

KARANDAAZ PAKISTAN

Case Study on

PayPro: Growth Through Compliance and Financial Control

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1. TRANSFORMING PAKISTAN'S PAYMENT LANDSCAPE: THE RISE OF PAYPRO

Imagine a world where the hassle of long queues and cumbersome paperwork for bill payments is a thing of the past. In Pakistan, a country with a burgeoning digital landscape, this vision is rapidly becoming a reality. Digital payment transactions in Pakistan have seen a remarkable increase, with a growth rate that outpaces many other sectors of the economy. At the forefront of this financial revolution is PayPro, a company that has emerged as a transformative force in Pakistan's financial landscape, formerly known as ConnectPay. ConnectPay operated as a subsidiary of THK Solutions since 2018 with the original ideology of the company focused on providing banking software solutions including Digital Payments solutions.

In 2019, Aly Khan, a seasoned business professional, led the acquisition and rebranding of ConnectPay leading to the creation of PayPro. In addition to running several successful businesses in Pakistan, Aly Khan also had extensive exposure in the overseas financial sector in his earlier career, through his time at Citibank. Another overseas stint at the Yang Ming Marin Transport Corporation helped to further hone his skills. He also held key positions on the Board of pivotal companies in Pakistan's economic landscape in various sectors such as cement, food, energy and logistics, and consistently engaged in game-changing initiatives such as the construction and operation of Pakistan's first commercial L.E.E.D. Certified Building¹, setting up a state-of-the-art 10,000 ton per day cement plant and growing one of the country's largest dairy businesses to 600,000 liters per day of sales.

Aly Khan's diverse financial experience, coupled with his insights into various industries, fueled his ambition to innovate and drive change. This comprehensive expertise was instrumental in his decision to establish PayPro, a venture aimed at revolutionizing payment solutions by leveraging his unique blend of skills and experiences. Carrying forward the same thought process, Aly Khan envisioned PayPro as a transformative force in Pakistan's payment landscape, aiming to bridge the digitization gap in the financial services market. His strategic decision to acquire ConnectPay came from his recognition of the cumbersome nature of traditional bill payments.

Khan's foresight into the potential of fintech technologies paved the way for fresh investment and a pivot towards a growth-focused strategy, setting the stage for innovation and competitiveness in the digital payments sector. This strategic move coincided with the welcoming of Ali Janjua as the CEO of PayPro, a veteran with an extensive banking background from institutions such as Standard Chartered and in Branchless Banking at Tameer Bank along with a strong governance background through his time as a Principal at Karandaa Pakistan. Janjua joined the team, complementing Khan's vision with his rich experience and financial services expertise, thus empowering PayPro to navigate through the challenges to come.

By October 2019, a new management team took the reins of PayPro, with the appointment of Zain Ansar as Chief Commercial Officer and Taimur Ahmad as Chief Operating Officer (COO). Together, they were tasked to spearhead the management, overseeing day-to-day operations, and driving sales strategies to propel PayPro's market presence and growth trajectory.

With a vision to become the go-to destination for all digital payment needs, under the new management and strategic direction, PayPro focused on catering to the requirements of small businesses, initially identifying the opportunity to fill a gap in the payments of the educational sector, and then moving on to other types of businesses the healthcare, insurance, etc. The company's early competitors, such as KuickPay, spurred PayPro to innovate and differentiate its offerings to meet the unique demands of its clientele. With the acquisition and rebranding of the company to PayPro, the shift to a new strategic direction was led through a transformation in PayPro's vision and mission for the company, focused on a clear path:

¹ LEED stands for Leadership in Energy and Environmental Design, is a globally recognized green building certification system. It provides a framework for designing, constructing, and operating buildings that are environmentally responsible, resource-efficient, and provide a healthy environment for occupants.



VISION



To digitize
Pakistan's payment
ecosystem



MISSION

To enable digital payments by digitizing
Pakistan's payments ecosystem. Deliver a
seamless transaction experience for business
and consumers. Bank the informal business
sector of Pakistan

PayPro's flagship product – a Bill Aggregation mechanism primarily aimed to digitize the process of fee collection and the meticulous tracking of payments received, right down to the individual customer level. Banks, of course already played a crucial role in this ecosystem as intermediaries that facilitate the transfer of funds. While they provide the necessary infrastructure for processing payments, ensuring security and regulatory compliance, banks still could not provide collection or payment information at a granular level, leaving the Finance teams of smaller enterprises with the painstaking task of reconciling receipts against receivables of individual customers / subscribers - educational fee was a prime example. When a registered merchant (School, NGOs, Healthcare etc.) uses PayPro's service, the invoice generation, payment collection, and cash flow management are all conducted digitally. PayPro's payment gateway integrates with banking systems, allowing for instant updating of financial records and providing real-time visibility into the cash flow position. This digital approach ensures that the merchant has up-to-date financial information, can track each payment to individual customer level, and manage the company's overall financial health more effectively. PayPro generates revenue through its Bill Aggregation service by charging transaction fees for payments processed, subscription fees for ongoing access to its platform, and charges for value-added services like financial analytics and custom reporting. This model provides businesses with a detailed and controllable financial management system, enhancing their decision-making and financial health. Some examples of PayPro's solutions include:

Logistics



Enhance payment collection systems for logistics companies with PayPro's customizable payment toolkit, designed to provide a competitive edge.

E-commerce



Paypro's E-commerce solution ensures effortless checkout and easy integration, offering multiple payment options with transparent pricing.

Education



Streamline invoicing collection, and reconciliation of cashflows with bespoke reports for educational institutions like school and colleges.

HealthCare



Manage patient records and create professional invoices easily, with convenient payment solutions for medical bills and pre-payments for services.

