

EXCLUSIVE INTERVIEW



“Pakistan Virtual Assets Regulatory Authority (PVARA), has been working to support the creation of an enabling environment for virtual assets in Pakistan. SBP, along with major stakeholders, is providing necessary support to PVARA in the development of policies and regulations”

Mr. Saleem Ullah, FCMA
Deputy Governor, State Bank of Pakistan (SBP)

ICMA: Raast processed 544 million transactions worth Rs. 12.8 trillion in Q1 FY26, with 90% of retail payments digital. How are you making it seamless for everyday users, and what's next to expand its reach nationwide?

Deputy Governor: Let me clarify that as per the data published by State Bank for Q1 FY26, 2.5 billion payments worth PKR 55 trillion were conducted through digital payment channels; which represent a 90% share in total retail payments conducted through banks and EMIs. Out of these, 544 million transactions worth PKR 12.8 trillion were conducted through Raast.

At SBP, our focus has been to make Raast simple, reliable and inclusive for everyday users, while ensuring it scales effectively nationwide. With this perspective in mind, Raast is fully interoperable across banks, microfinance banks, EMIs and wallets, allowing users to send and receive payments instantly using Raast IDs based on mobile numbers. Furthermore, by offering near-zero transaction costs and real-time settlement, Raast has removed key friction points that previously discouraged digital retail payments. At the same time, simplified account linking, intuitive app journeys and standardized

QR codes have made Raast easy to adopt for individuals and merchants alike.

As a way forward, SBP is working with the industry to expand Raast QR acceptance, particularly among small retailers and merchants. There are other ongoing enhancements to Raast to facilitate inclusion of government payments, salaries and social transfers. SBP's continued focus on consumer protection and dispute-handling frameworks has strengthened public confidence in using Raast for everyday transactions.

In the medium term, SBP is exploring linkages that could enable low-cost connectivity with regional and international instant payments, particularly for remittances. Buna-Raast Integration is one of such initiatives aimed at facilitating low-cost instant payments from Arab countries. At the same time, SBP is encouraging banks and fintechs to build value-added services through direct and indirect participation with Raast while keeping the core payment rail open and interoperable.

Overall, SBP's strategy is to keep Raast as a public digital utility which is secure, inclusive and innovation friendly so that it continues to serve as the backbone of Pakistan's digital payments ecosystem.

ICMA: Scaling digital payments across Pakistan is challenging. What do you see as the biggest hurdles, and how is SBP tackling them?

Deputy Governor: As per our analysis, major barriers are limited digital and financial literacy, uneven access to reliable internet and smartphones particularly in rural and underserved areas, and high cash reliance due to cultural reasons. In addition, small merchants often perceive digital payments as offering limited immediate value relative to cash, and concerns over documentation and tax compliance also seem to slow the digitalization process.

SBP is working on addressing these challenges through a multi-pronged approach. This includes increasing the adoption of Raast to enable low-cost, interoperable person-to-person and merchant payments; promoting merchant digitalization through simplified onboarding frameworks; and enabling digital account opening and tiered KYC to reduce access barriers.

SBP is also working closely with the industry to improve reliability, user experience and acceptance infrastructure, while supporting public awareness and financial literacy initiatives to drive trust and usage. Collectively, these measures aim to move digital payments from niche use cases to everyday transactions across Pakistan, and encouraging results from these efforts are already visible in the digital payments landscape.

ICMA: Digital financial services are reaching more people than ever. How have they helped underserved communities access tools like digital wallets or digital tokens?

Deputy Governor: Digital financial services have played a critical role in expanding access to formal financial services, particularly for underserved and previously unbanked segments.

The branchless banking accounts and Electronic Money Institution (EMI) wallets have significantly lowered entry barriers by enabling remote onboarding, simplified documentation, and low-cost account maintenance. This has been especially impactful for low-income households, women, and residents of remote areas who previously faced constraints such as distance, cost, or documentation in accessing traditional banking channels.

Government-to-person (G2P) payments and social transfer programs delivered through digital channels have further accelerated adoption by providing a first trusted use case for digital accounts.

Regarding digital assets, a dedicated regulatory authority, namely Pakistan Virtual Assets Regulatory Authority (PVARA), has been working to support the

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creation of an enabling environment for virtual assets in Pakistan. SBP, along with major stakeholders, is providing necessary support to PVARA in the development of policies and regulations. This collaboration aims to achieve the objectives of financial and monetary stability, as well as the broader goal of sustainable economic growth.

