



# **A Business Case for Financial Industry: Establishing a Global Capability Center in Pakistan**

# Executive Summary

## 2026 Market Projection

BFSI industry expected to reach USD 25.7 trillion by 2026.

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## Industry Challenges

Rising cyber threats, complex regulations, and high technology costs.

## Pakistan as Strategic Hub

Skilled, cost-competitive talent and improving digital infrastructure.

## Master1Tech Partnership

De-risks entry via BOT, COPO, and FLEXI service models.

## Growth Drivers

Digital transformation, financial inclusion, and innovation demand fuel growth.

## Emerging Technologies

AI-driven RegTech, InsurTech, WealthTech, Open Banking, Embedded Finance, DeFi.

## GCC Benefits in Pakistan

40-50% cost savings with enhanced cybersecurity, AI, analytics, compliance.

# Market Overview: BFSI Industry 2025 – Global Snapshot



## BFSI Market Growth Projection

The BFSI market is expected to reach USD 25.7 trillion by 2034, driven by digital banking growth at a CAGR of 11.2% and fintech expansion at 16.8%.



## Asia-Pacific Growth and Emerging Frontiers

Asia-Pacific is the growth epicenter for BFSI, with Pakistan emerging as a new frontier, supported by cybersecurity market growth to USD 220.97 billion by 2034.

# Banking Sector Trends and Drivers

## Digital Banking Growth

The digital banking segment is expected to grow at a CAGR of 11.2% from 2023 to 2030, driven by mobile banking, neo-banks, contactless payments, and financial inclusion efforts.

## Emerging Banking Trends

Key trends include Open Banking APIs enhancing interoperability, RegTech automating compliance, Embedded Finance integrating services, and exploration of Central Bank Digital Currencies.

# Financial Services Sector Trends and Drivers



## Fintech Market Growth

The fintech market is expanding rapidly with a CAGR of 16.8%, driving significant transformation in financial services.



## Key Growth Drivers

Adoption of AI, ML, and blockchain technologies alongside rising HNWIs in emerging markets fuels sector growth.



## Emerging Sector Trends

WealthTech robo-advisors, DeFi, Web3, and ESG investing are reshaping financial services landscape.

# Insurance Sector Trends and Drivers



## Market Growth and Size

The insurance sector is expanding at a CAGR of 5.6%, with InsurTech expected to reach USD 152.4 billion by 2030.



## Key Growth Drivers

Digital customer platforms and demand for hyper-personalized insurance products are major growth drivers.



## Emerging Industry Trends

Innovations include IoT telematics for Usage-Based Insurance, AI underwriting, automated claims, and microinsurance.

# Regional Growth Outlook: United States

## Moderate Economic Growth and Challenges

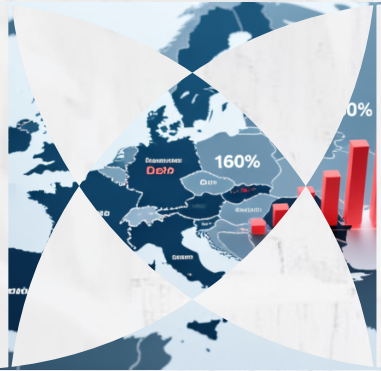
The US is expected to achieve moderate GDP growth of 2.3% to 2.8% in 2025 amid inflation, labor market tightness, and high public debt near 130% of GDP.

## Monetary Policy and Fintech Innovation

Federal Reserve interest rates are projected at 4.25% to 4.75%, supporting bank margins. The US leads in fintech innovation with AI-driven fraud detection, dominant digital payments, and CBDC pilots underway.



# Regional Growth Outlook: European Union



## Economic Growth and Stability

The EU's economic growth is projected between 1.4% and 1.8% in 2025, constrained by high energy prices and geopolitical tensions. Inflation stabilizes around 2.2%, while high sovereign debt, notably Italy at 150% and Greece at 160% of GDP, poses systemic risks.



