TOP 10 FINTECH & PAYMENTS TRENDS 2024

JUNIPER RESEARCH

Contents

Introduction

As we look at the top fintech and payment trends for 2024, it is important to examine the wider context before we get into the specifics. It is clear that this is a market undergoing seismic changes – payment preferences and technologies are changing quickly in different markets, all across the world.

Key Drivers

These changes have a number of key drivers behind them:

- Economic Pressures: While some markets are seeing stronger growth, many countries are still experiencing strong inflation, which is contributing to a rapidly rising cost of living. This means that offering solutions to end users with the lowest costs is important. It also means that businesses are heavily rationalising their spending, meaning that merchants need to move to payment systems that reduce their fees while maintaining conversion rates.
- Accelerating Shift from Cards: There is increasing pressure to consciously reduce the primary role that cards have in payment systems, particularly within Europe, where regulators see reliance on international card networks as a structural weakness. There is also pressure to reduce costs for merchants, with card payments often proving costly in comparison to newer methods, such as instant payments. As such, many developments are related to alternative payment methods, and how to scale them.
- Need for Differentiation: One difficulty within payments is standing out from the crowd. Payments services have largely been commoditised, making it difficult for vendors to stand out and offer truly distinctive services that offer businesses an edge. As such, different trends are emerging that seek to create the ability to differentiate user experiences, and this will lead to more creative and innovative solutions being offered to market.

Ultimately, these three key drivers will lead to change and growth for the market, with the status quo no longer being an acceptable strategy.

Implications for Stakeholders

The changes and trends we foresee in 2024 will lead to a number of changes for stakeholders:

- Work on Best Market Fit, Not Innovation Above All: The fintech markets is moving into a phase where innovation for innovation's sake is no longer a viable strategy. Given the economic pressures, and the intense competition in almost all markets, fintech vendors must ensure that their solutions offer genuine progress on key pain points, rather than offering speculative gains. As funding from venture capital continues to be restricted, fintechs must prioritise practical solutions that address specific needs.
- Costs Must Be Prioritised: In the tricky economic climate, a focus on costs, and reducing costs for businesses must be a key priority for success. As such, we expect cost saving solutions to be a major theme across our trends, and an ongoing priority for key stakeholders.

About the Trends

The following trends are presented in the order of number 1 being most impactful, to number 10 being the least impactful. Fundamentally, we consider the top 5 trends to be the most significant over the next year, but all 10 will have major repercussions across the ecosystem.

If you want more information about the markets being discussed, you can find links to appropriate resources, including complimentary whitepapers, at the end of this document. You can also contact us via email at info@juniperresearch.com, where we can answer any questions you may have.

1. A2A Payments to Challenge Cards in eCommerce and for Funding Wallets

In developed markets, card-linked wallets are the norm, with services like Apple Pay and Google Pay driving digital wallets to greater popularity than ever. However, while these services have enabled strong changes in user behaviour, such as greater use of NFC (Near -field Communication) payments and use of wallets in eCommerce transactions, they are merely acting as a proxy to the card.

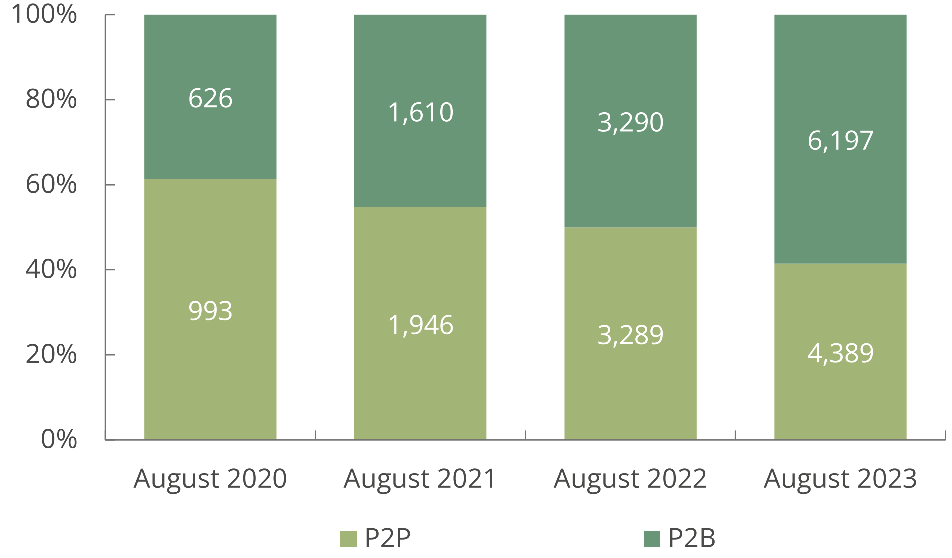
However, this is not necessarily the dominant model of digital wallet usage. In other markets, such as India, Brazil and China, the card plays a much less dominant role in digital wallets, with wallet transactions being broadly funded by A2A (Account-to-Account) payments.

The question then becomes, why would Western markets transition from a card-based model to an A2A one?

There are a number of reasons to predict that A2A payments will emerge as a major trend in 2024:

- The Rise of Open Banking: Open Banking is vitally important to A2A payments. By enabling permissioned access to bank accounts for third parties, Open Banking can provide the user interface and front end for linking instant payment schemes with digital wallets. These technical abilities are combined with strong growth being seen in Open Banking adoption. Indeed, in the UK, over one in nine Brits have now used Open Banking services, with 10.8 million Open Banking-initiated payments being made in August 2023.[1] As such, Open Banking can be a major accelerator of A2A payments.
- Instant Payment Scheme Growth: Instant payments systems are scaling quickly in many countries. UPI in India, PIX in Brazil and PromptPay in Thailand are three examples where real-time payments have scaled at a rapid pace. The growth of these systems, and some of their advantages versus existing payment schemes are important. Instant payments are fast, low cost and easy to reconcile; making them a strong choice. Also, in markets where instant payment schemes can be used for merchant transactions, we are witnessing a shift towards merchant payments as the more dominant payment type. The below figure demonstrates that UPI transaction volumes in India are shifting towards P2B (Person-to-Business) or merchant payments, showing the possibilities across different markets.

