

**VISA**



# Digitizing SME B2B Payments

The promise of  
commercial cards

2025



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# Executive summary

Small and Medium Enterprises (SMEs) make up the vast majority of businesses in Pakistan, employing 72% of the non-agricultural workforce<sup>1</sup> and contributing 40% to the GDP.<sup>2</sup> However, SME growth remains stifled owing mainly to their informality and reliance on cash-based transactions, which creates challenges including access to financial solutions, inefficiencies in tracking expenses, and increased risks of fraud. Digitizing SME payments—especially business-to-business (B2B) transactions—can address these barriers, with over USD 121 billion worth of SME B2B activity primed for digital transformation.<sup>3</sup>

Commercial cards offer a high-potential solution for the digitization of B2B payments. In addition to reducing risks and inefficiencies in cash flow management, commercial credit cards offer a free window of credit along with value-added services, such as advanced expense management tools. Issuers also benefit through monetization of new B2B flows, increased revenue, and data on new clientele.

Despite their potential upside, adoption of commercial cards in Pakistan remains low. SMEs are often not aware of the availability of commercial cards or the benefits they can gain from them, and application and compliance processes for commercial cards are prohibitive and cumbersome. On the other hand, issuers view SMEs as high-risk clients due to their lack of collateral and credit histories. Restructuring the current commercial card issuance criteria, raising awareness amongst SMEs and issuers on the benefits of commercial card adoption, and improving ecosystem readiness for card acceptance can help boost adoption.

<sup>1</sup>Dawn (2024). Helping MSMEs flourish. <https://www.dawn.com/news/1824837>

<sup>2</sup>Competition Commission of Pakistan (2023). Enhancing the Economic Efficiency of Small and Medium Enterprises in Pakistan. Competition Commission of Pakistan. [https://cc.gov.pk/assets/images/Downloads/assessment\\_studies/enhancing\\_the\\_economic\\_efficiency\\_of\\_smes\\_in\\_pakistan.pdf](https://cc.gov.pk/assets/images/Downloads/assessment_studies/enhancing_the_economic_efficiency_of_smes_in_pakistan.pdf)

<sup>3</sup>Korefusion (2023). Visa: Pakistan Commercial Card Landscape 2023. Korefusion.



# Small and Medium Enterprises (SMEs) in Pakistan

Small and Medium Enterprises (SMEs) play a crucial role in Pakistan’s economy, employing 72% of the country’s non-agricultural workforce<sup>4</sup> and contributing 40% to the GDP.<sup>5</sup> 23% of the SME workforce is female.<sup>6</sup> While there are around 5.3 million registered SMEs, an overwhelming majority operate in the informal sector. Accounting for 30% of all exports,<sup>7</sup> SMEs are integral to Pakistan’s economic vitality and growth. Unlocking the full potential of SMEs can significantly enhance Pakistan’s economic resilience and development.

Research and insights garnered from stakeholders, however, reveal that SMEs face structural and financial impediments that slow their growth and restrict the potential of Pakistan’s economy:

## Information asymmetry

Limited access to information about financial services, market insights, and opportunities to enable growth.

## Complex regulatory environment

SMEs often find it difficult and costly to comply with regulatory processes, particularly around business registration, banking, and taxation.

## Limited technical expertise

Shortage of skilled human capital in SMEs hinders the adoption of digital tools limiting their ability to innovate, streamline operations, and respond to market demands effectively.

## Cumbersome banking processes

The process of opening a business account is often lengthy and fragmented, with extensive paperwork, which disincentivizes SMEs from formalising their operations.

## Flow of funds

Access to international markets and transactions for digital products, goods, and services is limited by lengthy and complex processes.

## Limited access to financing

SMEs encounter significant difficulties in securing formal bank loans. Banks often classify them as high-risk borrowers due to lack of physical collateral, limited or no credit history, and unstable cash flows. Strengthening SMEs through improved access to finance, technology, and market opportunities is therefore critical to addressing the unfulfilled potential of Pakistan’s economy and ensuring sustained growth and development.

Regionally, Pakistan ranks the lowest in terms of business borrowing, with only 2.1%<sup>8</sup> of enterprises—primarily large corporations—having access to bank loans or lines of credit. This is well below the regional average of 27.5%,<sup>9</sup> highlighting a significant gap in financial inclusion for SMEs.

