

Key Payment Trends to Watch in 2025



The pandemic-charged digital transformation kicked payments into high gear. Once considered the sleepy side of an organization's back-office infrastructure, payments are entering a new era – one that is reflected in the trends for 2025.

Financial service providers that invest in the latest payments technology will benefit from a competitive advantage, enabling them to remain relevant in a rapidly changing market.

Here are the latest trends to watch as the new year unfolds.

1 There's no escaping generative AI

Generative AI (GenAI) is not just the latest buzzword – it's a buzzword with real bite that stands to dramatically transform the payments industry. With its ability to analyze and interpret high volumes of data, GenAI automates invoicing, streamlines payments processing, detects suspicious activity, and provides organizations with insight into customer behavior for a more personalized payment experience.

Organizations that leverage this emerging technology stand to gain operational efficiencies as well as benefit from new opportunities that sharpen their competitive edge.



GenAI has the potential to add **\$200-340 billion** in value annually to financial institutions² and deliver up to **30%** gross productivity increases in payments³

85% of IT executives plan to increase spending on AI/GenAI³

Benefits of GenAI

- Faster payment processing**
- Greater operational efficiency**
- Lower costs and fewer fees**
- Stronger fraud prevention**
- Higher customer satisfaction**

54% of IT executives expect cost savings from AI and GenAI⁵

75% of financial CEOs believe GenAI can provide a competitive advantage⁶

2 Embedded finance unlocks new payment opportunities

Hailed as the 'future of fintech,' embedded finance seamlessly integrates financial products and services into the non-financial applications and platforms that consumers use every day. In addition to payments, embedded finance can include everything from lending and investing products to payroll and cash management tools.

Traditional banks that build partnerships with digital service providers and small and medium-sized businesses will be well-positioned to capitalize on new revenue streams from embedded payments.

Embedded finance represents a growing market with a vast upside potential.

\$2.5t
Estimated global transaction value of embedded payments by **2028**⁷

\$384.8b
The global embedded-finance market is expected to reach by **2029**⁸

\$230b
Projected new revenue financial service providers can expect from embedded finance by **2025**⁹

\$92b
Estimated revenue uplift by **2025** for traditional banks from embedded finance offerings from SMEs¹⁰

But challenges remain

70% of banks find it difficult to integrate new payment products with legacy systems¹¹

3 Interoperability is more essential than ever

Interoperability doesn't sound as sexy as GenAI, but it is fundamental for faster transaction processing and efficient payment operations. Driven by APIs, interoperability enables systems and applications to talk to each other. It's what enables open banking (and the use of PISPs), facilitates real-time payments, drives embedded finance and delivers fast, seamless interactions for customers. Prioritizing interoperability will help banks compete with fintechs in today's digital-first landscape.

\$330b
Projected value of open banking payments transactions globally by 2027¹²

71% of banks believe interoperability is critical for faster payments¹³

Interoperability delivers cross-the-board benefits

- Supports embedded finance**
Enables seamless financial transactions across applications and platforms
- Boosts operational efficiency**
Eliminates barriers that add complexity, increase cost, and slow the flow of payments
- Facilitates instant payments**
Streamlines information sharing for fast transaction processing across real-time payment systems
- Enriches the customer experience**
Delivers frictionless, secure transactions regardless of payment preference
- Encourages competition**
Levels the playing field, opening the door for smaller organizations to enter the market

4 Customers Are Flocking to Alternative Payments

Digital wallets, buy now, pay later (BNPL), account-to-account (A2A)/pay-by-bank, and cryptocurrencies are some of the alternative payment methods rapidly gaining acceptance worldwide as consumers move away from cards, cash and checks.

Alternative payments enable businesses to meet the diverse needs of global customers and boost sales. By expanding access to financial products and services, alternative payment methods also drive financial inclusion for the unbanked and underbanked population.

The changing face of payments

Cash use continues to decline
20% (2021)¹⁴ to **11%** (2027)¹⁵
(share of global transaction value)

Use of digital wallets soars
49% (2021)¹⁵ to **61%** (2027)¹⁷
(share of global transaction value)



BNPL still popular but growth slows

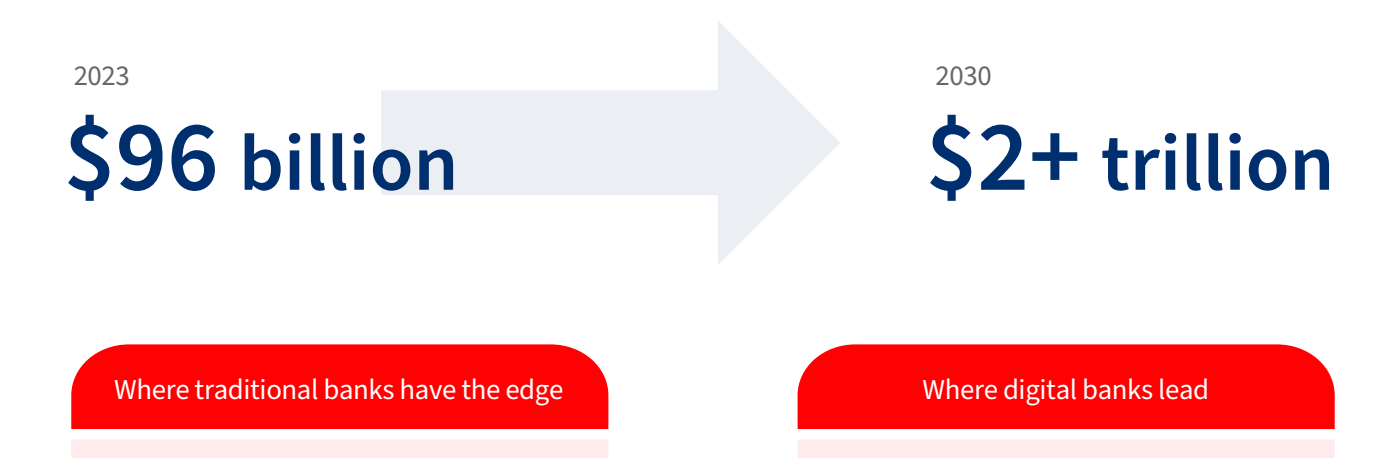
2019 **\$61b**
2021 **\$159b**
2023 **\$316b**
2025 **\$452b** (estimated)¹⁹

5 Neobanks continue to grow. Their presence is being felt by the market.

Neobanks – those all-digital banking and financial service providers – crept up on traditional banks by offering speed, convenience and a seamless customer-centric experience. And they delivered everything at a lower cost.

Legacy banks are feeling the pressure. They are upping their game by partnering with fintechs, adding APIs, lowering fees, expanding offerings through embedded finance, and leveraging AI and machine learning to personalize services. Maintaining this momentum is crucial for driving growth in 2025 and beyond.

The neobanking market worldwide is poised for explosive growth²⁰



Where traditional banks have the edge

- Customer trust
- Security
- Loyalty
- Regulatory compliance

Where digital banks lead

- Agility/modern technology
- Lower cost
- Seamless integration
- Greater personalization

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