

THE RISING E-COMMERCE INDUSTRY OF PAKISTAN: AN APPRAISAL

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(Views expressed in the brief are those of the author, and do not represent those of ISSI)



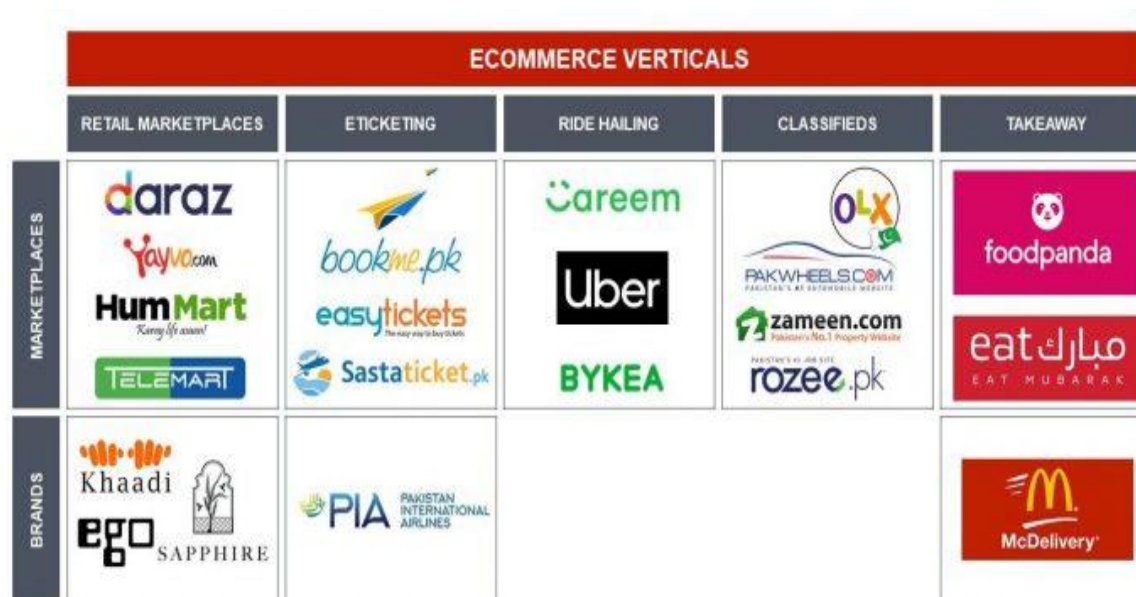
E-commerce is expanding rapidly in Pakistan, and it is becoming a major trend among the people who use the internet. The trend is increasing due to proficiency of authentic websites or portals where the sale and purchase are good. Furthermore, speedy-internet connectivity and availability is also one of the biggest factors for increasing e-commerce in Pakistan. E-commerce is becoming a major contributor to the economy of Pakistan.

One of the major winners from Covid-19 globally has been e-commerce companies in Pakistan. Based on data published by the State Bank, the number of registered e-commerce merchants in Pakistan increased from 1,707 in 2019-20, to 3,003 in 2020-21, a 76% increase. Pakistan was the 37th largest market for e-commerce with a revenue of USD 5.9 billion in 2021, placing it ahead of Iran and behind Israel. With an increase of 45%, the Pakistani e-commerce market contributed to the worldwide growth rate of 15% in 2021.¹

According to data released by Statista, a German company specialising in market and consumer data, Pakistan's e-commerce market is projected to generate US\$7.666 billion revenue in 2022. With an annual growth rate of 6.09 percent between 2022 and 2025, the projected market volume would be US\$ 9.1 billion by 2025. The e-commerce market in Pakistan has now been around for nearly 20 years. In Pakistan, e-commerce tends to be dominated by business to consumer (B2C)

¹ Fauzan Shah, "Trends in e-commerce in Pakistan," Dawn, November 29, 2021, <https://www.dawn.com/news/1660894>

companies. There are three main sectors, general e-commerce, groceries/quick(q)-commerce, and fashion.²



The opportunities E-commerce offers to Pakistan

Pakistan's rapidly growing middle class, over 60% youth population and broadband subscriptions of over 100 million, makes it a lucrative destination for e-commerce platforms. E-commerce has been hailed by many as an opportunity for developing countries to gain a stronger foothold in the multilateral trading system. E-commerce can play an instrumental role in helping developing economies benefit more from trade. While Pakistan may not stand parallel to the global players in e-commerce, it is not too far behind. With its rising entrepreneurial culture and stabilising digital footprint, Pakistan's future in e-commerce reflects promising prospects with exponential growth. The promotion and regulation of e-commerce will be more significant in terms of providing employment opportunities for 130 million over the next 30 years.³

Key challenges

- Cybersecurity

Pakistan's cyberspace is under constant attack. According to official figures, one million cyber-attacks have been launched on Pakistan since January 2021. Data safety should be given top

² Itrat Bashir, "E-commerce market projected to generate \$7.7bn revenue in 2022," Business Recorder, April 30, 2022, <https://www.brecorder.com/news/40170403>

³ Ali Abbas, "The future of e-commerce in Pakistan," The News, April 30, 2021, <https://mmnews.tv/the-future-of-e-commerce-in-pakistan/>

importance. However, no significant measures have been taken to prevent cyber threats and implementation of National Cyber Security Policy 2021 is marred by bureaucratic hurdles.