<sup>4</sup>Dawn (2024). Helping MSMEs flourish. <https://www.dawn.com/news/1824837>

<sup>5</sup>Competition Commission of Pakistan (2023). Enhancing the Economic Efficiency of Small and Medium Enterprises in Pakistan. Competition Commission of Pakistan. [https://cc.gov.pk/assets/images/Downloads/assessment\\_studies/enhancing\\_the\\_economic\\_efficiency\\_of\\_smes\\_in\\_pakistan.pdf](https://cc.gov.pk/assets/images/Downloads/assessment_studies/enhancing_the_economic_efficiency_of_smes_in_pakistan.pdf)

<sup>6</sup>ibid

<sup>7</sup>SMEDA (2022). <https://smeda.org/phocadownload/Publications/Estimating%20Manufacturing%20SMEs%20Contribution%20to%20Pakistans%20GDP%20Jun-2022.pdf>

<sup>8</sup>World Bank (2022) <https://www.enterprisesurveys.org/en/data/exploretopics/finance>

<sup>9</sup>ibid

# Government initiatives to support SME financing in Pakistan

Recognizing the critical role that SMEs play in the country's economic development, the government has introduced several initiatives to support SME growth by improving access to financing and addressing barriers SMEs face in securing capital. Recently, the State Bank of Pakistan (SBP) revised the definition of SMEs, increasing the loan cap for medium enterprises to PKR 500 million and for small enterprises to PKR 100 million.<sup>10</sup>

To further incentivize SME lending, the SBP introduced a credit guarantee scheme (effective as of 01 July 2024) under which the SBP will now cover 20% of the incremental losses incurred by banks for an increase in their SME loan portfolio.<sup>11</sup> In addition, several targeted schemes have been introduced by the government to help overcome financing challenges and stimulate economic growth in the sector:

## Prime Minister's Youth Business Loan (PMYBL)

Aimed at young entrepreneurs, this program offers loans with a markup rate of 8% to help start or expand small businesses.<sup>12</sup>

## SME Asaan Finance (SAAF) Scheme

A clean lending program that allows SMEs to access financing up to PKR 10 million at a subsidized 9% interest rate, without the need for collateral.<sup>13</sup>

## Women Entrepreneurship Loan

This loan facility provides financing to women entrepreneurs at a soft rate of 5% for loans up to PKR 5 million, encouraging the growth of women-led businesses.<sup>14</sup>

## Financing Facility for Storage of Agricultural Produce (FFSAP)

A loan designed to promote investment in agricultural storage and enhance infrastructure for Electronic Warehouse Receipt Financing (EWRP).<sup>15</sup>

## Challenge Fund

A grant-based fund introduced by the SBP to support banks in developing digital solutions for SME banking, where banks must contribute only 15% of the cost of the project, with the rest being covered by the grant.<sup>16</sup>

<sup>10</sup>State Bank of Pakistan (2024). SME, Housing & Sustainable Finance Department Circular. <https://www.sbp.org.pk/sme/d/circulars/2024/C4.pdf>

<sup>11</sup>State Bank of Pakistan (2024). SME, Housing & Sustainable Finance Department Circular. <https://www.sbp.org.pk/sme/d/circulars/2024/C2.htm>

<sup>12</sup>Ministry of Industries & Production (2024). <https://moip.gov.pk/Detail/NIOS00OGQ2LTgwNzktZWVjMmU0OGUxYzI2>

<sup>13</sup>State Bank of Pakistan (2024). SME, Housing & Sustainable Finance Department Circular. <https://www.sbp.org.pk/sme/d/circulars/2021/C9.htm>

<sup>14</sup>State Bank of Pakistan (2024). SME, Housing & Sustainable Finance Department. <https://www.sbp.org.pk/Incen-others/sme-6.asp>

<sup>15</sup>State Bank of Pakistan (2024). SME, Housing & Sustainable Finance Department. <https://www.sbp.org.pk/Incen-others/sme-3.asp>

<sup>16</sup>Business Recorder (2024). SME banking: SBP launches 'Challenge Fund' Brecorder. <https://www.brecorder.com/news/40326732>