Figure 1: UPI Transaction Volume August 2020 - August 2023 (m), Proportion by Use Case



Source: NPCI

[1] https://www.openbanking.org.uk/news/open-banking-impact-report-october-2023/

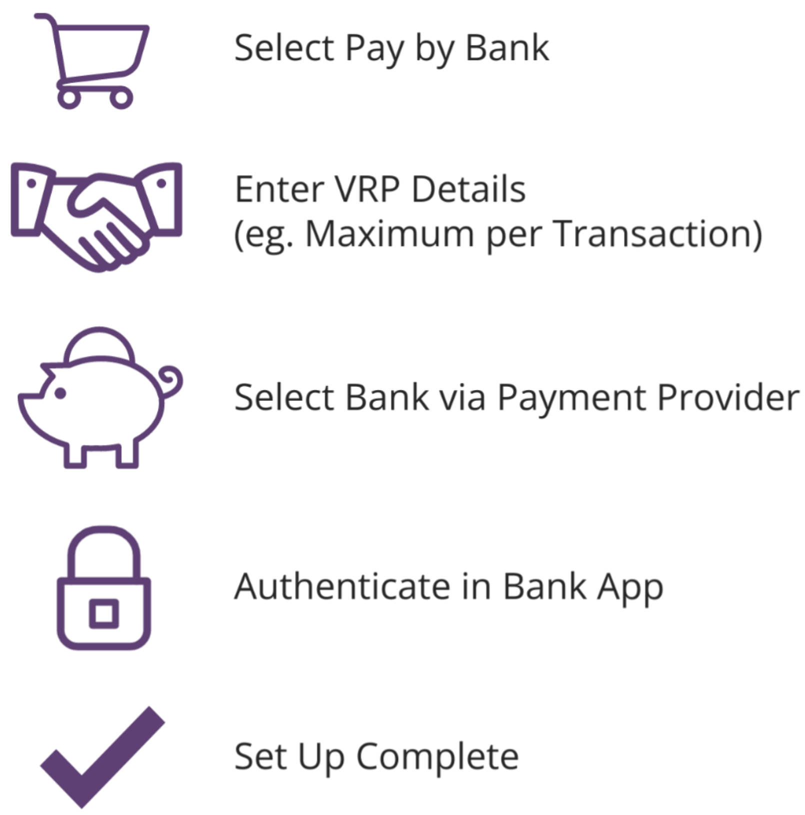
- Resistance to the Role of Card Networks: As previously mentioned, in Western markets, a defining feature of payment systems is the role of the payment card. However, particularly in Europe, the fact that these card schemes are owned and operated by American businesses is problematic to regulators, with this infringing on the perceived sovereignty European authorities have over their payment systems. As such, a coordinated shift to payments that run on locally owned and operated payment rails would be of major benefit.

While these are compelling drivers for A2A payments, there are further benefits which will catalyse this market in 2024. Primarily, merchants will prefer A2A payments for several reasons. The first is cost. The cost of acceptance for cards is much higher than for A2A payments, giving merchants a real incentive to redesign their checkout processes to increase the use of A2A payments. Second is speed, with instant payments enabling much faster settlement than card payments, allowing merchants to access funds much more quickly. Thirdly, users paying by bank using Open Banking will be verified by their own mobile banking app. This can help reduce fraud rates.

2024 will also be a major year due to the anticipated growth in VRPs (Variable Recurring Payments). VRPs are variable payments that can be set up by the user; allowing greater configurability and ease of use than traditional direct debit payments. As such, A2A payments are also highly suited to disrupting recurring payments in the longer term. VRPs are scheduled to be explored in greater depth by UK regulators in particular in 2024; setting the stage for further growth in A2A payments.

Ultimately, we see clear benefits and drivers for a transition to A2A payments within the eCommerce market. The conditions are right for a major transition within the European market in particular, and we expect this to be a major theme for payments in 2024.

Figure 2: VRP Customer Payments Flow



Source: Juniper Research

2. CBDC Use Cases to Emerge in Practice

In many ways, 2023 has been the year of the CBDC (Central Bank Digital Currency). CBDCs have been assessed and analysed in countless position papers, and evaluated in practice in many pilot schemes and tests. This has seen CBDCs become a major part of the agenda for regulators in many countries, as well as being actively used in a small number of deployments.

What these pilots have uncovered is that the fundamental prospects for CBDCs are strong. They meet a vital untapped need, creating a new payment system from scratch that is fit for purpose for digital transactions.

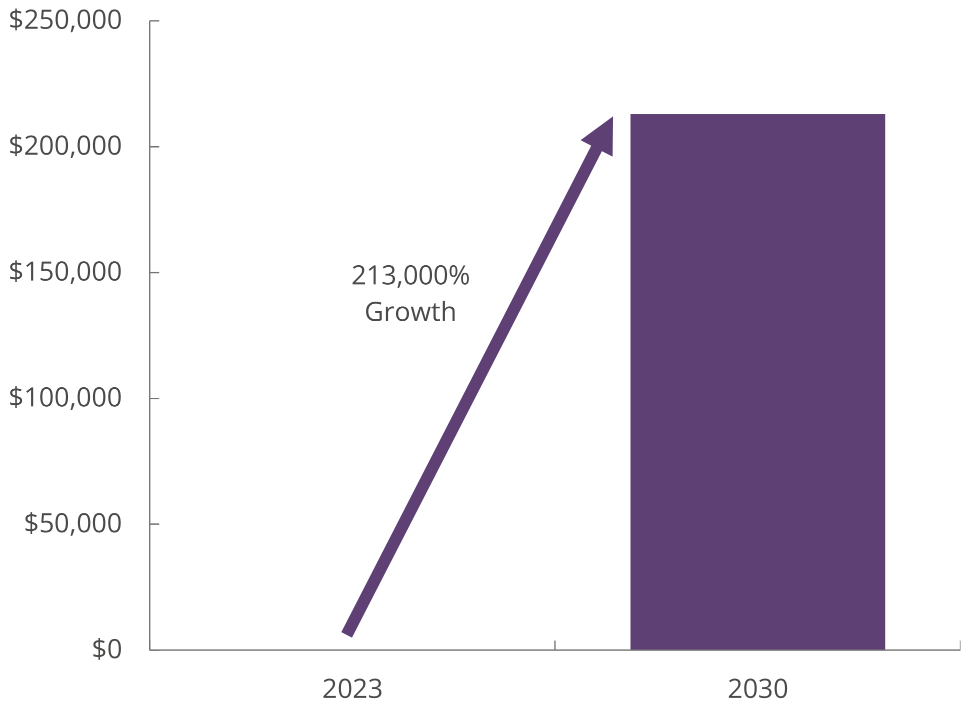
However, what has been lacking to date, and we will see in 2024, are the specific use cases that are significantly improved by the use of CBDCs. These use cases will emerge into the market and will be articulated by leading vendors and regulators, setting the stage for the next phase of CBDC deployments and growth.

