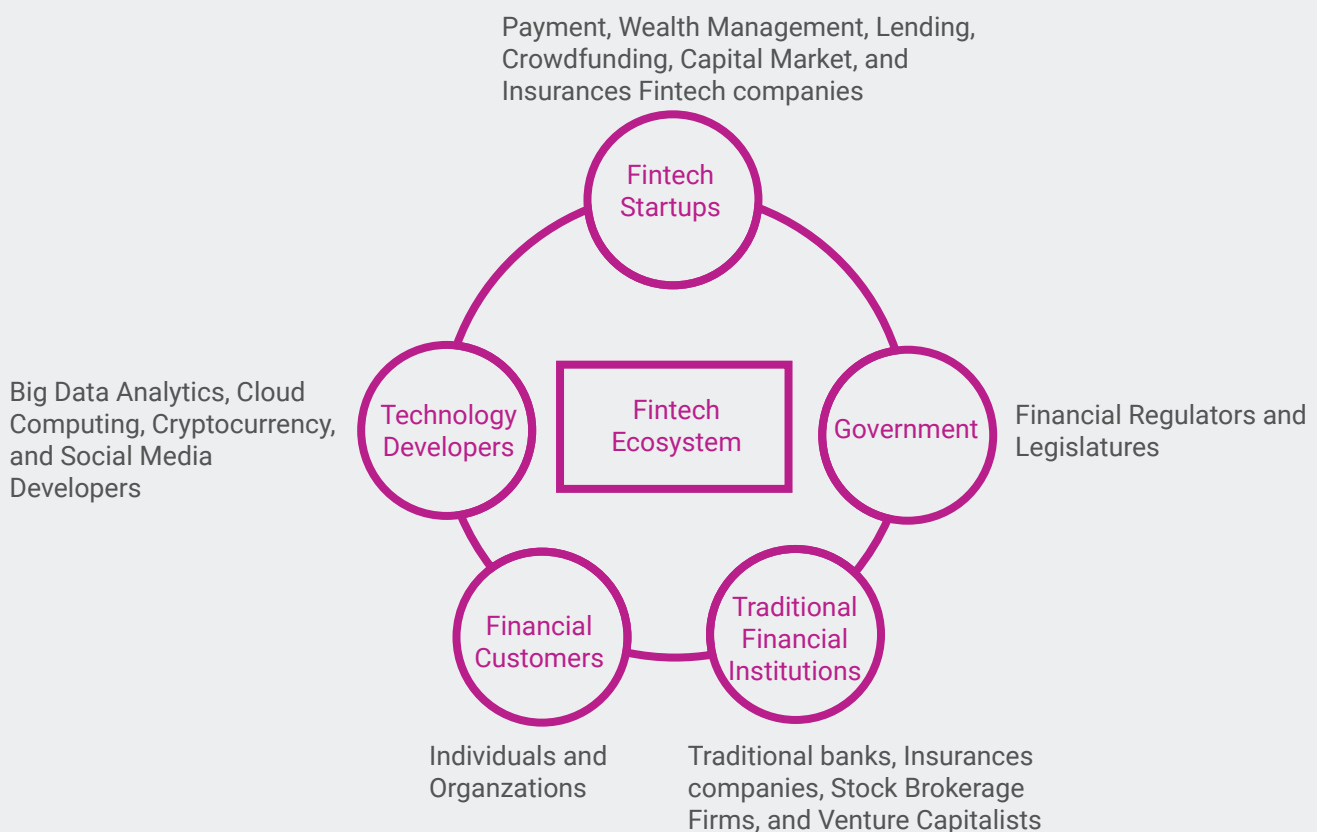


Fig 1.1 The Fintech Ecosystem





# CHAPTER 02

## The Global Fintech Industry



## 2.1 Global Fintech Market Segmentation

### By Technology

API  
Artificial Intelligence  
Blockchain  
Distributed Computing

### Market-by Service

Payment  
Fund Transfer  
Personal Finance  
Loans  
Insurance  
Wealth Management

### By Service Provider

Payment Processors  
Securities Brokerages and  
Investment Firms  
Banks  
Non-Banking Financial  
Companies  
Others

### By Deployment Mode

Cloud  
On-Premises

### Market-by region

North America  
Europe  
South America  
Asia-Pacific  
Middle East and Africa

### By Application

Banking  
Insurance  
Securities  
Others

The Asia-Pacific region is the fastest growing market for Fintech as new opportunities are emerging, and investment is rushing to exploit them. Open banking and other regulatory policies are modifying financial services business. China and India are experiencing much higher penetration rates for fintech services in this region.

## 2.2 Fintech Market Size and Growth

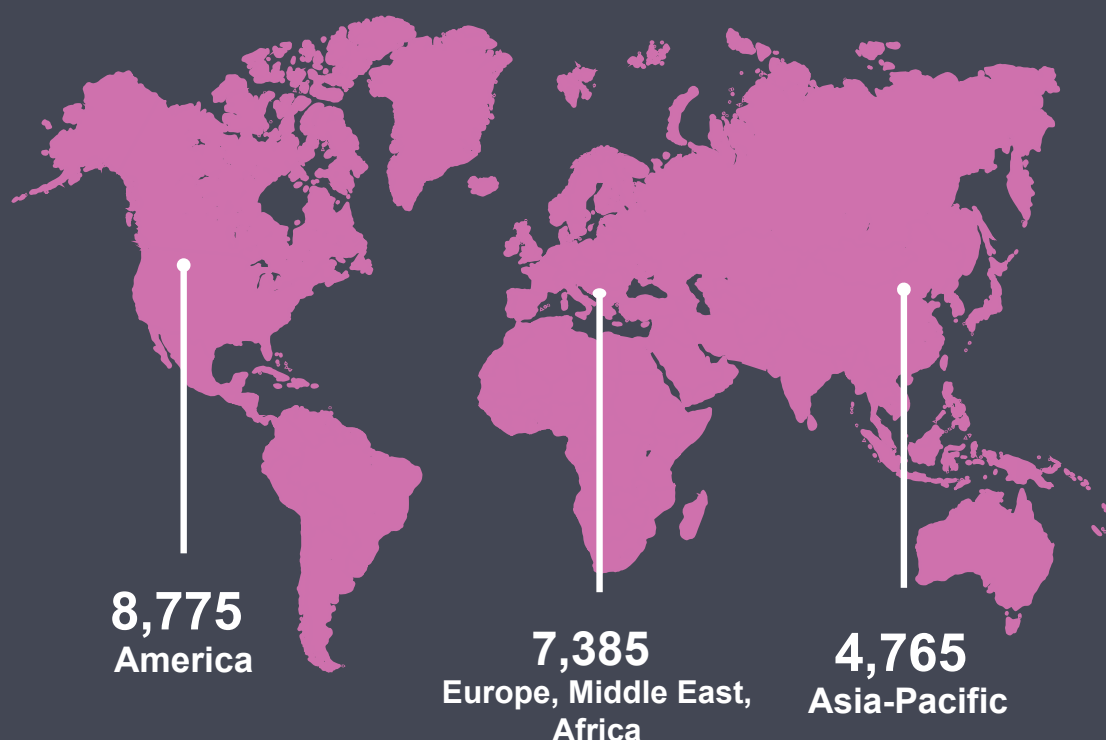


Fig. 2.1 Number of Fintech Startups Worldwide 2020, by region

The global fintech market was worth \$127.66 billion in 2018, reached nearly \$111,240.5 million in 2019, having grown at a compound annual growth rate (CAGR) of 7.9% since 2015. <sup>1</sup>

The global Fintech market is expected to grow and reach a market value of approximately \$305 billion by 2025, growing at a compound rate of about 22.17% over 2020-2025. <sup>2</sup>

The Fintech market's largest segment is expected to be **Digital Payments**, with a total transaction value of US\$4,406,431m in 2020 and predicting to reach US\$8,266,917m in 2024. <sup>3</sup>

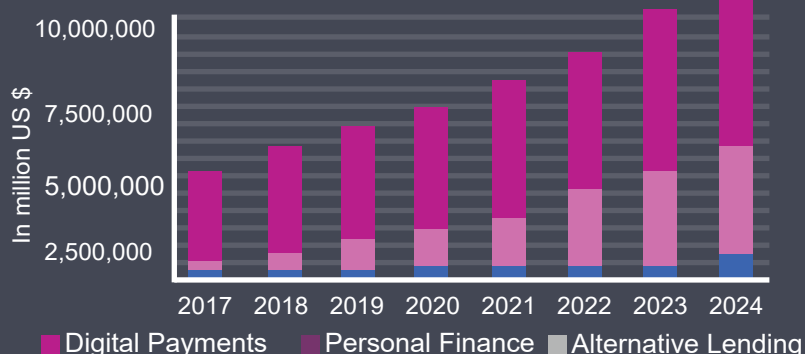


Fig 2.2 Transaction Value of Digital Payments Worldwide from 2017-2024

The average transaction value per user in the **Digital Payments** segment is expected to reach US\$38,706 in 2024. <sup>4</sup>

By the year 2022, mobile transactions are projected to grow by 121%, comprising 88% of all banking transactions. <sup>5</sup>

By 2021, credit cards, debit cards, and mobile wallets are projected to surpass cash at all points of sales worldwide. <sup>6</sup>

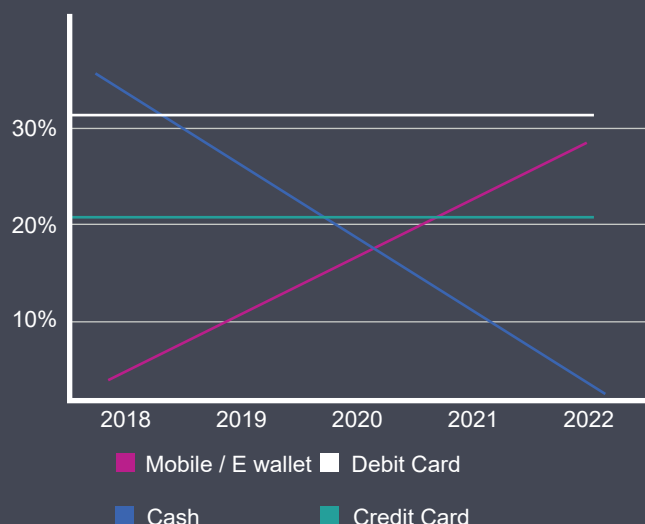


Fig 2.3 Percentage of Digital Payments and Cash worldwide

Apple Pay, Google Pay, and Samsung Pay are set to own 56% of the combined market share of mobile payments in 2021. <sup>7</sup>

The digital mobile wallet market size, valued at USD 1,043.1 bn in 2019 is predicted to reach USD 7,580.1 bn by 2027, growing at a CAGR of 28.2% from 2020 to 2027. <sup>8</sup>

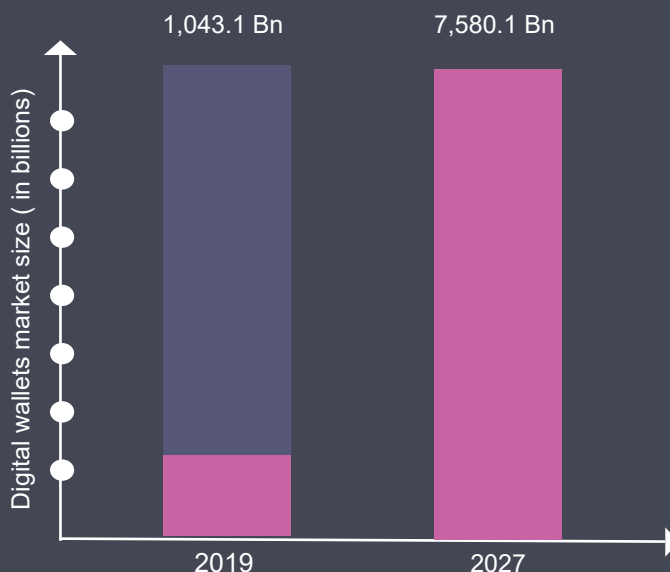


Fig 2.4 Digital Mobile Wallet Market Size (2019-2027)