- Unskilled Workforce

The lack of a skilled workforce is hindering E-commerce companies in running their operations and expanding their business. Focus needs to be shifted in Education Institutes to kinder to the demand of the Industry and provide the necessary skill sets to the students according to the demands of the e-commerce industry.

- Competition

The lack of several big players in the market has created a monopoly like situation in the country with a few companies dominating, leading to lack of competition and innovation. Good and healthy competition is required for businesses to flourish and provide consumers with the best possible products.

- Low Market share of E-Commerce

Pakistan's E-commerce constitutes only 2 percent of its retail market. The need for digital literacy is the key so consumers are compelled to use e-commerce, rather than just focusing on traditional markets. More than 88 percent of Pakistanis have access to the Internet and broadband services, but usage of e-commerce services remains low which needs to be addressed.

Existing Policy Measures for E-commerce to grow in Pakistan

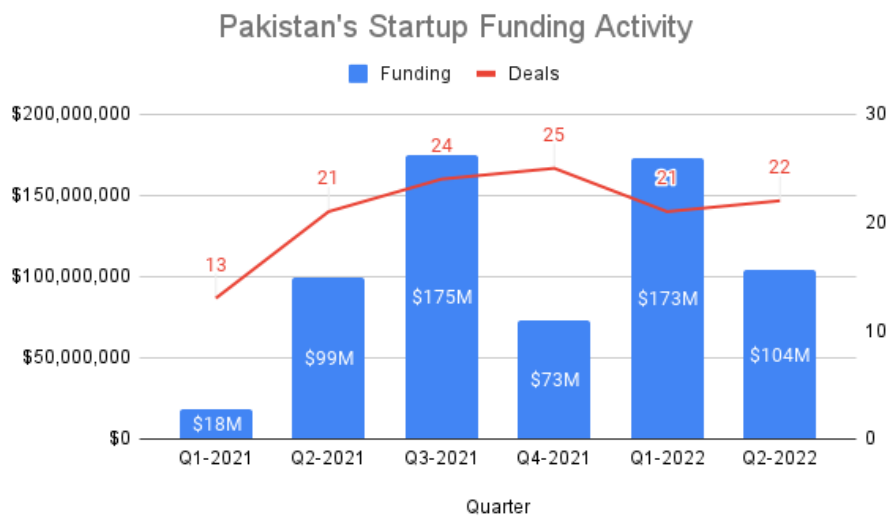
The government has also taken measures through E-commerce policy (2019), which aims to provide new opportunities for the growth of the sector. The key features of this policy are:

1. Securing And Spreading the E-commerce Platform
2. Improving, Securing And Widening The E-Commerce Payment Infrastructure
3. Extending Public Awareness About E-Commerce
4. Taxation Agenda For E-Commerce Sellers
5. Extending ICT Infrastructure And Telecom Services Across Pakistan
6. Utilising E-commerce To Help Business Grow

The major aim of this policy is to achieve holistic growth of industry as well as economy as a whole by focusing on the areas of; job opportunities, inter regional connectivity, enhanced and efficient domestic market to compete domestically and internationally as well, women inclusion in the economically activities through supporting small scales enterprises, adequate set up for market competitiveness.⁴

Current Situation and Future

Start-ups in Pakistan raised a total of USD103.8 million in 22 deals in the April-June quarter, down almost 40% from the preceding quarter when the flows amounted to USD173 million in FY 2022. Data compiled by Data Darbar, a website that tracks investment flows into the country's tech ecosystem, shows the average ticket size remained USD4.9 million in April-June, down 58% from USD11.5 million in January-March FY 2022. The dip is reflective of the global slowdown in start-up funding. Globally, investors are shying away from late-stage funding. Furthermore, Pakistan's start-up ecosystem has been in financial turmoil as major players like Careem, Swvl, Truck-It-In, and Vava-Cars have laid off employees, rolled back services and even suspended operations altogether.⁵



Conclusion

In Pakistan there should be an enabling environment to provide e-commerce growth to the higher level. A huge opportunity of e-commerce is for youth and especially female entrepreneurs who want to do their online business from home. E-commerce can contribute majorly to improving livelihoods

⁴ Mir Muhammad and Aqsa Noor, "Key Highlights: E-commerce Policy," PIDE, 2020, <https://pide.org.pk/research/key-highlights-e-commerce-policy/>

⁵ Kazim Alam, "Start-up funding shrinks 40pc to \$104m," Dawn, July 1, 2022, <https://www.dawn.com/news/1697531>

of the people and in building competitive enterprise as well as increasing the shares in global trade. Like other developing countries, Pakistan may lag in the e-commerce world if it does not technologically catch up.⁶

E-commerce has an untapped potential in Pakistan. Digital representation can change the scope of the economy. The government and the private sector have vital roles to play not only in allowing e-commerce to take place but to ensure that it grows and benefits not only SMEs but also consumers. Much of the support to e-commerce depends on having or providing the right infrastructure, regulations and the policy mix allowing e-commerce to thrive.

⁶ Mehjabeen Qasim, "Ecommerce in Pakistan – Challenges, Opportunities and Future," Start-up Pakistan, April 9, 2021, <https://startuppakistan.com.pk/ecommerce-in-pakistan-challenges-opportunities-and-future/>