While we have seen actual deployments of CBDCs in some markets, such as the Bahamas and Nigeria, the usage of these solutions in practice has been lacking, with interest in the systems not yet justifying the level of investment we have seen around the world in the concept of CBDCs.

However, we have still seen that momentum is growing. In October 2023, China's digital yuan was used to complete a cross-border payment within the international crude oil trade for the first time. This followed the news that the European Central Bank was moving into the preparation phase of its CBDC project, following a two-year investigation phase.

There are other reasons to be positive about CBDCs and their growth potential. Indeed, Juniper Research forecasts that by 2030, there will be $213 billion in spend via CBDCs, showing major growth.

Figure 3: Global CBDC Transaction Value ($m), 2023 & 2030



Source: Juniper Research

2024 will be the year where this strong growth begins to be seen in the market, as it begins to articulate the use cases that will drive CBDCs forwards. These use cases will primarily be:

- Cross-border Payments: Cross-border transactions have been difficult historically, with the slow speed of transactions, a lack of transparency and high costs proving to be challenging. CBDCs can reduce these challenges, with reciprocal arrangements between CBDCs likely to significantly reduce cross-border challenges.

- B2B Payments: B2B payments can be very challenging, with a lack of information and transparency making reconciliation a highly manual process. By utilising CBDCs in a B2B transaction, businesses will be able to much more easily reconcile transactions due to their B2B nature, improving efficiency and reducing cost.
- Financial Inclusion: Enabling access to financial services to those who lack access has been a challenge over many years, with many different approaches. By using CBDCs to issue currency directly to a user's digital wallet, this opens up many possibilities for bulk disbursement, such as in a humanitarian crisis.

As CBDCs move to their next stage, 2024 is the year that these use cases will be articulated and tested specifically, laying the framework for CBDCs to achieve their strong projected growth.

Figure 4: China Construction Bank's Digital Yuan CBDC App

Source: China Construction Bank

3. Generative AI in Banking to Transform Spending Insights

In the past year, it is difficult to name a more topical or higher-profile topic than that of generative AI. ChatGPT in particular has been a phenomenon, with many different sectors experimenting with and speculating around potential use cases. However, beyond the hype, it has been difficult to link the rise of generative AI to specific use cases where benefits will be seen.

Figure 5: Capabilities of Generative AI

Visual	Audio	Text
Image Generation	Voice Generation	Text Generation
Video Generation	Music Generation	Code Generation
Design Generation		

Source: Juniper Research

We believe that 2024 is the year when these use cases for generative AI will crystalise into specific benefits for lots of different verticals, but in particular for banks and financial institutions.

Given the scale of generative AI's capabilities, it is important to understand why there is so much potential, specifically in the banking sector.

Firstly, banking has a huge amount of data available to it. Data is the fuel that generative AI requires to work – without a sufficiently large dataset, generative AI will fail to deliver any useful outputs. As banking has a wealth of data, including transaction behaviour, account balances, spend categories etc, this opens up the possibility for generative AI to create useful content that can help to improve the customer relationship.

Secondly, banking has a major challenge: competition. Traditional banks face stiff challenges from digital-only banking brands, such N26, Monzo and Revolut. One thing that these digital-only brands tend to do much better than traditional banks is to provide a more compelling user experience, with more insights available to the end user as to their spending habits and the like. Given the fact that the most common banking services are free or low cost, banks are now competing on user experience as their biggest differentiator, which poses a major challenge to traditional banks, who have often struggled to provide a compelling user experience.

As such, any solution which can enable fast improvements to be made to the banking user experience will be highly advantageous to banking brands. This also taps into a major challenge that banks have faced over many years – offering effective personalisation.

The ideal scenario for banks has been clear for many years – offering a compelling and easy to use experience to users, which is tailored to each individual customer's needs and requirements. While this sounds simple in principle, achieving this in practice is very challenging. Banks have traditionally lacked technologies that can effectively personalise and recommend products, with siloed data being a major challenge.

However, as banks have been shifting their operations to the cloud, siloed data is not as much of a challenge; enabling the potential for generative AI and other tools to be used effectively.

In 2024, we believe that spending insights will be a key area that will be disrupted by the deployment of generative AI. This is for a number of reasons. Spending insights have typically been quite basic for some time, although they have improved. Standard KPIs will include spending amounts compared over time periods, spending at certain merchants compared, or spending separated into category of spend (such as food versus electronics). While these are useful in of themselves, they do not provide any information beyond the raw numbers typically, and they expect the user to make decisions themselves based on the information.

What is missing is a strong recommendation engine, that gives personalised recommendations to users based on their spending information and other data, recommending products that could be of benefit at the right time, with accuracy to each user's personal circumstances. Generative AI has the capabilities to power this user experience, by analysing data and providing accurate recommendations to users, improving the experience.

Ongoing pressure on banks in terms of competition and the emergence of generative AI means that in 2024 we will see major banks using the technology, but they will also be cautious of potential regulatory challenges around the use of generative AI in highly regulated sectors.

4. Digital Identity Adoption to Be Catalysed by Digital Wallet Integration

Digital identity is a key concept. While the introduction of Aadhar in India in 2009 that really set the stage for a wider debate and adoption of digital identity systems, but ever since, there has been an element of uncertainty around what form these digital identities would take, what technologies would be used, and what the adoption curve would look like in practice across different markets.