<sup>1</sup><https://www.thebusinessresearchcompany.com/report/fintech-market>

<sup>2</sup><https://www.marketdataforecast.com/market-reports/fintech-market>

<sup>3</sup><https://www.statista.com/outlook/dmo/fintech/worldwide>

<sup>4</sup><https://www.statista.com/outlook/dmo/fintech/worldwide>

<sup>5</sup><https://www.caci.co.uk/>

<sup>6</sup><https://worldpay.globalpaymentsreport.com/en/>

<sup>7</sup><https://www.juniperresearch.com/press/apple-pay-contactless-users-to-nearly-double>

<sup>8</sup><https://www.prnewswire.com/in/news-releases/mobile-wallet-market-size-is-projected-to-reach-usd-7-580-1-billion-by-2027-valuates-reports-822533147.html>

Peer-to-peer (P2P) (digital lending), which was worth US\$3.5 billion in 2013, is expected to rise to US\$1000 billion in 2025.<sup>9</sup>

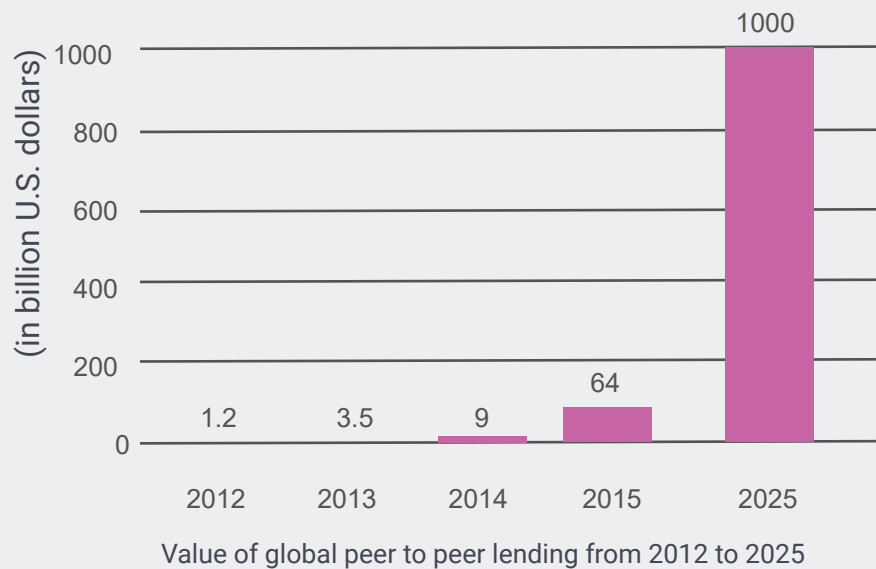
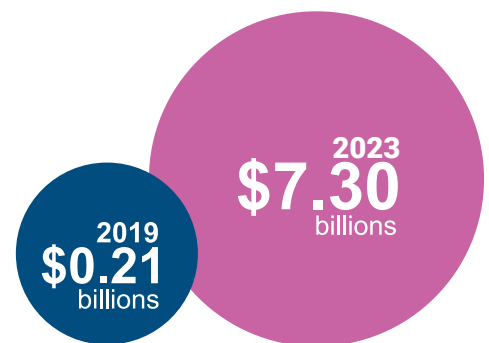


Fig 2.5 Value of Global Peer to Peer lending from 2012 to 2025

## 2.3 Financial Technology Statistics

- ▶ A survey of financial services companies worldwide shows that among companies that want to collaborate with other sectors for growth, 47% were likely to collaborate with a fintech firm.<sup>10</sup>
- ▶ Using **chatbots** will save banks \$7.3 billion globally by 2023, up from an estimated \$209 million in 2019. Successful **banking-related chatbot** interactions will grow 3,150% between 2019 and 2023.<sup>11</sup>
- ▶ The global market for Cryptocurrency, valued at around US\$0.5 bn in 2016, is anticipated to expand at a CAGR of around 31.3% from 2017 to 2025 to attain the value of US\$6.7 bn.<sup>12</sup>
- ▶ The global Regtech market size, estimated at USD 4.3 billion in 2019, is expected to reach USD 55.2 billion by 2025 at a compound annual growth rate of 52.8%.



How Much will Banks worldwide Save in Operational Costs by Using Chatbots?

<sup>9</sup><https://www.statista.com/statistics/325902/global-p2p-lending/>

<sup>10</sup><https://www.emarketer.com/content/seven-charts-the-state-of-digital-banking-in-2020>

<sup>11</sup><https://www.juniperresearch.com/press/bank-cost-savings-via-chatbots-reach-7-3bn-2023>

<sup>12</sup><https://www.transparencymarketresearch.com/cryptocurrency-market.html>

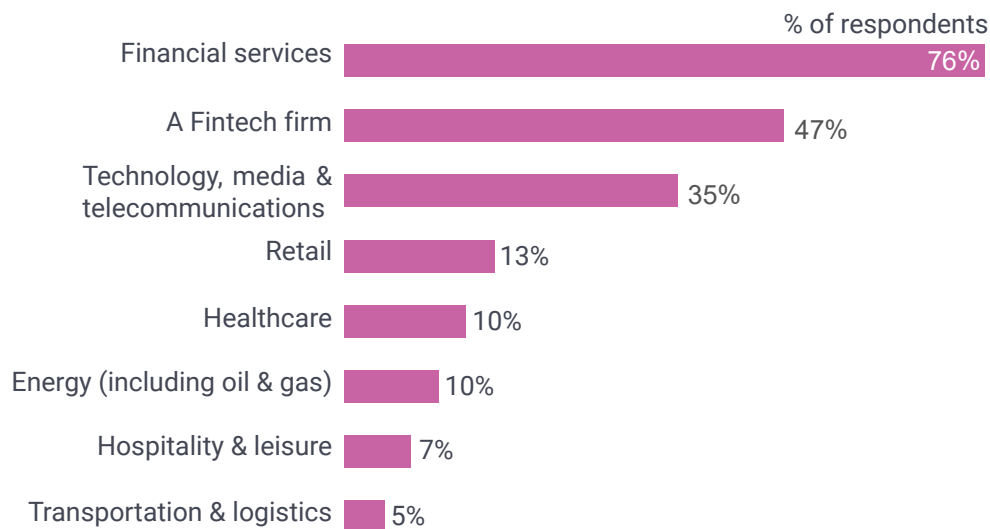
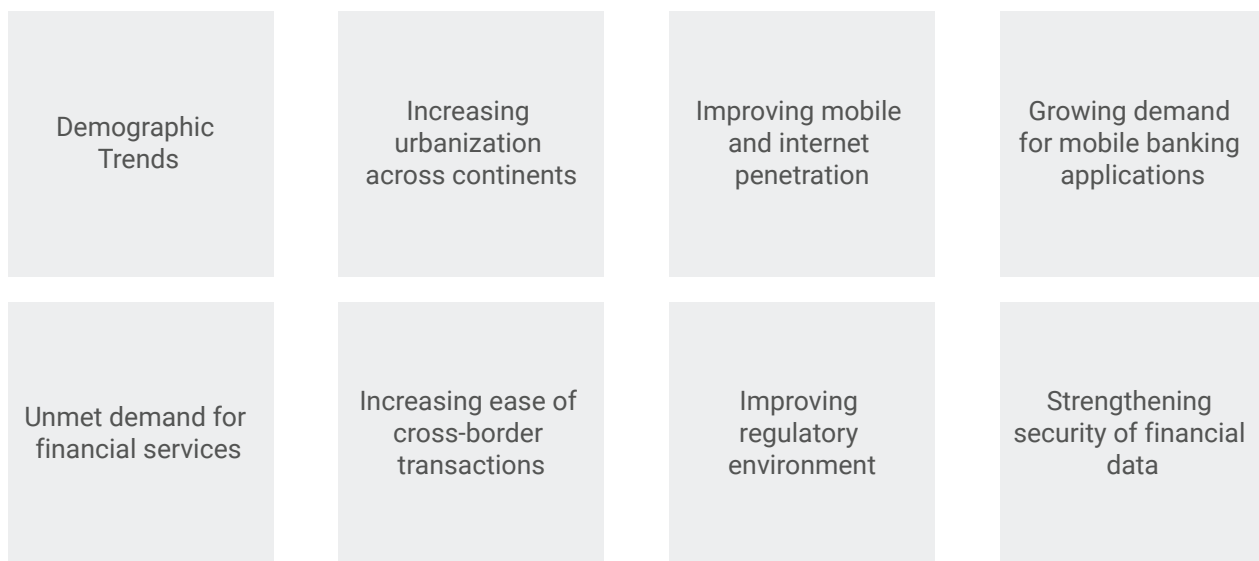
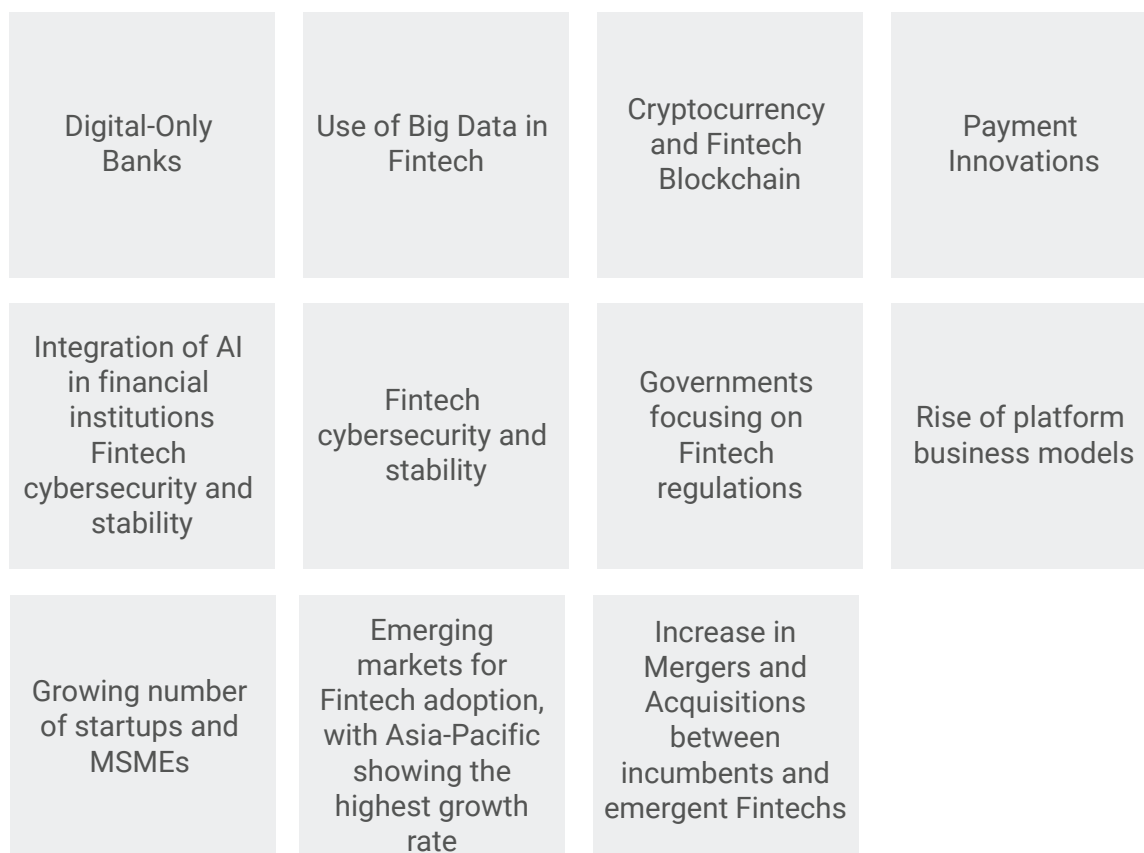