Insurance



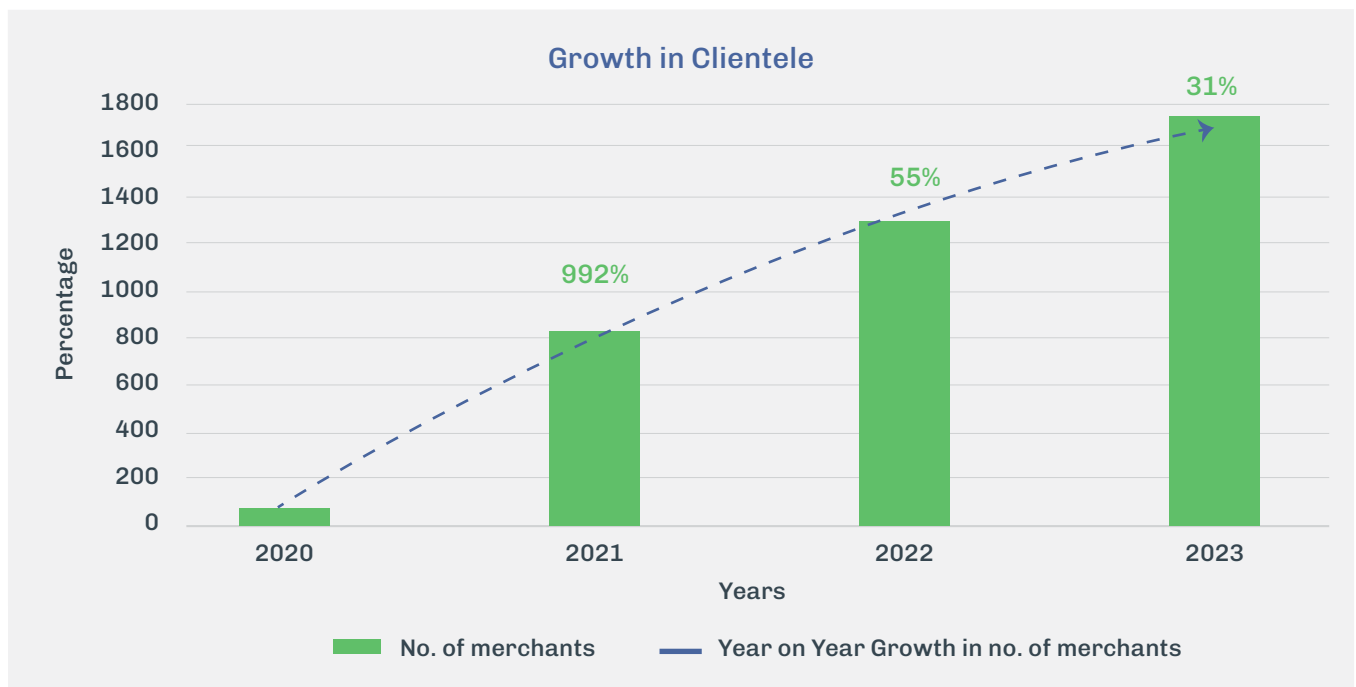
Experience convenience, flexibility, and secure payments for purchasing insurance policies and paying premiums with PayPro's insurance platform.





The journey began with just three business clients, including well known educational institutions like Froebels School, Bayview Academy, and Haq Academy. The PayPro team understood the needs of the educational sector as the primary and secondary school business in Pakistan had been flourishing for the past decade, with most established names having multiple locations and operating across cities. PayPro's initial product targeted educational institutions in terms of digitizing the payments and receipts for these multiple location and campuses, while collating the collection information as part of the process. This not only provided a digital payment facility to the schools' clientele but also organised the payment information in way that saved hundreds of hours of manual reconciliation effort on the part of the schools' Finance teams. This also resulted in readily available information on outstanding / overdue fees and ageing MIS's.

Supported by an in-house development team, PayPro gained significant traction in the digital payments realm as their customer base grew from a modest 77 at the start to 1300 + in 2022 and more than 1700 by the end 2023. PayPro by 2023 had captured a substantial market share establishing itself as a key player in the industry. As of 2024, PayPro's clientele includes several key organisations (some of which are mentioned in Appendix A).





One of Paypro's key success factors has been the innovative technology used and the leadership's evolving mindset which helped provide differentiating services to its customers. The below timeline shows the various technology innovations the company has implemented so far:



2019



IBFT

In September 2021, PayPro successfully implemented IBFT, allowing users to transfer funds securely between different banks. This milestone marked a significant advancement in PayPro's payment infrastructure, enabling seamless inter-bank transactions for users.

2021



Payment gateway

PayPro achieved a milestone in March 2022 by integrating Bank Al-Falah's payment gateway through API. This integration enhanced payment options for users, providing a secure and efficient payment gateway powered by Bank Al-Falah.

2022



Auto Debit at POS

In August 2022, PayPro introduced BAF Auto-Debit functionality, enabling automatic debit transactions at Point of Sale (POS) terminals. The initial development for auto debit showcased PayPro's commitment to enhancing transaction convenience for users.

2023



Bill Payment System

PayPro reached a milestone in September 2023 with the introduction of BPS, a Bill Payment System akin to KE (Karachi Electric). This system streamlined bill payments for users, offering a user-friendly platform for managing utility payments efficiently.

2024



Mobile Wallet Integration

By integrating JazzCash through wallet in November 2023, PayPro expanded its payment ecosystem, providing users with the flexibility to make transactions through JazzCash. Further in 2024 PayPro integrated Zong SMS services into its platform. This integration allowed users to leverage SMS notifications and transaction alerts.



2. ADOPTION OF CORPORATE GOVERNANCE PRACTICES TO OVERCOME BUSINESS CHALLENGES

Initial Challenges

Making a space for itself in the Digital Financial Services market and proving itself as a service differentiator did not happen overnight for PayPro. The company's journey from 2019 to-date saw many highs and lows, and faced business and operational challenges on a regular basis. As the business environment in the country evolved and became more competitive, the pandemic also created new challenges for PayPro's management to tackle. Some of the more significant challenges included:

- **Getting Banks on Board:** In its early days (2019-2020), PayPro faced challenges in persuading banks to collaborate. This was crucial for PayPro, as banks were essential intermediaries for its services, providing the infrastructure for fund transfers through IBFT (Inter Bank Fund Transfer). In order to win them over, the first step was to convince banks that PayPro was there to provide services complementary to Banking services, rather than competing with them. As the fintech industry in Pakistan rapidly progressed, such companies were providing many services that could be considered as alternatives to banking services (such as micro-financing and wallet services), making banks wary of collaborations and reluctant to explore them.
- **Customer Trust Issues:** Despite securing three initial clients in the education sector, PayPro encountered initial cold feet from other schools considering the adoption of their financial services. This reluctance was primarily rooted in concerns about the safeguarding of sensitive financial information and apprehensions about potential data breaches or compromises to privacy. Such challenges posed a significant hurdle for PayPro as they endeavored to expand their customer base and demonstrate the value and security of their innovative financial solutions.
- **Dealing with foreign currency fluctuations:** After COVID hit in March 2020, the economy's stability was significantly disrupted and PayPro felt the pinch. In the face of skyrocketing foreign currency rates PayPro had to deal with high fees for its various tools and applications, many of which were procured at fees pegged to the USD rate, or which had offshore maintenance contracts / subscriptions.
- **Impact of Inflation:** In the face of rising operational costs due to inflation, including a rise in rent for office space, PayPro was falling behind on financial targets and some critical decisions had to be made to control costs including office rent, marketing, etc.
- **Hiring Professional Talent on a Budget:** PayPro struggled to find professional talent within their budget due to inflationary constraints. Additionally, PayPro faced issues with staff leaving for better opportunities elsewhere, including abroad. This high turnover made it crucial for PayPro to focus on attracting and retaining talent and keeping their workforce stable.

Responding to Strategic and Operational Challenges through Good Governance:

Led by Aly Khan and Ali Janjua, PayPro was able to leverage their extensive experience in the banking sector and multinational corporations, which played a pivotal role in steering PayPro through the many challenges encountered.



While PayPro operated within a regulated framework, management had focused on not only ensuring compliance with industry standards and regulations to uphold trust and credibility among stakeholders, but also introduced leading practices in good governance to help establish stability and sustainability withing the company.