# Driving SME growth through digitization of B2B payments

## Digital financial services as a catalyst for SME growth

Digitizing transactions is critical for overcoming key challenges faced by SMEs in Pakistan, especially in the informal sector, where cashbased operations dominate. Transitioning to digital payments can significantly reduce dependence on cash, improving working capital management and enabling the creation of transaction histories that enhance access to financing. This transformation allows SMEs to access funds more quickly, reinvest in their operations, or settle payables efficiently, fostering a dynamic and resilient business environment. By optimizing financial flows, SMEs can expand operations, generate employment, and strengthen their contribution to exports and GDP growth, thereby unlocking their full economic potential.

Out of the estimated

**28 million businesses in Pakistan, around 7.5 million are addressable for digital payment solutions in the short run,**

while around 19 million businesses – consisting mainly of agriculture – can shift to digital payment solutions in the medium to long term.<sup>17</sup>

<sup>17</sup>Korefusion (2023). Visa: Pakistan Commercial Card Landscape 2023. Korefusion.



# Analyzing the B2B payments landscape

Business-to-Business (B2B) payments represent a significant category of SME payments, characterized by high transaction value and international payments. These payments involve lengthy payment cycles, complex invoicing, and compliance with regulatory requirements. Pakistan's B2B payment flows in 2022 were estimated at approximately USD 255 billion, out of which a whopping 85% were cash-based, revealing the high dependence of SMEs on physical transactions.<sup>18</sup> The number of cards issued to small businesses remains relatively low, and much of the activity on these cards is primarily limited to cash transactions.

Despite the high prevalence of cash-based transactions, there is a noticeable shift towards the adoption of digital channels—15% of SME B2B payments are now digital.<sup>19</sup> Digital transactions are faster and enable enhanced financial management through timely and granular expense reporting. However, modes of digital payments used by SMEs, including consumer cards, mobile money, internet banking, and callcenter banking are not optimized for SME B2B transactions.

Moreover, SMEs often resort to using personal debit or credit cards for business transactions, which violates the State Bank of Pakistan's (SBP) regulatory directive to separate personal and business expenses. Despite a cap of USD 30,000 per annum for international transactions on personal cards, business owners frequently use them for both local and global payments.<sup>20</sup>

The SME payment landscape is a blend of cash-based transactions and consumer-centric digital channels leading to challenges such as transactional inefficiency, lack of creditworthiness, and increased operational costs. Some specific challenges faced by SMEs include:

## Low liquidity

B2B payments often require flexible terms and higher transaction limits, which consumer instruments cannot accommodate. Delayed cash payments lead to liquidity issues for SMEs, limiting their ability to manage business operations and invest in growth.

## Absence of transaction records

Use of cash and consumer payment channels does not generate the required data for businesses to maintain and produce credible records that support credit assessments/enhancements

## Limited automation and integration

Manual payments and invoicing processes are errorprone, while consumer payment channels are often not integrated with financial management systems used by SMEs. This fragmented reporting limits the ability of businesses to have a comprehensive view of financial expenses, and leads to sub-optimal financial planning and decision-making.

These challenges highlight an urgent need for innovative, SME-focused financial solutions that can help unlock the full potential of digital B2B payments for sustainable business growth.

<sup>18</sup>Korefusion (2023). Visa: Pakistan Commercial Card Landscape 2023. Korefusion.