Fig 2.6 Sectors with which Financial Services Companies Worldwide are planning to collaborate, June 2019

## 2.4 Market Drivers for Fintech



## 2.5 Key Trends for the Global Fintech Industry 2020-2021



## 2.6 A Glimpse of the Global Fintech Startup Space

Top 10 global fintech deals in the 2020



Fig 2.7 Top 10 Global Fintech Deals, 2020

# The Fintech 250: Top Fintech Companies of 2020

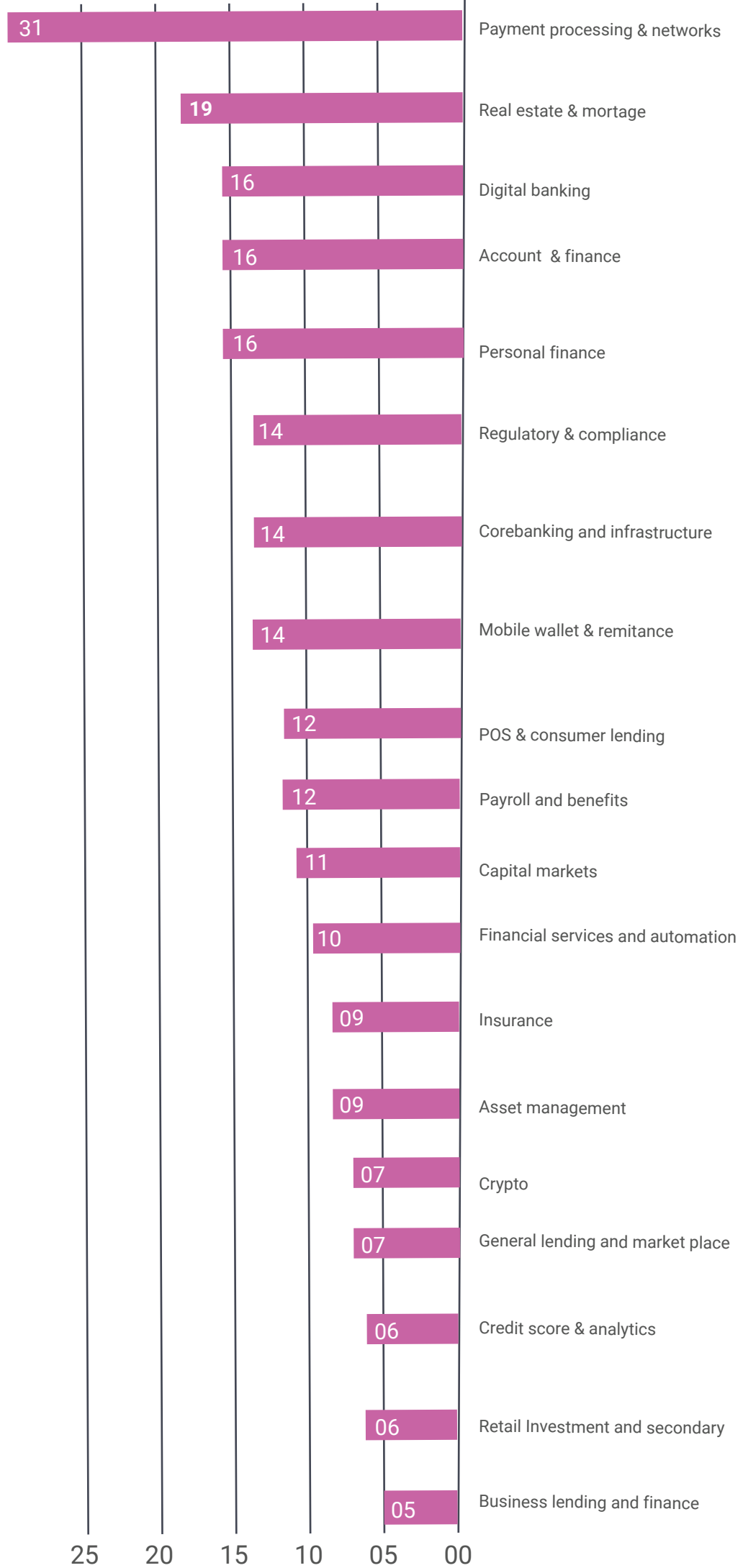


FIG. 2.8

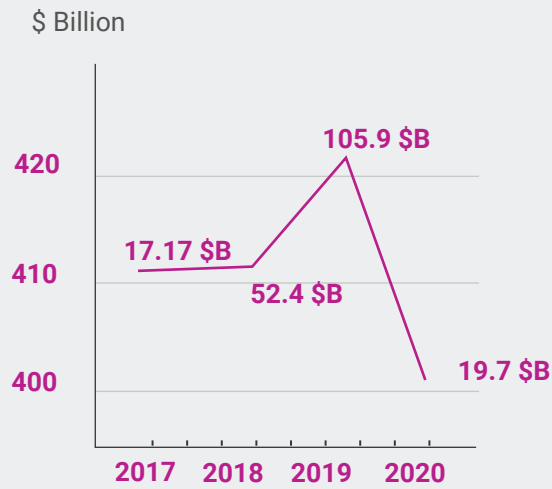


Fig 2.9 Total Global Investment Activity (VC, PE and M&A) In Payments

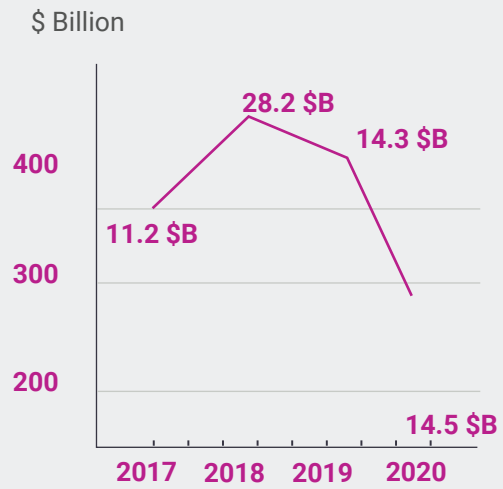


Fig 2.10 Total Global Investment Activity (VC, PE and M&A) in Insurtech (2017-2020)

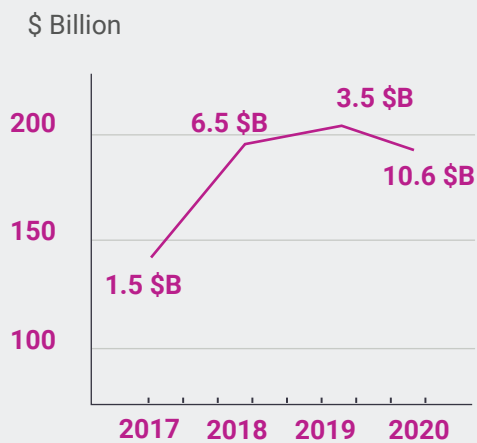


Fig 2.11 Total Global Investment Activity (VC, PE and M&A) in Regtech (2017-2020)

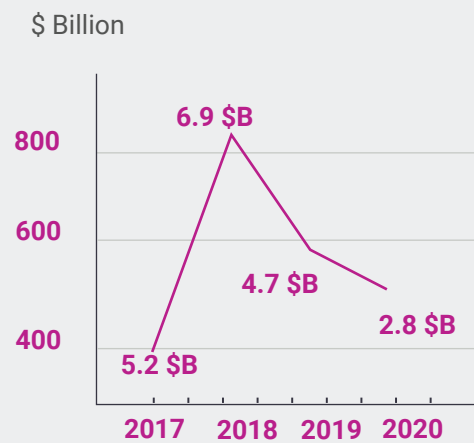


Fig 2.12 Total Global Investment Activity (VC, PE and M&A) in Blockchain & Cryptocurrency (2017-2020)



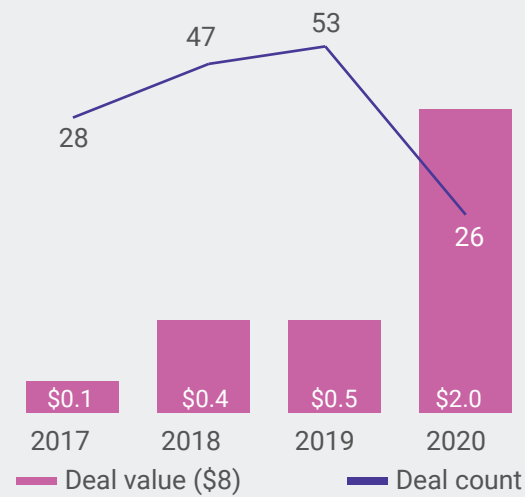
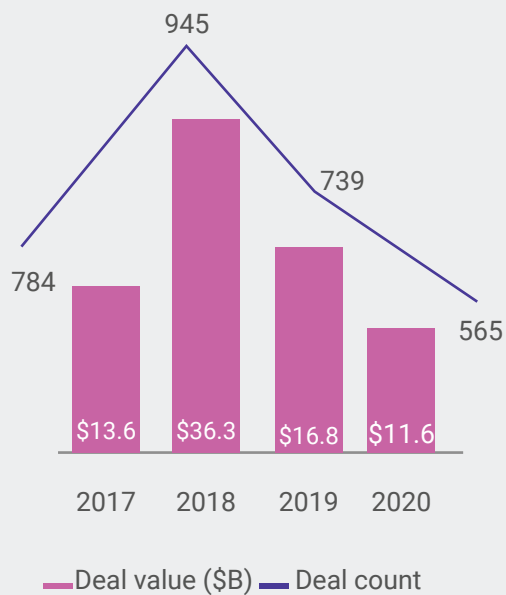


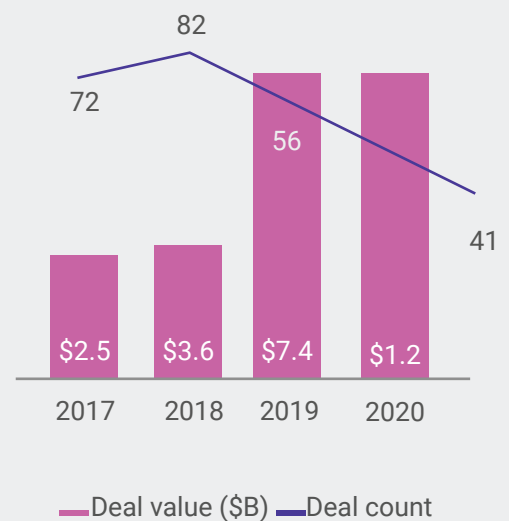
Fig 2.13 Total Global Investment Activity (VC, PE and M&A) in Fintech Cybersecurity (2017-2020)

## Regional Insights-Asia Pacific

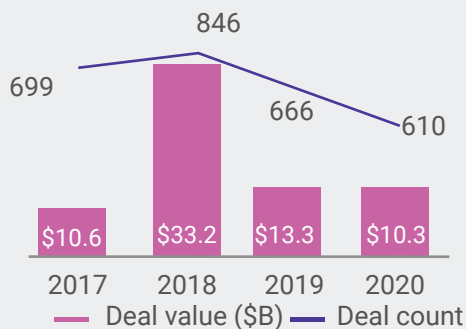
Total investment activity (VC, PE, M&A) in Fintech in Asia Pacific 2017-2020



M&A activity in Fintech in Asia Pacific 2017-2020



Venture activity in Fintech in Asia Pacific 2017-2020



PE growth activity in Fintech in Asia Pacific 2017-2020

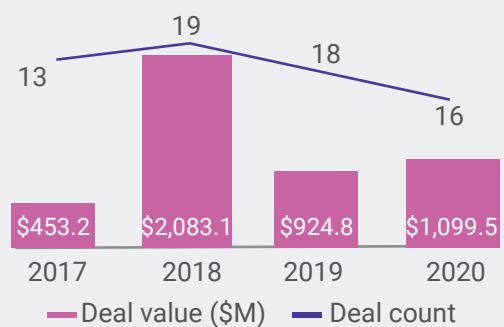


Fig 2.14 Investment Activity in Asia Pacific 2017-2020

## 2.7 Digital Financial Inclusion and COVID-19

Traditional Financial Institutions are radically re-thinking their business models and investing heavily in digital channels.