2.1 Oversight by the Board of Directors

Since its inception in 2019, PayPro established a Board of Directors (BOD) that included primary investor Aly Khan and Khurshid Hadi, a seasoned finance professional with extensive experience in governance roles and the finance field, and one of the founding members of Taseer Hadi KPMG, one of the top accounting firms in Pakistan. Following Khurshid Hadi's retirement in 2023, Raza Matin was appointed as the new director, who brought a wealth of expertise as a specialist in marketing and business consultancy. He was known for his strong analytical skills, focus on digital payments and entrepreneurial spirit, along with a solid understanding of finance.

The active involvement and strategic guidance provided by the board of directors and investors at PayPro were essential in driving the company's growth, innovation, and financial sustainability in the long-run, given the dynamic landscape of digital payments services. Aly Khan, being a SECP certified Director brought significant value to the organization by leveraging his deep understanding of corporate governance practices. His expertise helped to ensure that the company adhered to regulatory standards, maintained transparency, and operated with a strong ethical framework, ultimately enhancing the organization's credibility and stability. Further, the directors' experience in digital payments and financial services, having seen both what worked and what went wrong, helped give PayPro management the insight they needed to formalize their business strategy and stay on the path of steady growth.

The Board of Directors was also critical in supporting and establishing strategic partnerships in 2021, such as with Bank Al Falah for a marketplace platform and in integration with the Roshan Digital platform to enable oversees Pakistanis to make payments to Emaar Pakistan using their Roshan Digital Accounts. Such strategic initiatives opened up new avenues for collaboration and revenue generation, significantly enhancing PayPro's market position and growth potential.

With the financial technology landscape in Pakistan evolving rapidly, with significant shifts towards digitization such as State Bank of Pakistan (SBP) venturing into Digital Banking licenses, the Board at PayPro in 2022 decided to obtain an EMI license for wallet-based accounts. While the launch has been delayed till 2024 for strategic reasons, this initiative holds promise for introducing versatile payment solutions, including merchant and consumer wallets. The Board has also kept a keen eye on the bottom line through trying phases in Pakistan's economy and hikes in the cost of delivering services due to inflation. The BOD's oversight and advice helped give direction on management of matters such as foreign currency risk, operational costs, acquisition of talent for key positions, ensuring the company remains competitive and financially robust.

While the board focuses on strategic oversight of the business, the company's regulatory reporting responsibilities are also of key importance to the BOD, with the Board members devoting considerable time to the review and approval of financial statements, to ensuring transparency and accountability in the company's financial matters. Regular biannual meetings with the board are scheduled to discuss and review these matters. Additionally, the BOD may request meetings more often, as deemed necessary, to stay closely informed and responsive to the company's needs.

2.2 Formulation of Business Strategy

Formalizing and documenting a Business Strategy is fundamental corporate governance practice which sets a company's direction. Without a formal strategy, a company is in danger of operating without direction, and senior management remains occupied in fire-fighting day to day issues without having an eye on the big picture or where the company ultimately aims to reach.



In order to effectively manage the growing organization, PayPro developed a formal Business Strategy Document in 2021 to outline long-term goals and objectives, to guide the decision-making process within the company. The strategy document was once again re-visited in 2023 to check the course that the company was on and to reset the approach in achieving the company's long-term goals, where required. The updated Business Strategy steers the company's plans through to 2026, but will remain flexible, to be revisited in case required by shifts in the industry landscape, changes in regulations, or new opportunities etc. The company's alignment with the strategic roadmap is monitored by the BOD from time to time to ensure its implementation as per plan and provide input where required by management.

2.3 Talent Management and Building the Right Culture

At PayPro, building the right culture is at the core of their operational philosophy, driven by the Board of Directors. They understand that the cornerstone of a thriving workplace is the empowerment and ownership of work by the team. Being a technology company with continually evolving product offerings, employees are encouraged to cultivate a questioning and innovative mindset, without hesitating to challenge management's approach. This sense of ownership also fosters a culture of freedom, where employees are encouraged to take initiative and think for themselves, embodying the creativity and teamwork that PayPro values and strives for. Moreover, the company places a strong emphasis on passion and positivity during the hiring process, recognizing that these attributes are infectious and integral to cultivating the dynamic, forward-thinking culture they aspire to maintain. PayPro's commitment to these principles not only shapes a resilient and innovative work environment but also drives the company's success and growth. This is embodied in the COO's comments on the team culture of striving as a team towards the company's success:

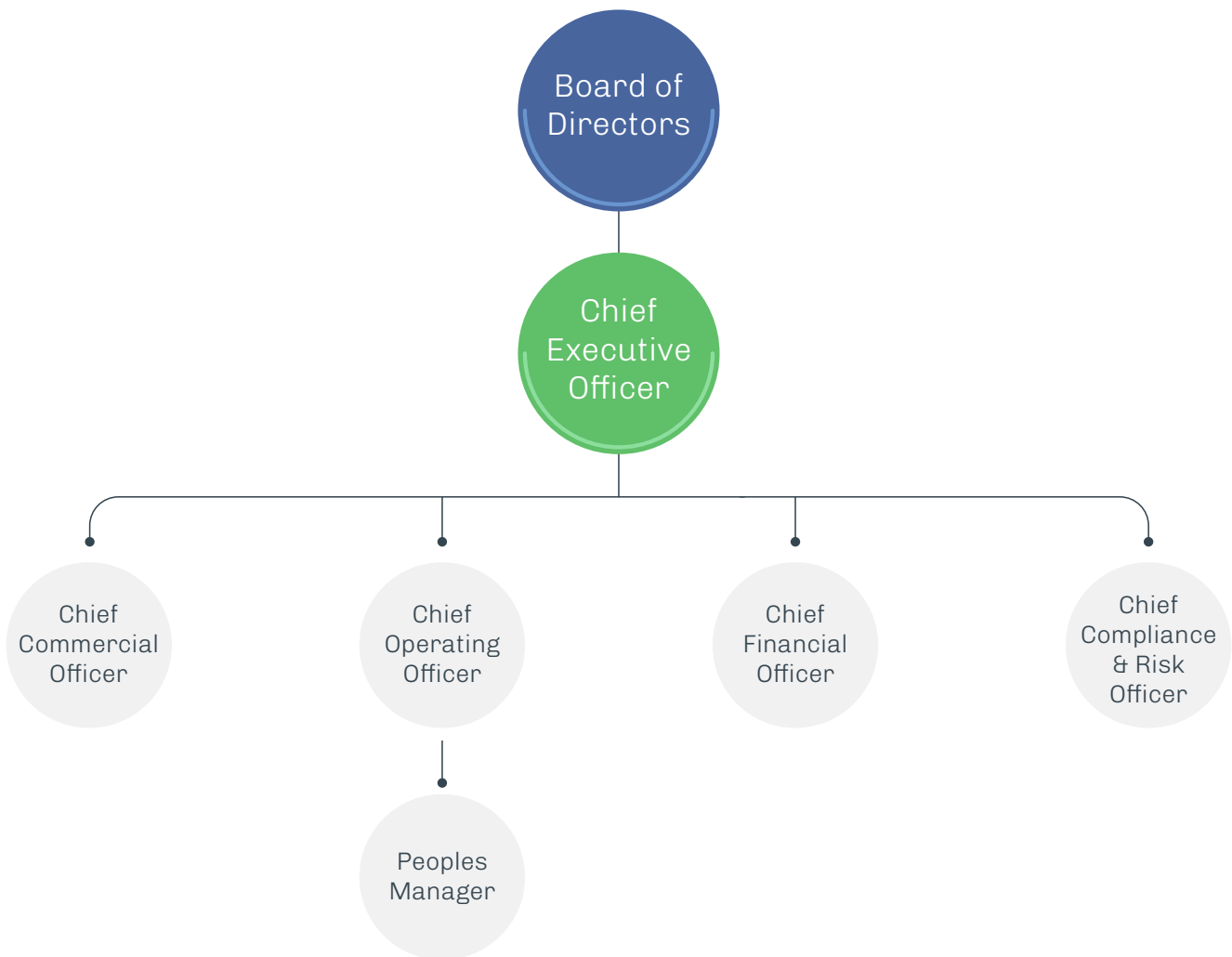


“ Employees do as to what benefits the company; not only what they are told to do. ”