<sup>19</sup>ibid

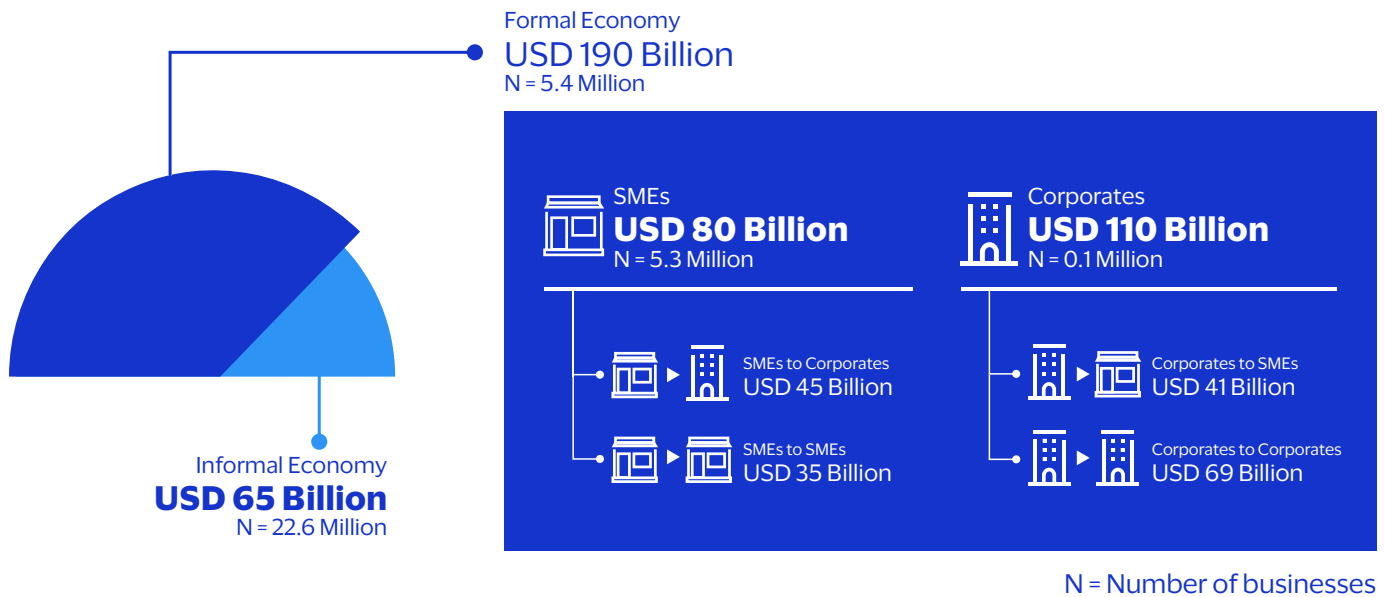
<sup>20</sup>ibid

# Sizing the opportunity for digitization of B2B payments

Out of the USD 255 billion in B2B transactions annually, USD 121 billion (USD 80 billion in payables and USD 41 billion in receivables) can be attributed to 5.3 million registered SMEs, while an estimated USD 65 billion is generated by the informal SMEs segment.<sup>21</sup> Thus, the SME sector, characterized by traditional financial services, offers a sizable market for digitization efforts. The largest opportunity is within SME payables— specifically the SME-to-large corporate payment flow. Focusing on the digitization of payables can provide SMEs with immediate control over costs, ensure smoother operations, and create an upstream impact that can also facilitate better receivables management.

## Annual B2B transactions

Total B2B transactions amount to USD 255 billion across 28 million businesses.

