

Core Banking Software Assessment, By Deployment Mode [On-premises, Cloud-based], By End-user [Banks, Financial Institutions, Others], By Component [Solution, Service], Banking Type [Large Banks, Mid-Size banks, Small Banks, Community Banks, Credit Unions], By Region, Opportunities and Forecast, 2017-2031F

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Report description:

Global core banking software is projected to witness a CAGR of 14.87% during the forecast period 2024-2031, growing from USD 15.08 billion in 2023 to USD 45.70 billion in 2031. Factors such as technological advancements, customer expectations, regulatory compliance, cost efficiency, globalization and market expansion, data analytics, and increase in the use of mobile banking aids the requirement of a core banking software leading to market growth. On the contrary, the emergence of AI and adoption of an AI-based banking system is expected to provide profitable opportunities for market growth during the forecast period.

For instance, in February 2024, World Bank started a project called MALENA which is an AI-powered platform extracts investment insights from Environmental, Social and Governance (ESG) data in emerging markets. The project aims to support global investments by leveraging AI to analyze vast amounts of data, thereby enhancing transparency and decision-making. This initiative aligns with the broader trend of integrating AI into banking systems to unlock new opportunities and drive market growth.

Banking software have revolutionized banking services by enabling real-time online transactions across various branches. These platforms empower users to effortlessly manage their accounts, conduct transactions, and monitor balances. They serve as the cornerstone of modern banking operations, supporting crucial tasks such as journal entries and account creation with agile architecture for seamless updates. Core Banking Software (CBS) acts as the backbone of banking institutions, ensuring efficient transaction processing, payment management, and financial record-keeping. It offers centralized online banking capabilities, enhancing user access to services like loans and account management. The market is driven by substantial investments in fintech

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technologies and CBS solutions, reflecting a growing demand for streamlined customer account management and secure digital banking experiences. This underscores the importance of adaptable software solutions in maintaining continuous service excellence.

Increasing Adoption of Artificial Intelligence-based Banking Systems Promotes Market Growth

The infusion of newer technologies, such as cloud computing, big data analytics, and artificial intelligence, is altering the way banks operate, making them more efficient and customer friendly. AI-driven innovations assist banks in visualizing data, respond to customer queries almost in a jiffy, and convert highly complex data into meaningful insights. According to a study published through Nanjing University of Information Science and Technology, banking professionals are dependent on AI-driven output for some robust business analysis and strategic decision-making. AI-driven chatbots and digital assistants have become an intrinsic part of the core banking system in ensuring constant and seamless customer support. These systems troubleshoot in real-time, addressing issues besides elevating the overall customer experience. Real-time insights provided by AI-based core banking software enhance network security and speed up digital transformation, hence improving service delivery, increasing consumer satisfaction. With the surging adoption of such technologies, more key growth opportunities are expected to open. The future of banking is closely linked to harnessing artificial intelligence. As such, critical industry players have been entering into strategic collaborations for innovative AI solutions. In October 2023, Sopra Banking Software launched the First AI-Enabled Core Banking System as a Software-as-a-Service.

Rise in Fintech Drives Growth of Market

Initially, core banking software were merely treated as a supplement to the banking sector. With time, the market has transformed with innovative traditional practices, leading to market growth. Fintech has been able to attract large investments. Large financial markets players, such as Citigroup and JPMorgan Chase & Co., have started strengthening their fintech investments, something that could turn out to be strategic with regard to the adoption of advanced solutions into their operations. The outlook of investors remains quite conservative in the beginning of 2024. In fact, characterized by key concerns such as sustainable profitability, the development prospects for the fintech sector remains robust. It can be more clearly seen in sectors such as community banks that need innovative core banking software to improve operational efficiency. The adoption of these technologies across various banking types, including mid-size banks, small banks, and credit unions, further propels market expansion, fostering a dynamic landscape driven by innovation and digital transformation. In December 2023, Saudi Arabian Buy Now Pay Later Provider deal was closed at USD 340 million funding round. The deal, which made the company the first homegrown FinTech unicorn in Saudi Arabia, was raised through a Series C round.

North America Dominated the Market Due to Innovations

North America dominated the share of the global core banking software market. The region has a history of being early technology adopters. In February 2023, Arvest Bank introduced its inaugural cloud-based equipment financing product, exemplifying the region's progressive approach. The focus on modernizing core infrastructure among major regional banks is set to bolster regional growth. Concurrently, small and medium-sized enterprises in the region are increasingly leveraging these advanced solutions to facilitate seamless financial operations. This trend, coupled with expanding business scopes and applications, is poised to accelerate market growth in the forecast period.

Meanwhile, Asia-Pacific is anticipated to experience the most rapid growth during the forecast period. The uptake of mobile and web-based banking applications is driving the growth along with efforts by regional banks to enhance transaction processing capabilities and uninterrupted banking services through advanced core banking systems.

On-premises Deployment Dominated the Global Core Banking Software Market Share

The on-premises segment dominated the market in 2023. By building an on-premise solution, companies take full responsibility for the integration, IT-related problems, and security involved. Companies that work over legacy platforms are mostly in collaboration with IT professionals to recover data from security threats and control operation costs incurred. Most of the traditional banks use on-premises solutions due to the established infrastructure and keeping control of the security of the data. These are located in the bank's own servers at their premises, which are better protected compared to cloud computing infrastructure. On-premises data centers require hands-on hardware and software maintenance. Software on-premises requires an enterprise to buy a license or copy of the software for use in-house. The software resides wholly within the premises of the organization, generally better protected compared with cloud computing infrastructure. However, the on-premises solution may

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be very expensive compared to a cloud computing environment, as it is inclined more toward in-house server hardware and software licenses with integration capabilities, apart from requiring dedicated IT staff for support and management in case of any issues in the solution. However, the trend is slowly shifting toward hybrid models that combine both on-premises and cloud-based systems.

Future Market Scenario (2024 - 2031F)

- AI will push banks to create greater products that meet basic client demands with the least amount of people involved, right from providing information on savings suggestions to expenditure analysis. AI can furnish banks with information on goods and services, profit margins, and expenses.

- The credibility of AI solutions poses a significant concern that must be effectively managed to secure widespread acceptance of AI within the banking sector. It is imperative that all stakeholders in the banking industry actively collaborate to promote the responsible adoption of AI.

- Regulators will be more proactive in enforcing policies to safeguard the transparency of AI algorithms, eliminate bias, protect data privacy, and guarantee fair use of customer information. Likewise, banks and service providers will ensure responsible use of AI rather than focusing on the economic gain derived from the innovation.

- More banks will be shifting towards the hybrid model of deployment to enable the cost benefits of cloud model and to ensure data privacy.

Key Players Landscape and Outlook

The global core banking software market is highly competitive, with several key players driving innovation and growth. The core banking software market is expected to grow significantly over the next decade, driven by factors such as technological advancements, increasing customer expectations, regulatory compliance, and the need for cost efficiency. The adoption of AI, cloud computing, and data analytics is transforming the landscape, enabling banks to offer more personalized and efficient services.

In April 2024, Fiserv, the US-based fintech and financial services company, wanted to expand its business in India, the biggest market in Asia-Pacific. It plans to launch its payment solution product, Clover, as per the announcement made by the President of Global Services and Global Practice Leader for Implementations at Fiserv.

In February 2024, Capital Bank received the "Best Implementation of Core Banking Services" award from IBS Intelligence in 2023, marking a significant achievement in the year. The award specifically highlights how the bank utilized Temenos' core banking solutions to launch a transformative project aimed at upgrading its core banking system.

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*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work.

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