Taimur Ahmad, COO

PayPro believes that their strength lies within their people. The Board of Director is dedicated to bringing onboard highly skilled professionals as leaders who are pivotal in propelling company vision. Recognizing the importance of a solid organizational framework and transparent reporting channels, PayPro strives to build an environment that promotes productivity and positivity. Some of the company's key management positions are mentioned below:





With a well-defined leadership structure reporting directly to the CEO, PayPro ensured streamlined communication, effective decision-making, and alignment with strategic priorities. This structured approach enabled the company to leverage the expertise of top executives and navigate challenges in an organised manner.

PayPro's senior management believed in not only having policies and procedures documented formally, but also maintaining them as live documents to enhance the operational effectiveness and efficiency of HR operations as and when required. Another important governance practice is the implementation of clearly laid out Key Performance Indicators (KPIs) and Performance Appraisal systems laid out at the beginning in 2020 which helped to monitor employee performance and foster a culture of accountability. These KPIs and appraisal system were designed to guide the focus towards the strategy of PayPro.

At PayPro, with a lean team of around 40 members, the emphasis on clear and effective communication of the company's vision and goals has been paramount. The smaller team size simplifies the process, making it more straightforward to align everyone with the strategic direction of the company. This alignment has been key in motivating employees to collectively strive towards shared goals. PayPro has achieved this through consistent and transparent open sessions that keep the team informed about the company's performance and future plans, while reinforcing the vision. Regular tech and product meetings, along with team-building events, have fostered a sense of unity and collaboration. Occasionally, company employee give aways (such as diaries and branded T-shirts etc.) are also used to reinforce the company culture and identity among team members.



PayPro manages the challenge of attracting and retaining the right talent by fostering a culture that values ownership, empowerment, and personal growth. The company offers competitive compensation, comprehensive benefits, and a supportive work environment that prioritizes work-life balance and professional development. However, given the inherent rate of employee turn-over in the industry, management informally identifies successors for key positions and also encourages cross departmental skills development.

Another key pillar for employee retention has been fostering a culture where employees' ideas were welcomed and valued, encouraging innovation and creativity within the organization. This inclusive approach not only boosted employee morale but also led to the generation of valuable insights and solutions. For instance, one team member suggested an improved process for a project that was lagging behind in execution. Not only did this new method expedite the work, but it also enhanced efficiency substantially. The successful implementation of this idea not only increased the process efficiency but also merited recognition, which was reflected in the employee's subsequent rewards, thereby reinforcing the ethos of valuing employee contributions.

In the case of vacancies arising, management has encouraged filling these through internal placements. The organization's strategy to elevate and assign new roles to its existing staff not only minimized the need for external hiring and the associated training expenditures but also kept employees motivated with continuous learning and reinforced operational flexibility. Through this internal resource reallocation, PayPro aimed to efficiently fill open positions, optimize task distribution, and leverage the existing workforce's expertise without exacerbating their workloads.

2.4 Integrity and Transparency

In line with the strategic mission of PayPro, promoting integrity and transparency within the company was crucial for fostering trust, enhancing credibility, and ensuring long-term sustainability and success.

Gaining the Customers' trust: In the early days of PayPro, customer concerns about data security were significant. To address this, PayPro made safeguarding financial data a top priority, recognizing its importance in building trust with stakeholders. In early 2020, the company invested in information security technology and practices to reassure customers and investors of its commitment to ethical practices and data confidentiality. This included installing firewalls and other information security software, along with getting regular IS audits done. Continuous improvement of technology of PayPro products to better available information security standards is an evolving process which for which on-going investment in technology is made by the company.

“ Customer satisfaction is utmost priority. ”

Taimur Ahmad, COO

Further the company's PCIDSS² certification, meeting international standards for data privacy and security acquired in 2022, assured customers that their data was secure. By achieving certifications from global institutions, PayPro instilled confidence in customers regarding the protection of their sensitive information.

¹ Payment Card Industry Data Security Standard (PCI DSS) is a set of compliance standards for keeping customer payment information safe. Organizations that accept credit card payments must adhere to these standards to ensure the security of cardholder information. For obtaining the PCI DSS certification, companies must undergo due diligence process to ensure they are compliant with the required standards and controls. <https://www.pcisecuritystandards.org/>



For customer confidence and building of trust, employee behaviour plays a key role. The development of HR policies had been an ongoing process, and in April 2022, under the oversight of the BOD, PayPro introduced a Code of Conduct laying out expected employee behavior and ethical standards, with particular emphasis on integrity. The management required strict enforcement of the Code of Conduct across the board, keeping the same expectations from all employees irrespective of the level of personnel (i.e., from top to bottom). By upholding integrity and accountability standards, PayPro set the tone at the top, aiming to promote a culture of good practices and adherence within the organization, also helping to mitigate operational risks.

Internal Reporting for Transparency: Annual Reports, including comprehensive Financial Statements, are shared periodically with the board members, providing a clear overview of the company's financial performance and strategic direction. This transparency enables board members to make informed decisions and actively participate in shaping the organization's future.

Within the company, the management meets for weekly cashflow meetings and regular Weekly Performance meetings. Detailed Performance reports are also reported to the BOD on a monthly basis.

External Stakeholder Transparency: PayPro demonstrated transparency with stakeholders by hiring a reputable audit firm for statutory audits to underscore its commitment to financial transparency and compliance with regulatory requirements. PayPro also prioritizes compliance with all relevant regulations and standards in the fintech industry, including anti-money laundering (AML) and know your customer (KYC) regulations.

2.5 Implementation of Systems, Internal Controls, and Risk Management

Since inception, the BOD has emphasised the importance of robust Accounting and General Ledger (GL) systems to align with its business model, ensure compliance, and foster sustainable growth. Recognizing the importance of accurate financial transaction recording for operational integrity, the company implemented robust systems to maintain financial transparency, which is essential for building trust with investors, stakeholders, and customers. These systems also play a crucial role in risk management by monitoring financial performance and flagging potential issues. Operational efficiency is enhanced through streamlined financial operations and real-time data, which supports informed decision-making. Additionally, accounting and GL systems offer insights for strategic planning and facilitate seamless integration with other business systems, ensuring a cohesive data flow across the organization.

