

Fraud Detection and Prevention Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The global fraud detection and prevention market is expected to register a CAGR of 18.19% during 2022-2027. The COVID-19 pandemic led to an increasing curiosity among people about viruses, resulting in high-volume searches. Hackers are trying to misuse this interest by developing malicious programs hidden in files related to coronavirus.

Key Highlights

Companies across various industries are experiencing increased operational and financial pressure due to the pandemic, creating a heightened level of economic risks, such as a reduction in revenue and profits and loss of market demand. These financial risks may lead to increased motivation toward committing fraud through manipulation of financial results, misrepresentation of facts, and misappropriation of assets, among other fraud schemes.

The fundamental shift from physical cards, checks, and currency toward digital payments continues to transform the way consumers and businesses transfer value. Identity, security, and trust are fundamental requirements for payments, commerce, and finance, especially in a digitized economy.

According to the Wipro State of Cybersecurity Report 2019, the consumer and retail sectors are being targeted more frequently than other sectors. The report further adds that at least 73% of the organizations are anticipated to lose revenue in case of an attack due to the non-availability of services at critical times.

Concurrently, a significant rise in the retail IT infrastructure includes POS checkout terminals, self-checkout units, information/web kiosks, PCs, and back-office servers. Thus, the increasing dependency on IT, ranging from wholesalers and distributors to manufacturers and suppliers, demands greater security for consumer data.

Even with the increased awareness about cyberattacks and breaches, employees fall prey to social attacks. As per Verizon's Data Breach Index Report 2019, financial pretexting and phishing represented 98% of the social incidents. Among 93% of all the breaches investigated, e-mails continued to be the main entry point (96% of such cases).

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Fraud Detection & Prevention Market Trends

BFSI Sector is Expected to Hold Significant Market Share

Fraudulent activities in the industry have evolved over the decades. While they were previously limited to cheque frauds and wire frauds, with the growth of the cybersphere and the accompanying expansion of the cybercriminal realm, they have taken on more virtualized forms.

The increasing technological penetration and digital channels, such as internet banking and mobile banking, are becoming prominent customer choices for banking services, making it crucial for banks to leverage fraud prevention solutions.

Fraud prevention and detection are the biggest areas of concern for financial institutions, and they are likely to become one of the prominent drivers for IT spending. Online transactions fraud, insurance claim frauds, and card-related frauds have been increasing the usage of these solutions in the insurance, banking, and financial services sectors.

The potential risk of fraud has been the highest in online payments, which is anticipated to grow in tandem with the availability of digital customer relationships, as more companies are now offering online payments.

Out of all the industries, BFSI has been most prone to insiders/employees in terms of the types of fraudulent activities. There have been multiple instances where employees have been accused of fraud (for instance, PNB fraud in India). The industry needs robust fraud detection and prevention solutions to prevent these fraudulent activities.

Asia-Pacific is Expected to Witness the Fastest Growth During the Forecast Period

As emerging economies in Asia-Pacific are adopting digitalization, the risk of breach of customer data and data channels is increasing. Thus, the utilization of fraud detection and prevention solutions is growing at a significant rate.

Bank debit and credit cards accounted for the most substantial fraudulent activities, mainly due to the rapid increase in e-commerce transactions. However, organizations are aware that they may face a similar threat in the future. Thus, they are upgrading their systems to the latest available technology.

According to Experian, a credit information company, India has the second-highest risk of fraud in a digital transaction in the Asia-Pacific region. The company also stated that approximately 48% of consumers in the country experienced retail fraud directly or indirectly. As a result, retail companies, such as Amazon, Flipkart, and Limeroad, are expected to adopt the latest fraud detection and prevention systems.

Singapore imposed a strict regulation against data breaches. The country has levied one of the highest penalties in the Asia-Pacific region, worth about USD 1 million, in case of a data breach per the country's data protection provision. This regulation may ensure that companies operating in the country have adequate fraud detection and prevention provision, leading to the market's growth in the region.

In Vietnam, many frauds are witnessed in the retail and telecommunication industries due to the increasing penetration of digitization and the Internet of Things (IoT). This increase is expected to propel companies to incorporate fraud detection and prevention systems. Thus, such factors are expected to boost the Asia-Pacific market during the forecast period.

Fraud Detection & Prevention Market Competitor Analysis

The fraud detection and prevention market is moderately fragmented, with few firms enjoying a small share in the market. The companies are innovating and entering strategic partnerships to retain their market shares.

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January 2021 - SAP launched a new collection of services and software, offered as a single subscription product called "Rise with SAP," designed to assist customers with cloud migration and digital transformation initiatives. As part of the Rise with SAP announcement, the company also announced the acquisition of Signavio, a Germany-based developer of business process intelligence and process management tools. The Rise with SAP offering is built around SAP software and services, with S/4HANA Cloud and the SAP Business Technology Platform at the core. The software is available through SAP's private cloud service and hyper-scale public cloud platforms, such as Azure and Amazon Web Services.

February 2021 - Experian launched a new version of its fraud prevention platform, targeted at businesses that experienced high demand for digital services or were dealing with a bump in the number of online accounts.

Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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