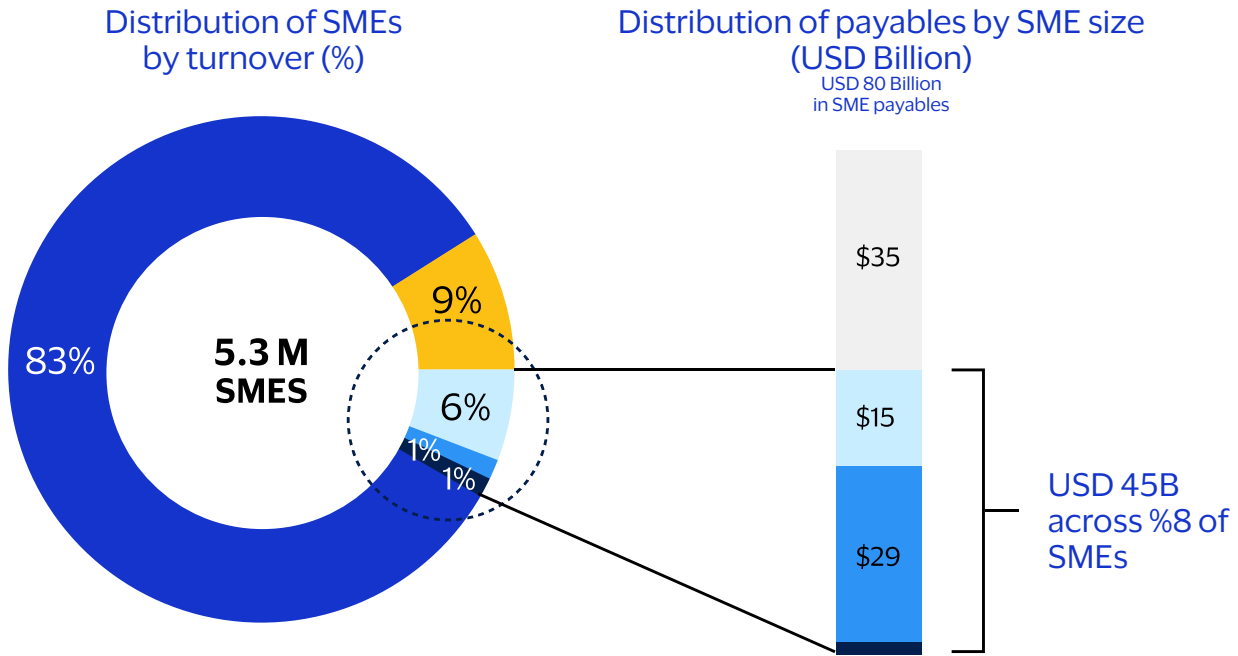


A closer look at SME B2B payments in Pakistan’s formal sector reveals that the largest 8% of SMEs account for a substantial 60% of total SME payables.<sup>22</sup> This concentration highlights a strategic opportunity to drive targeted digitization efforts for high-value B2B transactions, where efficiency gains can have an outsized impact.

On the other hand, small-value transactions contribute approximately USD 6 billion to SME B2B payables, offering a low-risk, high-volume entry point for digital payment solutions, particularly for helping smaller businesses with digital adoption

<sup>21</sup>Korefusion (2023). Visa: Pakistan Commercial Card Landscape 2023. Korefusion.





SME size by yearly turnover volume:

- >US\$ 5K
- US\$ 5K - US\$ 10K
- US\$ 10K - US\$ 40K
- US\$ 40K - US\$ 1M
- US\$ 1M - US\$ 2M

Sectorally, agriculture, retail, and manufacturing dominate SME payables, illustrating the value of adopting a sector-specific approach. Focusing on these industries would allow digital solutions to align with the distinct transaction patterns and operational needs of each sector, enhancing relevance and adoption.

Sector	SME Payables Sector (USD Billion) <sup>23</sup>
Agriculture	28
Retail	8
Manufacturing	21

Converting this large volume of B2B transactions, especially payables, into digital transactions will require both supply and demand-side changes, with the development of accessible, tailored digital platforms at the core.

<sup>22</sup>Korefusion (2023). Visa: Pakistan Commercial Card Landscape 2023. Korefusion.

<sup>23</sup>ibid

## Pakistan's IT sector: A low-hanging opportunity for B2B digitization

Pakistan's IT sector has gained increasing prominence in its economic contribution. The sector contributes USD 3.2 billion to Pakistan's exports<sup>24</sup> and has grown by 24% on a YoY basis in FY24.<sup>25</sup> Pakistan also ranked as the 4th most popular destination for freelancers.<sup>26</sup>

Recognising its potential, the government has also been incentivising the growth of the IT sector through policy and programmatic interventions and initiatives, such as increased retention limits for export remittances.

IT Payables (2022) <sup>27</sup>	IT Companies (2022) <sup>28</sup>	IT Professionals (2022) <sup>29</sup>
USD 6.6 Billion total	12,000 total	25,000 annual IT graduates
USD 2.9 Billion in exports	700 new per year	1.5 million freelancers
USD 1.3 Billion overseas assets	300 international players	500,000 registered employees

The IT industry processes a significant volume of B2B payments, with the majority being international transactions. These often proved to be an operational challenge in the absence of enterprise digital payment solutions. Recently, the State Bank of Pakistan (SBP) expanded foreign transaction limits (made through digital channels) for 62 service providers to USD 400,000 per company.<sup>30</sup>

The IT sector is primed to adopt commercial cards with the right enablement. The majority of B2B payment opportunities in this sector include.<sup>31</sup>

1. Cloud services
2. Travel entertainment (T&E)
3. Software subscriptions

<sup>24</sup>Express Tribune (2024). <https://tribune.com.pk/story/2481137/it-exports-hit-all-time-high-of-32-billion>

<sup>25</sup>ibid

<sup>26</sup>Pakistan Software Export Board. Ministry of Information Technology & Telecommunication (2020). Pakistan's IT Industry Overview. <https://moitt.gov.pk/SitelImage/Misc/files/Pakistan%27s%20IT%20Industry%20Report-Printer.pdf>

<sup>27</sup>Korefusion (2024). Navigating the Future of Digital B2B Payments in Pakistan. Korefusion.

