

Global Payment Processor 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 Global Payment Processor Market is expected to grow, registering a CAGR of approximately 10.7% during the forecast period. The changing aspects of the payments industry fluctuate as businesses and consumers change dollars from cash and checks to digital payment approaches.

Key Highlights

Cards dominate the in-store retail channel, but mobile wallets are seeing a quick uptick in practice. At the same time, e-commerce will take away brick-and-mortar retail as smartphones attract a growing part of digital shopping. Regarding cyberattacks, eCommerce is extremely vulnerable due to the sensitive information exchanged on websites. According to eCommerce-platforms.com, 32.4% of all cyber-attacks are on eCommerce websites.

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Besides, debit cards, credit cards, and credit transfers accounted for 17%, 11%, and 10% of top growth in non-cash payment instruments. The enraged demand for online retailing globally is expected to drive online payment, propelling the payment processor market over the forecast period. Credit card remains the preferred way to pay in department shops, most possibly owing to people who choose a credit card for procurements of a higher value. On the other side, strict regulations in the payment industry and the growing cases of cyber-attacks and data breaches are restraining the growth to an extent.

The increase in international trade, internationalization of production, and cross-border e-commerce suggest that demand for digital cross-border payments will continue to grow globally. However, digital payments from one country to another might prove to be costlier, slower, and less transparent than domestic payments due to the complexity involved in the procedure. This might

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hinder the adoption of digital payments for cross-border transactions amongst regional enterprises, especially small and medium-sized businesses.

With businesses across the board witnessing a sharp slowdown owing to COVID-19, the digital payments sector is supposed to have registered a decline of around 30% in transaction value over the past few weeks, according to Economic Times. For instance, transactions on the platform BharatPe, a QR-code-based payments startup, have reduced by nearly 10%-15% due to COVID-19. Aviation, which adds almost one-fourth of all online digital transactions, has seen a drop by almost 40% due to cancellations and refunds because of restrictions on international travel.

Payment Processor Market Trends

Credit Card Segment to Hold the Largest Payment Processing Market size

Credit card penetration is increasing globally, with massive growth in the circulation of credit cards. According to UK Finance, the total number of in-store debit or credit card payments done through NFC and contactless has been increasing by a million since April 2021. The NFC/contactless transactions reached 1,330 million in October 2021 compared to 972 million in April 2021. This shows strong demand for digital payments.

Major credit card vendors, such as Visa, Master Card, and American Express, are increasingly spreading their presence in developing economies to enhance their market presence and share by offering attractive benefits. For instance, Visa partnered with Open to roll out a joint credit product for SMBs in India. Visa is also planning to offer credit cards in Sudan. Such trends are expected to aid in the growth of the market.

According to the Reserve Bank of India, credit card transactions increased to INR 9.72 trillion in 2022 from INR 6.3 trillion in 2021. The study also estimated this number to increase further due to the rising living standards in the country.

Credit card processing companies act as major growth drivers in the payment ecosystem, with credit card payments set to remain the most significant in-store payment type by volume. Credit card transactions generate big payment data sent through a complex web of stakeholders, including card networks, issuers, and gateways, that help complete the transaction. Credit card processors support carefully and securely transmitting this data.

There are two types of credit card processors: front-end and back-end. Front-end processors ensure customers' funds are sufficient for transactions by routing transactions from merchants to the cardholder's bank to gain authorization. At the same time, back-end processors accept settlements from front-end processors and move the money to the merchants' issuing bank.

Asia Pacific to Hold the Largest Market Share

The Asia Pacific is dominating other regions in terms of the adoption of online transactions. The major driving force for the rise of digital payment in China is widespread bank account ownership and smartphone ownership. Many Chinese citizens have at least two bank accounts, as the government provides subsidies for different benefits through different banks. Smartphones combined with bank accounts allowed users to link their accounts to their phones through an app easily.

The People's Bank of China began conducting trials of the digital yuan in the last two years. Since then, cumulative transactions in the currency have reached CNY 87.57 billion (USD 13.68 billion). According to CNDC calculations, digital yuan transactions totaled CNY 53.1 billion in the second half of 2021.

India is also one of the fastest markets for payment processors. The Digital India program is a flagship program of the Government of India with a vision to transform India into a digitally empowered society. The Ministry of Electronics & Information Technology (MeitY) is working on strengthening the Digital Payment infrastructure and creating awareness through promotions of digital payments.

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As a result, the country's digital stride has left China and a few developed markets trailing digital transaction numbers. Government data shows that digital transactions grew to 90%, from 232,000 to over 430,000 in the three years from FY19 to FY21. The growth was led by the United Payment Interface or UPI, the payment system the government-owned National Payments Corp. of India developed to enable immediate money transfers through mobile devices. The studied market is also witnessing innovations that are shaping the market landscape. The Bank of Korea (BoK), South Korea's central bank, will soon take bids for a technology partner to launch a pilot program for a digital won. A trial run of a central bank digital currency (CBDC) has been scheduled to test how the electronic currency to be used for the settlement and remittance of everyday goods and services. In January 2022, in the first trial, the company allocated KRW 4.9 billion (USD 4.4 million) and picked the blockchain arm of internet giant Kakao, Ground X, as the tech supplier for its government-controlled cryptocurrency. Such developments are expected to drive the demand for payment processors.

Payment Processor Market Competitor Analysis

The Global Payment Processor Market is highly consolidated and consists of several major players, such as PayPal Holdings Inc., Due Inc., and Stripe. However, other firms are trying to cope with the market share and executing mergers and acquisitions to obtain more customers and market share.

November 2021 - Paytm announced the launch of the Paytm Transit Card, keeping in mind the vision of one nation, one card in India. The card will take care of users' everyday needs - from travel in metro, railways, state-owned bus services, toll, and parking charges to payments at offline merchant stores, online shopping, and more.

November 2021 - Stripe announced the expansion of Stripe Terminal to Ireland, France, Germany, the UK, and the Netherlands. This expansion is expected to drive the demand for payment processors across the countries mentioned above and Europe overall.

Additional Benefits:

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

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