Regulatory developments have been important in setting the digital identity agenda. In June 2021, the European Commission published a proposal to amend the existing eIDAS (Electronic Identification and Trust Services) regulation, which would become known as eIDAS2. The proposal includes the concept of an EU ID Wallet (European Digital Identity Wallet) which allows users to store identity data, credentials and attributes linked to their identity, as well as regulating cross-border electronic identifications, unique identifications, and introducing electronic attestation of attributes. Another crucial point of the proposal is that it introduces new qualified trust services, such as remote qualified signature creation devices and electronic ledgers.

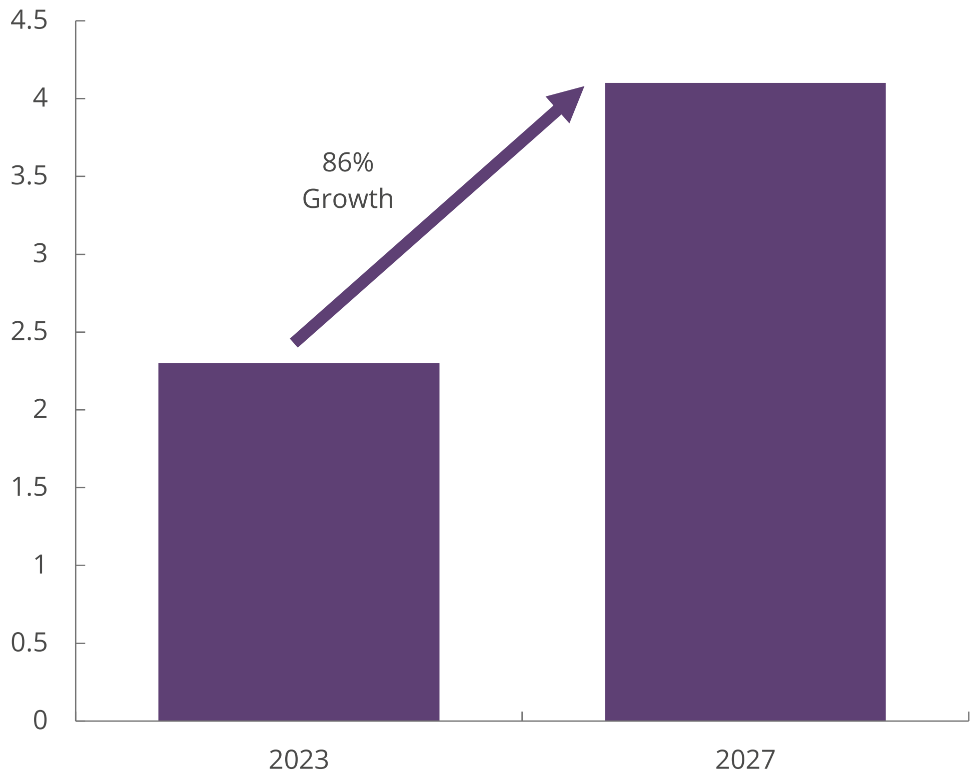
Although not achieving the anticipated customer uptake, the original eIDAS scheme led the way to the development of various identity verification and credential sharing offerings such as those employed in the Nordics, such as Norway's Bank ID solution, culminating in the proposed EU Digital Wallet.

While the timelines are unclear for full eIDAS2 implementation, it is highly likely that it will come into force in late 2023 or early 2024, kickstarting a major initiative by member countries to become compliant with the regulation.

Figure 6: European Digital Identity Wallet Concept

Source: European Commission

Figure 7: Digital Identity Apps in Service Globally (bn), 2023 & 2027



Source: Juniper Research

Ultimately, this development, and specifically its focus on a wallet-based solution, will catalyse rapid growth for digital wallet-based identity solutions. The EU is often a trend setter when it comes to major regulatory initiatives, with its GDPR (General Data Protection Regulation) leading to similar regulations being created across different markets. We expect eIDAS2 to have the same impact, moving the whole digital identity space closer to a wallet-based solution.

This move towards a wallet-based solution is already being seen in some ways. Apple's integration of digital driving licences within its Wallet app has already been seen in the US, and we expect other digital wallet services to follow a similar trajectory.

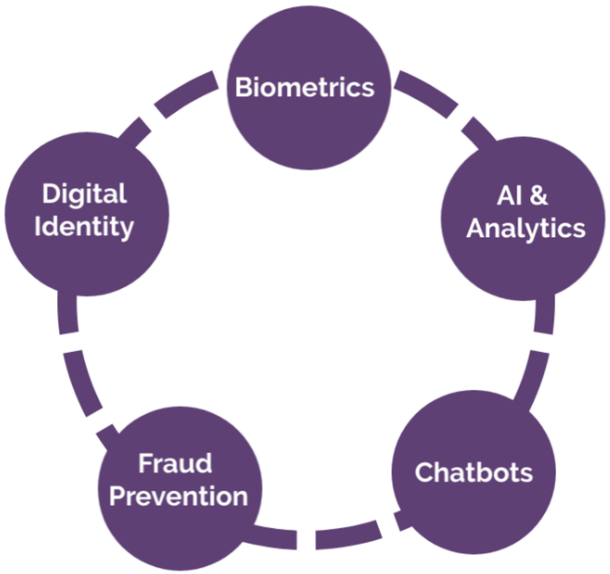
Within emerging markets, we expect mobile money apps to become an important way of storing identity credentials, as developing economies follow India's example and develop national identity systems in order to catalyse greater economic growth.

We expect digital identity vendors to focus on creating digital wallet-based solutions that are still flexible enough to meet national requirements as they emerge, leading to a significant acceleration in digital identity roll-outs in 2024 and beyond.

5. AML Tools to Better Leverage AI as Alternative Payments Complicate Compliance

Regulatory compliance remains an enormous challenge for banks, financial institutions and payments companies, given the highly regulated nature of the space. While regtech solutions have been introduced in recent years to help manage the compliance burden firms face, this has not kept pace with the challenges in the market.

