

**Performance Bank Guarantee Market Assessment, By Type [Payment Guarantee, Performance Guarantee, Advance Payment Guarantee, Tender Guarantee, Others], By Purpose [Construction, Infrastructure, Manufacturing, Trading, Others], By Application [Large Enterprises, Small and Medium Enterprises, Others], By Bank [Government, Private Sector], By End-user [Importers, Exporters], By Region, Opportunities and Forecast, 2018-2032F**

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**Report description:**

Global performance bank guarantee market is projected to witness a CAGR of 4.58% during the forecast period 2025-2032, growing from USD 27.38 billion in 2024 to USD 39.17 billion in 2032. A performance bank guarantee (PBG) is an instrument issued by a bank in favor of a contractor to fulfill obligations contractually entered with the client. The market for performance bank guarantee is growing rapidly due to the need to secure financial assurance across borders in international trade. As globalization expands, importers and exporters need assurance of the successful transacting of their trade, which lessens the financial risks involved in non-performance.

Various factors are driving growth in the PBG market. Supportive government policies that focus on increasing international trade and investment are helping to raise more market opportunities, while exponential growth in the import and export activities undertaken by different countries highlights the need for performance guarantees. Nevertheless, factors such as fluctuations in exchange rates and fewer credit facilities for SMEs still challenge market growth. Despite these challenges, digital transformation continues within the banking sector, with technologies such as blockchain and AI further emphasizing issues of efficiency and accessibility related to the issuance of PBGs, further solidifying this tool as a cornerstone for facilitating global commerce. As businesses continue to deal with complex international transactions, predicting an increase in demand for performance bank

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guarantees is reasonable, giving financial institutions and service providers new opportunities in this evolving landscape. For instance, in February 2024, the World Bank Group announced a major overhaul to its guaranteed business that will deliver simplicity, improved access, and faster execution through a new, convenient marketplace. The new reforms are critical to achieving the goal of triple annual guaranteed issuance to USD 20 billion by 2030. The recent G20 Independent Expert Group report on Strengthening Multilateral Development Banks also called for an expanded use of guarantees to mitigate risk and catalyze private finance. Currently, the World Bank Group offers 20 guarantee solutions spread across the institution.

#### Digitization of Financial Services and Trade Facilitation brings Robust Growth

The online performance bank guarantee (PBG) market is witnessing strong growth, driven by the digitization of financial services and the increasing demand for efficient trade facilitation. This shift towards digital solutions has transformed traditional paper-based processes, allowing quicker issuance and management of PBGs that significantly reduces administrative burdens and costs. Technological factors such as blockchain and AI increase the security and efficiency of such guarantees, but they also guarantee authenticity while improving risk assessment. Regulatory facilitation that promotes electronic documentation improves the ease at which these online PBGs are deployed and, hence, easily accessible. Integration of online PBG platforms with wider trade finance ecosystems enhances the efficiency and visibility of trade transactions. Overall, the growth factor in the online performance bank guarantee market comes from digital transformation, technological innovation, regulatory support, and client demand. The online performance bank guarantee is an indispensable tool in the modern business world.

For example, in October 2024, Citigroup Inc., an American financial services company, and Google Cloud joined forces in a strategic, multi-year agreement to support Citi's digital strategy through cloud technology and artificial intelligence (AI). This collaboration focuses on modernizing Citi's technology infrastructure and enhancing employee and client experiences on cloud-based applications. Through the collaboration, Citi will migrate multiple workloads and applications to Google Cloud's secure and scalable infrastructure.

#### Rise in International Trade across the World Boosts Market Growth

International trade and globalization have, in recent years, witnessed great growth. The integration of national economies into a global economic system has seen a remarkable increase in trade between countries. This process, often referred to as globalization, has resulted in a more interconnected world where goods, services, and capital flow across borders more freely. Increased demand for PBGs has arisen from international trade and globalization, whereby companies seek to reduce the risks involved in cross-border transactions. Indeed, during international trade, the necessity of financial assurance arises as companies look to strengthen trust between the trading parties by ensuring the fulfillment of contractual obligations. PBGs act as a safety net, which instills confidence that payments will be made and projects will be completed as agreed. This is particularly important when parties do not have prior business relationships.

Globalization has also standardized financial instruments such as bank guarantees to be more widely accepted in international transactions. The increasing number of infrastructure development projects worldwide also fuels the demand for PBGs, considering that most mega projects require strong financial guarantees to ensure compliance and performance.

For example, the World Trade Organization revealed a 9% increase in international trade in services in 2023 compared to 2022, showing how cross-border services are rising worldwide.

#### Dominance of Construction in the Performance Bank Guarantee Market

Construction is the most used sector for PBGs for several reasons, such as High-Risk Projects, which involve significant investments and complex logistics. It also involves contractual obligations and financial assurance.