<sup>28</sup>ibid

<sup>29</sup>ibid

<sup>30</sup>Dawn (2021). <https://www.dawn.com/news/1639042>

<sup>31</sup>Korefusion (2023). Visa: Pakistan Commercial Card Landscape 2023. Korefusion.

# The promise of commercial cards in Pakistan

Commercial cards emerge as a high-potential solution for digitizing SME B2B payments and catalysing real and sustainable economic growth in the country. Unlike consumer-centric options, commercial cards are directly linked to company accounts and designed to support larger, recurring payments. They provide multi-user access for authorized employees and integrate smoothly with business financial systems. As such, commercial cards can address critical bottlenecks to SME growth such as financing, cash flow management, and spend visibility while also offering significant value to issuers.

As a tailored tool for B2B payments, key benefits of commercial cards for SMEs include:

## Access to interest-free working capital

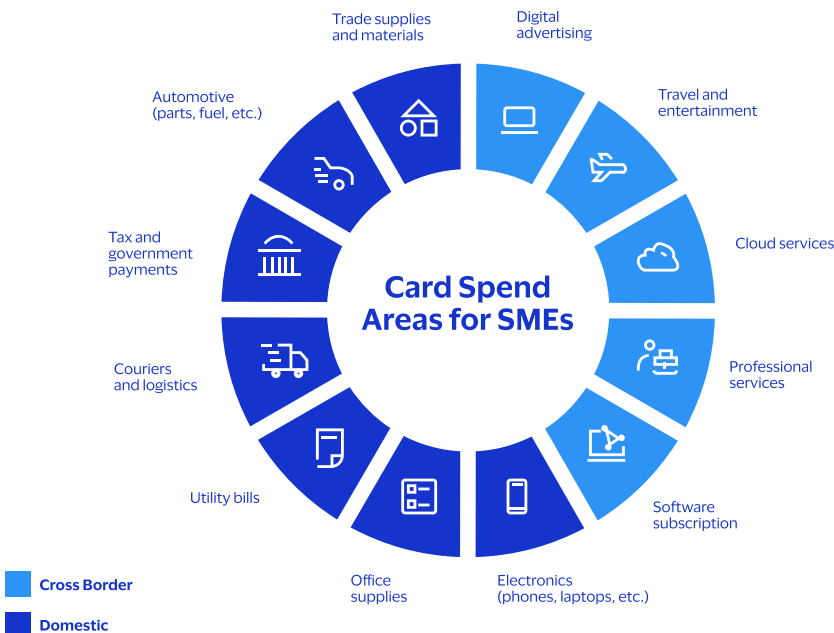
45-50 days, allowing businesses to manage day-to-day expenses without immediate cash outflows. This period of interest-free credit serves as a cash flow tool.

## Efficient cross-border transactions

with high transaction limits and regulatory approval from the SBP.

## Automatic documentation

allows SMEs to build a credit history over time, enhancing creditworthiness of the business itself.



## Multi-user access

enables authorized employees across the organization to make payments smoothly and seamlessly while exercising control over expenses.

## Easy integration with enterprise resource

streamlines expense tracking and reconciliation, giving SMEs real-time visibility into their finances.