Figure 8: Regtech Technological Approaches



Source: Juniper Research

Of the regulatory requirements in place, AML (Anti-money Laundering) can be one of the most complex. Financial institutions, banks, and other obligated entities must follow jurisdictional anti-money laundering and counter-terrorist financing laws, such as the US' BSA (Bank Secrecy Act), the UK's POCA (Proceeds of Crime Act), and the EU's AMLD (Anti-money Laundering Directives). In most jurisdictions, AML and CFT (Counter-financing Terrorism) legislations are developed in accordance with recommendations made by the FATF (Financial Action Task Force), an intergovernmental organisation that sets international standards for AML/CFT.

Accordingly, firms must determine their risk profile before developing and implementing an AML/CFT compliance solution. To implement risk-based AML, firms must collect and analyse a range of data to accurately identify their customers, understand their behaviour, and assess their legality. In the event that potential criminal activity is detected, firms must submit a SAR (Suspicious Activity Report) to the relevant authorities.

Banks, as mediators of millions of transactions every day, are responsible for several AML tasks; leading to a significant increase in personnel working in financial crime divisions, as well as investments in financial crime prevention systems. Global financial institutions face a huge challenge in fighting money laundering, and as criminal methods become more sophisticated, so must their AML measures.

AML and CFT can be made faster, cheaper, and more effective using new technologies. Modern AML requires firms to deal with vast amounts of complex customer data. Thus, many are turning to technology to detect money laundering activities and meet compliance requirements, such as AI and ML systems.

Through the use of these technologies, CDD and KYC processes can be simplified and enhanced, allowing organisations to automate otherwise complex and time-consuming compliance procedures to increase speed and efficiency. The use of AI in an AML compliance program represents a series of algorithms that control the digital measures put in place to detect money laundering (and other criminal activities). Using these algorithms, a variety of automated tasks can be performed to verify suspicious activity based on customer due diligence data, sanction screenings, and transaction monitoring inputs. The use of ML tools can help determine the level of money laundering risk posed by emerging customer behaviour.

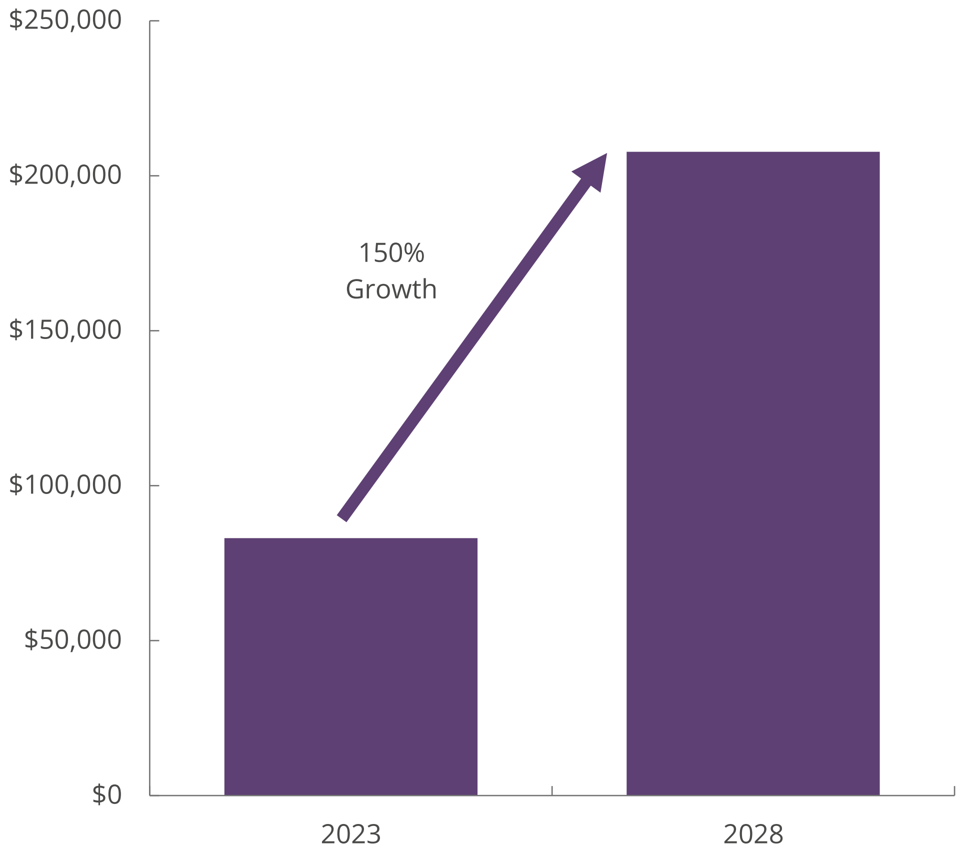
The promise of AI as an AML tool lies not only in its speed of performance compared to a human compliance officer, but also in its ability to adapt to new threats and money laundering methods through ML. By staying one step ahead of criminals, firms are able to quickly reposition themselves in different regulatory environments.

With the use of AI and ML methods, AML solutions are able to detect and prevent financial crimes. Because manual control methods are ineffective and time consuming, AML solutions based on AI and ML are increasing year by year.

The use of these solutions will be particularly noteworthy in 2024 and important for risk management, given the increases in the use of alternative payment methods. While present AML systems are designed around existing payment systems, such as cards, the rise of instant payments, digital wallets and even CBDCs threatens to overwhelm existing AML and other financial crime prevention systems.

As such, we expect AML vendors to focus on developing more advanced AI-powered systems in 2024, in order to keep pace with the rate of change in the payments mix. The growth will be central to regtech hitting its growth potential over the next few years.

Figure 9: Global Spend on Regtech ($m), 2023 & 2028



Source: Juniper Research

6. Sustainable Fintech Solutions to Emerge, as ESG Compliance Tops Agenda

Of all of the issues that have been topical within 2023, environmental and social concerns have been very high profile for a number of reasons. The climate crisis has seen a lot of different actions being taken, from protests to regulations. The cost-of-living crisis has exacerbated existing social divisions, creating a challenging environment for banks and financial institutions to operate in.