## Monetary Policy Outlook

The ECB is expected to keep interest rates between 2.25% and 2.75% in 2025, balancing economic weakness and banking sector margins. Elevated rates risk credit contraction, especially in vulnerable peripheral economies.



## Regulatory Environment

The EU enforces stringent regulations including MiFID II, GDPR, and MiCA, enhancing market integrity, data protection, and digital asset clarity. MiCA notably shapes blockchain and crypto innovation frameworks.



## Technological Advancements

Open Banking advances under PSD2 with standardized APIs, while digital euro trials aim for post-2026 launch. Blockchain adoption is cautious but progressing, with Estonia leading in digital governance.

# Regional Growth Outlook: United Kingdom



## Economic Growth and Financial Hub Status

UK GDP growth is forecasted between 1.3% and 1.6%, influenced by post-Brexit trade frictions and cost-of-living pressures. London remains a leading global financial center.



## Monetary Policy and Fintech Innovation

Bank of England rates are maintained between 2.75% and 3.25%, supporting banking margins. The UK leads in fintech with digital banks, digital pound research, and adoption of AI and blockchain.

# Regional Growth Outlook: Japan



## Economic Growth and Demographic Challenges

Japan's economy is projected to grow modestly between 0.8% and 1.1%, constrained by an aging population and weak domestic demand, impacting banking profitability.



## Monetary Policy and Technological Innovation

The Bank of Japan maintains near 0% interest rates with a focus on fintech regulation, while Japan leads in digital banking, AI, digital yen trials, and expanding mobile payments.

# Regional Growth Outlook: China



## Economic Growth and Challenges

China's economy is projected to grow between 4.5% and 5% by 2025, driven primarily by technology and green energy sectors, while facing challenges such as a struggling real estate market and a high debt level near 300% of GDP.



## Monetary Policy and Regulation

The People's Bank of China employs a flexible monetary policy with benchmark interest rates around 3.5% to 4%, alongside strict fintech regulations and full operational integration of the digital yuan.



## Technological Leadership

China leads globally in mobile payments with platforms like Alipay and WeChat Pay, and actively adopts blockchain and artificial intelligence technologies supported by national initiatives.

# Pakistan – The Strategic Frontier

## Drivers of Economic Growth

Pakistan's steady economic growth is driven by its youthful population, rising remittances, and a strategic emphasis on IT and services exports.

## Regulatory Support for Fintech

The State Bank of Pakistan and SECP foster fintech innovation through regulatory sandboxes, balancing innovation with financial stability and investor protection.

## Technological and Investment Advantages

Rapid mobile finance growth, a large skilled IT talent pool, Digital Pakistan initiatives, cost arbitrage of 40-50%, and tech hubs in major cities position Pakistan as a strategic frontier.

# Importance of BFSI Industry Globally

- Global Economic Growth : BFSI fuels GDP growth by financing trade, infrastructure, and innovation worldwide.
- Financial Stability : Robust regulations and frameworks ensure stability and protect against economic volatility.
- Financial Inclusion : Digital platforms democratize access, promoting equity and entrepreneurship globally.
- Technological Innovation : BFSI drives AI, blockchain, and digital currency advancements as a leading tech investor.
- Global Governance Support : Supports sustainable development and international trade through green finance and payment systems.

# Industry Transformation through Technology: RegTech

- **Advanced Technologies in RegTech** : RegTech leverages AI and machine learning to enable predictive compliance, real-time AML monitoring, and digital identity solutions.
- **Beyond Automation** : These technologies move beyond simple automation to provide more sophisticated regulatory compliance capabilities.
- **Risk and Cost Reduction** : RegTech significantly reduces operational risks and compliance costs, enhancing efficiency in complex regulatory environments.

# Industry Transformation: WealthTech

## Robo-Advisors Enhancing Investment Accessibility

Robo-advisors use advanced algorithms to provide tax optimization, goal-based planning, and personalized advice, democratizing investing for a wider audience.

