NUCES FINTECH SOCIETY

Inside the SBP FY26 Payment Systems Review

NUCES FINTECH SOCIETY (NFS)

The NUCES FinTech Society (NFS) is a student-led platform at FAST-NUCES dedicated to advancing fintech education, innovation, and collaboration in Pakistan. Our mission is to bridge the gap between academic theory and industry practice by connecting students, industry leaders, and policymakers, providing hands-on exposure to payment systems .

We envision a thriving fintech ecosystem where Pakistan’s brightest minds develop the skills, knowledge, and networks to drive financial inclusion, technological innovation, and economic transformation, positioning the country as a regional hub of financial resilience and technological excellence.

National University of Computer & Emerging Sciences
Lahore campus

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Our Mission



The **NUCES FinTech Society (NFS)** is a student-led community at **FAST-NUCES Lahore**, built by and for students of Pakistan's first dedicated FinTech degree programme. Our mission is to bridge the gap between what students learn in the classroom and how financial technology works in practice. Through regular sessions, hands-on workshops, competitions, industry visits and collaborative projects, NFS helps students build the technical, financial and professional skills the sector demands. We connect members directly with regulators, banks, fintech founders, investors and practitioners, creating opportunities for mentorship, internships and careers. Beyond skills, NFS cultivates curiosity, initiative and responsible thinking, so that our members understand not only how financial technology is built, but also who it serves and why it matters.

Our Vision

NFS envisions becoming Pakistan's leading student community for financial technology: a platform recognised across universities and the industry for developing capable, ethical and forward-thinking talent. We aim to position FAST-NUCES as a national hub where students, academia and industry come together to exchange ideas, solve real problems and shape the future of finance. In the long run, NFS seeks to contribute to a financially inclusive and digitally empowered Pakistan, where the innovators, professionals and leaders it has nurtured drive meaningful change in payments, banking, digital assets and the wider financial ecosystem.

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Review Report



Annual Payment Systems Review FY 2025–26 (1 July 2025 to 30 June 2026), State Bank of Pakistan

1. Purpose and Scope

This review examines the State Bank of Pakistan's annual report on the country's payment systems for the fiscal year ending 30 June 2026. The objective is to summarize the report's core findings, evaluate its analytical quality, and highlight areas where underlying data or narratives require further clarification.

Spanning approximately 42 pages, the report comprises an executive summary, a statistical snapshot and infographics section, detailed reviews of large-value and retail payments, a regulatory developments overview, and comprehensive annual and quarterly annexure tables (Tables A-1 to A-16 and B-1 to B-16).

As explicitly noted in the report's disclaimer, the scope is strictly restricted to transactions conducted through formal banking channels, microfinance banks, payment system operators, branchless banking providers, and electronic money institutions; cash and informal financial channels remain excluded.

2. Executive Summary of Report Findings

The central narrative of the report is that digital payments have become the mainstream mode of transaction in Pakistan, at least in terms of transaction volume. Key highlights include:

- **Retail Payment Growth:** Total retail transactions reached 14.3 billion, valued at PKR 673 trillion, reflecting a year-on-year growth of 58% in volume and 10% in value.
- **Digital Adoption:** Digital channels accounted for 92% of retail payment volume (up from 88% in FY25 and 85% in FY24) and 38% of transaction value (up from 29%).
- **Mobile Dominance:** Mobile phone channels (bank apps, branchless banking apps, e-wallets, USSD, and IVR) processed 11.1 billion transactions (78% of total retail volume), growing by 79% year-on-year.
- **Large-Value Settlements (PRISM+):** Following its August 2025 upgrade to the ISO 20022 messaging standard, PRISM+ settled 6.3 million transactions valued at PKR 1,566 trillion (approximately 12.3 times nominal GDP).
- **Infrastructure Expansion:** QR-enabled merchants surged over threefold to 3.84 million, POS terminals expanded by 49% to 337,791 (boosted by Soft-POS), e-commerce merchants grew to 23,356, and cash deposit machines (CDMs) nearly doubled to 1,896.
- **Raast Momentum:** Raast processed 2.76 billion transactions valued at PKR 80 trillion, compared to 1.28 billion transactions and PKR 29.6 trillion in FY25.
- **Regulatory Milestones:** Section 5 of the report covers the first Regulatory Sandbox cohort, the Eid-ul-Azha cattle market digitization campaign, approvals for new digital banks and EMIs, the designation of 1LINK as a Designated Payment System, and the issuance of the Technology Risk Management Framework.