In this context, we are seeing more initiatives from technology vendors aimed at addressing these ESG (Environmental, Social and Governance) issues. The figure below illustrates some of the key developments we have seen in this space in the past few months.

Figure 10: Key FI ESG Initiatives

Source: Juniper Research

Many of these efforts are recent developments enabled by technology. For example, solutions for the visually impaired can include an audio-based confirmation of the transaction value being paid, using smartphone technology. Open Banking can be used to bring environmental impact data into the banking app, although this process relies on the availability of accurate environmental footprint data, which can be difficult to implement.

However, much of this technology is relatively well established, with cards using reduced levels of virgin plastic being a less recent development, and money management tools being an important part of what banks have offered for many years under PFM (Personal Financial Management) systems.

Instead, what 2024 will bring is the use of the initiatives in a joined-up fashion, to create deliberate ESG strategies at leading financial institutions. In a banking world that has been heavily commoditised and is highly competitive, any differentiator is highly valuable. We anticipate that FIs will leverage coordinated ESG initiatives as key differentiators, positioning themselves as the 'green' or 'sustainable' choice.

As such, we also expect in 2024 to hear much more widely about sustainability initiatives within fintech, with technology providers seeking to develop solutions that can be deployed at scale. The growth of Open Banking will support this; enabling greater analysis of data for elements such as sustainability.

One element that is unclear is if this will be an effective strategy for encouraging users to change which financial institution they use. In many markets, there have been lots of developments aimed at encouraging account switching, such as the Current Account Switching Service in the UK, but these have not seen massive use. Therefore, banks will have to work hard and coordinate ESG efforts effectively in order to attract customers.

7. FedNow to Fail to Match Instant Payments Success, but VAS to Flourish

In July 2023, the US Federal Reserve finally launched its long awaiting FedNow service, an instant payments system that is designed to modernise the payments infrastructure within the US market.

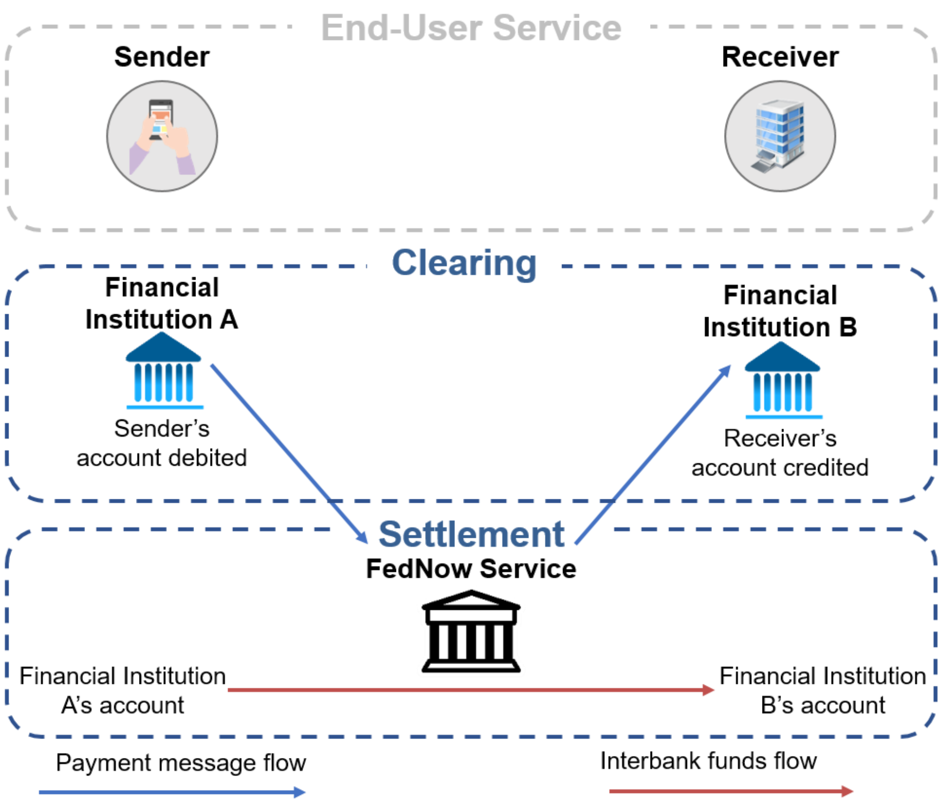
While FedNow has had strong early support from financial institutions within the US, we do not believe that FedNow will have the same transformative effect we have seen from real-time payments within other markets, such as India or Brazil. In those markets, much of the growth they saw was related to the digitisation of existing activities that were already occurring via cash. Where other digital payment methods were not available, UPI and PIX filled a vacuum and scaled very quickly.

The growth trajectory for FedNow will be quite different. While UPI and PIX were encouraged by regulators, and adoption in certain use cases was mandated, this is not the approach the US Federal Reserve has taken; opting to make the tools available and allow the market to scale at its own pace.

This does not mean that we believe FedNow will be a failure. Indeed, we believe that FedNow will eventually become a vital payments service within the US market, replacing several existing payment rails and improving efficiency within the US payments ecosystem.

What we do expect to see in 2024 is a lot of exploration of value-added services (VAS) that can be built on top of FedNow. By taking a market-led approach, the Federal Reserve has essentially created a toolbox for financial institutions to then create their own business models on top of this. As such, we expect to see lots of innovative value-added services emerging within 2024, with lots of different pilot schemes emerging from different financial institutions.

Figure 11: FedNow Service Functionality



Source: FedPayments Improvement

We do expect that there will be a lot of examination of how A2A payments can be used across different use cases, such as for wallet top-ups, embedded finance and B2B payments. It will be important for the Federal Reserve to stay engaged in this process, and create additional tools to enable further innovation as the system evolves.

8. Mobile Financial Services to Accelerate Transition to Banking Tech Services

When examining some of the most disruptive trends within the fintech and payments market, mobile money services are often overlooked – unjustly so. In fact, when examining how payments have evolved in emerging markets, mobile money has been the most disruptive trend in the last 10 years. The rise of providers such as M-PESA and MTN MoMo has been meteoric, with these platforms achieving growth that services in developed markets cannot match.

