

Is Pakistan's IT INDUSTRY Limited to Services?



Pakistan's IT Sector Size estimated
USD 280 Billion

IT Companies
12000+

Contribution to GDP
4.8%

Export Revenue
USD 2.1 Billion

Domestic Revenue
USD 1.2 Billion

1024%
The annual IT remittance to Pakistan through Banking channel has shown tremendous growth over the past decade

Source: P@SHA

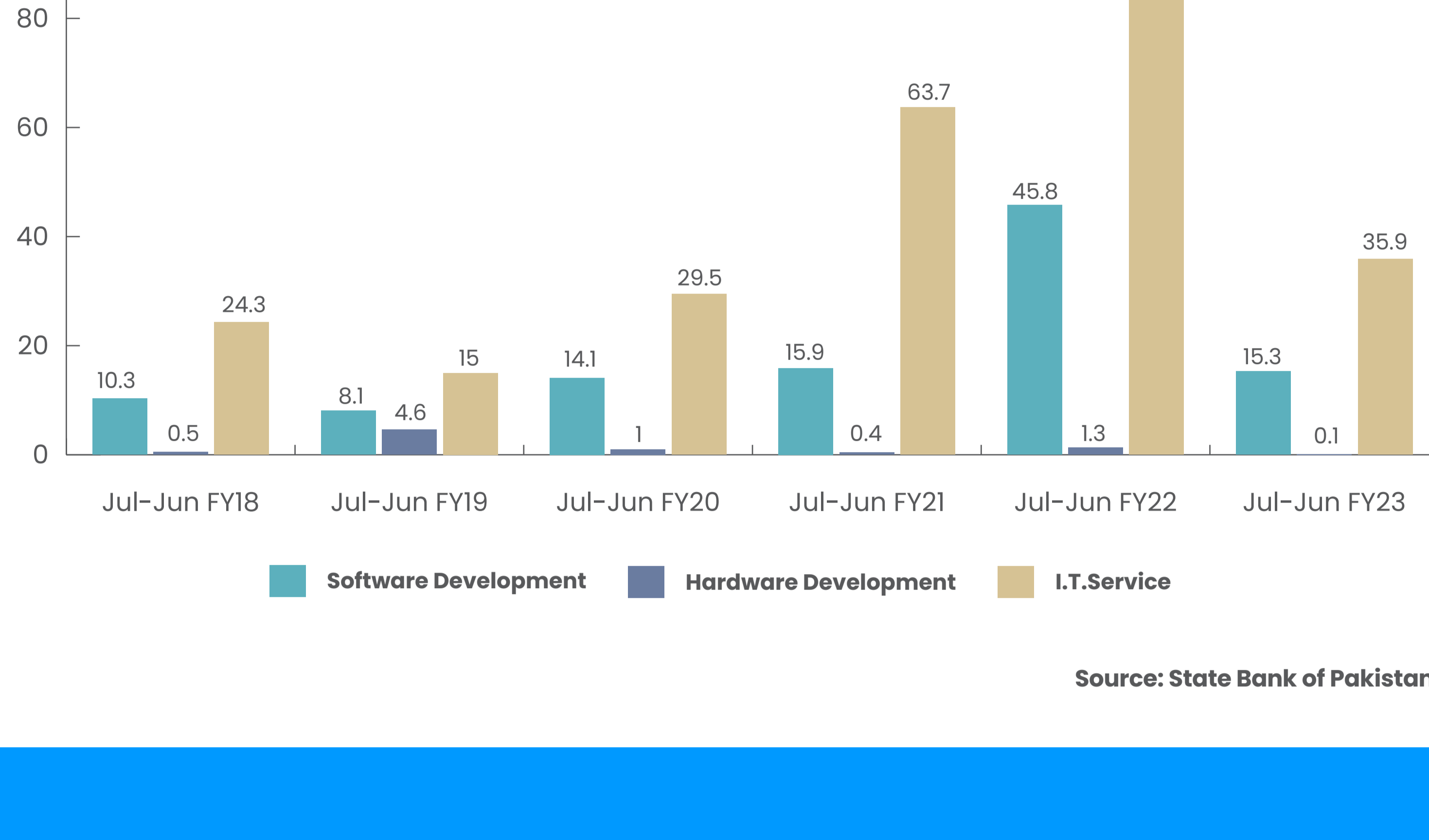
Foreign Investment Prefers Services Over Products



Sector-wise FDI Investment

The IT sector doesn't attract significant foreign investment. The meager funding it secured in FY 22 primarily favors services over software development, accounting for 68.9% of the allocation.