Through enabling regulations, interoperability initiatives such as Raast, and strengthened oversight of service providers, SBP aims to ensure innovation translates into safe, affordable, and inclusive financial access for underserved communities.

ICMA: The regulatory sandbox has sparked fintech innovation. Which tested idea excites you most and could shake up traditional banking?

Deputy Governor: From SBP’s standpoint, the regulatory sandbox will be valuable in testing innovations that address real market frictions rather than pursuing disruption for its own sake. Among the most promising ideas are digitally enabled inward remittance solutions that combine fintech agility with bank-led settlement and compliance. These models have demonstrated the potential to reduce costs, improve speed and transparency, and broaden access for beneficiaries, particularly IT exporters and freelancers. By integrating digital channels, real-time settlement, and simplified customer journeys, such solutions can meaningfully improve user experience while remaining within a regulated framework.

More broadly, what excites SBP is not a single product but the collaborative model emerging from the sandbox, where fintechs partner with banks to deliver scalable, compliant innovations.

This approach has the potential to reshape traditional banking by shifting it toward platform-based services and customer-centric delivery while preserving trust, stability, and consumer protection. Besides inward remittance, two other themes in our ongoing regulatory sandbox are open banking and remote merchant onboarding. I will highlight the developments in these themes later in the interview.

ICMA: Video KYC is a start, but when will opening a bank account feel as seamless as signing up for social media? And how close are small businesses to accessing loans using daily digital sales data?

Deputy Governor: Digital onboarding has significantly simplified customer experience in opening an account or wallets. This is evident from the significant uptake in the number of bank accounts and wallets opened in recent years. However, before coming to Video KYC, it is pertinent to mention the simplification measures undertaken by SBP.

SBP has issued a Consolidated Customer Onboarding Framework whereby banks are allowed to open accounts remotely and digitally, without requiring customers to visit a branch. Under the framework, simplified low-risk accounts such as Branchless Banking and Asaan Accounts can be opened within minutes by providing minimal information.

Banks are continuously improving their processes and moving towards straight-through digital onboarding, where simplified KYC/CDD requirements play a key role. Banks are enhancing their online portals and mobile applications, allowing customers to register, submit documents, and complete identity and biometric verification digitally. Banks are also utilizing digital channels to collect customer information and documents, making the onboarding experience simpler and more seamless.

Video KYC comes into play where additional assurance is required, particularly for more complex transactions, higher-risk customers, or exception cases. It acts as a risk-based control, allowing banks to enhance due diligence without requiring physical branch visits. Video KYC is an important step forward, as it still highlights the regulatory balancing act between convenience and compliance. For digital banks and EMIs without physical presence, onboarding requires a recorded video interview along with NADRA biometric verification.

At the same time, opening a bank account continues to require a higher level of scrutiny than signing up for a social media account, given financial, legal, and AML/CFT considerations. Nevertheless, the processes, information, and documentary requirements are now simplified to such an extent that in many cases an account can be opened in one go, without compromising regulatory controls.

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The recently revised Prudential Regulations for SME Financing (PRs) require banks to facilitate end-to-end digital onboarding of SME customers. Banks may use technology-based solutions like GPS, geo-tagged onboarding data, Video KYC recordings, etc. for verification of SMEs' business owners and their business premises

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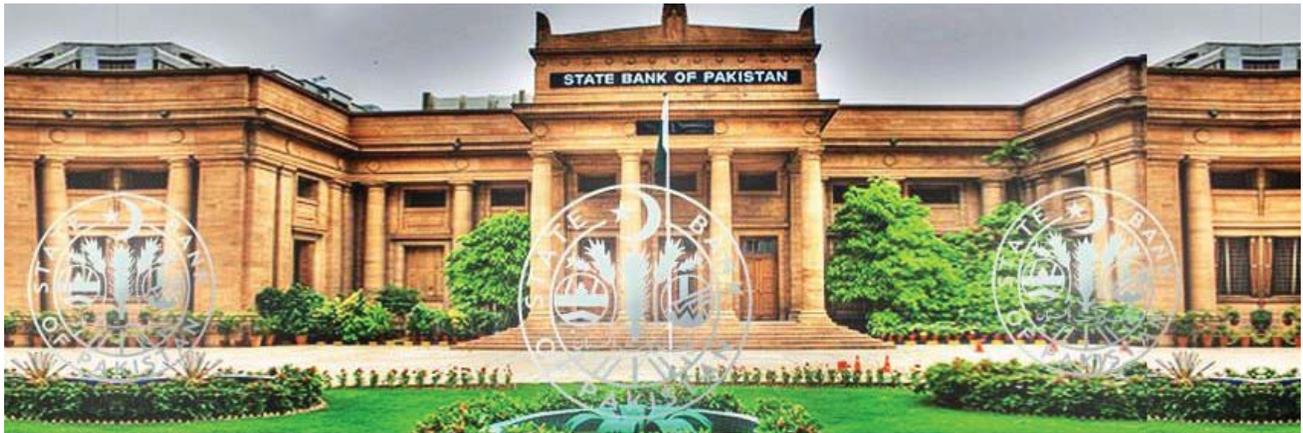
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For the SME part of your question, the recently revised Prudential Regulations for SME Financing (PRs) require banks to facilitate end-to-end digital onboarding of SME customers. Banks may use technology-based solutions like GPS, geo-tagged onboarding data, Video KYC recordings, etc. for verification of SMEs' business owners and their business premises. Banks shall offer Digital Supply Chain Financing solutions to SMEs developed by their own teams or in partnership with fintechs. Further, banks can use anchor-issued confirmations for SMEs onboarded via validated anchors (e.g., manufacturers, distributors, digital aggregators, digital platforms) for verification.