Further, the practice of annual budget evaluations and variance analyses were initiated in 2020 to enable BOD oversight, optimize financial performance and resource allocation, aligning with strategic objectives.

As PayPro's business expanded and the company took on multiple projects while growing its delivery team, the need for efficient management of internal processes became evident. To address this, PayPro implemented project management system solutions such as Trello and Slack in 2020 & Hubspot in 2021. These tools were chosen to foster collaboration, communication, and task tracking among teams. However, as the number of projects increased, PayPro faced challenges in tracking these projects and ensuring timely delivery. Recognizing these challenges, PayPro reinforced its commitment to these project management systems, understanding that project management tools were essential in helping the company manage its expanding workload and maintain its standards of efficiency and productivity.

As the complexity of the business grew, in 2024 PayPro has also embarked on an in-house development of a completely digital customer relationship management (CRM) system while currently relying on Hubspot Funnel for CRM, leveraging AI-based algorithms to generate, filter, and manage potential sales leads. With a proactive approach of introducing systems (for managing external stakeholders as well as internal processes), PayPro is not only promoting efficiency but also enabling agility and adaptability in a dynamic business environment.



PayPro has developed a comprehensive operational framework that incorporates strategic systems, internal controls, and risk management practices, ensuring alignment with industry best practices and bolstering the company's growth. Key components of this framework include:

1. Data Security:

The Board of Directors prioritises technology investments to maintain data security, investing in licenses and firewalls, and regularly undergoes regulatory audits to safeguard information and maintain the highest levels of data security.

2. Maintaining Adequate Staffing Levels:

The company has prepared succession plans to ensure business continuity and prevent disruptions in operations.

3. Cost Management and Risk Mitigation:

PayPro actively controls costs and mitigates foreign currency risk by localizing expenditures, such as developing an in-house CRM system, to adapt to market changes and maintain financial stability.

Additionally, at the advice of the BOD, PayPro has a Disaster Recovery Plan in place, ready to be activated if needed, to ensure resilience and swift recovery in the face of unforeseen events. This holistic approach to operational excellence positions PayPro to navigate challenges effectively and sustain its upward trajectory.

From 2019, the management team set ambitious financial targets, underscoring their commitment to operational excellence and financial performance. This led to focus on a cost-centric culture, emphasizing operational efficiency and prudent financial management. The organization maintained a disciplined approach to cost control, limiting payroll expenditures and marketing spend while striving to achieve monthly operational costs below the PKR 10 million mark.

To effectively manage the bottom-line PayPro adopted a cost-benefit analysis approach before hiring new employees, ensuring that each addition contributed significantly to the organization's goals. This helped optimize resource allocation and maximize the value derived from human capital investments. In response to cost pressures since 2023, PayPro curtailed its hiring process and shifted its focus towards filling vacancies through internal placements and smarter workload distribution among the existing employees. This was Despite an 8% turnover rate, predominantly in the Sales Department. By prioritizing talent development and internal mobility, the organization aimed to leverage existing skills and expertise while minimizing recruitment costs and disruption.



“ Monitor Costs vigilantly to pre-empt any surprises. ”

Taimur Ahmad, COO

In line with the company's ethos, the COO emphasized the importance of being hawkish on cost goals, highlighting the critical role of financial discipline in driving sustainable growth and profitability. This focus on prudent financial management and operational efficiency was argued by management as underscoring PayPro's commitment to long-term success and resilience in a competitive market environment which was evident in a nearly 50-fold increase in revenue from PKR 2.6 million in 2020 to PKR 98+ million in 2023.

2.6 Exemplifying Excellence in Customer Service

At PayPro, leveraging technology, people, and improved processes is central to enhancing customer service and corporate governance. The company's customer support is designed to be comprehensive, with a dedicated technical team and reconciliation specialists who assist with seamless payment processing for various entities, including schools and businesses. This team not only aids merchants but also extends its services to the end-users, such as parents navigating the payment system within a school.

The use of instant payment processing technology ensures swift transaction completion, while real-time reconciliation grants businesses immediate access to transaction data, facilitating better financial management. PayPro's commitment to improved processes is evident in the provision of customized merchant interfaces and user-friendly portal management tools, which cater to the needs of businesses of all sizes and enhance the overall user experience.

Incorporating advanced technology, PayPro's platform integrates with Management Information Systems to deliver enhanced financial reporting. The company also offers customization and bridging services for seamless integration with diverse financial ecosystems of clients. For e-commerce merchants, multi-currency support is a testament to PayPro's use of technology to cater to global transaction needs. Furthermore, innovative payment charge splitting models are part of PayPro's tech-driven approach to optimize financial transactions for all parties involved. These efforts collectively establish a holistic and efficient financial service experience, underpinned by robust governance practices that prioritize customer satisfaction and operational excellence.

PayPro prioritises customer facilitation, by simultaneously running two different support teams / facilitation centres - one for merchants and a separate support desk for the merchants' customers - this ensures that any issues faced by either party are promptly resolved, while also providing a value addition to merchants in the form of this customer facilitation.

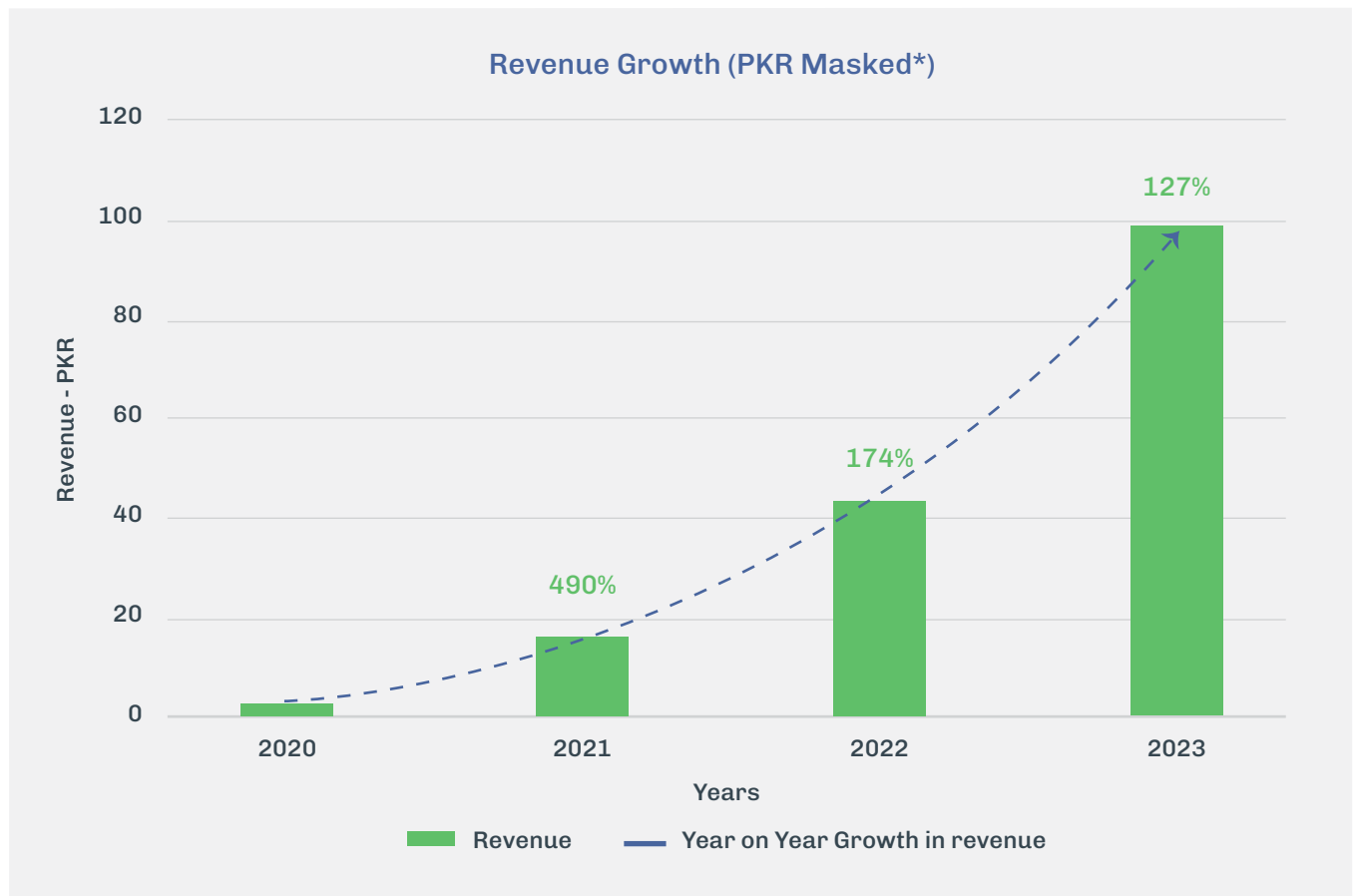
Corporate Governance practices adopted by PayPro are in line with recognized Corporate Governance frameworks. Appendix B details a mapping of the company's practices with the relevant framework principles.