## Expanding Wealth Management Reach

WealthTech leverages AI, machine learning, and blockchain to make wealth management accessible and cost-effective for broader populations globally.



# Industry Transformation: Open Banking (Neobanking)

## API-driven Integration Breaking Banking Silos

Open Banking leverages APIs to dismantle traditional banking silos, enabling seamless data sharing and interoperability across financial institutions.

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## Enabling Account Aggregation and Personalized Services

This technology supports account aggregation, personalized financial products, and faster payment processing, enhancing user convenience and service customization.

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## Fostering Bank-Fintech Collaboration and Competition

Open Banking promotes collaboration and healthy competition between traditional banks and fintech firms, driving innovation and improved customer experiences.

# Industry Transformation: InsurTech

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## IoT and Telematics in Usage-Based Insurance

InsurTech uses IoT and telematics to enable pay-as-you-drive models, enhancing product customization and personalization.

2

## AI-Powered Underwriting and Claims Processing

AI improves risk assessment accuracy and automates claims processing, resulting in faster policy issuance and higher customer satisfaction.

3

## Enhanced Customer Experience and Personalization

Advanced technologies enable tailored insurance products and streamlined operations, significantly improving customer experience.



# Industry Transformation: DeFi and Web3

## Blockchain Enables Permissionless Finance

Blockchain and smart contracts create transparent, permissionless financial systems enabling decentralized lending, borrowing, and trading.

## Disintermediation of Traditional Finance

DeFi disintermediates traditional financial services by removing intermediaries, enhancing security and user control in financial transactions.

# Industry Transformation: Embedded Finance



## Integration with Non-Financial Platforms

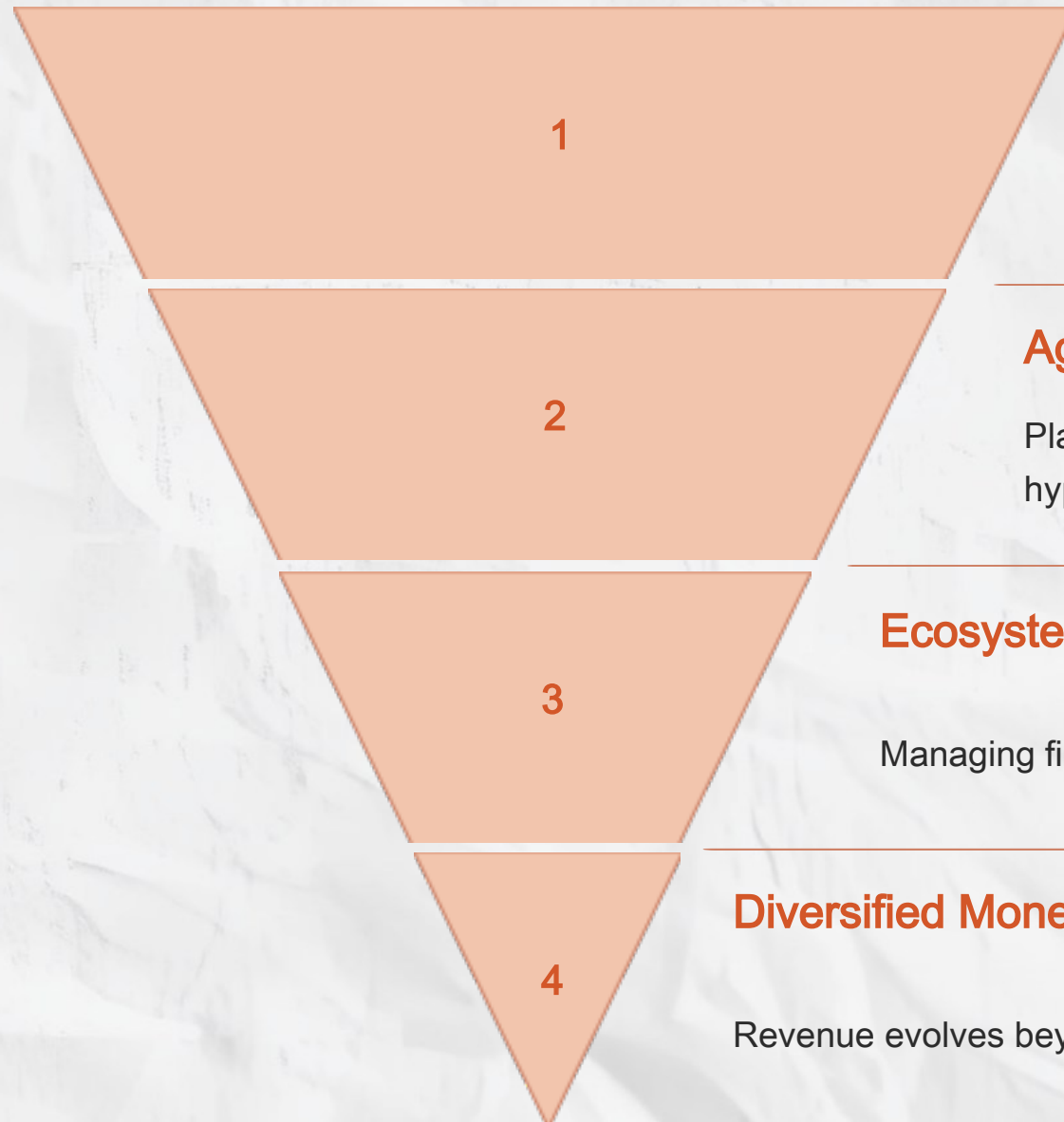
Embedded Finance incorporates financial services such as payments, lending, and insurance directly into platforms like e-commerce and automotive apps, enhancing user engagement.