There is an accelerated shift towards a cashless and digitally banked society, in developed and emerging economies. This comes with a risk of widening the divide between the banked and underbanked population, particularly in underdeveloped and developing economies.

Both developed and developing countries are experiencing substantial growth in subscription of digital financial tools and apps.

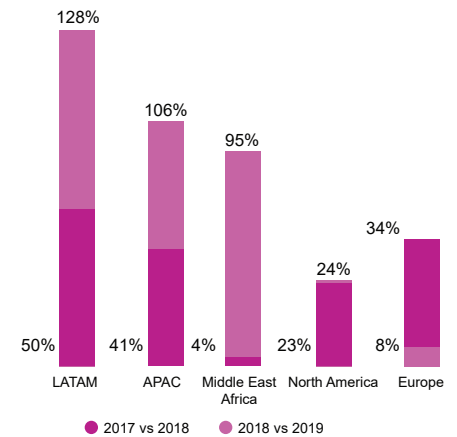


Fig 2.15 Regional YoY Growth in Share of the Install Pie, Finance, per Region

### Top Markets by Number of Finance App Installs, H2 2019



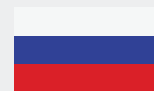
India



Indonesia



Brazil



Russia



USA



Philippines



Vietnam



Maxico



South Korea



Japan



Niger



United Kingdom



Malaysia



Colombia



Pakistan



**4.5%** of installs in 2019 were finance app downloads.

**42% of Indians had increased** their use of digital payments in the three weeks following the outbreak, mainly to buy essential items, both at physical vendors and on e-commerce platforms.

**One of the leading mobile money platforms of Pakistan,** Easypaisa, reported a 35 % increase in new customers during lockdown, a 17% increase in daily transactions, and a 185% increase in bank transfers via mobile wallets.

**Global remittance flows to low-income and fragile states reached a record USD 554 billion,** in 2019, higher than the inflows of foreign direct investment, equity and official development assistance.

**Many developing and emerging economies** are strengthening national efforts to digitize Government-to-People (G2P) transfers.

The Ehsaas Emergency Cash (EEC) Programme was launched in April 2020 by the Government of Pakistan to provide immediate economic relief-in the form of a transfer of PKR 12 000 (USD 72) to 18 million of vulnerable households that had lost their main income sources due to the pandemic induced lockdown, an estimated 100–120 million individuals, or approximately 47–56 percent of the population of Pakistan.

# CHAPTER 03

## Fintech In Pakistan

### 3.1 History

The year of 2007 is attributed to the embarkment of digitalization journey in Pakistan when the State Bank of Pakistan (SBP) published a policy paper regarding Regulatory Framework for Mobile Banking in Pakistan. This development was followed by issuing of Branchless Banking Regulations in March 2018. Many pioneer players stepped up to provide Digital Financial Services, which served as stepping stone towards development of Fintech landscape in the country.

	<p>The next initiative was taken by UBL via launch of Omni a BB service</p>		<p>UFone also launched their BB product with the name upaisa</p>
2010	2011	2012	2013
<p>Being pioneer, Telenor Pakistan launched Digital Wallet named "Easy Paisa"</p>		<p>Two major developments were seen: Jazz then Mobilink launched Mobi Cash and Zong along with Askari bank launched Timepay bank</p>	

Figure 3.1 Pioneer DFS initiatives in Pakistan, Based on Agent Network Accelerator Research conducted for Karandaaz

## 3.2 Current Landscape- Key Categories and Players



Figure 3.2. FinTech Landscape of Pakistan  
(Based on categorization by Nadeem Hussain, Chairman Pakistan FinTech Network-as of July 2021)

## 3.3 The FinTech Gender Gap

### 3.3.1 The Unbanked Female Population

Female formal account possession in Pakistan is approximately three times lower than the South Asian average. Only 11.7 Million adult women have a formal bank account. When compared to adult males only 18% of adult women have formal bank accounts where 51% of males have active bank accounts.<sup>114</sup>

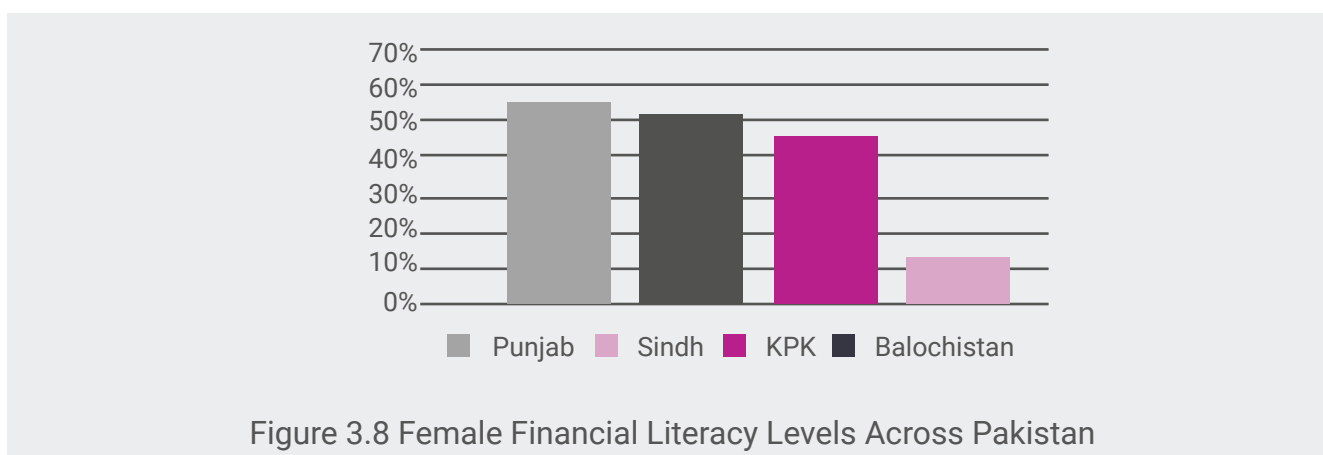
<sup>114</sup><https://tribune.com.pk/story/2288057/barriers-abound-for-women-in-digital-space>



A comparison of female account ownership with Middle Eastern and Asian countries reveals that Pakistan lies at the bottom with the least female account uptake and our neighboring country Iran has the highest female account ownership in the region.<sup>15</sup>

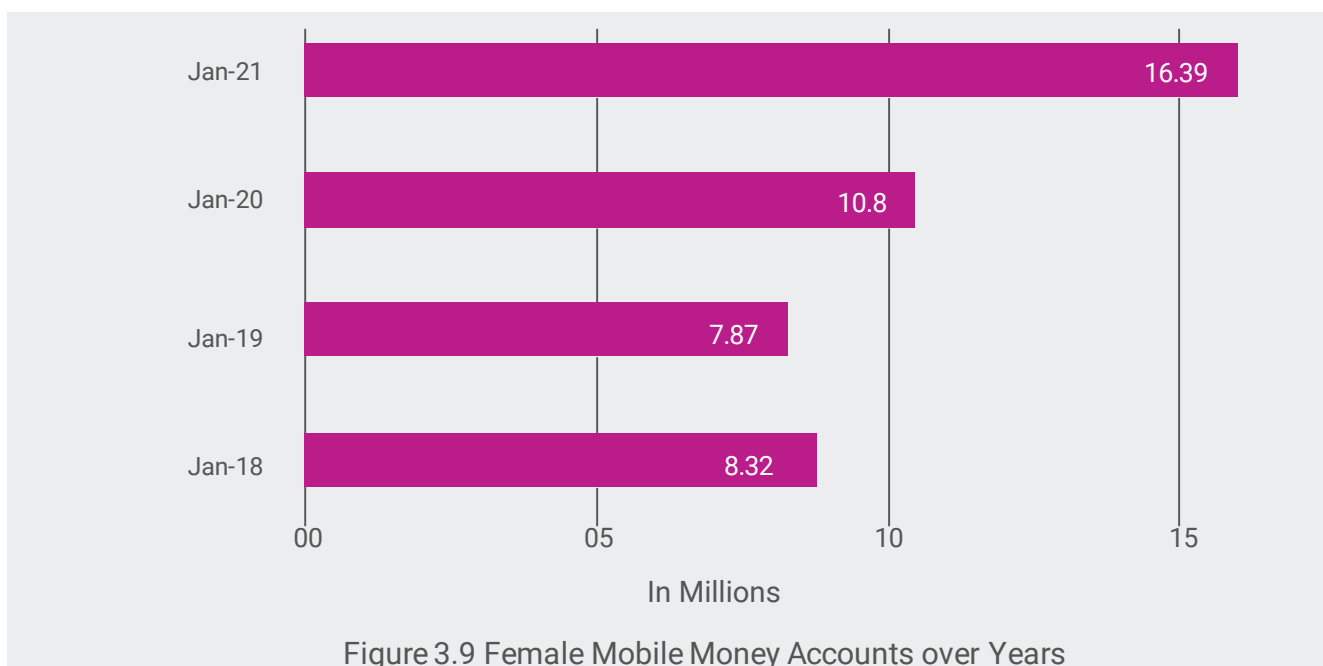
### 3.3.2 Female Financial Literacy

55% of the women in Pakistan are able to understand basic financial terminologies such as bank, accounts, committees, pay, pension and interest. But the understanding drops down to 18% for complex financial terms such as stock, insurance, investment, and exchange rate.<sup>16</sup>



### 3.3.3 Uptake of Mobile Money Accounts

A positive trend is witnessed in female mobile money accounts, with a CAGR of 25.36% from year 2018 to year 2021.



<sup>15</sup><https://tribune.com.pk/story/2276885/sbp-prepares-for-digital-shift>

<sup>16</sup><https://tribune.com.pk/story//barriers-abound-for-women-in-digital-space>



### 3.4 Recent Developments in the Pakistan Fintech Space

#### 3.4.1 Regulatory Developments

The boom of the FinTech industry in Pakistan can be attributed largely to developments in the regulatory regime and increasing penetration of 3/4G mobile phone connections. The table below presents a brief overview of regulations that have supported new FinTech initiatives in the country.

Regulation	Pros	Cons
<b>Branchless Banking</b>	Detailed Framework	Mandatory Banking License
	Defined Product Offerings and Identified Role of each Player	Banks need to hold physical servers inside their premises, lacking cloud-based server services
	Strong Anti-Money Laundering Regulations, KYC requirements and risk guidelines	High on boarding friction services
<b>PSP/PSO</b>	Allows new entrants to enter the market and offer digital services	The high capital requirement set up at PKR 200 Million, acting as a barrier for FinTechs and small-scale firms
	New market entrants bring innovative business models as opposed to the traditional ones	Restricts holding customer funds to banks, store value services not permitted to PSPs.
<b>AASAN Account</b>	With help of NADRA biometric verification, a fully digital account opening	Significant overlap with branchless banking KYC requirements (specially for level 1 account)
	More customer friendly KYC requirements	Customers still need to have a mandatory one time visit to bank branch for digital account opening
<b>EMI Regulations</b>	Reducing the dependence of FinTech Players on banking institution for e-money distribution	FinTechs often need to be highly dependent on banks mainly for the settlements
	Opening avenues for new FinTech players with innovative business models to solve ghetto problems	The FinTechs needs to keep up with the ongoing capital requirement of PKR 200 Million acting as a barrier for innovative but small-scale entrants

Table 1. Snapshot of the regulations impacting FinTechs in the country. Adapted from Karandaaz and Dawn News. Originally formulated for Pakistan FinTech Network (PFN)<sup>17</sup>

<sup>17</sup><https://portal.karandaaz.com.pk/dataset/branchless-banking-accounts-female/1269>

### Raast: A Revolutionary Initiative

Raast, a payment system launched by State Bank of Pakistan (SBP) this year, will allow financial institutions to connect with each other through a single infrastructure. This means that the system is interoperable that not only provides standardization, ease of use to all the ecosystem financial institutions but will also result in lesser costs for these institutions. In addition, it will allow the transactions to take place instantly without cumbersome clearing requirements and long processes.

