

Payment Gateway Market Assessment, By Type [Hosted Payment Gateways, Self-Hosted Gateways, API-Based Gateways, Direct Payment Gateways, Local Bank Integration Gateways], By Company Size [Large Enterprises, Small and Medium-Sized Enterprises], By Industry [Banking, Financial Services and Insurance, Retail and E-Commerce, Travel and Hospitality, Media and Entertainment, Healthcare, Others], By Region, Opportunities and Forecast, 2017-2031F

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Report description:

Global payment gateway market is projected to witness a CAGR of 17.30% during the forecast period 2024-2031, growing from USD 27.43 billion in 2023 to USD 98.29 billion in 2031. The payment gateway market is growing exponentially as the trend for placing payment functionality within the software platform rises. Major independent software vendors (ISVs) and marketplaces are enhancing the payment capability to provide a seamless experience for merchants. About 50% of merchants take payment services directly from ISVs, which will continue to increase as ISVs increasingly adopt embedded payments. Features like PayFac (Payment Facilitator) functionality allow ISVs to make the payment process easier for merchants, who can now conduct transactions without having a separate merchant account. As a result, businesses can gain access to any number of financial services from within their software with the rise of embedded finance, driving demand for payment gateways as part of full commerce enablement solutions.

For instance, in June 2024, PayPal Holdings, Inc. launched Fastlane by PayPal for United States businesses, streamlining guest checkout to boost sales and customer loyalty with a one-click purchase option, ahead of the holiday season.

Growth in E-Commerce Driving Growth in Payment Gateway Market

Growth in e-commerce strengthens the interest of businesses and customers in online shopping, hence driving the payment

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gateway market. Moreover, as per the data provided by Federal Reserve, Card-not-present transactions grew by 17.9% compared to the growth in card-present transactions of 4.2%. This trend indicates a shift toward payment gateways, which provides safe and seamless online payment solutions. Since e-commerce is expected to grow at a 9.5% CAGR from 2024 to 2029, it would demand more reliable gateways for increasing transaction volumes. Payment gateways ensure the safe processing of online purchases, enhancing user experience and helping businesses cater to global markets. One of the driving forces supporting boosting the growth graph of the payment gateway market worldwide is the growing demand for solutions related to online shopping.

For example, in August 2024, Stripe, Inc. reported a 30% increase in cross-border revenue in Asia for 2023, with a 28% rise in businesses processing over USD 1 million. AI-powered payments drive growth, which is highlighted at Stripe Tour Singapore.

Rise in Mobile Payments Adoption Fueling the Payment Gateway Market

Increased consumer preference for digital banking drives the growth of mobile payments adoption, which, in turn, boosts growth in the payment gateway market. The 2024 report from the Australian Banking Association stated that mobile wallet payments jumped by 35% in 2023 to USD 126 billion, taking over ATM cash withdrawals for the first time. This transition indicates that with each passing year, customers are moving towards secure and comfortable digital payments, while traditional cash transactions have fallen to a mere 7.5% of total payments. Increased mobile wallet use means there is an increasing need for businesses to have better payment gateways through which they can process these digital transactions without glitches. The demand for advanced payment gateways is rising, driving the importance in the digital economy, with 99.1% of banking interactions occurring online or via apps.

For example, in January 2024, PayPal Holdings, Inc. unveiled six AI-driven innovations, including a reimagined checkout experience, Fastlane by PayPal, Smart Receipts, and Venmo enhancements to help merchants and small businesses boost sales and engagement.

Government Initiatives Acting as a Catalyst

Governments worldwide are driving the growth of the payment gateway market through various initiatives. For example, through the Digital India movement, the government of India is promoting digital payments with the Bharat Interface for Money (BHIM) and Unified Payments Interface (UPI), which helps with financial inclusions. According to the Payment Services Directive 2 (PSD2) by the European Union, it is imperative to have strong customer authentication for online transactions, which brings innovation and competition. In Australia, the New Payments Platform (NPP) supports real-time payment processing to increase the efficiency and speed of any digital transaction. For instance, the FedNow service by the Federal Reserve is one of the initiatives that allows people to pay for things much more quickly in the United States. Similarly, the United Kingdom follows Application Programming Interfaces (APIs) technology to introduce new innovative payment solutions to promote competition. Accordingly, such initiatives encourage payment gateway market growth by adopting secure and efficient solutions.

For example, in July 2024, the European Commission proposed new Payment Services Directive 3 (PSD3) and Payment Services Regulation (PSR) to replace PSD2 and E-Money Directive, impacting payment services, fraud measures, and data protection.

Retail And E-Commerce Leading in the Payment Gateway Market

Retail and e-commerce are driving the demand in the payment gateway market. The industry is witnessing an ever-growing demand for safe and efficient transaction methods for businesses with the increasing popularity of online shopping. Payment gateways provide a smooth experience for customers in making payments quickly and safely. To the retailers, the gateways provide sales management through different channels with fraud protection and multi-currency support features. E-commerce giants invest in advanced payment solutions to handle more transactions and improve customer experience. With an incline in online purchases and digital transactions, the demand for advanced technologies has risen, making payment gateways an essential element of any modern retail and e-commerce business. This is likely to continue as online shopping grows and technology evolves further.

North America Dominates Payment Gateway Market Share

North America holds the largest share of the payment gateway market owing to its advanced technological infrastructure and a high penetration rate concerning digital payments. It possesses a healthy e-commerce industry with a need for fast, smooth, and secure payables. Payment gateways in North America provide full-service international services such as fraud detection in real-time, multiple currencies support, and rapid transaction processing for a wide array of business and consumer needs. Besides this, companies in North America invest heavily in innovation, integrating new technologies like AI and blockchain into their

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operations for better security and efficiency of payments. The strong regulatory environment and a consumer preference for digital modes of payment further drive the region's leading position. North America is expected to remain very influential in setting trends in the field of payment gateways for the foreseeable future, with online transactions still on the rise.

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Future Market Scenario (2024 - 2031F)

-□ Transactions will be dominated by mobile wallets and applications, driven by convenience and security to be the preferred means at the expense of cash usage.

-□ AI will improve fraud detection in payment systems, as it provides them with more security features, thus reducing losses.

-□ Cryptocurrencies and blockchain technology will make their way into the mainstream in the field of payments, all while guaranteeing speed and security.

-□ Seamless integration across online, in-store, and mobile touchpoints holds the key to enhancing customer experiences.

Key Players Landscape and Outlook

The payment gateway market is dominated by leading influential players offering state-of-the-art solutions, including real-time fraud detection, multi-currency processing, and seamless integrations across various platforms. The growth of e-commerce and digital transactions will present very strong market prospects. The key growth trends include the rapid adoption of mobile payments, which streamline transaction processing while improving user convenience, and the integration of blockchain and cryptocurrency technologies for faster and more secure transactions. AI-driven analytics also increasingly prevent fraud and allow for optimized payment processes. Business investment in such advanced technologies is on the rise to cater to increasing consumer expectations and regulatory standards, so the payment gateway market will further expand in the forecasted period.

In August 2024, Adyen N.V. and Inter IKEA Systems B.V. announced a global partnership, integrating Adyen's financial technology platform to enhance IKEA's cross-channel payment and loyalty experiences, offering comprehensive customer insights and simplified financial reporting.

In August 2024, InvoiceASAP, Inc. partnered with Adyen N.V. to offer instant payouts via Adyen's FedNow certification. This collaboration will enable InvoiceASAP users to access funds immediately, enhancing deposit experiences.

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