USD Million

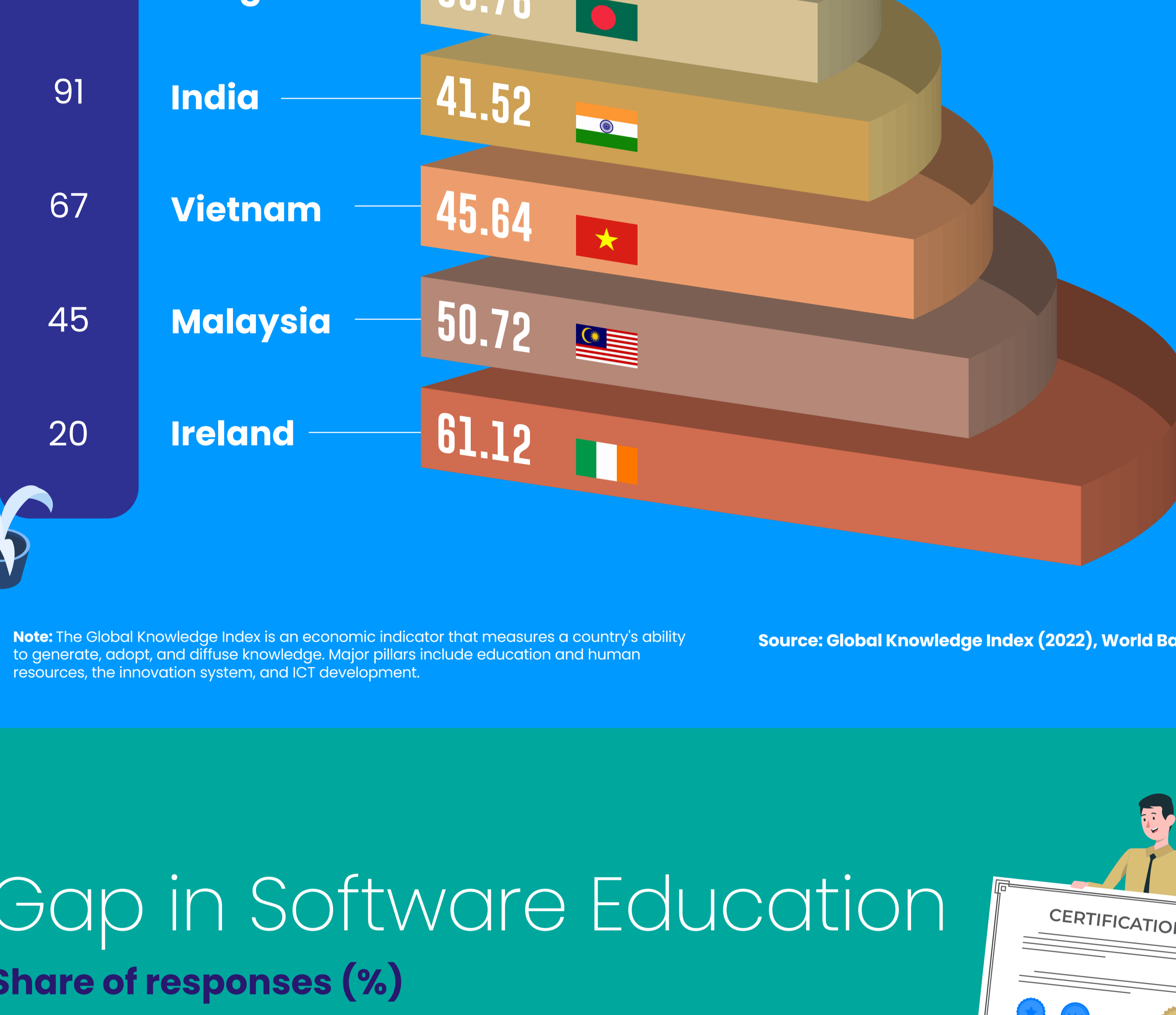


Source: State Bank of Pakistan

Pakistan Ranks 110th Out of 132 Countries.

