

**Banking-as-a-Service (BaaS) Market Assessment, By Component [Platform, Service],
By Type [API-based BaaS, Cloud-based BaaS], By Enterprise Size [Large Enterprises,
Small and Medium Enterprises], By End-user [Banks, Financial Institutions, Nonbank
Financial Companies (NBFCs), Others], By Region, Opportunities and Forecast,
2017-2031F**

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Report description:

Global banking-as-a-service (BaaS) market is projected to witness a CAGR of 18.20% during the forecast period 2024-2031, growing from USD 4.39 billion in 2023 to USD 16.71 billion in 2031. The market for BaaS is growing due to rapid demand for digital banking services, scalable and efficient backend support for advanced financial operations, and enhanced user experiences. Parallely, the mounting trend of embedded finance is being seamlessly integrated into a variety of applications and increasing demand for BaaS platforms that enable such integrations. This growth is further being fueled by advancements in technologies, such as artificial intelligence and machine learning, as it enables BaaS providers to offer more advanced and adaptable services. In addition, the increasing momentum of open banking stimulates innovation and competition, driving financial institutions to pursue flexible and secure backend solutions. The widespread adoption of cloud computing is enabling better scalability of infrastructure in BaaS platforms and high-performance services, each factor taken together, driving a dynamic and fast-changing BaaS market.

Banking-as-a-service platform (BaaS) enables developers to work on the functionality of an app and its usability while BaaS takes care of scalability, security, and server-side operations. In 2024, one of the global card-issuing leader, Marqeta is collaborating with Visa and Affirm on the launch of the Visa Flexible Credential. This card will enable seamless switching among payment options, such as debit and credit, buy now, pay later, and rewards points. Marqeta obtained Visa Flexible Credential certification in May 2024 to enable its clients' cardholders to choose their preferred payment option simply.

Rising Adoption of BaaS in Financial Services to Boost Market Growth

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This rising adoption of financial services is one of the major reasons for the growth of the BaaS market. With the increasing digitalization, the demand for scalable and reliable backend solutions intensifies for every financial transaction and service, including banking, wealth management, mutual funds, insurance, stock exchanges, treasury instruments, tax and audit consultation, capital restructuring, and portfolio management. Besides, the proliferation of internet services accelerates this digital transformation and affects how financial institutions and businesses operate. In July 2024, PLS Financial Services announced the launch of Xpectations! Plus, Debit Card. Powered by an integrated finance platform from Green Dot, this new account provides a full suite of online banking capabilities to PLS's more than five million customers. Features of Xpectations! Plus, a Debit Card includes early availability of direct deposits, overdraft protection, free access to a nationwide network of ATMs, and many other valuable financial tools and services.

BaaS platforms provide an important underlying structure for such advancement by offering required services around data storage, user authentication, and real-time processing. This thereby means that financial entities can process big volumes of transactions efficiently, maintain security, and expand their operations without difficulties. Therefore, wide adoption of BaaS is instrumental in modernizing fintech; this way, institutions can continue improving their service proposition and meet their customers' evolving needs in a digital-first world.

Rapid Advancements in Technology to Boost the Market

One of the major reasons for such a rapid boom in the BaaS market is the surging pace of technologies. The introduction of emerging innovations in AI, ML, and advanced cloud computing has structured changes in the capability provided by BaaS platforms, hence making them strong and multi-functional. AI and ML further develop capabilities for BaaS solutions, wherein higher-degree data analytics, predictive insights, and automation streamline the backend processes and enhance decision-making. Meanwhile, cloud computing enables scaling up the platforms to handle increasing data volumes and user loads efficiently. These technological capabilities support BaaS to extend scalability and performance for various complex applications. In 2024, Treezor announced a new partnership with WITHLESS, a top player in AI-powered IT management specializing in SaaS management automation. Through the new partnership, WITHLESS will be able to offer innovative solutions to its corporate clients in Italy, France, and Spain by significantly simplifying its processes of software management. In such a way, businesses will gain the benefits of more efficiency with less time invested and significant cost savings. As more enterprises and developers look to leverage such advanced technologies for building robust, scalable, and efficient applications, the BaaS market continues to grow in leaps and bounds. In any case, continuous technological evolution would remain the key to push the BaaS market and keeping organizations competitive and agile in the ever-growing digital landscape.