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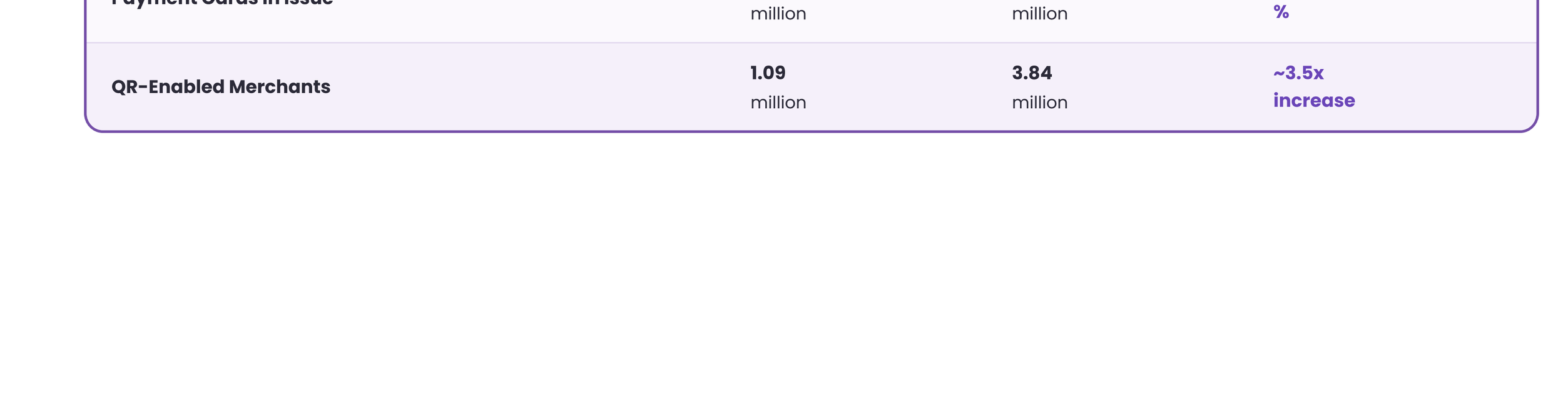
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Summary Data Table

Indicator	FY25	FY26	YoY Change
Retail Payments (Volume)	**9,072.6** million	**14,297.5** million	**+58 %**
Retail Payments (Value)	**PKR 611.6** trillion	**PKR 672.7** trillion	**+10 %**
Digital Channels (Value)	**PKR 178.6** trillion	**PKR 257.1** trillion	**+44 %**
Over-the-Counter (Value)	**PKR 432.9** trillion	**PKR 415.7** trillion	**-4%**
Raast Transactions (Volume)	**1,276** million	**2,755** million	**+116 %**
Payment Cards in Issue	**59.7** million	**69.9** million	**+17 %**
QR-Enabled Merchants	**1.09** million	**3.84** million	**~3.5x increase**



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3. Key Strengths of the Report

- **Consistent Time Series:** Most annual tables run from FY22 to FY26, and quarterly tables cover the last five quarters, enabling clear trend analysis.
- **Internal Data Consistency:** Headline figures align accurately with annexure tables (e.g., digital channel values sum correctly, and mobile metrics reconcile across tables).
- **Effective Framing of Volume vs. Value:** The report provides crucial context by noting that while mobile payments make up 78% of transaction volume, they account for only 23% of transaction value, preventing misinterpretations of the headline 92% digital adoption figure.
- **Prudent GDP Cautions:** Explicitly noting that large-value settlement turnover represents turnover rather than a direct contribution to GDP prevents common economic miscalculations.
- **Granular Unit Metrics:** Inclusion of average ticket sizes, per-card usage rates, and daily transactions per ATM adds practical operational depth.

4. Main Analytical Concerns & Gaps

4.1 Real Growth vs. Reclassification Effects

Several categories exhibit abrupt shifts that are difficult to attribute purely to organic customer behavior changes:

- **Branchless Banking Miscellaneous Payments:** Skyrocketed from 201 million to 1,953 million transactions (and from PKR 0.28 trillion to PKR 6.1 trillion in value), with the quarterly annex showing a single-step jump from 108 million (Q4-FY25) to 466 million (Q1-FY26). This category alone accounts for roughly one-third of the total retail volume increase.
- **Miscellaneous Mobile Banking Payments:** Rose from 55 million to 244 million.
- **Large-Value Shifts:** Inter-bank fund transfers in RTGS dropped from 409k to 253k transactions, while ancillary clearing settlements jumped from 57k to 237k transactions (and from PKR 29 trillion to PKR 115 trillion).

Implication: These patterns strongly suggest reporting reclassifications linked to the PRISM+ migration and new reporting templates. A methodological note or like-for-like growth figure is sorely missing.