Global Knowledge Index (2022)

This trend highlights a less developed knowledge-intensive economy. To foster growth, Pakistan should prioritize products instead of services.



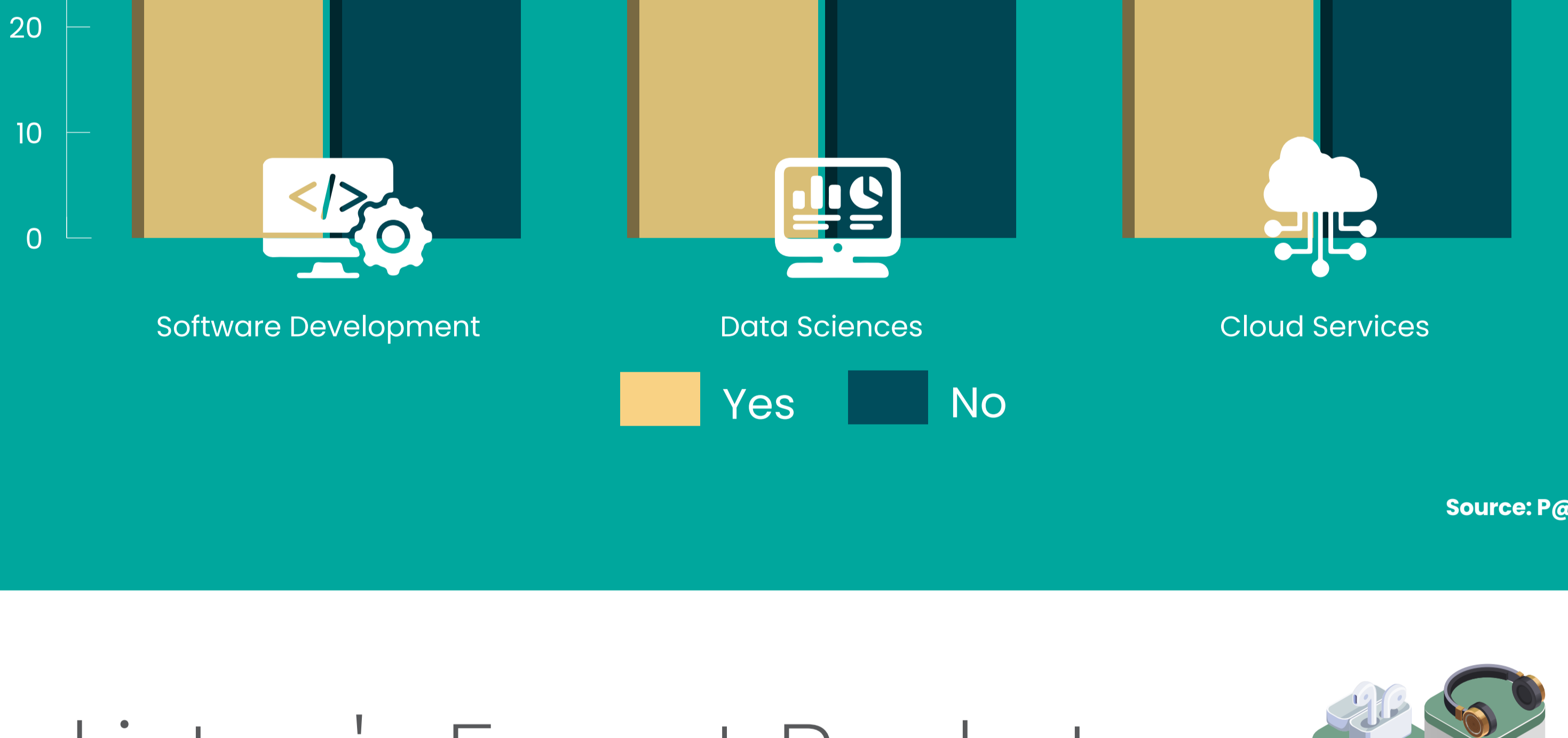
Note: The Global Knowledge Index is an economic indicator that measures a country's ability to generate, adopt, and diffuse knowledge. Major pillars include education and human resources, the innovation system, and ICT development.

