

Digital Payments Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The digital payments market is projected to register a CAGR of 12.38% during the forecasted period. The widespread launch of mobile wallets and the rise in various technological developments in smartphones, digital payment cards, and POS at retail terminals are fueling the expansion of the market. The market's growth is anticipated to be positively impacted by the quick increase in smartphone penetration across emerging economies, particularly in the Asian-Pacific region.

Key Highlights

Governments are introducing digital payment options to their initiative toward a digitalized and cashless society. The emergence of Bring Your Own Device (BYOD), an increase in the usage of smartphones, and a vast number of individuals without bank accounts are some of the crucial factors that are expected to offer lucrative growth opportunities for digital payments. Moreover, stores and services worldwide are rapidly adopting and integrating mobile payment applications, such as PayPal, Samsung Pay, Apple Pay, AliPay, and WeChat Pay. These apps accept digital payments. This trend and scenario are anticipated to continue over the projected period due to changing lifestyles, daily commerce, and rapid growth in online retailing. Although card-based transactions account for a sizeable portion of non-cash transactions, growth has slowed due to local and regional payment methods like EuPay, EPI, and Verve Card, which are challenging the worldwide card market. Vendors are also launching cloud-based digital payment solutions. For instance, in October this year, Mercury Payment Services used Oracle banking payments that run on Cloud Infrastructure to help democratize digital payments in the United Arab Emirates. Additionally, banks are innovating their digital payment products to integrate with a complete health ecosystem. For instance, in January this year, the Bank of Baroda (BOB) joined hands with the National Payments Corporations of India (NPCI) to launch bob World Wave, a wearable line of products for payments integrated with a complete health ecosystem. Furthermore, North America is increasingly adopting mobile payment methods, with government regulations and other hurdles influencing growth. Various vendors are working with the government to develop rules and norms to help embrace the

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technology. In January this year, Rev USA Inc., a payment products innovations company, announced the nationwide availability of The X World Wallet, an app-based multi-currency debit account combining a loyalty program, a travel bookings portal & discounts with an integrated global sustainability initiative. The X World Wallet account quickly loads from a user's existing bank account(s). It is linked to physical and digital Visa cards that can be easily added to Apple, Google, and Samsung Pay digital wallets for tap-and-go convenience.

The wide acceptance of digital payment methods is expected to augment post-COVID-19 and play a significant role in the long-term market scenario. With cash being a potential carrier for the virus, regulatory bodies and governments discourage its use. For instance, cash use in Britain has halved in recent days following the government-imposed lockdown, and essential goods stores are increasingly avoiding cash transactions. Various mobile payment vendors in the market are expected to focus on increasing their user base during this period and returns post-COVID-19 scenarios, owing to which vendors are offering benefits, offers, and waiving their fees on the use of their services.

Digital Payments Market Trends

Retail Industry to Drive Market Growth

The payment market is changing significantly in line with consumer behavior. A few trends influencing the payment market are the cashless economy, mobile banking, instant payments, digital commerce, and the expanding influence of regulatory authorities. Additionally, consumers benefit from contactless payments because there are fewer lineups, there is no longer a problem with having too much cash on hand, etc.

The Asian-Pacific region is anticipated to witness the massive growth in the market studied as countries such as China and India adopt the digital mode of payment using digital and mobile wallets. The ubiquitous mobile devices, advanced digital infrastructure, and the growing usage of apps drive digital/mobile wallets to increase in Asia-Pacific.

Furthermore, e-commerce is witnessing a spike in demand as consumers order essential items such as food, clothes, and others through e-commerce websites. Most consumers prefer the digital mode of payment. The Reserve Bank of India's (RBI) digital payments index (DPI), launched in January to indicate the extent of digitization of payments in India, shows the index for September stood at 304.06 against 270.59 in March. This means the rapid adoption and deepening of digital payments across the country.

Furthermore, the rise in strategic partnerships has allowed the players to expand their footprint in the retail market. For instance, in October, Ezetap, a digital payment leader, partnered with Axis Bank to introduce the latest offering, My Vyappar, to retail businesses in India. The partnership will facilitate over 50,000 smart POS devices with My Vyappar across 1600+ cities. Additionally, Phone pay announced the processing to acquire mobile platform Indus OS for USD 60 million to up their game in digital payments and compete better with well-established players in the market, such as Alibaba-backed Paytm, Google Pay, and Amazon Pay. Therefore, such initiatives are driving opportunities for various emerging vendors in the market.

According to Ericsson's data, last year, the total number of smartphone subscriptions worldwide was around 6,259 million. It is expected to reach approximately USD 6,567 million by the end of the current year. Additionally, it is forecasted to reach a landmark of roughly 7,690 million in 2027. Hence with the rise in the total number of smartphone subscriptions worldwide, the market for Digital Payments is presumed to face a vast range of lucrative growth opportunities in the next upcoming days.

North America to Account for the Most Significant Share

The preferred method of payment for Americans is anticipated to be digital payment. For instance, according to Capgemini's projections, 41% of all shoppers in the nation expect their smartphone or tablet to replace their traditional shopping cart as their

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primary tool. Additionally, among millennials, digital payments are the preferred method of payment.

E-commerce sales in the country are also rising significantly with the improvement of the digital payment experience. This increase also demonstrates how easily customers are with online purchasing and how frequently they utilize handheld and mobile devices.

Google has pushed the UPI model of digital payments for the US Federal Reserve. Infibeam Avenues Ltd, a digital payment solutions and enterprise software platform provider, announced that it had made inroads into the United States, the world's second-largest digital payments market by revenue.

In February this year, Apple announced plans to introduce Tap to Pay on iPhone. The new capability intends to empower millions of merchants across the United States, from small businesses to large retailers, to use their iPhones seamlessly and securely to accept Apple Pay, contactless credit and debit cards, and other digital wallet payments through a simple tap to their iPhones with no additional hardware or payment terminal.

According to Newzoo, the United States ranked third in the total number of smartphone users last year. Additionally, per the data forecast from US Census Bureau, there is a USD 1.7 billion increase in the sales value of smartphones sold in the United States, for a total of USD 74.7 billion in sales in the current year as compared to the previous year. Therefore, with this rise in the total number of smartphone users and the increase in the sales value of smartphones, it is evident that the market for digital payments in the region will face various growth opportunities in the coming era.

Digital Payments Market Competitor Analysis

The market for digital payments is moderately concentrated. The rivalry among the firms in the market is moderate. Due to several market participants operating, firms must keep innovating their products to gain a sustainable competitive edge over their opponents and offer differentiation in their product offerings.

In June 2022, Verizon Business could partner with First National Bank of Omaha (FNBO) and Mastercard to introduce a credit card targeted to bring value to small business owners. The Verizon Business Mastercard is available to companies with an online account and fewer than 100 lines. It will involve reward points on every single purchase from the credit card.

In May 2022, Visa partnered with Fundbox, a working capital platform, to convert its operation into digital payment solutions for small businesses. The first phase of the entire process is to introduce Fundbox Flex Visa Debit Card, issued by Pathward N.A.

In March 2022, Visa accomplished its acquisition process of Tink – an open banking platform that allows fintech, merchants, and financial institutions, to create financial products and services and helps with monetary transactions. Tink collaborated with over 3,400 banks, financial institutions, and millions of bank customers across Europe.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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