For credit scoring, banks are required to develop digital credit scoring models capable of leveraging data such as transactional and cash flow data, bank account activity, digital supply chain data, and other verifiable alternate data sources. Under revised PRs, banks can take clean exposure up to PKR 50 million on SMEs based on the SME's cash flow strength, financial condition, creditworthiness, credit score, and the risk appetite of the bank.

ICMA: Women's financial inclusion has surged to 52% with the WE Finance Code rolling out. What more can be done to help women entrepreneurs benefit fully from digital finance?

Deputy Governor: Women are central to Pakistan's socio-economic fabric. In Pakistan, they comprise 49% of the population, yet their participation in the labor force stands at a mere 24%. When we further zoom in, we see that out of 83 million working-age women, 65 million



women are completely left out of the economy. One of the easiest ways to include a woman into the formal economy is by opening her bank account and making her financially included, as higher levels of women's financial inclusion are positively associated with higher rates of female labor force participation. Nonetheless, women in Pakistan are underserved by the formal financial system due to both demand and supply side challenges.

On the demand side, social and cultural constraints, such as low mobility, limited land ownership, and lack of financial literacy, have traditionally limited women's access to formal financial services. On the supply side, the banks and financial institutions' policies, products, services, and distribution strategies were also largely male-centric. Therefore, women's low financial inclusion remained a systemic problem that required a multi-faceted approach.

Cognizant of this, SBP prioritized women's financial inclusion in its three National Financial Inclusion Strategies, issued in 2015, 2018, and 2024, respectively. Although the NFIS had a gender-based target, in the absence of an associated gender-mainstreaming framework, women were still excluded from the formal financial system. Therefore, in 2018, SBP initiated a deep dive exercise on gender-disaggregated data to understand critical bottlenecks in women's financial inclusion and develop an evidence-based policy to help reduce the rising gender gap in financial inclusion. Against that backdrop, in 2021 SBP introduced a comprehensive Banking on Equality (BoE) policy as the first gender-mainstreaming policy envisioned by the central bank. The BoE policy is multi-faceted, offering a wide array of interventions to tackle gaps in institutional mindset and capacity, and includes well-defined targets to help financial institutions adopt holistic and mindful gender perspectives in their policies, with the aim of advancing women's financial inclusion in Pakistan and closing the gender gap.

The launch of the policy marked a significant milestone in Pakistan's efforts to reduce the gender gap in financial

inclusion. As the first gender-focused regulatory initiative of its kind in the country's financial sector, BoE laid the groundwork for institutional reform, targeted outreach, and a gender-intelligent approach to financial services. Under the policy, targeted actions were taken through mandatory instructions to improve banking sector gender diversity, product diversification and development capability, customer acquisition and facilitation approaches toward women segments, and collection of gender-disaggregated data.

As a result of the actions laid under the BoE policy, women's financial inclusion improved from 39% in 2021 to 52% in 2024. The policy instructions helped add 17.6 million new women-owned accounts over the last three years, reducing the gender gap in access to accounts from 39% in 2021 to 30% in 2025, while overall women-owned financing portfolios in SME and Agri finance doubled in size.