### 3.4.2 Digital Money Developments

Mobile Wallet (MW) to MW transfer grew at a whopping CAGR of 112.06% from 2015-2020

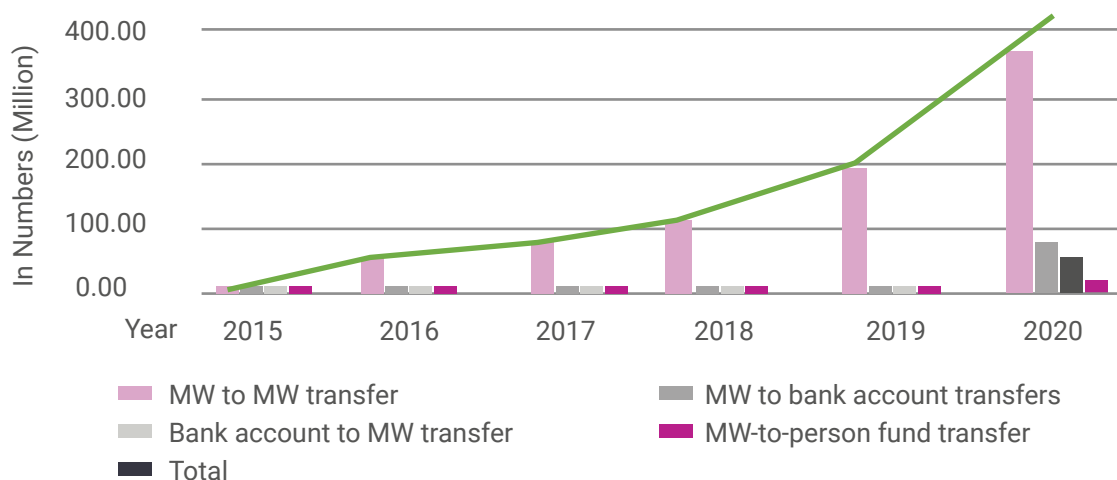


Figure 3.10 M-wallets based fund transfers by Volume

MW based Government to Person (G2P) payments grew at CAGR of 26.87% as compared to payments via card which declined at CAGR of 54.6% from 2015-2020.<sup>18</sup>

<sup>18</sup>Based on data collected and aggregated from State Bank of Pakistan BB Quarterly

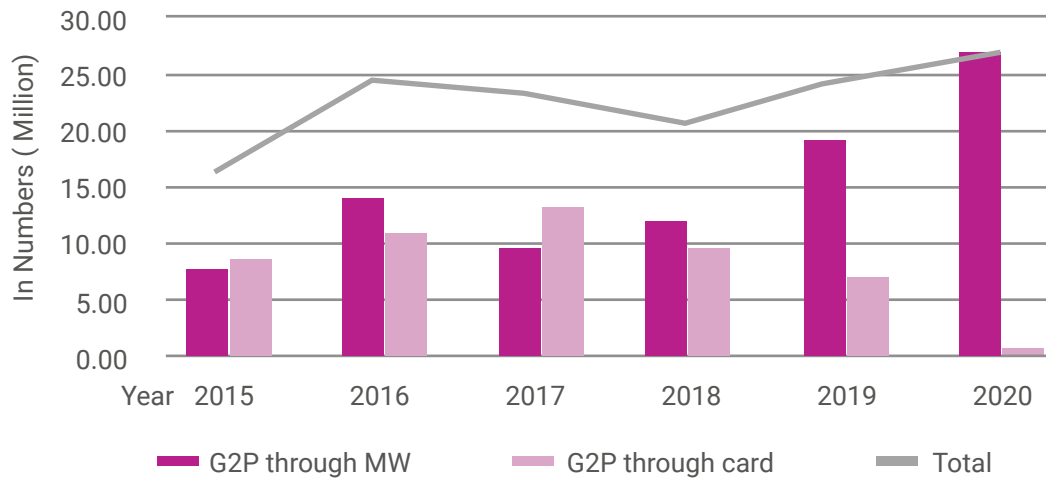


Figure 3.11 G2P Payments via M-wallet vs. Card by Volume<sup>19</sup>

Over a span of 5 years from 2015-2020, cash deposits in MW grew at CAGR of 62.9% in contrast to cash withdraw from MW which grew at CAGR of 35.7%.

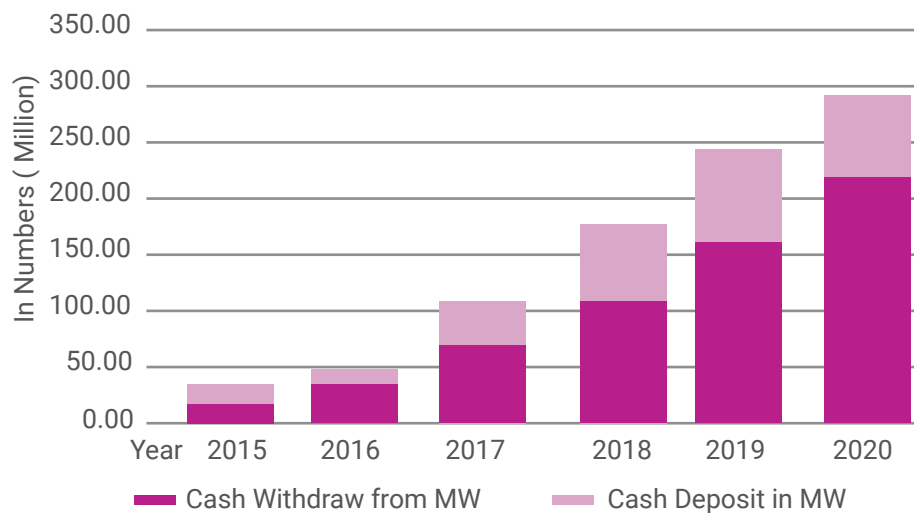


Figure 3.12 M-Wallet cash Deposit vs. Withdrawal Snapshot by Volume<sup>20</sup>

Mobile Wallet (MW) to MW transaction value surged at CAGR of 106.89% from 2015-2020.

<sup>19</sup>Based on data collected and aggregated from State Bank of Pakistan BB Quarterly

<sup>20</sup>Based on data collected and aggregated from State Bank of Pakistan BB Quarterly

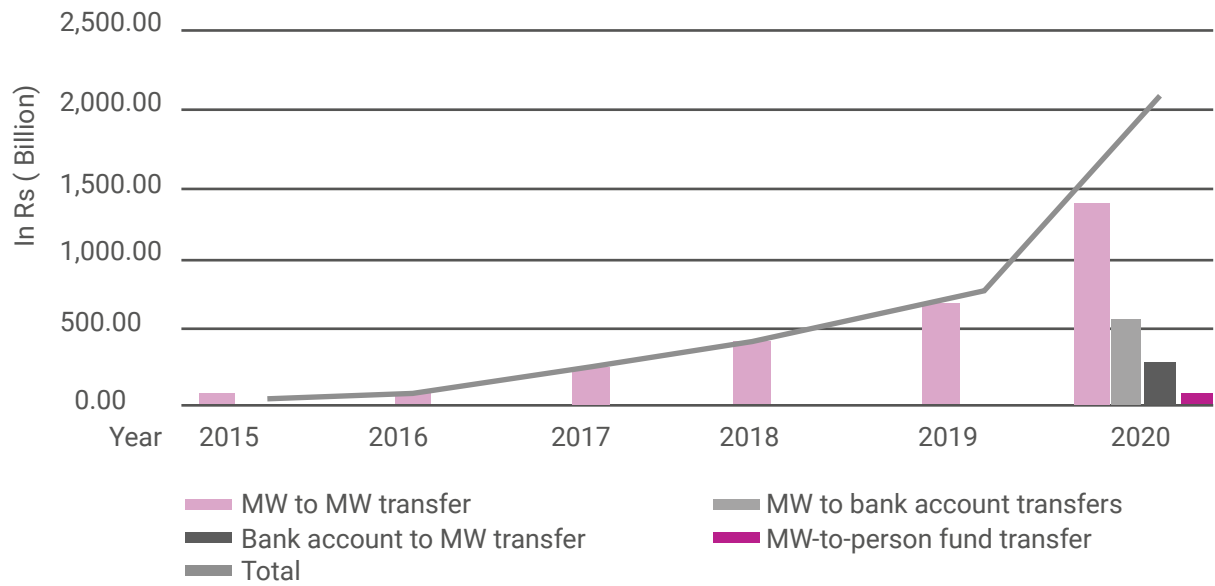


Figure 3.13 Snapshot of M-wallets based fund transfers by Value<sup>21</sup>

MW based Government to Person (G2P) payments transaction value grew at CAGR of 40.08% from 2015-2020.

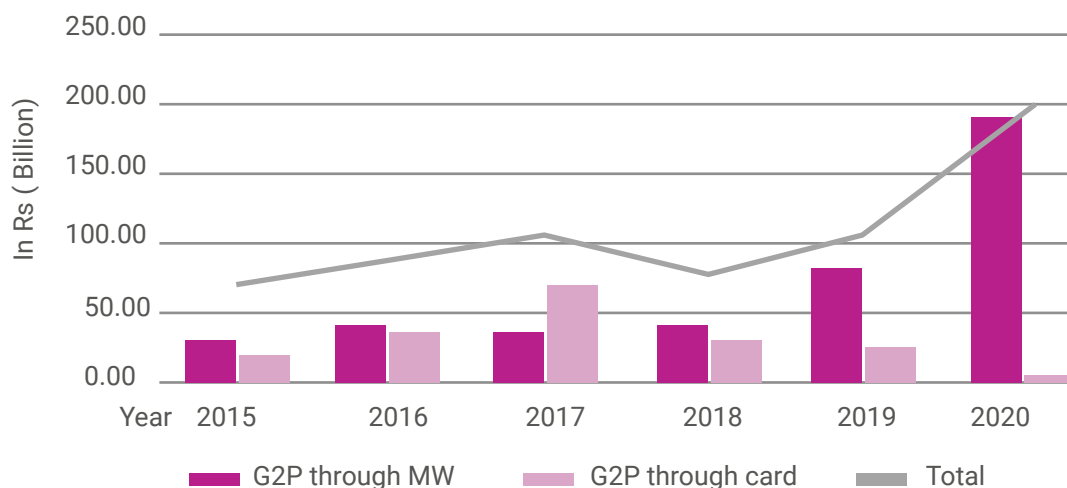


Figure 3.14 G2P Payments via M-wallet vs. Card by Value<sup>22</sup>

<sup>21</sup>Based on data collected and aggregated from State Bank of Pakistan BB Quarterly

<sup>22</sup>Based on data collected and aggregated from State Bank of Pakistan BB Quarterly

From 2015-2020, value of cash deposits in MW grew at CAGR of 63.48% in contrast to cash withdrawal value from MW which grew at CAGR of 46.34%.

