

## **Payment As A Service 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 as a service market was valued at USD 8.3 billion in 2022. It is projected to reach USD 33.6 billion over the next five years, registering a CAGR of 31.23%. In the current scenario, the increasing smartphone penetration is proliferating the growth of the sale of goods and services extensively through mobile apps to assist customers by providing an easy and convenient shopping experience. The rise in demand for easy and convenient purchases of goods and services resulted in a radical shift toward digital and cashless payments. The increase in e-commerce business further boosts the global payment service provider market.

#### Key Highlights

The business is anticipated to increase due to efforts being made in numerous nations to promote digital and online transactions. The expansion of the PaaS market is also expected to be aided by the advent of payment networks like Mastercard, Visa, and Rupay on a global scale for the processing of smooth payments for clients.

The increased demand for smartphone penetration and the incorporation of online services is experiencing continuous growth. It is expected to maintain its dominance in the market with an increase in emphasis on smartphone usage and massive internet penetration across the world. In addition, customers are using online payment channels more frequently as banks and financial institutions provide real-time payment services. Therefore, demand for online payments is experiencing a continuous rise in the market.

The payment industry has experienced a significant transformation, and the old methods are replaced with new modules with a single click. Moreover, payment as a service (PaaS) is not only changing the scene for retailers. Banks are now realizing that the rise in PaaS use is an opportunity to give their clients a reliable choice. Thus, the increasing dependence on e-commerce, especially in retail, drives the payment as a service market.

The absence of a global standard for cross-border transactions could restrain the market. Due to the lack of a worldwide payment system that is simple to use, international standards, and differing government rules in different countries, banks and businesses

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may be negatively impacted. This frequently necessitates manual intervention to gather and correct data.

The COVID-19 pandemic has significantly impacted the payment as a service industry, owing to the increased usage and adoption of online and digitalized payment methods among consumers globally. Additionally, payment as a service is experiencing massive growth as consumers become familiar with the payment technology in the market. However, post-pandemic, there was a significant rise in the adoption of digital payments, reducing the trend of carrying and paying through cash which, in turn, has become one of the primary growth factors for the payment as a service market.

## Payment as a Service Market Trends

### Retail Sector Expected to be a Significant Contributor

Retailers are rapidly adopting digital payment technology to bring more convenient experiences to their customers, owing to the massive growth in the e-commerce industry. According to the Mobile Payments Conference, 2.5 billion people worldwide prefer online shopping. By 2025, the number will grow to 4 billion digital buyers. According to the British Retail Consortium (BRC), debit cards account for 42.6% of all transactions, whereas cash is 42.3%. According to UK Finance, 77% of all UK retail spending was made by cards.

Merchants are increasingly implementing cutting-edge technologies to boost their presence and visibility in the market. For instance, the biggest retailer in the world, Walmart, recently said that PayPal Cash Mastercard would be accepted for in-store purchases. The merchant wants to incorporate the payment provider's service so that customers can use the PayPal mobile app to withdraw cash and top up their accounts at Walmart locations.

In addition, many companies that offer payment services are growing their operations to boost their market presence. For instance, the world's most extensive online retailer's online payment system, Amazon Pay, rolled out "buy now pay later" capabilities to local retailers. Amazon has already introduced the payments service in the department store chain Shoppers Stop, in which the online retailer owns a 5% stake and sets up the necessary infrastructure at the grocery chain More.

Another significant benefit of digital payment is the ability to collect customer data for marketing purposes. This enables retailers to build customer relationships after their visit or purchase and further work toward customer acquisition and retention.

### Asia-Pacific to be the Fastest Growing Region

The Asia-Pacific region is expected to depict substantial growth owing to the increased demand for integrated payment solutions and advancements in payment technologies in the region. Furthermore, the rise in the penetration of smartphones and internet penetration in the region is propelling the market.

Countries in the region, such as Japan, China, Australia, South Korea, and New Zealand, contribute significantly toward the growth. For instance, the Asian Payments Network (APN) is a group of 11 Asian countries that include China, Japan, Singapore, Malaysia, Thailand, South Korea, New Zealand, Vietnam, Indonesia, Philippines, and Australia to promote cross-border banking transactions in the region.

Many small retailers earlier relied more on cash but rapidly deployed digital payments to remain competitive in the market. For instance, as the Indian government launched a demonetization program, consumers were forced to use electronic payments. Various payment service providers also invest in the Asia-Pacific region to expand their businesses by tapping the growing market. For instance, the firm Infibeam intends to expand its global presence in the digital payments market by aggressively promoting its flagship brand CCAvenue, a provider of digital payment gateway infrastructure in India with an annual run-rate of USD 47 billion.

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## Payment as a Service Market Competitor Analysis

The payment as a service market is highly competitive and fragmented, owing to the presence of many payment service providers. The market players are consistently focusing on developing innovative products. The vendors increasingly focus on mergers and acquisitions to increase market share and gain market traction.

In November 2022, Adyen, the global financial technology platform of choice for leading businesses, announced that Instacart, the leading grocery technology company in North America, has selected the company as an additional payments processing partner. In October 2022, Ingenico, the technological partner in payments acceptance, and Live Payments, one of Australia's leading payment service providers, entered a long-term strategic partnership to equip retailers and taxis with seamless, convenient payment and commerce solutions. Ingenico will roll out its AXIUM range of Android Smart POS for Live Payments across Australia.

### Additional Benefits:

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

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