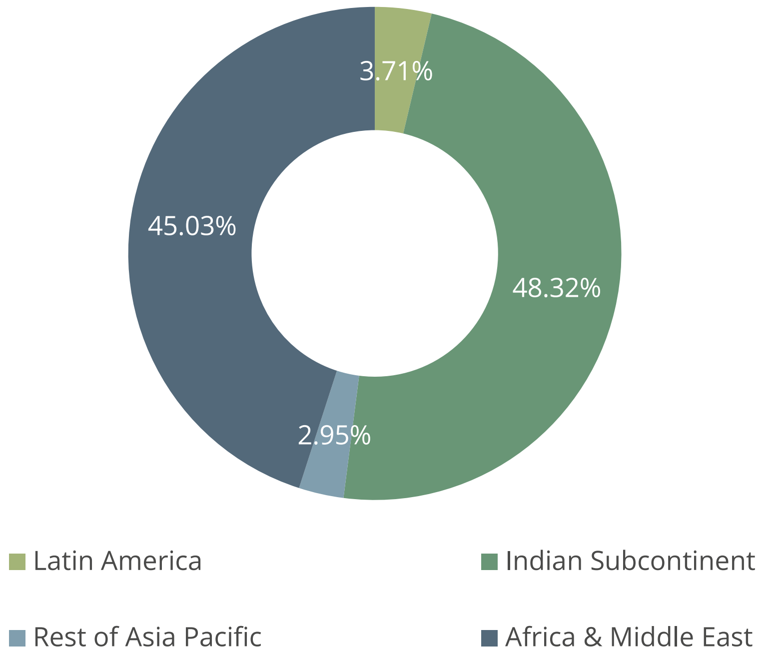
However, in 2024, we will see the very active market change again, with the focus shifting from P2P transactions to more advanced, banking-like services.

MFS (Mobile Financial Services) providers have had great success in migrating P2P traffic from cash to mobile money, gaining a huge amount of transaction volume in the process. However, this source of growth is slowing significantly, as P2P reaches saturation via this channel.

As such, MFS providers are searching for alternative sources of growth. This search has come at the right time, with smartphone penetration increasing quickly in emerging markets, offering the possibility of using app-based approaches to offer additional services, diversifying portfolios.

This is an important opportunity for MFS providers, given the weakness of traditional banks within many emerging markets. Since the MFS providers have wide agent networks, they have a scale and reach that cannot be matched via bank branch networks, giving them the ability to provide services that are local in nature.

Figure 12: Number of Users Making Sophisticated Microfinance Transactions in 2027 (m), Split by 4 Emerging Markets



Source: Juniper Research

As such, we believe that in 2024, we will see many MFS providers shifting their focus to more advanced services, leveraging the data they hold as MNOs (Mobile Network Operators) to offer more tailored services, using data analytics to make up for a lack of traditional credit scoring coverage.

This will see MFS providers announcing partnerships with banks, leveraging their capabilities to offer additional services, rather than directly competing with them, allowing MFS to enter a whole new stage of growth.

9. Biometric In-store Payments to Surge, as Checkout Innovation Rises

An important trend we see as having a major impact in 2024 is the increasing use of biometrics solutions for in-store payments. Recent years have seen continuous innovation within biometrics, which is evident across many different markets. This can be seen as the market really trying to understand what use cases work for biometrics, as the market has underperformed for some time in terms of actual deployments and market impact.

However, we forecast that in 2024, we will see significant strides towards the use of biometrics for in-store payments. One major reason for this is the developments we are seeing with Amazon One, a system launched by Amazon for in-store payments in 2020.

Amazon One, its biometric system featuring palm vein scanning, has seen major developments this year, which are moving the needle overall on the prospect of in-store biometric payments; including that this system is being rolled out to all Whole Foods stores by the end of 2023. It can also be leveraged for age verification and is expected to be rolled out at MLB stadiums for alcohol purchasing later in 2023.

While this is just one biometric system, the size and presence of Amazon means there will be a major catalysing effect on the whole market. In March 2023, for instance, JP Morgan launched a pilot scheme to test palm or facial recognition-based payments at selected retailers.

Biometrics make a huge amount of sense for in-store payments for a number of reasons. They can enhance the security level of the payment, reducing issues around fraud. Biometrics can also provide an excellent user experience – by reducing the user journey to merely picking up an item and scanning their palm, this removes several stages of the traditional checkout process, significantly lowering friction.

Indeed, this reduced friction approach to the checkout process is a necessary step for 'just walk out' checkout technologies, which are of great interest to retailers as they can reduce resourcing costs and increase efficiency.

However, biometric in-store payments do have challenges to overcome. The largest challenge is around privacy concerns. While biometrics are convenient for retailers, users can see these as a form of surveillance, potentially restricting user enthusiasm. The other major barrier is cost – deploying biometrics systems in every store for a large retailer will be a major financial commitment, and is unlikely to deliver a return on investment in the short-to-medium term.

This is where the Amazon effect comes in. By creating a standardised system which can be deployed at scale, Amazon has created a platform for cost challenges to be overcome. Overcoming privacy challenges will require more deployments and greater familiarisation of users with the ideas, but this will happen over time as solutions scale.