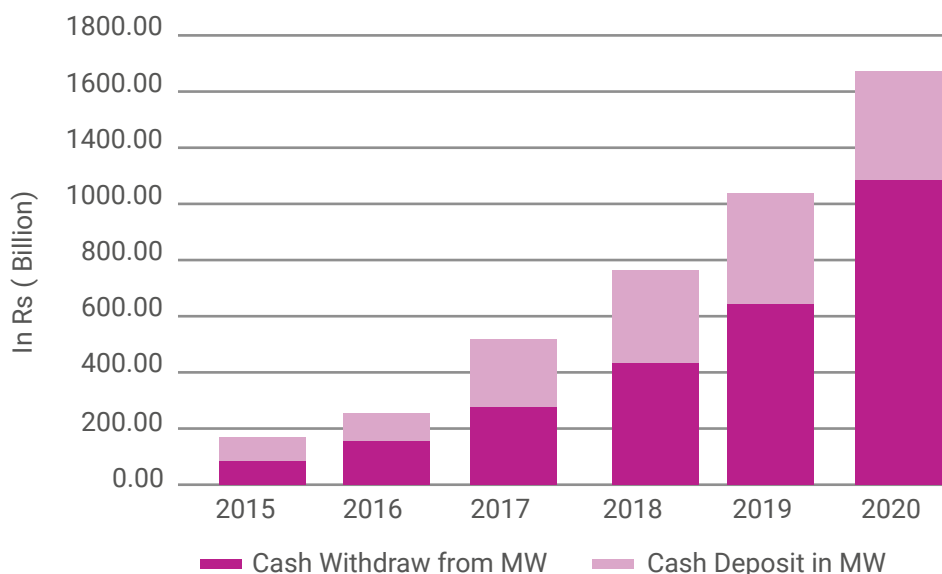


Fig 3.15 M-Wallet cash Deposit vs. Withdrawal Snapshot by Value<sup>23</sup>

## 3.5 The Fintech Startup Ecosystem in Pakistan

### 3.5.1 Recent FinTech Funding/Financing



\$7.2 Million  
Seed Fund



\$1.5 Million



\$4.5 Million



\$10 Million  
Funding



Undisclosed  
7-Digit Figure  
Investment  
Seed Fund



\$5.5 Million  
Pre-Seed



\$0.5 Million  
Grant



\$2 Million  
Seed Round



\$6.4 Million  
Seed Round



\$2 Million  
Seed Fund

<sup>23</sup>Based on data collected and aggregated from State Bank of Pakistan BB Quarterly

### 3.5.2 Recent Initiatives for the FinTech Ecosystem Development

#### 3.5.2.1 The NIC Hacktivate 4.0- A Hackathon on Fintech

The **National Incubation Center** and **Jazz xlr8**, organized and successfully conducted Hacktivate 4.0-a Hackathon on **Fintech**, to find innovative and disruptive solutions in the Fin-tech space.

The two-day event powered by Allied Bank as core partner and sponsor, comprised of a hackathon, where shortlisted startups and SMEs in the Fin-tech space pitched their ideas to a power-packed panel of judges, and an Innovation Challenge, where participants used ABL's Open Banking APIs to build solutions on the ABL developer portal.

The event, organized with an aim to bring innovative ideas in the Fin-tech space to the forefront, attracted more than 300 applications from Africa, Finland, UK, KSA, UAE, Oman, and from 20+ cities within Pakistan. Applicants were encouraged to apply with ideas lying under the following thematic areas, derived after extensive research on the sector's dynamics, in consultation with leading experts in the space:

Banking	Asset Management	Infrastructure	Alternative Funding
Green Finance	Insurance	Cross-Industry	Other Propositions

24 ideas were shortlisted for the Hackathon segment of the event. This segment comprised of two rounds. Successful conclusion of the first round was followed by top 8 ideas who pitched in the Grand Finale. After a rigorous competition, judged by a power-packed panel of judges from financial institutions, insurance companies, corporate sector, and entrepreneur support organizations (ESOs), the top three winners were announced who received cash prizes worth Rs. 1.4 million..

The winners of the Hackathon were:

**DigiKhata** (1st position) - an app for managing personal and business ledgers

**BayFikr** (2nd position) - disrupting remittances for overseas Pakistanis

**Ozoned Digital** (3rd position) - A SaaS-based digital platform for the insurance industry

### E-Khata (3rd position) -an accounting and inventory software

The winner of the second segment of the event- ABL Innovation Challenge was **DigiKhata**, which received a cash prize of Rs.600,000.

The winners of the event, in addition to the cash prizes, **were eligible to gain a spot in the Jazz xlr8 Program**. They were also given the opportunity to connect with relevant stakeholders to practically implement their ideas including investors, public sector representatives & mentors, and to scale up with the support of donors and acceleration partners.

#### 3.5.2.2 Launch of Pakistan FinTech Network (PFN)



Pakistan FinTech Network (PFN) has been conceptualized and conceived by industry leaders, realizing the need for a platform where various fintech players and stakeholders can connect, collaborate, create and catalyze together for the future of the industry and contribute to the Government's mission of Digital Pakistan. PFN has started its operations to support initiatives for the sustainability of the FinTech ecosystem in the country and it aims to identify challenges faced by FinTech players and turn these into opportunities through collaboration with multiple stakeholders.



# CHAPTER 04

## Research Analysis

Key Challenges and the Future of  
Fintech in Pakistan

## 4.1 Data Analysis- Fintech Industry Experts Survey

In order to gain an in-depth understanding on the key challenges pertaining to Fintech in the country, and to gain experts view on future prospects of the space, a survey questionnaire was shared with key personnel from the industry. A total of 49 people took part in the focus group interviews (Refer to Appendix A). An analysis of the key takeaways from the data collected is presented below:

### 4.1.1 Key Enablers to prioritize for Fintech in next 5 years

Financial Inclusion for all, especially women	Separate offerings for underbanked and banked population	Scalable Paytech Solutions
Streamlining KYC (Know your customer) Processes	Favorable regulations (similar to PSD2 in Europe)	Focus on NBFCs (Non-Bank Financial Companies)
Cybersecurity	Open Banking APIs	Enhanced User Experience
Local VC Funding	Payment Gateways (RAAST)	Legalizing Cryptocurrency
Realtime CNIC Verification	Cloud Services	QR Payments

## 4.1.2 Opportunities and Trends

### Prospects for Digital Banking in the next 5 years

59% of the respondents believe that banks' digital services will continually grow while traditional (physical) services will continue to decline

20% of the respondents believe digital and traditional will decline for banks as non-banking players will increasingly penetrate the market

18% of the respondents believe digital and traditional will converge completely, rendering the distinction between them meaningless

3% of the respondents believe traditional (non-digital) services will see a resurrection as consumers are getting frustrated by the lack of communication with a real person

### Collaboration prospects between incumbents and startups

100% of the respondents believe that the proliferation of digital banking services/fintech start-ups and challenger banks will have a positive impact on the banking market in the next 5 years

88% of the respondents believe that non-banking/financial services providers (telcos, retailers, social media companies etc.) moving into the sector will have a positive impact on the banking market in the next 5 years

85% of the respondents believe Initiatives by the incumbent banks to launch their own digital/standalone services to combat the growing competition will have a positive impact on the banking market in the next 5 years

94% of respondents believe that Partnership and collaborations between banks and fintechs competition will have a positive impact on the banking market in the next 5 years

85% of the respondents believe that there will be growth of X-as-a-Service initiatives and players, particularly Banking-as-a-Service

71% of the respondents believe that there will be increased market consolidation, M&As in both the incumbent space and among the newer entrants

94% of the respondents believe that favorable regulations like open banking will open avenues for collaboration between startups and incumbents

60% of the respondents are optimistic that rise in digital financial services will lead to increased mitigation strategies for online fraud and cyber threats

## Technology Developments in the Banking Sector

No. of Respondents Optimistic of Positive Impact of Various Technology Developments in the Banking Sector