## Enhanced User Convenience

By embedding financial functionalities, users experience seamless and contextual financial interactions without leaving their primary digital environment, improving satisfaction.

# Platform-Based Financial Evolution



## Customer-Centric Ecosystems

Financial services shift from single products to integrated customer experiences.

## Agile Microservices Architecture

Platforms adopt microservices to enhance agility and enable hyper-personalization.

## Ecosystem Partner Management

Managing fintech and data partners ensures seamless omni-channel customer journeys.

## Diversified Monetization Models

Revenue evolves beyond interest to fees, subscriptions, and analytics services.

# Key Challenges and Risks in BFSI

## 1 Escalating Cyber Threats

Institutions face sophisticated ransomware, phishing, supply chain, and insider attacks.

## 2 Complex Regulatory Compliance

Navigating GDPR, DORA, PSD2, and evolving crypto and AI rules across jurisdictions is costly.

## 3 High Costs of Integration

Over 60% of tech budgets go to maintaining legacy systems while integrating AI and cloud.

## 4 Talent Shortages and Cultural Resistance

Critical gaps in cybersecurity, AI, cloud experts, plus resistance to change hinder innovation.

## 5 Geopolitical and Economic Volatility

Inflation, trade wars, and conflicts create uncertainty in investments and risk management.

## Why Pakistan? Strategic Imperative – Talent

- Annual IT Graduate Output : Pakistan produces over 25,000 IT graduates annually skilled in AI/ML, cloud, cybersecurity, and blockchain technologies.
- Robust University System : The country's strong university system consistently delivers globally competitive and high-quality technical talent.
- Strategic Talent Advantage : This skilled talent pool supports rapid scaling and innovation in BFSI Global Capability Centers, enabling global competitiveness.



