**The dream of a digital Pakistan**

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In today’s rapidly evolving world, digital transformation has become a necessity. Pakistan is no exception to this. The need for digital transformation is driven by the increasing reliance on technology, changing consumer behaviours, and the demand for more efficient and accessible services. Embracing digital transformation is crucial to drive economic growth, enhance productivity, improve service delivery, and foster innovation. It is thus time for Pakistan to embrace the opportunities that digital transformation brings and pave the way for a more prosperous and technologically advanced future. A digital solution with the telecom industry has brought ease of business, which did not exist at all just a few years ago in Pakistan and now makes life so much easier and connectivity stronger in a country that still has a long way to go in the realm of digital transformation. A point to note here is that the conduit of this transformation is the smartphone – a most affordable, usable, and available device. Pakistani youth in remote areas are running online business from their homes alongside their studies as they focus on education while also acquiring numerous skills by using different e-learning portals. As of 2022, only 36.5 per cent of the burgeoning population of more than 231 million had internet access. The dream of having a digital Pakistan can only come true if access is provided to the maximum number of people because without it means being cut off from endless opportunities and possibilities.

Looking at the regional progress of South Asia and neighbouring countries, Pakistan’s neighbours are faring ahead with India standing at 47 per cent, China at 73 per cent and Iran at 84.1 per cent penetration. Afghanistan, which has been war-ridden for the past many decades also stands at more than 20 per cent, just behind Pakistan which is a moment for deeper contemplation. Ensuring digital literacy and connectivity for all of Pakistan means empowering facilitators of broadband for both mobile networks and otherwise. Despite this, Pakistan has experienced remarkable growth in agritech, revolutionizing the approach towards the mechanisms of the agriculture sector and paving the way for a sustainable and prosperous future. Leveraging advanced technologies like AI, data analytics, IoT, and remote sensing, agritech startups are now offering innovative solutions to improve farming practices. This includes weather monitoring, precision farming, smart irrigation, crop monitoring, and pest management. Digitization has played a crucial role, providing farmers with real-time information through mobile apps and digital platforms, enabling informed decisions and increased productivity, while also helping them navigate the repercussions of climate change. Setting up towers in areas where topography can be challenging, and providing affordable devices and networks stands to contribute to the country’s agenda for literacy, commerce, connectivity, communication and so much more. Digital transformation via telecoms however needs support and facilitation from the public offices’ stakeholders in the form of easy taxation, continuity of policies, and collaboration models enabling other industries to leap into the future with ease. Without prioritizing this approach, the dream to be digitally progressive will only remain a dream. This is the only industry which contributes in rupees but pays out in dollars, making it face the brunt of depreciation severely, affecting its expansion and quality augmentation.

If we could list the barriers, the absence of infrastructure may be the top priority, but it is compounded by the political turmoil that Pakistan is often embroiled in. Only a few days ago, the country experienced an absolute mobile internet shutdown, when the Pakistan Telecommunication Authority (PTA) blocked access for more than three days, also limiting users from using social media. The suspension of services led to a loss of Rs2.46 billion for telecom operators while Rs861 million was lost in tax revenue. Digital apps shut down and transactions came to a standstill. This kind of instability deters many other countries from investing in the telecom sector owing to the precarity of the situation, which thus becomes another major impediment to Pakistan’s growth in the digital landscape. Taxation comes as a close second. The lack of engagement around this argument is hindering growth with significant consequences for the country’s youth in areas such as education and business.

As says J E Katz: “It has long been an article of faith that the telephone promotes economic development and social welfare. This belief has had powerful repercussions on national telecommunications policies worldwide. These have ranged from subsidized rates for the poor to subsidized rates for everyone, and special incentives for telephone companies to modernize their systems or physically extend their services to remote areas. Certainly, there has been a strong association between telephone lines and economic growth, particularly, as Hudson (1984) has shown, in developing countries.” Several key taxes are particularly problematic for the telecom industry, while the withholding tax on telecom services has been a persistent issue. Although there was a reduction in the advance tax rate from 12.5 per cent to 10 per cent and further to 8.0 per cent for future years as per the Finance Act of 2021, the rate was subsequently increased to 15 per cent through the Finance Supplementary Act of the same year. Second, the imposition of withholding tax on electricity bills of cell sites has added to the bur den faced by cellular mobile operators. This tax further escalates the costs incurred by the telecom sector, hampering its ability to expand and provide efficient services.

The combined effect of these taxes has led to negative repercussions. Limited financial resources restrict the sector’s ability to invest in infrastructure, research and development, and training programmes, which are essential for fostering innovation and improving the quality of services offered. Furthermore, the increased tax burden creates financial constraints for telecom companies, affecting their ability to expand operations, create job opportunities, and contribute to the overall economic growth of the country. The shutdown of three manufacturing units has not only left an impact on the industry but has also rendered thousands unemployed.

The telecommunication industry needs to be acknowledged as the enabler of progress and the taxation issues in the telecom sector require a review in the same light, bringing it to its full potential and enabling it to effectively cater to the needs of Pakistan’s economic growth. Revisiting and reforming the tax policies will lead to increased investment, technological advancement, and enhanced accessibility to communication services, ultimately benefiting the growth, development, and inclusion of Pakistan in a competitive world.

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