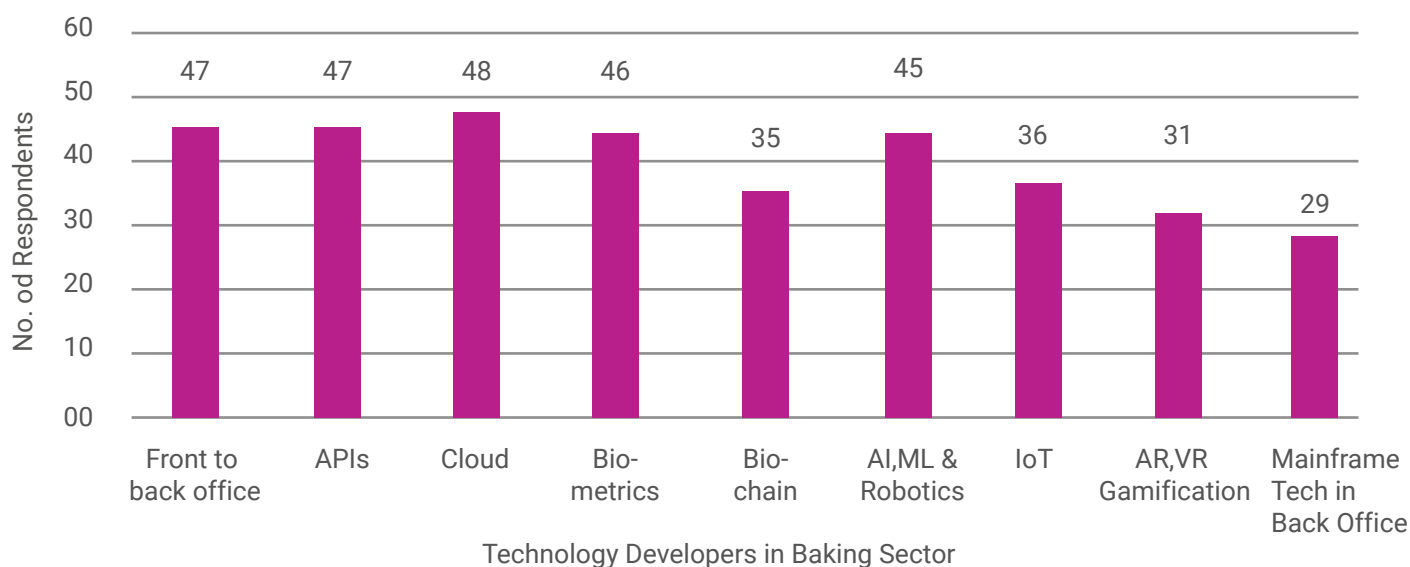


Fig 4.1 Growth Prospects of Services

## Growth Prospects of Services

No. of Respondents Optimistic of Growth Prospectus of Various Services

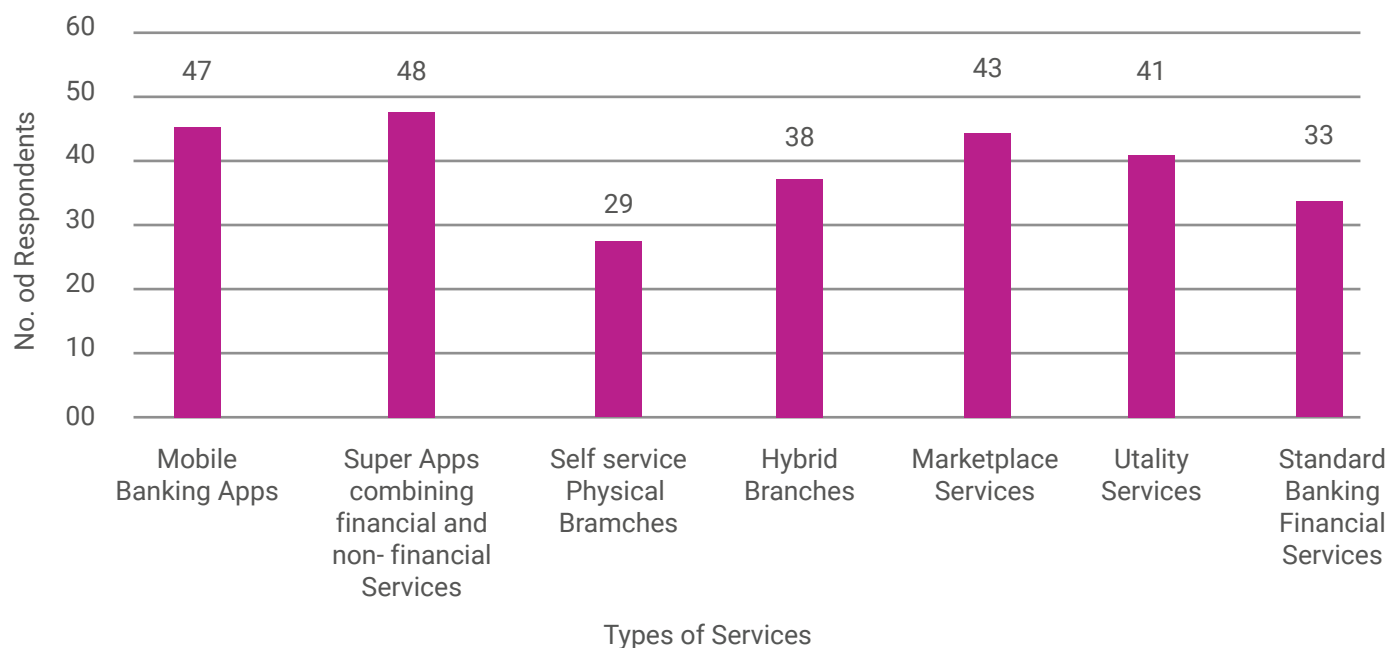


Fig 4.2

## Power of Personalization

45% of the respondents believe that personalization is a game-changer, set to completely transform financial services

23% of the respondents believe that personalization will be a major contributor to an institution's success in coming years, but in a way that falls short of being transformative

## Creating a Compelling UX

No. of Respondents to believe in power of various elements in creating a compelling ux for Digital Financial Services

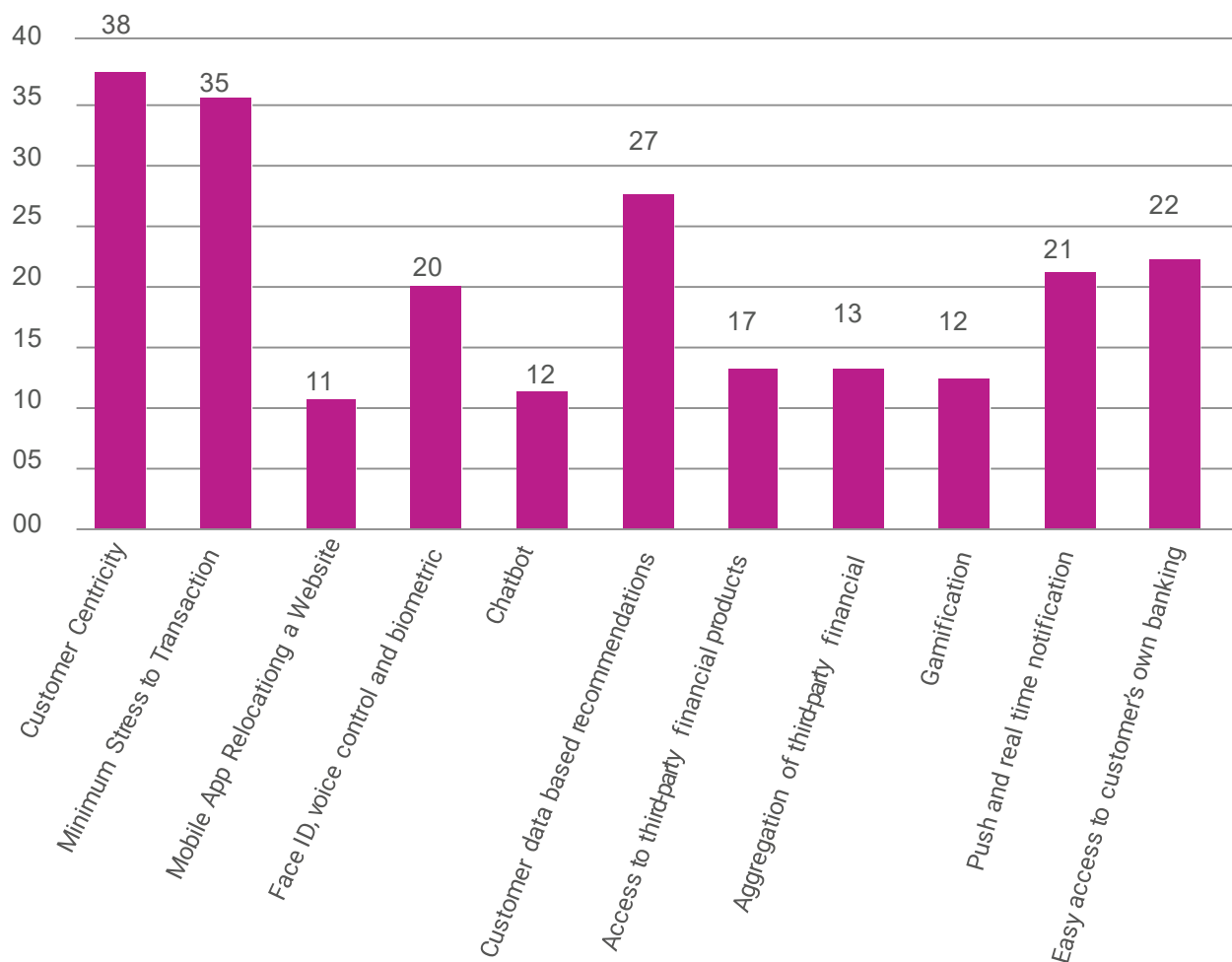


Fig4.3

55% respondents believe that new paytech challengers will take significant market share from incumbents in near to mid term

99% of respondents believe that new paytech challengers will make a significant impact in terms of gaining market share in the long-run

98% respondents believe new players will present opportunities for incumbents to partner and launch new products/services

99% respondents believe that incumbents will aim to improve their technology, products and services into action

99% believe that new paytech challengers will become attractive acquisition targets

#### 4.1.3 Challenges for Fintech in Pakistan

62% respondents believe that attitude of large players towards smaller players/startups act as impediment towards collaboration and growth of the Fintech Space

76% respondents believe that complicated and unfavorable regulations act as bottleneck to the adoption of digital financial

73% respondents believe that there is Deficient early-stage funding for Fintech startups in the country 36

63% respondents believe there is lack of late-stage funding for expansion

74% of the respondents believe that lack of data security poses challenge to financial institutions, as customers are reluctant in using Digital Financial Services

80% respondents believe there is a lack of collaboration platforms for Fintechs in Pakistan and this acts as an impediment to growth

76% respondents believe that difficulty of licensing and access to license holders is a major showstopper for incumbents in offering digital financial services to customers

#### 4.1.4 Future of Alternative Funding Channels

Many experts are optimistic about the future of **crowdfunding and marketplace lending** in Pakistan, and believe that it can serve as a strong tool for funding Fintech startups in the country. The right regulatory support is imperative to build trust and create transparency in this space. However, it will take a long time for the space to become mainstream, as level of trust in society is low.

Young startups and incumbents can collaborate to grow this space. Incumbents should bring investments for disruptors on crowdfunding platforms. Both need to work with policy think tanks and regulators to advocate change and reduce regulatory burden, rationalize taxes and implement other policies to legalize and structure crowdfunding and marketplace lending in the country.

#### 4.1.5 Future of InsurTech

Experts are of the opinion that insurance companies and startups can collaborate for the development of Insurtech industry by.

- Creating Micro-insurance products for masses
- Designing usage/ consumption-based products
- Offering Pay-as-you Go Products
- Innovating to develop low-cost products
- Startups becoming tech-bridges between insurance companies and business customers
- Building and using APIs
- Providing a complete Digital Value Chain experience through apps
- Digitizing internal claim verification processes

#### 4.1.6 Future of RegTech

Regulators can collaborate with startups to digitalize regulatory processes. Surveyed experts believe that collaborations can help

- Track and comply with policy changes and share knowledge
- Develop remote-advisory services
- Conduct real-time risk analysis
- Develop tools for fraudulent behavior detection
- Develop compliance tools
- Automate process of researching regulations and reviewing status of compliance



## 4.2 Data Analysis- Fintech Startups Survey

In order to understand the challenges faced by Fintech startups in the country, a survey questionnaire was shared to which 32 Fintech startups from across the country responded (See Appendix B). An analysis of the key takeaways from the data collected is presented below:

### Descriptive Statistics of Surveyed Startups

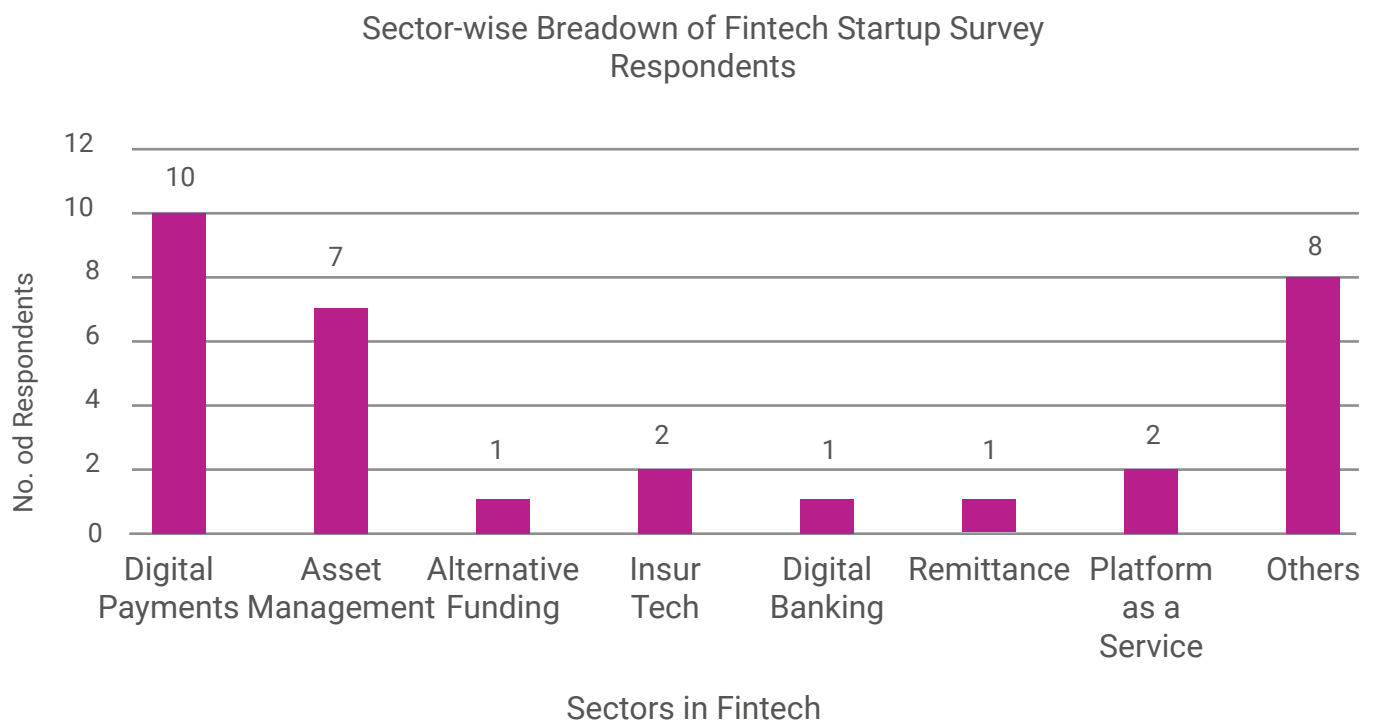


Fig 4.4

% of Startups Currently/ Previous part of incubation Program

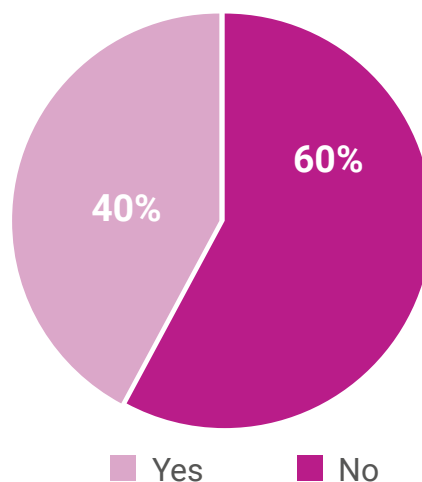


Fig 4.5

## Challenges and Support Required

Challenges faced by Fintech Startups



Fig 4.6

Support required by Startups

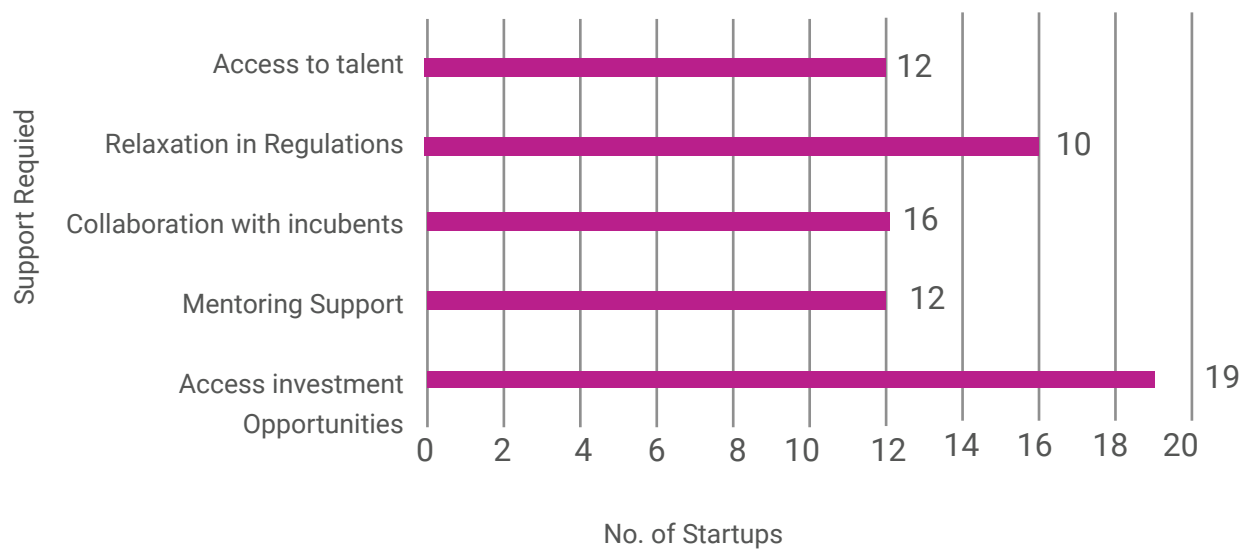


Fig 4.7

Startups willing to incubate in a fintech Incubator/ Fintech Cohort



Fig 4.8

The background of the slide is a dark, semi-transparent image showing two students. In the foreground, a student's hand is visible, holding a black pen and writing on a piece of paper. In the background, another student is looking down, also appearing to be working. The overall tone is academic and focused.

# CHAPTER 05

## Conclusion

Emerging Fintechs are taking the finance world by storm. While they pose threat to incumbents, the key to growth of the sector is collaboration and partnership between the two. As we are witnessing a surge in investments in the Fintech space in the country, a conducive environment with the right regulatory support is essential to keep momentum. Startups need to watch out for emerging opportunities as the world is shaping into an increasingly digitalized and integrated economy. Incumbents need to put their foot forward for collaboration and seek support from startups to develop modern digitalized solutions to reinvent and upgrade existing systems, and to develop new solutions to disrupt the Fintech space.

As the space is maturing, new Fintech segments need to be explored and tapped upon. While digital banking and paytech solutions are leading the race; remittances, wealth management, financial research and other areas present immense potential waiting to be tapped on. For all segments of Fintech to develop and prosper, stakeholders need to step up, collaborate and develop action plans for the overall growth of the ecosystem. Startups working on disruptive and innovative ideas, incumbents collaborating and providing support to fintechs, regulatory bodies reducing regulatory burden, and ecosystem support organizations like incubators and accelerators providing mentorship support as well as advocating policy change, can collectively take the Fintech ecosystem in the country to the next level.

As the entrepreneurial ecosystem in Pakistan is maturing, and is now ranked as 75th in the world and 2nd in Southeast Asia<sup>24</sup>, future prospects for the ecosystem are bright. Sectors like Ed-Tech, Fin-Tech and Health-Tech are becoming increasingly popular since the onset of the COVID-19 pandemic and innovations in these are driving the world towards a new normal. People are embracing change at a pace quicker than what was anticipated pre-pandemic and this change in consumer behavior is driving accelerated change towards digitalization across multiple sectors. This presents great opportunity, specially in the Fintech space, as even the most reluctant consumers are now seeking digital financial services. It is time that gap between the unbanked, underbanked and banked population is bridged, and we emerge as a financially inclusive society with opportunities and financial support for all.

<sup>24</sup><https://ecosystempartnership.startupblink.com/>

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Co-Author  
Pakistan Fintech Network

**go viral.**

Design by  
Go Viral Communications

## APPENDIX A

### Participants of Experts Survey

Your Name	Your Designation	Name of Organization
Vaqar Ahmed	Joint Executive Director	SDPI
Noshad Minhas	Chief of Staff	QisstPay
Muhammad Ahsan	Manager	Ufone
Rahim Sher	Operations Officer Branchless	NRSP MFBL
Danyaal Abdul Khaliq	General Partner	Teamup Group
Maria Umar	Founder President	Women's Digital League
Sarah Kazmi	Partner	Energy Resource Management
Jaleed Khawaja	Partner	Rock Vntrs
Faizan Abbasi	Head of Business Transformation	AEG Travels-American Express GBT
Shoaib	Head of User Experience and Wallet Product	Easypaisa
Syed Arsalan	Co-founder	Paynet
Ahad Wazir	Specialist - WV, ICF	Karandaaz
Yasmin Malik	Senior Partner & Consultant	Global Management Consultants
Asad Nasir	Group Head Digital Banking	JS Bank Limited
Mehmood Amjad	Sales Manger	Bank Alfalah
Sadya Siddiqui	Independent researcher in the field of DFI	none
Siddique Esmail	CEO	Fintech technology
Adnan Ali	CEO	Avanza Premier Payment Service
Saad Farooq	Senior Manager (Global Telco)	Confidential
Ammar Khan	CCO	Khaleef Technologies
Ammara	Head of Channel Planning & Development	Jazz
Fahad Hasan	Project Officer (MSME Focal)	ADB
BABAR Ahmad	Head of Digital Marketing	Jazz Pakistan

Taimoor Ali	Head of Private Sector DFS Engagements	Karandaaz Pakistan
Omar Moeen Malik	Head of Easypaisa	Telenor Micro Finance Bank
Junaid Khan	Program Manager	Center for Research and Security Studies
Muhammad Furqan	Cofounder and COO	YPay Financial Services Pvt Ltd
Karim Kidwai	CTO	U MicroFinance Bank Ltd
SHAIKH	Senior Consultant	Global Management Consultants
MASHHOOD-ur-RAH	Assistant Manager	ABL
MAN	Research Associate	CRSS
Malik	Program Manager	Center for Research and Security Studies
Ameera Fayyaz	Project Manager	Center for Research and Security Studies
Laraib Nisar	Team Leader	Center for Research and Security Studies
Farhana	Program Coordinator	Center for Research and Security Studies
Zehra	Project Manager	Center for Research and Security Studies
Mustafa Malik	Team Leader	Center for Research and Security Studies
Muhammad Imran	Program Coordinator	Center for Research and Security Studies
Ameera Fayyaz	Assistant Manager	ABL
Haroon Gul	Video Creator	CRSS
Zaheer Akhtar	Technical Coordinator	CRSS
Shams Momand	Project Manager	CRSS
Yusuf Hussain	Head Venture Capital	Habib Bank Limited
Saad	Research Fellow	Center for Research and Security Studies
Syed Faraz Anwer	Partner	PwC Pakistan
Nomaan Bashir	Co-Founder & CEO	Ozoned Digital
Muqsit Hussain	Group Head A&LPD	ABL
Imran Khan	Managing Director	RapidCompute
Syed Faraz Anwer	Partner	PwC Pakistan



## APPENDIX B

### Participants of Experts Survey

Your Name	Name of Startup
Raza Fazal	Eland
Syed Mehrab	Stag
Ahmad Sindhu	ASC
Hafsa Yasmeen	Capricon Webcreator
Waqas Hanif	Kiltandyou
Sehr naz	Travel lover
Fayaz Muhammad	Kor.pa.Kor
Muhammad Waqas	Fuel Ship
Maria Zia	Digital Inclusive Library
Sarfraz Shahid Hussain	YPay Financial Services PVT LTD
Muhammad Soban Tariq	BulkStore
Kashif Shahzad	Romi
Shahrukh Malik	Hina Shahrukh Technologies (Private) Limited
Aman Raza	Aman Raza
Aurangzaib Ahmed Siddiqui	Paystry
Fayaz Muhammad	Kor.pa.Kor
Zain Farooq	MyTM
Rascim Khattak	Bayfikir
Shahrukh Malik	Hina Shahrukh Technologies (Private) Limited
uroosa	Sukkur IBA blockchain innovation center
Chaudary Ali Masood	Bayfikir
Muhammad Soban Tariq	BulkStore
Jamal	Unity alliance pakistan
Salman Zafar Khan	Pegasus Fintech Pakistan

Sarfraz Shahid Hussain	YPay Financial Services PVT
Syed Ahsan	MerchantPaixa
Jamal	Unity alliance pakistan
Nomaan Bashir	Ozoned Digital
Adnan Shameem	Freightix
Syed Akbar	Fruges
Mansoor Aamir	Fintegic Pakistan
Muhammad Fahad Iqbal	Easy Insurance

## About Us



The NIC is Pakistan's largest technology incubation center developed under a public private partnership between Ministry of IT and telecom, Ignite-National fund, Jazz and Teamup. Established in 2016, the NIC has till date incubated 230 startups and provided them support in areas encompassing business development, investment readiness along with other areas, and given them an opportunity to learn from Unicorn founders, seasoned entrepreneurs, and domain experts from across Pakistan and abroad.



Teamup, an incubation and acceleration platform, is playing a pivotal role in leading the entrepreneurial ecosystem in Pakistan. It has conceptualized and is managing the National Incubation Center since 2016 in partnership with the Ministry of IT and Jazz. With many companies under its portfolio, including Teamup Angels, the organization has its roots embedded in innovation and provides consultancy and advisory services to the corporate and development sector.



Jazz is Pakistan's leading telecom service provider spearheading service excellence and product innovation in the country. With a subscriber base above 65 million and a legacy of more than 25 years, Jazz maintains its position of a market leader in the telecom industry. Jazz is running an accelerator program-the Jazz xlr8, with a vision to empower entrepreneurs by leveraging its global partnerships, mentor network, and Jazz services.

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