In the construction industry, PBGs play a vital role in ensuring contractors' performance so that they meet their contractual obligations. PBGs provide fiscal security to project owners as they guarantee project completion according to agreed terms, thus mitigating risks associated with non-performance. Some of the common types of PBGs used in construction include bid bonds, which guarantee that contractors will enter contracts if they are awarded a bid; advance payment guarantees, which protect advance payments made to contractors; and retention money guarantees, which ensure that funds withheld until the completion of the project are returned. These financial assurances are crucial for fostering trust and smooth operations within the construction sector.

One of the most glaring examples of the surge in performance bank guarantees (PBGs) in construction is the stimulus package introduced by the Finance Minister of India. The government had capped the performance security on construction contracts at

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3% instead of the previous level at 5-10%. This action aimed to reduce the financial pressure on contractors and influence growth in the construction sector. In addition, the package replaced the earnest money deposit with a bid security declaration, which facilitated the participation of contractors in government projects. This led to an increased use of PBGs since contractors gained more financial flexibility and security while bidding and executing construction projects.

#### Asia-Pacific Dominates Performance Bank Guarantee Market Share

Asia-Pacific has a dominant market in the performance bank guarantee market because of several key drivers of its substantial market share. Economic growth in countries like China, India, and Indonesia has led to infrastructure investment and large-scale projects, with this boosting the demand for PBGs significantly. Urbanization in the region further requires considerable construction activities, which require financial assurances to ensure completion and mitigate risks.

Government policies are also a factor, as several Asia-Pacific countries have begun infrastructure projects that require PBGs to mitigate financial risk. The supportive policies facilitate the implementation of these guarantees in the public and private sectors. International trade and foreign direct investment in this region make the need for PBGs even more stringent in terms of contract security and adherence to trade agreements. As globalization continues its expansion, the demand for performance bank guarantees is likely to increase, and Asia-Pacific will continue to be well-positioned in this market segment.

For example, China's financial system is undergoing a pivotal transformation. The country is removing shareholding limits on foreign ownership of securities, insurance, and fund management firms and scrapping entry barriers and ownership caps for foreign insurance companies and insurance asset management firms. The opening up of the Chinese financial system accelerates the development of the domestic asset management industry.

Also, India is the second largest insurtech market in Asia-Pacific and is expected to grow by 15 times to reach USD 88.4 billion by 2030, India is poised to emerge as one of the fastest growing insurance markets in the world as per the Government of India. These examples show how financial services are going to rise in Asia-Pacific countries, which will need services like performance banking guarantee.

#### Future Market Scenario (2025 – 2032F)

□□ Adopting digital platforms and technologies such as blockchain and artificial intelligence will simplify the issues and management of PBGs, hence increasing transparency and efficiency.

□□ The more globalized world and rising cross-border transactions will increase the demand for PBGs because organizations and businesses need financial guarantees to help reduce risks associated with international deals.

□□ The growth in construction and infrastructure projects, especially in emerging markets, will significantly boost demand for PBGs to secure funding for a project and ensure it is completed on time.

□□ The increased stringent regulatory requirements and need for compliance with international standards will be the drivers of PBGs, as they ensure financial security and compliance with the contractual terms.

#### Key Players Landscape and Outlook

Intense competition among major global banks and other financial institutions characterizes the PBG market, where each aim to increase its market share in developing and emerging regions. The competitive factors are market penetration strategy, diversified product offerings for sectors such as construction and international trade, and a strong emphasis on customer service to attract and retain more customers. The pricing strategy is also important; firms aim to be competitive yet profitable. A track record for reliability and trustworthiness must be built to secure long-term contracts.

Innovation is a strong growth driver in the PBG market, as many players are embracing digital transformation to streamline the issuance and management of guarantees. Technologies such as blockchain and artificial intelligence also enhance security and operational efficiency, while strategic partnerships with tech firms expand service offerings.

In November 2023, HSBC India launched Electronic Bank Guarantee (E-BG) services to facilitate the digitization of trade finance, becoming the first foreign bank in the country to offer this innovative facility. This initiative was made possible through a collaboration with National E-Governance Services Ltd (NeSL), aims to replace traditional paper-based bank guarantees with a more efficient digital solution. The E-BG service streamlines the guaranteed issuance process by incorporating electronic stamping and signing, significantly reducing the time required for processing from several days to just minutes.

In May 2023, the Bank of Baroda (BoB) announced the launch of an Electronic Bank Guarantee (e-BG) on its BarodaINSTA platform in partnership with National E-Governance Services Limited (NeSL), which offers a platform for the issuance of Inland BGs through

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electronic mode. In an e-BG, physical stamping is replaced by e-stamping by NeSL, preventing fraud.

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