3. IMPACT ON BUSINESS GROWTH:

PayPro's customer-centric approach, technology innovations and service differentiators all contributed to steady business growth, & annual number of transactions rising within a span of three years. The governance structure and sound internal controls mechanism implemented along with the oversight of the Board helped sustain this growth and stabilize the company in the long-term.

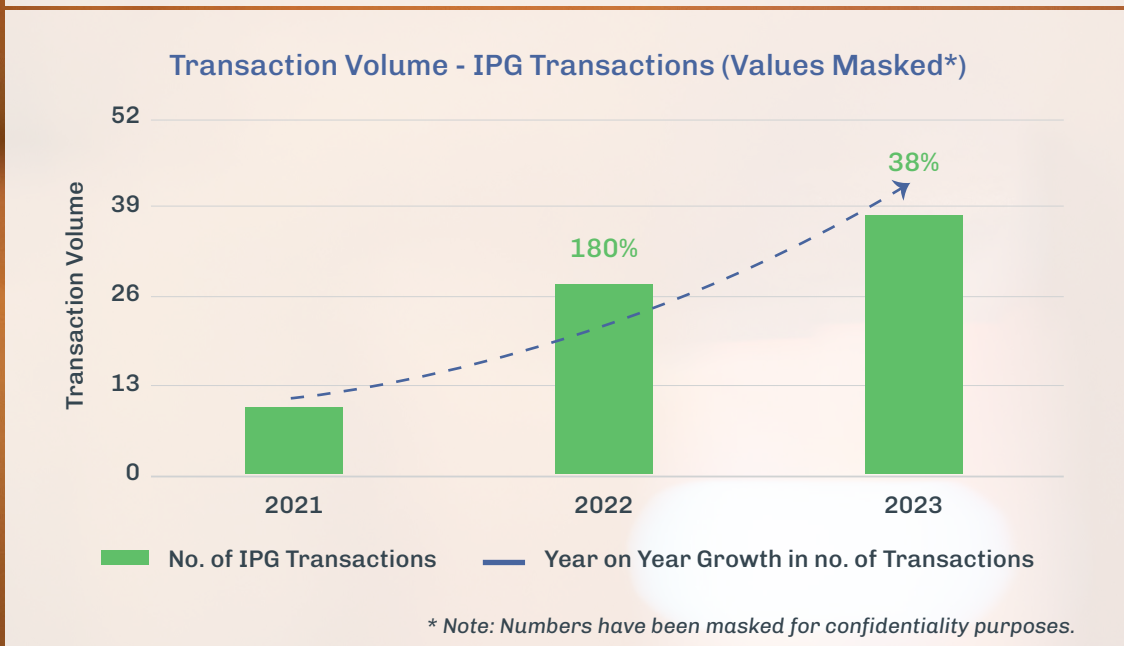
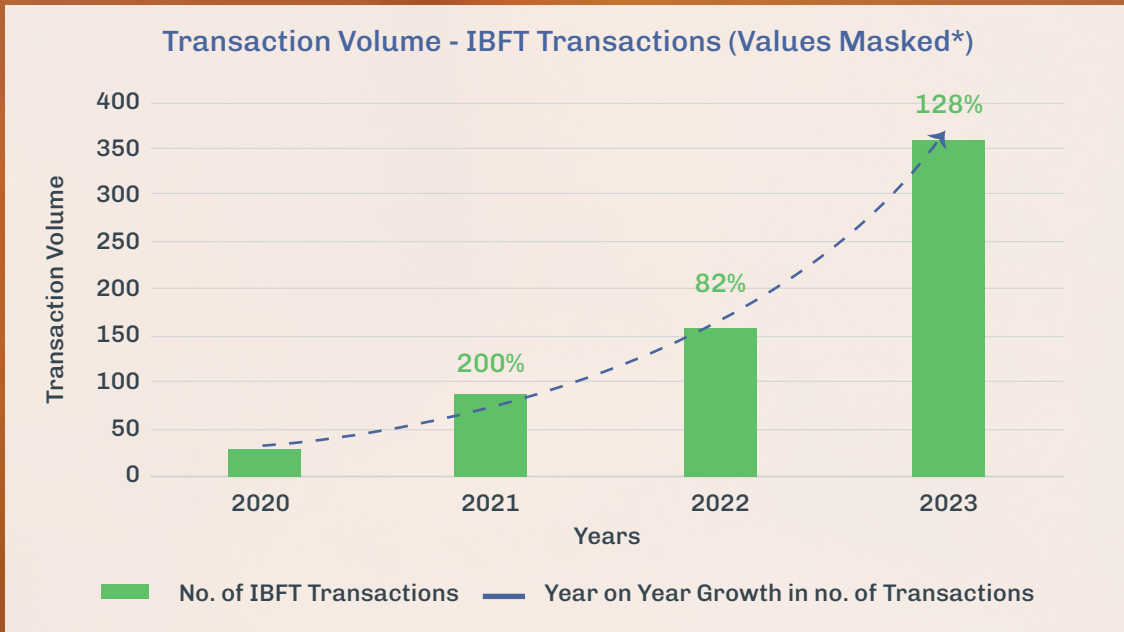
The PayPro impact can be gauged both in quantitative and qualitative terms. The graph below illustrates the exponential growth in revenue, from 2019 onwards:



** Note: The Revenue numbers have been masked for confidentiality purposes.*

A rising trend in PayPro Internet Banking Funds Transfer (IBFT) & Internet Payment Gateway (IPG) transactions also indicates an increasing preference for efficient, secure, and real-time funds transfers among PayPro consumers:





4. WAY FORWARD

PayPro's Future Plans and Strategic Directions

PayPro's future plans and strategic directions are focused on achieving sustainability, enhancing customer satisfaction, fostering innovation, and expanding payment options to solidify its position as a leading player in the digital payment industry. By aligning its objectives with customer-centric initiatives and a commitment to continuous improvement, PayPro is poised to achieve its strategic goals and drive long-term success. Some of PayPro's critical future plans include:

1. Securing an EMI License from State Bank of Pakistan (SBP)

With the pursuit of an Electronic Money Institution (EMI) license, PayPro is gearing up to launch its own mobile wallet, a move that promises to revolutionize the way consumers and merchants engage in financial transactions. This license is crucial as it will enable PayPro to operate legally as a digital financial service provider, offering services such as electronic wallets, payment processing, and online money transfers. By launching its mobile wallet, PayPro is looking to make a significant impact on the digital financial services industry.

2. PayPro's Strategic Path to Financial Equilibrium

PayPro is resolutely advancing towards the achievement of break-even status, a crucial fiscal milestone for the company. To reach this juncture, PayPro is channeling its efforts into diversifying revenue streams by rolling out new services such as microloans, insurance, and investment products, all specifically designed to meet the unique demands of the Pakistani market. Concurrently, the company is vigilant in managing operational costs through process optimization, potential automation, and careful oversight of overheads. Furthermore, PayPro is deploying robust retention strategies to cultivate and preserve a dedicated customer base, providing top-tier customer support, frequent updates to features, and financial solutions that are tailored to individual preferences and requirements.

3. Merchant QR Code Integration

As part of PayPro forward-looking strategy, PayPro is focusing on the development and implementation of Merchant QR Codes. This innovative feature will provide each merchant with a unique QR Code, prominently displayed at their business premises, which customers can easily scan to execute payments. This initiative is aimed at simplifying the transaction process, reducing the need for physical contact, and enhancing the speed and convenience of payments for both merchants and customers. By integrating this technology, PayPro is not only streamlining the payment experience but also staying ahead of the curve in the digital payment landscape.

“ Keep adding payment options, keep innovating. ”

Taimur Ahmad, COO

“ Keep digitizing payment systems. ”

Taimur Ahmad, COO



4. Fraud Management System

PayPro is committed to safeguarding its customers and operations against fraud through the implementation of a Comprehensive Fraud Monitoring and Prevention system. This initiative will utilize advanced analytics, real-time transaction monitoring, and multi-layered security protocols to swiftly identify and respond to fraudulent activities. This strategic approach aims to minimize fraud risks while maintaining a secure and user-friendly service for all customers.

5. Tokenizing Customer Confidential Information

As part of its future initiatives, PayPro aims to enhance the security of its customers' checkout experience by implementing Tokenization. This technology involves converting sensitive customer information, such as credit card numbers, into secure tokens. These tokens represent the original data but do not hold any intrinsic value, significantly reducing the risk of data breaches. By using tokenization, PayPro aims to streamline the payment process for its customers, allowing for faster and more secure transactions. Customers will benefit from a simplified checkout experience without the need to repeatedly enter their payment details, fostering trust and encouraging repeat business. This initiative reflects PayPro's dedication to leveraging advanced security measures to protect customer data while optimizing their online experience.

6. Payments through Union Pay Cards

As part of its strategic expansion and inclusivity in payment options, PayPro is set to introduce payments through UnionPay cards as a key initiative in its way forward. UnionPay, being one of the largest card payment organizations globally, offers a vast customer base, particularly in the Asian market. By integrating UnionPay into its payment methods, PayPro will cater to a broader audience, allowing customers who prefer or exclusively use UnionPay cards to transact seamlessly on its platform. This move is aimed at enhancing customer convenience, expanding global reach, and ensuring that PayPro remains competitive in the diverse financial landscape. It underscores PayPro's commitment to providing comprehensive payment solutions and its adaptability to meet the evolving needs of its customers worldwide.

“ To be a one stop solution to all payment needs. ”

Taimur Ahmad, COO



5. APPENDIX A – PAYPRO’S TOP 10 CLIENTELE

- Emaar Pakistan
- Karachi Electric
- Pak Suzuki Motor Company LTD
- Ziauddin University
- DP World
- Bismillah Energy Pvt Ltd
- Youth Club Trust
- Ticket Wala LLP
- Mirchawala Hub Of Accountancy
- Sammy K Design



6. APPENDIX B - MAPPING OF KEY CORPORATE GOVERNANCE PRACTICES ADOPTED BY BKK WITH THE LEADING CORPORATE GOVERNANCE FRAMEWORKS

The below table illustrates the mapping PayPro's practices to Corporate Governance principles defined within leading Corporate Governance frameworks:

| Corporate Governance Principles | Key initiatives | How it helped PayPro |
|---|--|---|
| Pillar: Culture and Commitment to good Governance | | |
| <p>Principle: Vision, mission, and core values of the company are developed and communicated to all stakeholders and updated from time to time</p> | <p>Defined and communicated vision, mission, and core values:</p> <p>PayPro emphasizes clear communication of company's vision and strategic direction. Regular meetings and team-building events, along with occasional company-branded giveaways, reinforce the company's culture among employees</p> | <ul style="list-style-type: none"> The focused communication strategy at PayPro has helped streamline the alignment of the team with the company's objectives, enhancing efficiency and collaboration This helped PayPro in improving execution of strategies and teamwork, contributing to the company's overall success |
| <p>Principle: A well-defined organizational structure is in place with clear reporting lines</p> | <p>Well established corporate structure:</p> <p>PayPro has facilitated efficient communication by establishing a clear company hierarchy, with essential leadership roles reporting directly to the CEO</p> | <ul style="list-style-type: none"> PayPro's well-defined hierarchy, with defined leadership roles and delegated authority, reporting into the CEO, has enhanced efficiency of decision-making and operational coordination, boosting the company's agility and responsiveness |
| <p>Principle: A code of ethics and conduct is in place and is communicated regularly that serves as the foundation for basic conduct, shaping the organizational climate and culture</p> | <p>Establishing Code of Conduct:</p> <p>PayPro has established a Code of Conduct that outlines the expected ethical behavior and standards of integrity for its employees. The company's leadership insists on rigorous adherence to these guidelines at every level of the organization, ensuring uniform expectations for all staff members, from the highest-ranking executives to entry-level positions</p> | <ul style="list-style-type: none"> PayPro's Code of Conduct clarified behavioral and ethical expectations, fostering a professional and work environment built on trust Emphasizing integrity helped improve team cohesion, the company's reputation and customer confidence |
| <p>Principle: Responsibilities and authorities for key management positions and documented in the form of clear job descriptions</p> | <p>Documented Roles & Responsibilities:</p> <p>As part of PayPro's corporate governance initiative, the company has taken a structured approach to defining the roles and responsibilities of key management positions. This is achieved through the creation of detailed job descriptions that serve as formal documentation for each managerial role within the organization</p> | <ul style="list-style-type: none"> Clear job descriptions have streamlined decision-making processes and improved coordination amongst PayPro's management teams Precise role definitions have bolstered accountability at all managerial levels, and clearly directed efforts |



