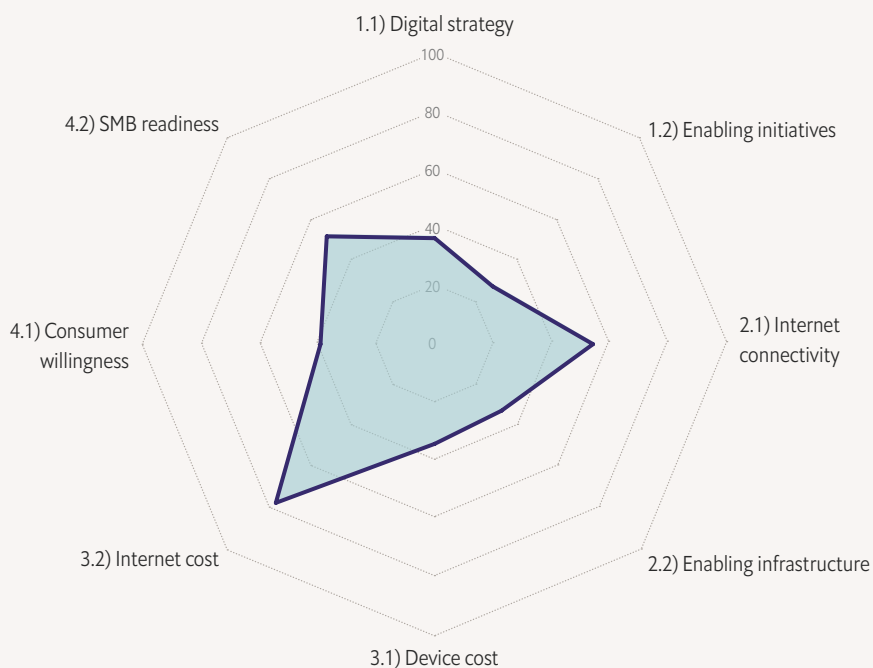


Pakistan

- Pakistan’s government needs a multi-pronged strategy to strengthen its policy framework as well as enabling infrastructure (particularly smartphone penetration).
- Rather than just importing international best practices, local solutions must be crafted bearing in mind critical cultural factors.

Figure 1: Category-level scores for Pakistan



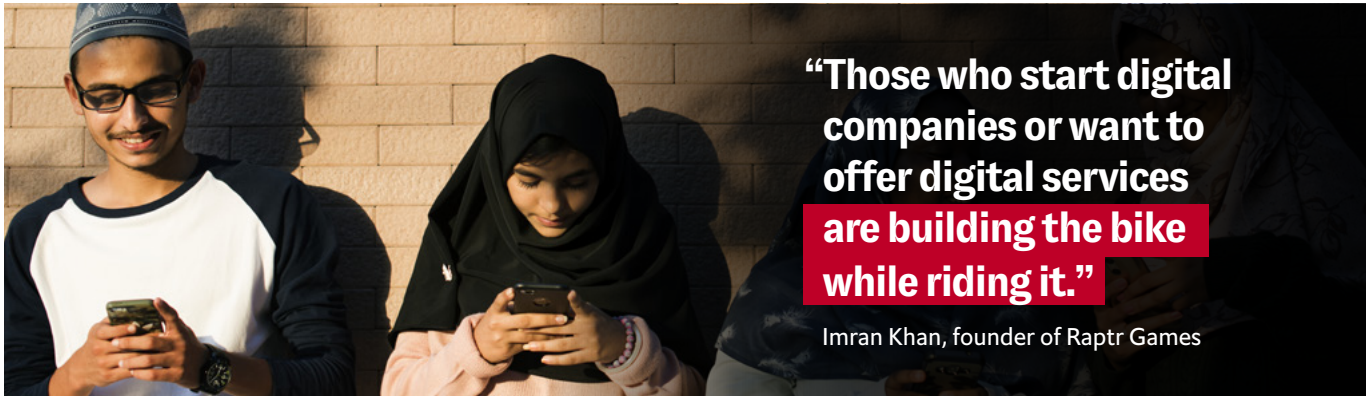
Untangling the regulatory and cultural web

Despite the pandemic, Pakistan’s effective management of lockdowns and vaccination campaigns supported resilient economic activity.¹ While their large youth population and increased investment inflows promise future economic growth, challenges such as high

commodity prices and political tension present risks to long-term prosperity.

As the digital economy scales up in Pakistan, businesses are quick to recognise the cost advantages of digitising. “You will see a lot of large established retail companies, like Khaadi, Alkaram, Gul Ahmed trying to pivot a lot of

¹ <https://www.worldbank.org/en/country/pakistan/overview>



“Those who start digital companies or want to offer digital services are building the bike while riding it.”

Imran Khan, founder of Raptr Games

their business towards e-commerce because the operating costs are likely to be lower and the ability to reach a larger wider audience which is not possible with conventional brick and mortar setup” says Imran Khan, founder of Raptr Games, a gaming platform offering online play and streaming services. With lower overheads, the mobile industry has emerged as a valuable segment of Pakistan’s economy. In 2018, the total economic contribution of the mobile ecosystem in Pakistan was US\$16.7bn, equivalent to 5.4% of GDP, and is predicted to increase to US\$24bn, equivalent to 6.6% of GDP, by 2023.² According to the Ministry of Information Technology and Telecommunications, digital and information technology industries will contribute 13% to national GDP by 2025.³

Accessibility through affordability is Pakistan’s greatest strength, with a score of 51.8 out of 100. Despite the broadband operator market being dominated by a few major players, users are offered mobile data plans at relatively competitive rates. However, urban-rural divides prevent affordable coverage for all.⁴ To address this, the government is operating a Universal Service Fund initiative to provide telecom infrastructure, service programmes, and high-speed internet to underserved communities.⁵ Conversely, areas of improvement are policy and regulation (32.5 out of 100) and infrastructure (45.1 out of 100). Ineffective data governance policies and poor guidance for businesses

trying to navigate a cluttered legislative landscape influence Pakistan’s score on policy, while low smartphone and mobile money penetration highlight infrastructure failures.