# Why Pakistan? Strategic Imperative – Cost Competitiveness

## Significant Cost Savings in Pakistan

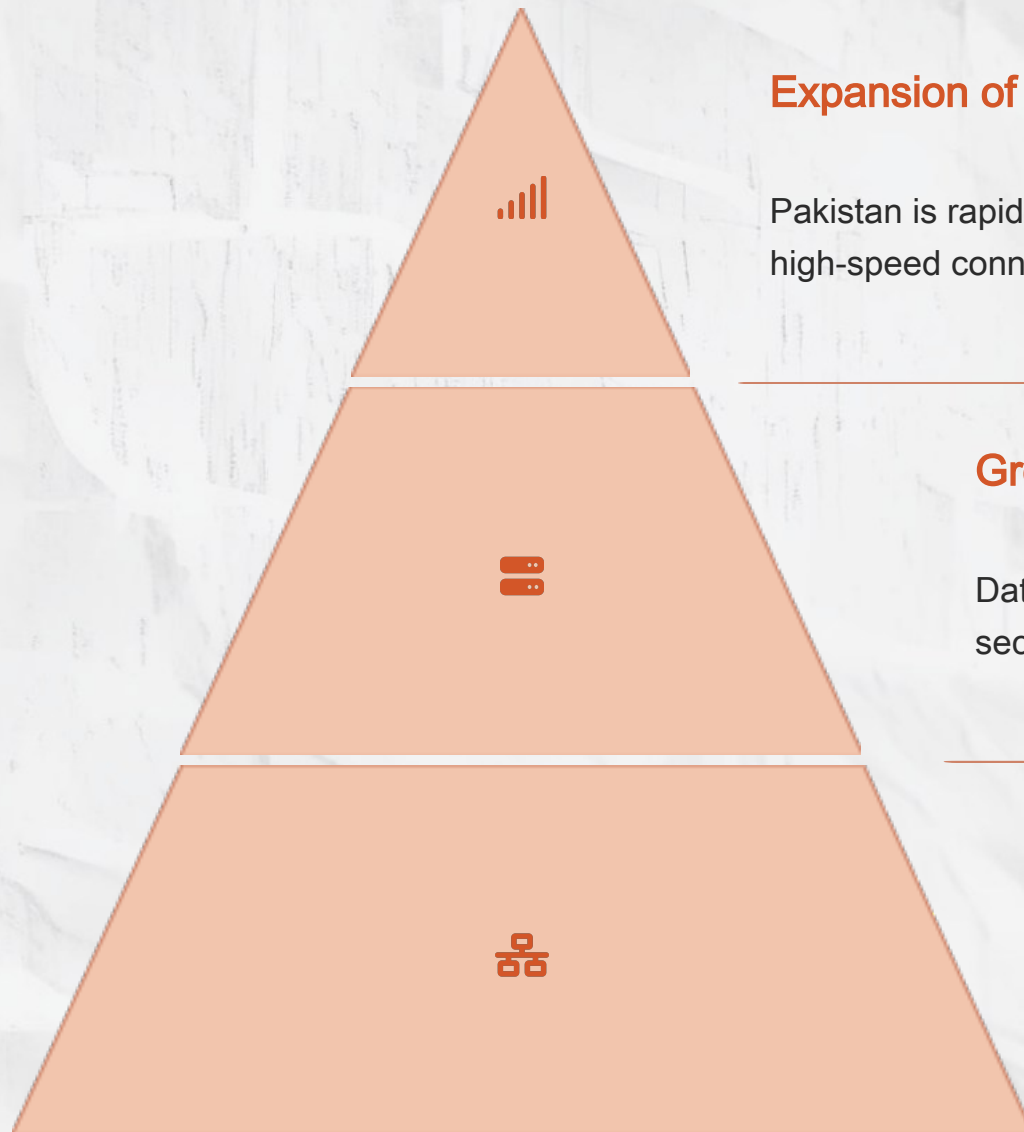
Pakistan offers 40-50% savings on operational and technology costs compared to Western markets, providing unmatched cost competitiveness.

## Reinvestment in Innovation and Growth

Cost advantages in Pakistan enable firms to reinvest savings into strategic innovation and growth initiatives, transforming cost centers into strategic assets.