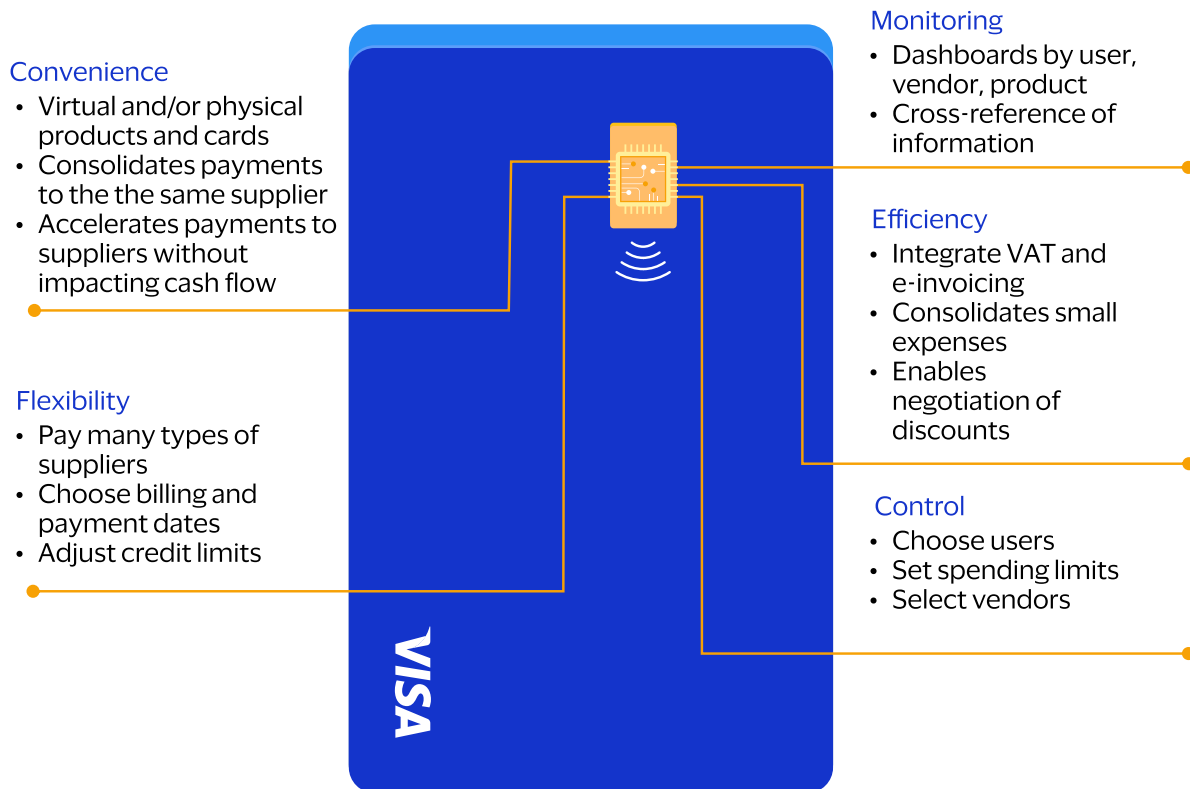
## Availability of value-added service

such as spend analytics helping SMEs gain insights into spending patterns and improve budgeting, and financing accuracy.

On the other hand, issuers benefit by shifting spending from personal to commercial cards, unlocking new B2B payment streams with increased revenue. Based on card usage, issuers can gather highly valuable customer data for improved segmentation and product optimization.

# A strong commercial cards product suite

Commercial cards offer a range of value-added services, providing SMEs with more than just a payment solution, driving both operational efficiency and business growth.



# Overview: Visa Commercial cards

Visa offers a wide range of payment solutions specifically designed to enable SMEs to optimize their operations. This includes Visa Business cards, which offer funding options such as prepaid, debit, or credit, as well as premium Business cards like Platinum Business and Signature Business, which support both, debit and credit funding sources. Complementing these commercial cards are value-add services that enhance the businesses experience of using commercial cards. For example, Visa Spend Clarity offers a suite of advanced end-to-end spend management tools that give businesses complete control and visibility over their cash flows, empowering them to streamline expenses and nurture growth.

The table below maps key features of an ideal commercial card offering against Visa’s offering, demonstrating Visa’s commitment to offering high value to its customers.<sup>32</sup>

Key Features	Visa Products Key Features and Services
Digital, cross-border payments	Visa Business Debit/ Credit/ Prepaid, Virtual Cards
Exclusive offers	Visa Business-Centric Officers
Payment controls	Visa Business Controls
Reporting and expense management	Visa Spend Clarity for Business
Merchant acceptance	Business Payment Solutions Provider (BPSP)
Consulting and analytics	Visa Consulting and Analytics
Value-added services	Visa Data Solutions, Visa Marketing Services
Dedicated service delivery model	Visa Innovation Center

<sup>32</sup> Korefusion (2024). The commercial card opportunity for issuers in Pakistan. Korefusion.