4.2 Registration vs. Active Adoption

- **QR Merchants:** The growth from 1.09 million to 3.84 million QR-enabled merchants averages out to just ~77 payments per merchant per year (~1 transaction every 5 days based on 297 million total QR payments), implying many registered merchants experience low active usage.
- **User Metrics:** User counts for mobile banking, internet banking, and e-wallets do not distinguish between active and registered users. Furthermore, the 292.8 million total "accounts and wallets" figure exceeds Pakistan's 241.5 million population, indicating it measures accounts rather than unique individuals.

4.3 Omission of Raast Analytical Breakdown

Despite being named a primary catalyst in the executive summary, Raast lacks a dedicated section in the main text and appears only in infographics and Table A-15. Furthermore, because Raast does not have a separate row in Table A-4, readers are left to deduce that its flows are embedded within mobile, wallet, and internet banking channels.

4.4 Unexplained Value Shifts and Cash Dynamics

- **Value Migrations:** The increase in digital value share from 29% to 38% was accompanied by a PKR 17 trillion drop in over-the-counter value, largely driven by real-time online branch cheque transfers falling from PKR 117 trillion to PKR 78 trillion. Direct debits also dropped 22% in value. The narrative does not clarify whether this reflects migration to online rails or corporate routing changes.
- **Cash Co-existence:** Currency in circulation grew by 12.3% (to PKR 11.9 trillion) alongside a matching 12.3% growth in ATM cash withdrawals. The report misses an opportunity to analyze how physical cash demand expands concurrently with digital payment volumes.

4.5 Card-Type Nuances and Data Divergences

- **Card Base Composition:** Total cards grew 17% to 69.9 million, heavily skewed by social welfare cards (nearly doubling to 7.5 million) and credit cards (jumping from 2.2m to 3.3m in Q1-FY26). Excluding these, underlying debit/prepaid growth was closer to 10-12%.
- **Q4 Issuer vs. Acquirer Discrepancy:** Table B-16 (card issuing data) records Q4-FY26 ATM volume at 235.9 million and POS volume falling to 139.3 million, whereas Table B-4 (acquirer data) shows rising POS volume (161.5 million) and steady ATM volume (271.9 million). This points to provisional reporting gaps that require flagging.

4.6 Descriptive vs. Evaluative Regulatory Review (Section 5)

Regulatory updates are accurately cataloged but lack qualitative evaluation:

- Compliance rates or findings for the Technology Risk Management Framework (deadline March 31, 2026) are omitted.
- Sandbox cohort outcomes are absent despite testing windows concluding near year-end.
- The 1LINK system designation lacks details on what enhanced oversight entails in practice.

4.7 Minor Presentation & Editorial Notes

- Typographical error in section headings: "Payment Systems at a Glace" should be "Glance".
- Inconsistent labelling in charts (e.g., "3rd Part Customer Transfers").
- Sequencing error in Section 5.4 regarding Barq Fintech's approval date relative to Toko Lab.
- Omission of critical acronym definitions (e.g., PFMI, IPA, USSD, P2P, P2M) from the acronym list.

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5. Recommendations for Future Editions

1. **Methodological Transparency:** Include a short methodology note detailing reporting template updates, structural reclassifications, or institutional changes between FY25 and FY26, alongside like-for-like growth metrics.
2. **Clarify Large-Spread Anomalies:** Provide narrative context for sudden spikes in miscellaneous wallet transactions and inter-bank/clearing flows.
3. **Report Active Metrics:** Shift focus from raw registrations to active users and merchants (e.g., those transacting within a rolling 90-day window).
4. **Incorporate a Dedicated Raast Section:** Formally integrate Raast analytics into the main text and clarify its interaction with channel-specific totals.

5. **Reconcile Cash and Digital Trends:** Address the parallel expansion of digital transaction volume and currency in circulation.
6. **Resolve Quarter-End Card Divergences:** Reconcile card-issuing data discrepancies against acquirer-side figures in quarterly tables.
7. **Evaluate Regulatory Framework Outcomes:** Detail compliance rates, sandbox learnings, and post-event usage tracking (such as cattle market account retention).

6. Conclusion

The Annual Payment Systems Review, FY 2025–26 effectively documents a period of rapid expansion in Pakistan's retail payments, driven decisively by mobile channels, Raast, and broader merchant acceptance. While the overarching direction of travel toward digital maturity is clear, the report would be significantly strengthened by separating organic behavioral shifts from structural reclassifications and by measuring active infrastructure utilization. With these enhancements, it will serve as an even more robust reference for policymakers, commercial banks, and financial researchers.

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