

Identity Verification Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The global identity verification Market is anticipated to grow with a CAGR of 12.62% during the forecast period. The primary drivers for the identity verification market are stringent regulations and the need for compliance. Consumers are highly dependent on the government for the protection of their data. In response, the government has introduced a stream of regulations that focus on reducing fraudulent activities and are introduced by government bodies across the globe. Identity verification is one of the central ideas of such stringent regulations.

Key Highlights

The market for identity verification is expected to grow over the forecast period due to some imperative factors, such as adopting solutions through stringent regulations and the need for compliance. The regulatory authorities have become stricter toward the compliance of KYC (know your customer) and AML (anti-money laundering) among reporting entities.

Moreover, government bodies worldwide focus on creating stringent regulations to curb identity theft and get the global population under the legal identity umbrella. The United Nations and World Bank ID4D initiatives aim to provide everyone with a legal identity by 2030. Additionally, in the modern world, e-governance is a new notion that both developed and emerging countries are adopting. In the past ten years, the number of government entities using remote ID verification for social security cards, licenses, and many other documents has multiplied.

Additionally, the growing number of financial frauds in businesses is influencing the rise of identity verification solutions for businesses. According to the Verizon Data Breach Investigation report this year, the company noted 5,212 confirmed data breaches amongst 23,896 incidents. The information has outlined the impact of the infrastructure and attack surface as significant contributors to the risk. Further, the report highlighted that identity theft and fraud had been the basis of transactional cybercrime.

This year, a study commissioned by the digital ID verification service provider Jumio which interviewed 8,000 adult consumers

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between April 7th and 14th, suggested that 80% of consumers prefer transacting with brands that perform digital identity verification. Further, 92% of consumers in Mexico, 89% in Singapore, 74% in the US, and 66% of UK consumers said they were more likely to engage with brands with robust ID verification measures.

The growing identity thefts in the pandemic have also led to the introduction of stringent regulations, creating a need to deploy identity verification solutions. For instance, recently, a bill was introduced to improve the Digital Identity Act launched in the United States. Last year's Improving Digital Identity Act established a task force to develop secure methods for government agencies to validate identity attributes to protect the privacy and security of individuals and support reliable, interoperable digital identity verification tools in the public and private sectors. The bill's introduction is in line with the accelerated digital evolution brought by the pandemic. With the reliance on digital commerce platforms, identity verification has become imperative, which drives the identity verification market.

Some firms stepped up their identity verification procedures to safeguard clients from fraud during the COVID-19 pandemic. As citizens' relationships with technology and digital devices have developed, businesses are shifting to digital channels and services. The rise of identity verification used to solve security concerns is positively impacted by digitalization because it raises the likelihood of cyberattacks and security problems.

Identity Verification Market Trends

Banks and Financial Services Accounts for the Largest Market Share

Banks and financial service providers, including pension and insurance providers, have a strict identity and personal data requirements, often known as Know Your Customer (KYC). For opening a bank account, switching accounts, taking out life insurance, or accessing pension records, several such attributes must be gathered and verified as part of a firm's risk-based assessment and legal obligations.

For instance, to meet the National Automated Clearing House Association (NACHA) standards for allowing anti-fraud safeguards, the US-based financial services company, SWBC, teamed up with Fincity. Additionally, it accessed Fincity Pay's open banking features, allowing it to validate ACH payments rapidly.

In August this year, using PingOne DaVinci, a no-code identity orchestration service, Acuant, a GBG company and a top identity verification provider, launched a new integration with Ping Identity, the intelligent identity solution for the enterprise. Through the cooperation, a wide range of customers in various industries will be able to customize Know Your Customer (KYC) and identity proofing using Acuant's best-in-class solutions.

Financial data is some of the most sensitive information stored over the internet, and online identity fraud is estimated to cost over a trillion USD yearly. Owing to this, banks are investing heavily in authentication solutions, spending over USD 1 billion a year, representing approximately 30% of the total security budget of banks. Easy account setup and KYC are the primary reasons customers adopt FinTech solutions.

The growing collaborations in the financial sector further boost the market growth rate. For instance, in February this year, FYNXT, a global FinTech organization that provides digital solutions, announced the integration of Shufti Pro, an AI-powered identity verification service provider, into its client manager and client portal. Brokers using FYNXT's platform can access Shufti Pro IDV services without leaving the platform. FYNXT is a financial technology platform that offers payment solutions for Forex, remittance, wealth management, and multi-asset management that are simple, cost-effective, and transparent.

In February this year, Onfido, a global identity verification and authentication company, stated that it had set last year as a breakthrough. The company's revenue increased by 90% Y-o-Y to over USD 100 million, including a 134% increase in the United States. To meet the growing demand for Onfido's verification and authentication services, the company increased its workforce while also investing in research and development, advanced AI-powered fraudulent detection capabilities, and customer success for organizations worldwide.

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Asia-Pacific to Witness Significant Market Growth

The major factors driving the identity verification market in the Asia-Pacific include increased digitization initiatives, increased fraudulent activities and identity theft over the last decade, and advanced digital identity use cases across verticals. Furthermore, initiatives by governments and businesses focusing on digitalization and the implementation of new technologies, such as AI, ML, and automation in identity verification solutions, would present lucrative opportunities for identity verification vendors.

A fragmented regulatory environment and the rapid transition to digital commerce have spurred several enterprise fraud management (EFM) trends in Asia-Pacific.

The significant contribution of COVID-19 is the shift of work culture from manual to automated; there was an increasing number of online activities, which has raised the considerable number of online registrations and profile identification, due to which the risk of fraud has increased; thus the demand for the id verification is also growing.

Additionally, synthetic identity fraud is a growing trend. About 61% of merchants in APAC reported higher rates of such fraud, which is the most among all regions globally. Around 84% of merchants in APAC lost revenue due to payment fraud; in Singapore, this is slightly higher, with nine in 10 merchants reporting losses 57% of merchants in APAC said substantial impacts in costs for remediation of payment fraud victims in 2020.

In July last year, to improve the services for fintech and other financial institutions, financial infrastructure provider M2P Fintech acquired identity verification service provider Syntizen for the third time this year.

Identity Verification Market Competitor Analysis

The identity verification Market is highly fragmented, with numerous competitors and many competing technologies that provide intense rivalry among the players. Further, acquisitions and collaborations of large companies with startups are expected, focusing on innovation. Some of the key developments in the area are:

September 2022: To develop compliance, anti-money laundering, and risk assessment infrastructure in the highly regulated blockchain, NFT, and cryptocurrency industry, Seracle, a worldwide blockchain-as-a-service provider, has teamed with Sumsu. Over the following year, Seracle hopes to complete verification processes for more than a million firms and individuals as part of the cooperation.

September 2022: Certific, a platform for remote medical testing, and Veriff, a provider of identity verification services globally, announced their collaboration. The collaboration would boost Certific's international growth and improve its remote medical testing capabilities. Veriff can check more than 10,200 distinct identity documents in more than 45 languages from more than 190 countries.

Additional Benefits:

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

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