

## **Payment Gateway Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)**

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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### **Report description:**

The payment gateway market was valued at USD 17.2 billion in 2020, and it is expected to reach USD 42.9 billion by 2026, at a CAGR of 16.43%, over the forecast period (2021 - 2026). The payment method has evolved at a dizzying pace since the past few years, from the token system to cash pooling and cashless payments. A payment gateway allows any businesses, such as brick and mortar or online retailing, to collect money through the customer's preferred bank without compromising on sensitive data. The integration of payment gateway has become one of the most critical aspects of any business in every industry. Besides, the increasing online transaction is expected to drive market growth over the forecast period.

### **Key Highlights**

The emerging technologies, such as the internet of things (IoT) and artificial intelligence, can perform a specific set of tasks and automate the whole transaction process. For example, artificial intelligence can be used to gain better insights about feedback and analytics at the payment gateways. Accordingly, the company can obtain the waiting time and human insights, and generate user insights to help the company understand the pattern of payment and introduce new features. Additionally, various companies are trying to enter the market with the rising volume of online and mobile payments across the world.

Furthermore, mobile payments are utilized for diverse operations, including ordering takeaway food, movie tickets, and smartphone game upgrades, which is expected to propel the growth of the market studied, during the forecast period. Also, the usage of debit or credit card across the developed and developing countries, to make these payments, is increasing. This factor is expected to further bolster the growth of the market studied. This is because card details can be saved on mobile phones, and payment can be processed easily, via smartphones.

With the rising number of cyber attack cases and increasing online transaction volume, the industry players are revamping their platform to offer various layers of security. For instance, in 2019, Infibeam Avenues, an e-commerce solutions provider, acquired PCI DSS version 3.2.1 certification. By acquiring the upgrade in payment security standards, CCAvenue, an Infibeam's payment

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gateway, committed to providing data protection to its customers who want to transact online.

Furthermore, the PCI DSS 3.2.1 version was launched to reduce credit card fraud and increase control over online payment security. It is expected to prompt other players to enhance their security levels, thereby propelling the market growth over the forecast period.

Additionally, the COVID-19 outbreak drives the global growth of e-commerce sales, with millions of consumers in quarantine around the world shopping for goods, services, and entertainment online. According to a study by ACI Worldwide of hundreds of transactions from global online retailers, transaction volumes in most retail sectors witnessed a 74% rise in March 2020, compared to the same period last year, driving the market growth.

## Payment Gateway Market Trends

### The Retail Segment Expected to Grow Significantly

The market studied is changing in line with consumer behavior. Cashless economy, mobile banking, instant payments, digital commerce, and the growing impact of regulatory agencies are a few trends affecting the retail sector. Online payments make the payment process easier, and they are more convenient for consumers, who benefit from shorter lines, cash-on-hand issue elimination, and faster moving queues.

Evidently, Retail stores and services worldwide are rapidly adopting and have integrated mobile payment applications, such as PayPal, Samsung Pay, Apple Pay, AliPay, and WeChat Pay, to accept payments. Further, owing to the changing lifestyles, daily commerce, and rapid growth in online retailing, this trend is expected to continue during the forecast period. The raging demand for online retailing across the world is expected to drive online payment, thereby propelling the payment gateway market over the forecast period.

For instance, the India-based company, PayU, is considered one of the easiest e-commerce payment solutions designed to fill in the gaps left by complex service providers. PayU is favored due to the best conversion rates it offers. Notable companies, such as Netflix, Airbnb, and Bookmyshow, use the PayU payment gateway. In June 2020, India-based FSS (Financial Software and Systems), a global digital payments technology and payment processor announced that it enhanced its e-commerce payment gateway. The gateway is equipped with added value service capabilities, to bring more merchants online. Such initiatives are expected to fuel the growth of the market.

Since the lockdown, e-commerce sales have increased, particularly for groceries and health products, even though many retailers are struggling with logistics. For instance, in the United Kingdom, online retail order volumes have risen by over 200 % on some products since the COVID -19 outbreak.

### Asia-Pacific to Witness the Fastest Growth

Asia-Pacific is exceptionally overshadowing other regions in terms of the adoption of online transactions, owing to the increase in the number of smartphone users. As per GSMA, mobile internet penetration in Asia is set to attain a 62 % rate in 2025 compared to 45% in 2018.

Chinese giants, such as Alibaba and Tencent, have pioneered digital merchant payments and are instrumental in the shift away from cash in the Chinese economy. The companies' mobile payments products, Alipay and WeChat Pay have rapidly reshaped China's payments landscape. They are also among the largest in the world. For instance, China UnionPay debit and credit cards are the most used card brand. Mobile and digital wallets, such as Alipay and WeChat Pay, currently dominate China's online market and increase physical stores.

Also, the population of Japan is known to be early technology adopters. The Japanese are eager participants in modern

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e-commerce and inventors of two key cashless payment technologies: near field communication (NFC) and QR codes. Consumers in the country now use credit cards as the preferred method of payment for online transactions.?

Further, Indians mostly use their digital/mobile wallets when making e-commerce purchases. According to a study by ASSOCHAM-RNCOS, mobile wallet transactions are projected to cross INR 275 trillion by 2022 in India.?

## Payment Gateway Market Competitor Analysis

The Payment Gateway Market is highly consolidated by players with the presence of prominent players such as PayPal and Stripe. However, other companies are trying to attain larger market shares by engaging in mergers and acquisitions to gain more consumers.

January 2020: PayU announced to acquire a controlling stake in the digital credit platform, PaySense. As part of the transaction, PayU's consumer-lending businesses, LazyPay and PaySense, will merge their business operations to build a full-stack digital lending platform in India.

January 2020: PayPal Holding Inc partnered with UnionPay International (UPI), where both companies will work together to accelerate the growth of their networks. As part of the agreement, PayPal has committed to supporting UPI acceptance globally, where PayPal is accepted, offering UnionPay cardholders more choice when shopping.

April 2019: Stripe announced the acquisition of Touchtech Payments. It is a startup out of Ireland that works with banks to help them build and manage the verification process, which requires the customer to provide two different forms of authentication from cardholders to process transactions. This acquisition will help the company prepare for new regulations in Europe and improve security in online transactions.

### Additional Benefits:

The market estimate (ME) sheet in Excel format

3 months of analyst support

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