Cloud-based BaaS to Dominate the Banking-as-a-Service (BaaS) Market

The cloud-based BaaS segment has become the clear force in the industry, holding the largest market share, and is expected to record the fastest growth rate throughout the forecast period. Its advantages are fast deployment of new digital features, uniform policy enforcement, automated provisioning, and monitoring of all kinds of traffic. These benefits, in turn, help digital businesses meet stringent service commitments and help mitigate reputational damage caused by service disruptions. The segment will see significant growth due to better utilization of cloud technology in bringing optimum efficiency to digital operations. In 2024, Avidia Bank teamed up with Q2 Software Inc. to extend and improve its digital banking suite. With the help of this partnership, Avidia will be able to upgrade to the latest online banking services and integrate Personetics' AI-powered engagement engine. This tie-up empowers Avidia to offer real-time insights and automated savings plans that improve a customer's digital banking experience. The API-based BaaS segment is projected to record high growth during the forecast period. BaaS APIs help in secure data transfer between fintechs and banks. Such APIs enable fintech firms to integrate banking services directly into their apps or websites. This capability is expected to drive the growth of the segment, since fintech firms are consistently working on enriching the BaaS ecosystem with innovative solutions.

North America Dominates Banking-as-a-Service (BaaS) Market Share

North America dominates the share of the global banking-as-a-service market. This could be driven by an advanced financial technology ecosystem, strong levels of digital adoption, and a supportive regulatory environment fostering innovation in banking services. The major financial institutions and key fintech players in North America are increasingly looking toward BaaS for process automation, enhancing customer experiences, and fast deployment of new services. Moreover, BaaS providers are in North America, and with heavy investment in technology, it will continue to lead the market globally. This region is expected to

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continue leading in the current evolution of digital transformation, and thus drive market growth.

Europe is gradually becoming one of the major players in the BaaS market due to increased digital transformation among financial services across the region. The European market is gaining an efficient regulatory environment for innovation, coupled with growth in digital banking and fintech solution adoptions. BaaS is gaining further momentum as the means for European financial institutions and their start-ups to upgrade their back-office infrastructure in a much-needed scalable, flexible, and cost-effective way. In 2024, Solaris SE announced that it had signed its Series F round led by SBI Group alongside other existing investors. The current round includes an additional USD 105.6 million in capital and a financial guarantee of up to USD 110 million in capital equivalent.

Future Market Scenario (2024 – 2031F)

With digital transformation gaining further momentum, BaaS is bound to be at the forefront in the financial services landscape. Further consolidations of technological advancements, including artificial intelligence, machine learning, and blockchain, will further improve the BaaS platforms by offering advanced data analytics, automated decision-making, and higher levels of security.

Demand will be created for BaaS due to the growth in digital and mobile banking since increasingly more financial services are shifting to digital channels. This will be additionally contributed by the continued inclusion of banking services into an increasingly diversified set of applications and platforms, further reinforcing the need for sound backend solutions.

Key Players Landscape and Outlook

The competitive landscape of the banking-as-a-service market is constantly changing, with different players contesting for a greater share of the market. Major players include well-established financial institutions, new fintech startups, and pure-play BaaS providers, each bringing their strength in the market. Major banks and traditional financial services firms increasingly adopt BaaS on their journey of renewal for innovation, leveraging strong industry experience and large customer bases. Meanwhile, a group of fintech startups disrupts the market with agile technology-driven platforms that boast state-of-the-art functionality and flexible integration. Specialized BaaS providers who compete based on advanced technology offerings related to, for instance, artificial intelligence or blockchain, must provide strong scalability and security. Further competitive intensity adds to the continuous emergence of new entrants and strategic partnerships forged in attempts to reach a broader range of services and geography. In 2024, with the partnership with ClearBank, Payset, and its users are now in line to access a full-suite payment system for both local and cross-border transactions. It has integrated the ClearBank API into the client application of Payset, thereby smoothening account management and securing swift payment processing. The partnership further allows Payset to offer expanded business and personal account services across its markets, ensuring the highest possible service levels for clients in all supported jurisdictions.

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