# Challenges to adoption of commercial cards

Despite the upside offered by commercial cards for SMEs and issuers, their adoption in Pakistan has remained low. In 2022, commercial card payments accounted for approximately only 1% of total card spend with only three banks offering commercial cards.

Many businesses still rely on consumer cards in the owner's name for business expenses, as issuers remain hesitant to offer commercial cards to SMEs. Demand for commercial cards is considered low, partly due to SMEs' limited use cases and their preference for more flexible lending options against full collateral, such as traditional loans. Additionally, issuers often view SMEs as high-risk clients and prefer to serve larger, more established corporations, prioritizing risk management and profitability.

<sup>33</sup>Korefusion (2024). Navigating the Future of Digital B2B Payments in Pakistan. Korefusion.

Based on research and consultations, key factors hindering commercial card adoption include:

- SMEs' limited awareness and understanding of commercial card availability and functionality.
- Banks' reluctance to issue commercial cards to SMEs, combined with their risk aversion and the requirement for full collateral, creates barriers and reduces the appeal of such cards for SMEs.
- Lengthy and non-standardized application process requiring multiple application forms, legal documents, compliance checks, and uncertain turnaround times.



# Recommendations

The SME sector in Pakistan offers a powerful opportunity for economic growth and transformation. SMEs currently struggle with payment and transaction challenges that are rooted in legacy solutions. Commercial cards represent a compelling avenue for SMEs to optimise their finances, improve turnover, limit costs and increase revenue and profitability. To ensure that Pakistani SMEs are able to better utilise the opportunities afforded to them by commercial cards, there are three key spheres of changes that need to take place.

## For Policy makers

1. Revisit collateral requirement for issuance of commercial cards. This can be supported by augmenting the development, enrichment and scaling of alternative credit-scoring models and government backed credit guarantees in sandboxing environments to see what can best enable the proliferation of commercial cards.
2. Promote the adoption of commercial cards by setting a minimum issuance quota for each issuer, with a particular focus on SME accounts. Government-backed financing schemes should offer commercial card issuance as a standard feature.
3. Streamline international payments by enabling smooth commercial card-based transactions through:
  - Establishing tiered limits for international transactions through commercial cards, based on business size, to accommodate varying needs across types of SMEs.
  - Allowing banks to automatically process smaller value transactions (for example, up to a threshold determined by market inputs), without formal designation of an authorised dealer.
  - Enable authorized dealers/issuers to introduce automated mechanisms for extracting and consolidating card-based transaction data, thereby decreasing paperwork, and mitigating the need for receipt submission by SMEs for foreign exchange transactions carried out through commercial cards.

## For card issuers

1. Create a market positioning for commercial cards through awareness and adoption campaigns that focus on safety and security, cash substitution, and a solution to financial challenges that SMEs face.
2. Banks with strong SME portfolios should integrate card management systems with enterprise solutions used by SMEs to develop integrated and seamless offerings around financial reporting and analysis for using commercial card data effectively.
3. Banks should expand formal arrangements with fintechs to mobilise credit through their credit-assessment and disbursement platforms to enable exponentially higher SME credit, irrespective of borrowing or prior financial status.
4. Introduce commercial debit cards tailored to SME needs, as they offer a lower-risk alternative to credit cards, require no collateral, and can encourage better financial management, supporting long-term behavior change and facilitating the adoption of digital financial tools.

The adoption of commercial cards to digitize B2B payments in Pakistan will require an ecosystem-wide approach with commercial cards positioned as a key enabler in a progressive and robust digital payments strategy. Bringing together stakeholders and addressing constraints and bottlenecks across the value chain can help unlock the growth potential for SMEs to drive inclusive growth.

Visa's suite of commercial card offerings and products can play a pivotal role in facilitating this transition by providing secure, efficient, and scalable solutions that meet the diverse needs of businesses, enabling them to embrace digital payments and streamline their financial operations..