

Embedded Finance Market Assessment, By Finance Type [Embedded Payment, Embedded Insurance, Embedded Investment, Embedded Banking, Embedded Lending], By Business Model [B2B, B2C, B2B2B, B2B2C], By End-use [Retail and E-Commerce, Healthcare, Transportation and Logistics, Manufacturing, Travel and Entertainment, Others], By Region, Opportunities and Forecast, 2017-2031F

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Report description:

Global embedded finance market is projected to witness a CAGR of 27.53% during the forecast period 2024-2031, growing from USD 72.84 billion in 2023 to USD 509.49 billion in 2031. The growth in the embedded finance market is governed by factors such as digitalization and penetration of the internet, technological advancements, integrating finance with non-finance platforms such as insurance and investments, integration of artificial intelligence, consumer demand for convenience, rise in Fintech startups, financial inclusion initiatives, and rise in smartphone users. Embedded finance is a non-financial company providing financial products and services through APIs and platforms. It provides companies with access to and utilizes financial services provided by third parties. The market has presented several opportunities for both established financial institutions and fintech startups to collaborate and expand their customer reach in innovative ways.

As per Invest India, India has the highest fintech adoption rate of 87 percent globally, which is higher than the global average rate of 64 percent. Embedded finance market is growing at a high rate as financial institutions are providing Banking-as-a-service (BaaS) offerings. In recent years, Unified Payments Interface (UPI) and mobile wallet acceptance have helped in the market growth. In 2023, UPI payments crossed the 100-billion mark with transactions processed standing at 117.6 billion.

Consumer Demand for Convenience

Consumer expectations are the key driver of this new era of embedded finance; with the digital age focusing on immediacy and convenience, consumers increasingly prioritize a flawless and hassle-free experience. Consumer expectations in embedded finance increasingly include rapid credit approvals, real-time payments, and individualized financial advice as they look for

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financial services relevant to their daily activities. Embedded finance satisfies the expectations of modern clients by providing highly tailored services. Moreover, the increased usage of AI enables them to create services based on the consumer's spending history and habits. Such a high level of customization makes the consumers feel valuable, which fosters brand loyalty. Thus, consumer appetite for convenience is a catalyst, driving firms across industries to integrate financial services into their platforms and fulfill their users' evolving expectations.

Technological Development to Cater Global Embedded Finance Market Growth

Significant technological developments have occurred in recent years, with AI and ML leading the way. These technologies have enabled the automation of credit scoring, customized financial advice, and fraud detection, improving service accuracy and efficiency. One of the biggest issues faced by businesses that provide embedded finance services is cyber security. However, the emergence of blockchain has ushered in a new era of security and transparency. It provides decentralized, tamper-proof ledgers for transactions. The solution improves data security in embedded finance and allows smart contracts to automate and enforce terms of service without requiring human intervention, lowering costs and error rates.

North America to Dominate Global Embedded Finance Market Share

North America dominated the global market share in 2023, owing to the dominance of key regional market players. Moreover, various embedded finance startups actively engage in fundraising initiatives to accelerate the adoption of embedded finance in the region. The regulatory bodies in North America are actively contemplating policies and regulations to foster innovation and competition in the global embedded finance market. They are aiming to maintain a balance between consumer protection and enabling partnerships between financial and non-financial entities.

In 2024, Fidelity National Information Services Inc. launched the "Atelio" platform. It is an embedded finance platform that will help the company collect deposits, transfer money, issue cards, send invoices, fight fraud, and better understand customer behavior. Such advancements are promoting growth in the region.

Asia-Pacific is growing faster owing to the highly populated countries, such as China and India, where the use of smartphones and the internet are growing significantly. The adoption of fintech startups is growing indirectly, leading to the growth of the embedded finance market in the region.

Embedded Lending Leads in the Growth of Global Embedded Finance Market

The embedded lending category is expanding fastest due to the rising need for smooth and quick access to funds. With lending options available at necessary touch points within non-lending platforms, users are exposed to lending products and encouraged to review their lending requirements. The increasing awareness is due to the expansion of the embedded lending segment. Moreover, during the COVID-19 pandemic, SMEs have been impacted negatively. They now seek to expand their distribution channel and supply chain to recover from the impact, but rising interest rates are making it difficult to access credit through traditional channels, hence increasing the use of embedded lending services.

In 2023, Rupifi announced that the firm had disbursed over USD 0.24 billion (INR 20 billion) in loans to businesses since its inception in 2020 powering more than 2 million transactions for 150,000 SMEs in India. The firm offers embedded lending solutions through B2B marketplaces across sectors, including FMCG, pharmaceutical, fashion, electronics, and others. In the United States, Walmart has introduced its buy now pay later option to drive more revenue. The trend is projected to continue further over the next three to four years, as the economic environment continues to drive the demand for credit access among small and medium-sized businesses globally.

Retail and E-Commerce to Rule the Market

The retail and e-commerce segment had the largest share in global embedded finance market. Online retailers started providing their financial services at the point of sale, including individualized credit options, insurance, cards and accounts, and more. Its accessibility and convenience made an inevitable shift in what customers expected. When forecasting the future of retail, embedded finance can completely transform the industry by allowing companies to make closer connections with their clients while boosting sales and utilizing data-driven business models. Embedded finance services such as cashback loyalty schemes and credit and debit card payments attract customers and contribute to retailers establishing customer loyalty.

The travel and entertainment segments are expected to gain a substantial growth rate. Companies in the travel and

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entertainment sector are actively introducing various embedded finance services, including BNPL offerings. In 2022, the travel app, Hopper launched the Price Freeze for Cars solution, new flexibility on hotel bookings of Cancel for Any Reason option and Leave for Any Reason option and a Standalone Trip Protection product.

Future Market Scenario (2024 - 2031F)

The shift towards embedded finance is majorly driven by convenience, as it allows a wide range of consumers to access financial services. Its influence extends beyond the traditional banking services, providing solutions that are seamlessly woven into the fabric of everyday life.

In February 2024, Finastra launched a new Gen AI capability in its Expert Pro Canadian Mortgage Point of Sale (POS) solution. It automates the creation of borrower notes that assists in lender underwriting which helps in saving time and minimizing broker errors.

Key Players Landscape and Outlook

The market is highly competitive due to the presence of many prominent players in the market. The industry players aim for new product launches, partnerships, and collaboration as a strategic method to improve their offerings and expand their customer base. Together with the advancement in technologies, such as AI and ML, the market players are soaring to newer heights and boosting the growth of embedded finance market worldwide.

In 2023, Zopa acquired BNPL firm DivideBuy's POS financial technology and lending platform aiming to offer affordable credit to customers, share data with credit rating agencies, help individuals with better structure and pay-down tools, and allow users to build their credit portfolio.

In May 2023, Uber extended its partnership with fintech giant Stripe Inc. to allow Uber customers to connect their bank accounts "securely and instantly" to their Uber accounts without leaving the app and allowing them to repeat purchases using the saved bank details.

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