| Corporate Governance Principles | Key initiatives | How it helped Khaadi |
|--|--|---|
| Pillar: Decision Making and Strategic Oversight | | |
| <p>Principle: A Board of Directors is in place for independent oversight, strategic guidance and advice</p> | <p>Strategic Board Leadership:</p> <p>PayPro has convened a Board of Directors that collectively boasts a wealth of experience across critical business domains. The board's composition includes individuals with a distinguished background in finance and governance, deep expertise in marketing, and strategic business consulting, and digital financial services</p> | <ul style="list-style-type: none"> • The diverse backgrounds and skills of the Board of Directors have fortified PayPro's strategic planning and decision-making, particularly in the dynamic digital payments sector • The board's collective experience in finance and governance has reinforced PayPro's corporate oversight, ensuring robust and forward-thinking leadership • Notably, their combined focus on the burgeoning field of digital payments, coupled with a track record of strong analytical skills and entrepreneurial vision, enhances the board's overall strategic insight. This synergy of diverse expertise and a solid financial acumen equips the board to effectively steer PayPro's direction and governance |
| <p>Principle: The company's strategy, results and long-term goals are reviewed on an annual basis</p> | <p>Adaptive Business Strategy Document:</p> <p>PayPro has implemented a corporate governance practice of codifying and recording its Business Strategy, which establishes the company's strategic direction. This strategy is designed to be adaptable, allowing for adjustments in response to changes in the strategic outlook, industry dynamics, regulatory shifts, and other factors</p> | <ul style="list-style-type: none"> • PayPro's adaptable business strategy has enabled swift navigation through market changes and regulatory updates, ensuring sustained relevance and competitiveness • Regular Board of Directors' reviews of the strategic plan have facilitated proactive guidance and timely adjustments, supporting effective strategy implementation |
| <p>Principle: Key performance indicators are used as an effective performance evaluation and motivation tool for key management and technical staff</p> | <p>Strategic Performance Management:</p> <p>PayPro has instituted a vital governance measure by establishing well-defined Key Performance Indicators (KPIs) and Performance Appraisal systems. This initiative aids in tracking employee performance and cultivating an environment of responsibility. The KPIs and evaluations are intentionally aligned with PayPro's strategic objectives to direct employee efforts towards the company's goals</p> | <ul style="list-style-type: none"> • The implementation of KPIs and regular performance evaluations has sharpened employee focus, driving performance improvements aligned with PayPro's strategic goals • It fostered a culture of accountability, ensuring that individual contributions are measured and recognized in line with company objectives |



| Corporate Governance Principles | Key initiatives | How it helped Khaadi |
|--|--|--|
| <p>Principle: Prepare financial statements in accordance with recognized accounting standards</p> | <p>Transparent Financial Reporting:</p> <p>In addition to Annual Financial Statements, PayPro also submits monthly financial performance reports to its board members which are reviewed and queried where further details or explanations are required. This practice offers a transparent snapshot of the company's financial health and strategic trajectory</p> | <ul style="list-style-type: none"> The distribution of comprehensive financial reports has equipped board members with the necessary insights to make strategic decisions that steer PayPro towards growth, empowering the board to make well-informed choices and contribute meaningfully to the company's long-term planning Regular financial transparency has fostered a proactive approach to governance, allowing board members to effectively guide and shape PayPro's future |

Pillar: Risk Governance and Internal Controls

| | | |
|---|---|--|
| <p>Principle: An appropriate internal controls system is in place to identify and manage risks to the company's operational, reporting and compliance objectives e.g., authorization controls, segregation of duties, physical controls, monitoring reports etc</p> | <p>Risk Management:</p> <p>PayPro has established a robust operational blueprint that includes strategic systems, internal controls, and risk management procedures. This approach is in sync with top industry standards and promotes the company's development</p> | <ul style="list-style-type: none"> Proactive risk management practices helped anticipate and address potential risks, ensuring business continuity and resilience This is crucial for SMEs in Pakistan facing challenges such as economic volatility, regulatory changes etc |
| <p>Principle: An appropriate internal controls system is in place to identify and manage risks to the company's operational, reporting and compliance objectives e.g., authorization controls, segregation of duties, physical controls, monitoring reports etc</p> | <p>Systems:</p> <p>PayPro has put in place strong systems to ensure financial clarity. The company has also introduced project management and customer relationship management (CRM) system solutions</p> | <ul style="list-style-type: none"> Robust systems have enabled PayPro to achieve and maintain a high level of financial transparency The implementation of project management and CRM systems has improved customer engagement and streamlined project execution |
| <p>Principle: There is an external auditor who directly serves the interests of shareholders/stakeholders by independently ensuring that the company is practicing sound fiduciary control and reporting accurately, fairly, and transparently on its financial accounts</p> | <p>Commitment to Financial Integrity:</p> <p>PayPro has engaged a well-respected audit firm to perform statutory audits, emphasizing its dedication to financial openness</p> | <ul style="list-style-type: none"> Engaging a reputable audit firm for statutory audits has bolstered stakeholder confidence in PayPro's financial practices Regular audits have ensured PayPro's adherence to regulations and standards, reinforcing its commitment to transparency |





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About Karandaaz

Karandaaz Pakistan is a not-for-profit public company limited by guarantee set up under Section 42 of the Companies Act, 2017. Karandaaz was established in 2014 with seed funding from UK Government's Foreign Commonwealth and Development Office and the Bill & Melinda Gates Foundation. Karandaaz Pakistan is an impact investment platform that drives sustainable economic growth and strengthens financial and social protection systems for inclusion. Its main area of focus is to address challenges faced by SMEs and unbanked individuals¹ in Pakistan with respect to access to finance to foster economic growth and prosperity for Pakistan.



Karandaaz Capital

This vertical provides wholesale structured credit and equity-linked direct growth capital investments in micro, small and mid-size enterprises that have the potential to contribute to sustainable growth, and employment generation in Pakistan.



Karandaaz Digital

This vertical focuses on expanding the access to digital financial services in Pakistan by working across the ecosystem with all stakeholders in the following work areas: digital public infrastructure, payment systems, policy and regulation, seeding innovation, experimentation and solutions development, and scale and outreach.



Karandaaz Innovation

This vertical provides risk capital and technical assistance to support innovative solutions aimed at financial inclusion and entrepreneurship especially in marginalized sectors. A key component of the work includes providing business development support and growth capital to women led businesses and green ventures to facilitate their expansion and scale up.



Karandaaz Research & Insights


This vertical supports the company's core financial inclusion goal by developing and disseminating evidence-based insights and solutions to influence markets and the financial ecosystem.

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