Source: Global Knowledge Index (2022), World Bank.

Gap in Software Education

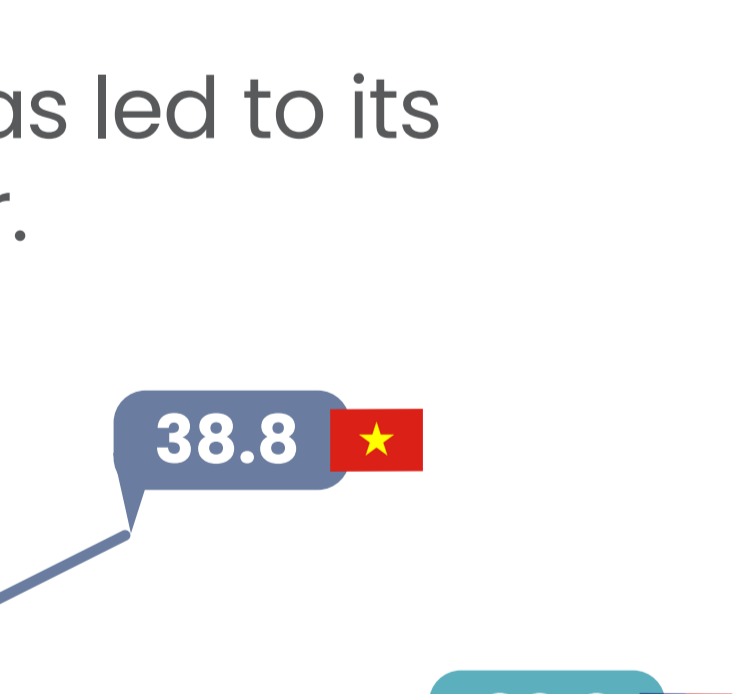
Share of responses (%)

Currently, only half of the software developers have an IT certification, highlighting the need for certified software developers in Pakistan.



