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Fintech in Pakistan: Over-Regulated, Under-Banked, and Full of Opportunity

Raast is on pace to move roughly $500 billion in 2026 — more than Pakistan's entire GDP — while an estimated 100 million adults remain underbanked and a startup wanting to hold customer money still needs PKR 100 to 500 million in capital and up to 18 months of licensing before it can find out if anyone wants its product.

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Introduction

Raast, the State Bank of Pakistan's instant payment rail, is on track to process more than Rs140 trillion — roughly $500 billion — in transactions during 2026, according to Raast Payments Pakistan CEO Ahson Saeed. That figure exceeds the size of Pakistan's entire economy. The system already moves 10 to 11 million transactions a day, digital channels now account for 92 percent of all retail payment volume nationwide, and the government is routing welfare disbursements, military pensions, and savings payouts through it on an accelerated timeline. By any measure, Pakistan has built one of the more genuinely impressive pieces of digital public payments infrastructure in South Asia.

Sitting right next to that success story is an inconvenient one. Somewhere between 100 and 182 million Pakistani adults remain unbanked or underbanked by various estimates, and the gender gap is stark — 28.2 percent of men had access to a formal financial account in 2021 versus 13.5 percent of women, according to World Bank data. Pakistan's credit-to-GDP ratio, at roughly 15 percent, is the second-lowest in the region after Afghanistan, dwarfed by India's 55 percent, Nepal's 88 percent, and China's 183 percent. The infrastructure exists. The inclusion it was supposed to deliver largely does not, and the reason sits squarely in how hard Pakistan makes it to build and operate the fintech companies meant to close that gap.

Pakistan's fintech regulators, the State Bank and the Securities and Exchange Commission, are not hostile to the sector — quite the opposite, on paper. They built an EMI licensing category from scratch in 2019, ran a regulatory sandbox since 2019, and issued five digital bank licences in 2022 after fielding twenty applications from banks, fintechs, and venture-backed challengers. The intent has consistently been pro-innovation. The execution, though, has produced a regulatory environment calibrated more for protecting an already-stable banking system than for getting affordable financial services to the 100 million-plus people still outside it — and that mismatch is the real story of Pakistani fintech in 2026.

> ***"Pakistan built a payment rail that can move half a trillion dollars a year and a licensing regime that makes a startup prove it can survive a bank run before it's allowed to sign up its first customer."***

What "Over-Regulated" Actually Looks Like

Start with capital. An Electronic Money Institution licence — the entry point for any startup that wants to issue digital wallets or move money without becoming a full bank — requires PKR 100 to 500 million in paid-up capital depending on scale. A non-bank finance company licence, needed for anything touching lending or leasing, requires PKR 300 to 500 million. A Digital Retail Bank needs PKR 1.5 billion just to enter its pilot phase, rising to PKR 4 billion over a three-year transition. These are not unreasonable numbers for a licensed deposit-taking institution; they are punishing numbers for a five-person startup trying to prove a lending or savings product works for a market traditional banks have never bothered to serve.

Then there is time. Industry guides now openly tell founders to budget nine to eighteen months from application to approval for an EMI licence alone — a fit-and-proper test for every director, a detailed business plan covering strategy and financial projections, board-approved agent-network and dispute-resolution policies, and data-localisation requirements before a single customer is onboarded. Peer-to-peer and marketplace lending remain outright prohibited rather than merely regulated, because no licensing category exists for them at all; a promising Finja pilot in the SECP's regulatory sandbox back in 2021 never turned into a permanent framework. The sandbox that was supposed to let ideas like that graduate into real products has, in practice, mostly just deferred the question.

The result is a market that looks crowded but is actually narrow. There are roughly a dozen EMIs and a similar number of payment service operators licensed today, and almost all of them compete for the same slice of the pie: wallets and cards. An SBP spokesperson put it plainly to industry researchers — companies keep wanting the same product category rather than building the savings, insurance, and credit tools that would actually move the needle on financial inclusion, because the regulatory path to those products is narrower and slower than the path to another payments wallet.