# Why Pakistan? Strategic Imperative – Digital Infrastructure



## Expansion of 4G and 5G Networks

Pakistan is rapidly expanding 4G coverage while actively rolling out 5G technology, ensuring high-speed connectivity vital for modern BFSI operations.

## Growth in Data Center Capacity

Data center capacity is increasing to meet enterprise demands, providing scalable, secure, and resilient digital infrastructure for global firms.

## Strategic Digital Infrastructure Advantage

These advancements, combined with Pakistan's talent and cost benefits, create a strong foundation for BFSI global capability centers.

# Why Pakistan? Strategic Imperative – Government Support

## Favorable Policies for IT Exports and Foreign Investment

Pakistan offers highly favorable policies that promote IT exports and attract foreign investment, creating a pro-business environment with reduced entry barriers and operational risks.

## Tax Incentives and Operational Support for GCC Establishment

The government provides tax benefits and operational support to encourage the establishment of Global Capability Centers, enhancing growth opportunities in the BFSI sector.

# Why Pakistan? Strategic Imperative – Proven Track Record



## Proven Success of GCCs in Pakistan

Pakistan hosts successful Global Capability Centers and captive centers by leading global enterprises, demonstrating its strategic importance.



## Expertise in Key Operational Areas

The country excels in software development, customer support, and back-office operations, supported by robust infrastructure and skilled talent.

# The Master1Tech Advantage: Introduction

## Strategic Partnership Beyond Consulting

Master1Tech operates as a partner and operator, not merely a consultant, ensuring seamless capability hub development in Pakistan.

## Comprehensive GCC Setup and Operations

We offer end-to-end GCC setup and operational solutions including entity setup, talent acquisition, infrastructure, and daily management.

# Master1Tech Service Model: BOT (Build-Operate-Transfer)

## Comprehensive Setup and Management

Master1Tech manages full setup including entity establishment, talent acquisition, infrastructure, and daily operations to minimize client risk and operational burden.

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## Ownership Transfer After Maturity

After achieving operational stability, Master1Tech transfers full ownership to the client, enabling seamless integration into the global operating model.

# Master1Tech Service Model: COPO (Company-Owned, Partner-Operated)



## Client Ownership and Control

Clients maintain full legal ownership and strategic control over their Global Capability Center under the COPO model.



## Master1Tech Operational Management

Master1Tech handles all operational responsibilities including compliance, HR, and administration to ensure smooth functioning.



## Agility and Risk Mitigation

The model offers agility and scalability with zero operational liability for clients, enabling efficient and low-risk scaling.



## Master1Tech Service Model: FLEXI (Fully Customized Solutions)

### Customized Client Engagement

FLEXI offers bespoke engagement tailored to align with clients' strategic goals and risk appetite, ensuring personalized service frameworks.

### Flexible Operational Partnership

The model features a flexible operational philosophy and partnership design, enabling adaptive and innovative GCC management solutions.

# Conclusion and Strategic Call to Action



## BFSI Industry Transformation

The BFSI sector is rapidly evolving, driven by the need for innovation, cost optimization, and effective risk management amid rising challenges.



## Strategic Advantages of Pakistan

Pakistan offers a skilled, cost-competitive talent pool, advanced digital infrastructure, and strong government support, making it an ideal GCC location.



## Master1Tech's Role

Master1Tech provides integrated service models enabling seamless, low-risk establishment and scaling of BFSI innovation hubs in Pakistan.



## Call to Action for BFSI Leaders

BFSI firms must adopt innovative models and strategic partnerships to leverage Pakistan's GCC potential and sustain leadership in the global ecosystem.

A close-up photograph of a woman with long blonde hair, wearing a blue shirt and a watch, sitting at a desk and writing in a spiral notebook. She is holding a black pen in her right hand. The desk is cluttered with papers, a white mug, and another notebook. The background is softly blurred, showing an office or meeting environment. The text 'Thank You' is overlaid in a large, orange font on the left side of the image.

**Thank You**

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