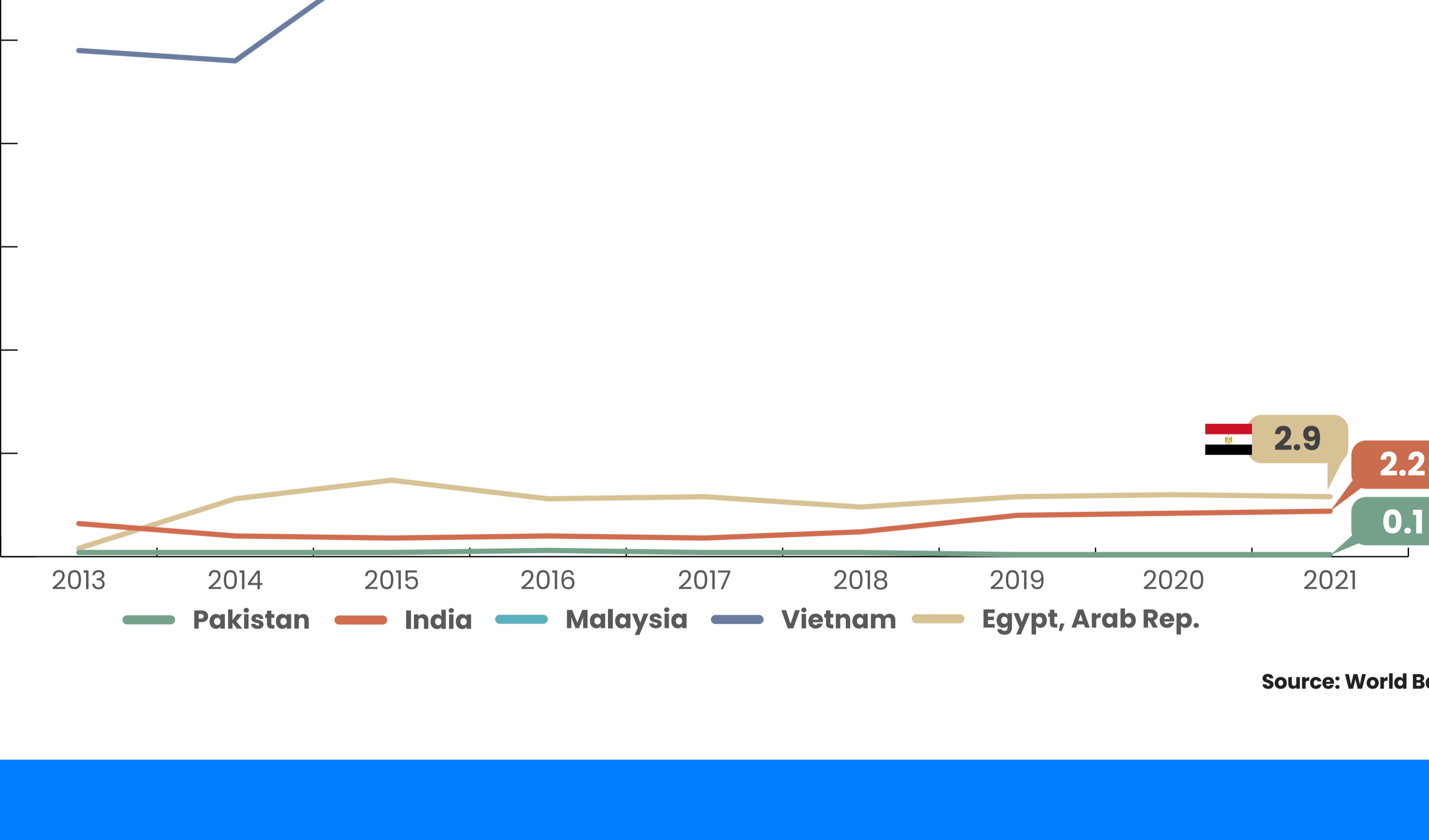
Source: P@SHA

Pakistan's Export Basket Lacks Technology Goods



ICT goods exports (% of total goods exports)

Moreover, the lack of innovation in the Pakistani market has led to its reputation as a low-cost destination for outsourcing labor.



Source: World Bank

Promising Potential for Pakistan's Software Exports



Growth in Computer Software Exports (FY18-FY23)

Despite notable growth in Pakistan's software exports in recent years, they remain significantly below the levels achieved by major players like India.



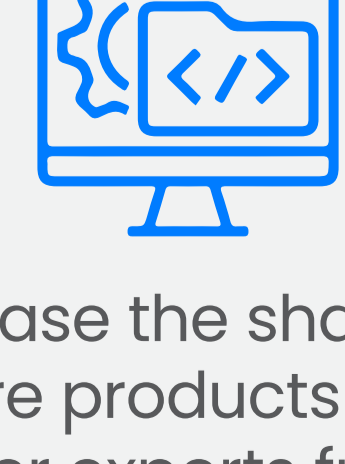
Source: State Bank of Pakistan, Reserve Bank of India

In Conclusion

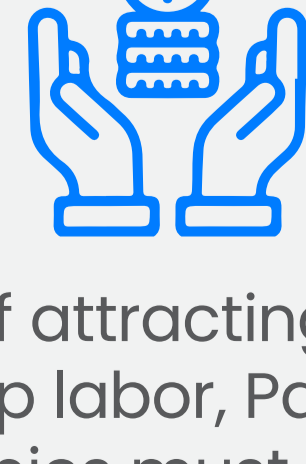
Pakistan needs to



Focus on high-value ICT products such as patented software.



Increase the share of software products in total computer exports from 29% to at least 60%.



Instead of attracting funds for its cheap labor, Pakistani IT companies must focus on software exports.