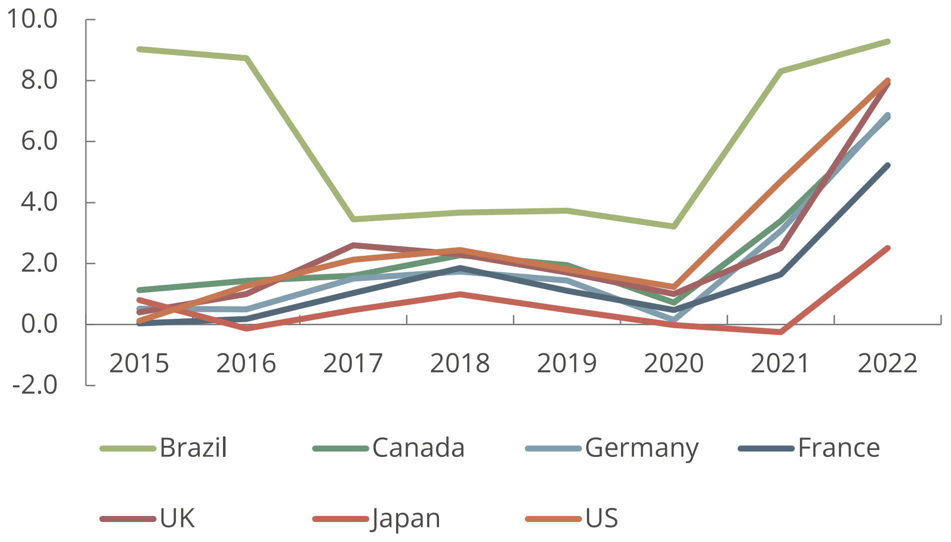
Fundamentally, 2024 will be the year where biometric payments become much closer to being mainstream, with Amazon & JPMorgan's support hanging the equation in this market which has been slow to scale.

10. B2B BNPL to Provide Critical Financing for SMEs

The recent months and years have unquestionably been difficult for businesses, with high inflation and resulting high interest rates creating difficulties for businesses of all sizes and sectors. This has resulted in low business confidence in many markets, with mixed economic fortunes around the world.

Ultimately, these factors have led to major challenges for SMEs in particular. SMEs have traditionally faced challenges in terms of access to finance, with SMEs being denied access to many of the financial tools larger businesses have, impacting upon business survivability.

Figure 13: CPI Inflation Year-on-Year Growth Rate in Selected Countries (%), 2015-2022



Source: OECD

In this context then, the SME finance market is underdeveloped, leaving open a significant market opportunity. In 2024, we increasingly expect BNPL (Buy Now Pay Later) to step into this gap and provide flexible credit options to smaller businesses.

We expect this to happen for a number of reasons. Looking at the BNPL market, it has seen a large degree of competition, with there being uncertain fortunes for many in the space over 2023. Fundamentally, the BNPL direct-to-consumer model has reached saturation in key markets very quickly, leading to financial pressures and the risk of consolidation.

However, there will be challenges to overcome to achieve this. B2B payments are complex compared to consumer payments, with lots of different accounting, ERP (Enterprise Resource Planning), CRM (Customer Relationship Management), AP (Accounts Payable) and AR (Accounts Receivable) systems on the market, which all can have an impact on how payments are made and received. As such, B2B BNPL players will need to target an entirely different set of vendors for partnerships, which will take time to scale.

Therefore, in 2024, we expect to see a significant expansion of B2B BNPL offerings targeting the SME market in particular, and a significant uptake of such solutions in the market, as SMEs look to better manage their own cashflow.

Summary

1. A2A Payments to Challenge Cards in eCommerce and for Funding Wallets	A2A payments will hit the mainstream, becoming an increasingly common challenger to card payments across eCommerce use cases.	Download our Complimentary Open Banking Whitepaper Visit our Open Banking Research
2. CBDC Use Cases to Emerge in Practice	Specific CBDC use cases will emerge in the market; enabling CBDCs to enter the next phase of growth.	Download our Complimentary CBDCs Whitepaper Visit our CBDCs & Stablecoins Research
3. Generative AI in Banking to Transform Spending Insights	Generative AI will find strong adoption and use cases within banking; enabling banks to offer a more personalised experience.	Download our Complimentary Open Banking Whitepaper Visit our Open Banking Research
4. Digital Identity Adoption to be Catalysed by Digital Wallet Integration	The impact of eIDAS2 and other market developments will inextricably link digital wallets and digital identity.	Download our Complimentary Digital Identity Whitepaper Visit our Digital Identity Research
5. AML Tools to Increasingly Leverage AI as Alternative Payments Complicate Compliance	As alternative payments become increasingly popular, AML tools will evolve rapidly to ensure compliance is maintained.	Download our Complimentary Regtech Whitepaper Visit our Regtech Research

6. Sustainable Fintech Solutions to Emerge, as ESG Compliance Moves to Top of Agenda	Fintechs will comprehensively address their ESG requirements, supported by new initiatives from service providers.	Download our Complimentary Payment Card Tech Whitepaper Visit our Payment Card Technologies Research
7. FedNow to Fail to Match Instant Payments Success, but Value-added Services Will Flourish	FedNow will not see the same growth trajectory as systems such as UPI and Pix, but will lead to important innovations.	Download our Complimentary Instant Payments Whitepaper Visit our Instant Payments Research
8. Mobile Financial Services to Accelerate Transition to Banking Tech Services	Mobile financial services will transition to more advanced banking services to reduce reliance on P2P transactions.	Download our Complimentary Mobile Money Whitepaper Visit our Mobile Money Research
9. Biometric In-store Payments to Surge, as Checkout Innovation Rises	Biometrics have the potential to revolutionise checkout experiences; catalysed by new innovation in the market.	Download our Complimentary POS Terminals Whitepaper Visit our POS Terminals Research
10. B2B BNPL to Provide Critical Financing for SMEs	BNPL has the potential to fill a major gap in the market, ensuring that SMEs have the access to financing that they need.	Download our Complimentary BNPL Whitepaper Visit our BNPL Research

JUNIPER RESEARCH

About Juniper Research

JUNIPER® RESEARCH

Juniper Research has been providing essential market intelligence to the fintech and payments industries for over two decades.

Whatever sector they work in, our clients – including many of the world's leading card networks, banks, and financial technology providers – benefit from actionable knowledge and insight; delivered by experienced industry experts, and backed up by robust and dependable forecasting models.

Our fintech and payments portfolio comprises 40+ reports; covering everything from established technologies such as Open Banking and eCommerce, to emerging technologies such as CBDCs and Banking-as-a-Platform.

This level of coverage, together with our industry-leading client support programme and quarterly forecast updates, means that no matter how fast the market moves, our clients never have to worry about being left behind.

For more information, contact Nick Mardell, VP of Sales:
nick.mardell@juniperresearch.com

Or visit our website at:
https://www.juniperresearch.com