The policy maze adds to the immense pressure on digital entrepreneurs

Pakistan receives partial scores for its digital transformation strategy (2 out of 3) and digital literacy policy (1 out of 3), revealing critical gaps in the regulatory framework. “Because the ecosystem is so nascent, the regulations are also nascent and not necessarily holistic enough”, says Halima Iqbal, founder and CEO at Oraan, a female-led and female-first fintech.⁶

While a digital transformation strategy exists, it is void of timelines, actionable efforts and budgets, undermining its overall impact. Ms Iqbal adds, “for that complete holistic approach to emerge, collaboration between the digital economy and the regulator is essential—they must talk to each other and figure out where the gaps are”.

As such, the policy landscape is fragmented and policymakers are slow to respond to developments in the digital economy. Pakistan does not have an agency that fosters digital entrepreneurship, scoring them zero for this indicator. According to Ms Iqbal, there is a need for consolidation to provide entrepreneurs with a stable environment within which to operate. Mr Khan adds, “those who start digital companies or want to offer digital services are building the bike while riding it.”

² Pakistan: progressing towards a fully-fledged digital economy. Available at: <https://www.gsma.com/asia-pacific/wp-content/uploads/2020/06/24253-Pakistan-report-updates-LR.pdf>

³ <https://lahoreherald.com/latest/52998-it-sector-to-contribute-13-of-gdp-by-2025-moitt/>

⁴ <https://digitalrightsmonitor.pk/internet-is-a-basic-need-that-many-in-pakistan-cannot-afford/>

⁵ <https://www.moitt.gov.pk/NewsDetail/OWFkMWE5YWVtYWVWkNCO0NTkyLWE3YWVWtZTU5NTQ3YjRmOTFh>

⁶ <https://www.gsma.com/asia-pacific/wp-content/uploads/2020/06/24253-Pakistan-report-updates-LR.pdf>

Pakistan’s data protection and open data policies are trapped in endless scrutiny and approval loops, earning partial and zero scores respectively. Hinting at the need for a new governance approach, Mr Khan explains that while the State Bank of Pakistan and regulators have valid reasons to be vigilant, it often comes at the cost of speed of adoption and the cost of meeting excessive compliance checks, which is suboptimal for the digital ecosystem.

Gender disparities in mobile penetration must be addressed

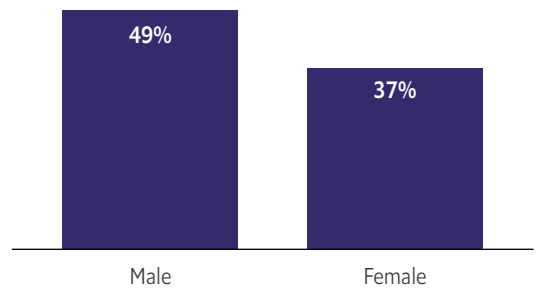
Smartphone penetration is key to digital economy access, but in Pakistan only 21.6% of the population uses a smartphone. The share of women using smartphones is even lower, according to experts. “Women’s access to smartphones is not as high as it would be for men”, explains Ms Iqbal. Cultural factors play a role. For example, SIM cards are required to open bank accounts in Pakistan but are often under the names of male relatives rather than women users themselves.

Ms Iqbal highlights a mismatch in digital financial offerings demanded and supplied, especially for female users. To resolve this, she cites the need for consumer-centric digital products, explaining that “the distribution is very different for financial products for women. We want to be able to do digital payments, we want credit, we want savings, but how we develop that product and how we distribute that product is very different to the male consumer”.

Local challenges require local solutions

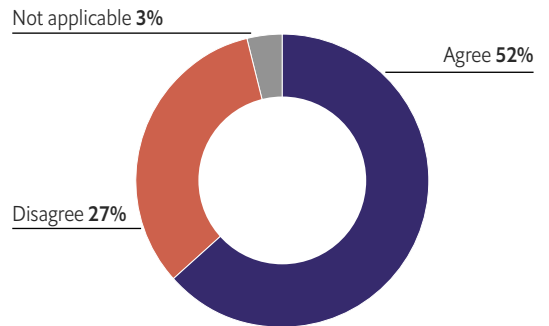
To harness an inclusive digital economy, policy must be created with Pakistan’s unique characteristics in mind. Today, policy formulation largely entails importing foreign governance practices, says Ms Iqbal, so there is a need to

Figure 2: Share of consumers in Pakistan who say that the digital economy is easy to access



Source: Economist Impact executive survey, July-August 2022

Figure 3: Consumer perspectives on whether men can more easily access and participate in Pakistan’s digital economy



Source: Economist Impact consumer survey, July-August 2022

invest time in understanding the Pakistani consumer and challenges central to the market.

Finally, government support and funding for an array of sectors within the digital economy, including emerging and disruptive models, is instrumental. “Gaming or digital content creation and monetisation is just not being given the same importance and funding/ support as others alienating thousands of talented digital players and hundreds of possible new digital content and gaming related startups in Pakistan” attests Mr Khan. Pakistan’s aspirations of being an US\$8bn export market are not possible without opening up all possible aspects of the digital economy.

While every effort has been taken to verify the accuracy of this information, Economist Impact cannot accept any responsibility or liability for reliance by any person on this report or any of the information, opinions or conclusions set out in this report. The findings and views expressed in the report do not necessarily reflect the views of the sponsor.



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