Nonetheless, women still find it challenging to access credit, which points to the need for more gender-intelligent policy measures and regulations that digitalize access to financial services for women so they can be financially included from the comfort of their homes. Banks' existing credit assessment models also rely heavily on formal financial histories, excluding many women-led enterprises. At the same time, the absence of an integrated platform that offers personalized, data-driven credit assessments alongside structured mentorship to support women's business proposal development and loan application processes represents a critical systemic gap. These persisting bottlenecks continue to constrain women's growth, economic empowerment, and financial inclusion. Therefore, the need of the hour is to strengthen women's digital access to accounts and payment services through targeted digital onboarding drives, simplified women-centric digital accounts, monitoring of account activity, and promotion of digital payments for women-led businesses.

We must also deepen women's access to credit by embedding a gender lens in credit planning, introducing simplified and specialized financing products, leveraging digital platforms and fintech partnerships, and adopting alternative credit assessment and collateral mechanisms to better serve women with limited formal financial histories. These are some of the areas that will be part of BoE 2.0's next set of instructions.

Moreover, to benefit from international best practices, in 2025, SBP signed the World Bank's Women Entrepreneur (WE) Finance Code to address the persistent gap in women's access to credit. Under this framework, leveraging the success of our NFIS strategies and Banking on Equality policy, SBP is collaborating with banks, regulators, and government agencies to take industry actions to boost access to credit for women-owned enterprises, and work with stakeholders to develop an ecosystem that helps women entrepreneurs thrive in the country. A robust ecosystem that helps women entrepreneurs navigate barriers related to mentorship, market linkages, financial literacy, and gender-responsive policies is essential to create sustainable pathways for growth and empowerment, and the WE-Finance Code will play a critical role in achieving SBP's vision of reducing the gender gap in access to finance.

ICMA: With a CBDC pilot, Open Banking, and the Regulatory Sandbox underway at SBP, which bold innovations excite you most for turbocharging Pakistan's financial ecosystem?

Deputy Governor: At present, the most exciting aspect of these initiatives is that they are shifting from theoretical concepts to controlled execution. The CBDC Proof of Concept (POC), Open Banking framework, and regulatory sandbox are not isolated initiatives; together, they reflect a coherent strategy to modernize Pakistan's financial ecosystem while safeguarding stability, trust, and consumer protection.

The objective of the CBDC-POC is to practically test how digital sovereign money could enhance payment efficiency, resilience, and financial inclusion, particularly in retail and government-to-person use cases. It gives the central bank a hands-on understanding of technology, operational models, and policy implications before any long-term decisions are made.

Open Banking is equally transformative. By enabling secure, consent-based data sharing, it has the potential to foster competition, innovation, and customer-centric financial services. This can improve access to credit for underserved segments, support SMEs, and encourage new business models, while ensuring strong data governance and consumer rights.

The regulatory sandbox complements both initiatives by providing a safe, supervised environment where innovators can test new products and services. It allows the regulator to learn alongside the industry, refine regulations based on real-world evidence, and strike the right balance between innovation and risk management.

Let me also share the latest developments regarding the Regulatory Sandbox. We have introduced three thematic areas for the first cohort: Open Banking, Inward Remittances, and Digital Merchant Onboarding. Our teams are currently engaged with the selected participants and are actively facilitating their Regulatory Sandbox (RSB) testing, providing guidance and oversight throughout the process.

What excites us the most is the learning loop the regulatory sandbox creates. These initiatives allow the State Bank to engage proactively with technology, market participants, and consumers, building regulatory capacity while shaping innovation in a responsible manner. This approach strengthens the financial system today and prepares it for the demands of a more digital, inclusive, and interconnected future.

ICMA: If you had a digital "magic wand" to solve one persistent challenge in Pakistan's financial system, what would it be and why?

Deputy Governor: If there were a digital "magic wand," it would be to achieve universal, low-cost digital acceptance for everyday payments, especially at the small-merchant and informal-sector level. Despite significant progress in account opening and instant payments, the persistence of cash is largely driven by limited acceptance points, perceived costs for merchants, and lack of seamless integration with business workflows.

If every small shop, service provider, and micro-enterprise could easily accept digital payments without friction, reliable connectivity, and clear value, many other challenges would be resolved organically. Government payments, remittances, savings, and even access to credit would naturally flow through digital rails. This would accelerate formalization, improve transparency, reduce transaction costs across the economy, and generate data trails that support responsible lending. In my view, widespread digital acceptance is the single lever that could most effectively unlock the full potential of Pakistan's digital financial ecosystem.

The Editorial Board thanks Mr. Saleem Ullah, FCMA, Deputy Governor, State Bank of Pakistan (SBP) for sparing his precious time to give an exclusive interview for Chartered Management Accountant Journal.