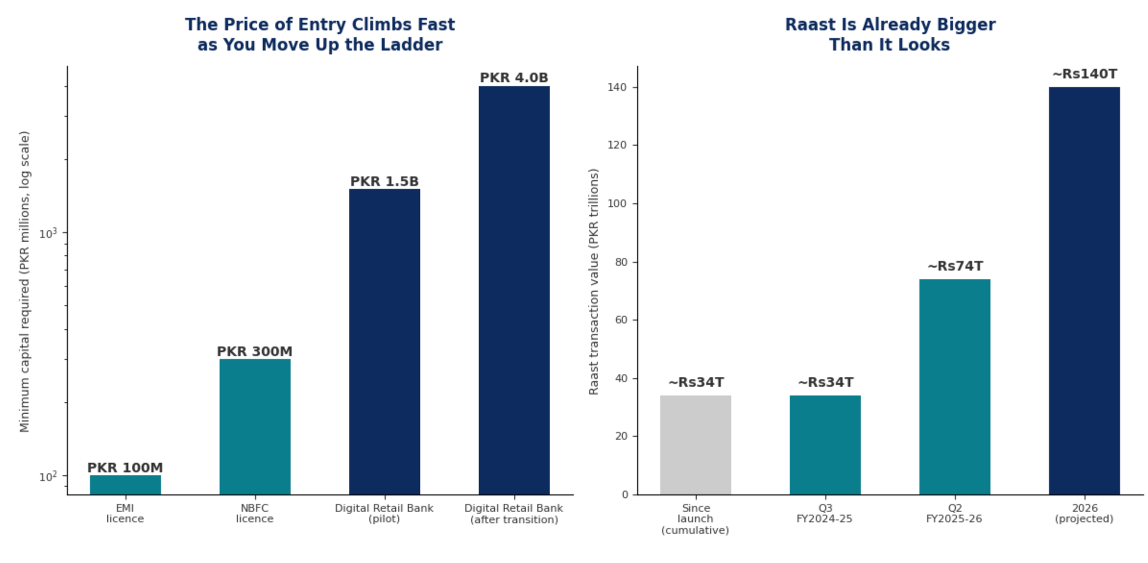

Figure 1: Minimum capital requirements climb sharply with every step up Pakistan's licensing ladder (left), even as the Raast rail built on top of that system is already processing sums larger than the formal fintech sector it's meant to serve (right). Sources: SBP Digital Bank & EMI regulatory frameworks; SBP Payment Systems Review Q2 FY2025-26; Business Recorder (2026).

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Key Findings & Impact

The casualty list is instructive. SBP has revoked or seen withdrawn the licences of multiple EMI applicants over the past few years — including a UK-backed entrant that pulled out entirely and at least one operator whose commercial licence was revoked for non-compliance — while roughly four EMIs have made it to full commercial operation out of a pipeline of a dozen or more. That is not necessarily bad regulation weeding out bad actors; Pakistan's banking system has good reason to be conservative given its history with under-capitalised institutions. But it does mean the licensing bar functions as a filter for balance-sheet strength first and market-fit second, which systematically favours well-capitalised entrants — often bank-affiliated or foreign-backed — over the kind of scrappy, product-led startup most likely to design something a rural, undocumented, or female customer would actually use.

And yet the opportunity case is not theoretical — it is already partly proven. QistBazaar, a buy-now-pay-later fintech, took a PKR 500 million equity investment and an embedded-lending partnership from Bank Alfalah in 2023, the first time a Pakistani commercial bank took an equity stake in a BNPL company, showing traditional finance is willing to underwrite fintech risk when the structure lets it. Roshan Digital Accounts have pulled in more than $11 billion in overseas Pakistani inflows across nearly 900,000 accounts. Raast's own Q1 2026 numbers show person-to-merchant transactions nearly doubling quarter-on-quarter, from 36.3 million to 55.9 million transactions — evidence that once a product clears the regulatory bar, Pakistani consumers and merchants adopt fast.

The gap that remains is precisely the one over-regulation has left untouched: despite 85 percent of Pakistan's transactions by volume still happening in cash, and roughly 40 operational fintechs mostly clustered in payments, almost none has been able to build a full-featured savings or micro-insurance product at scale, because those product categories sit under NBFC or insurance licensing regimes that are, if anything, more demanding than the EMI track. Financial inclusion in Pakistan is not stuck at low levels because nobody has thought of the products. It is stuck because building them legally costs more capital and patience than most teams capable of designing them for underserved customers can raise.

What's Next?

A tiered capital regime would do more for inclusion than another awareness campaign: a genuinely low-capital, restricted-scope licence for startups piloting savings or micro-credit products to a capped customer base and transaction ceiling, graduating to fuller EMI or NBFC status only once real usage data justifies it — closer to how the UK's FCA sandbox or India's account-aggregator framework let smaller players prove a model before demanding bank-grade capital. SECP's regulatory sandbox already has the legal authority to do something like this; what it lacks is a track record of actually graduating sandbox participants into permanent, lighter-touch licences rather than leaving them to either exit the sandbox into the same heavy regime everyone else faces, or quietly wind down.

None of this requires Pakistan to gamble with its banking system's stability — the capital requirements protecting deposit-taking institutions exist for good reason and should stay largely intact for anyone actually holding customer funds at scale. What it requires is regulators willing to distinguish between a fintech asking to be trusted with millions of customers' deposits and one asking merely to prove, on a small and closely supervised scale, that an underserved customer will actually use a product designed for them. Pakistan has already built the payment rails, the mobile penetration, and the consumer appetite this sector needs. The last missing piece is a licensing ladder with a rung low enough for a genuinely new idea to actually stand on it.

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