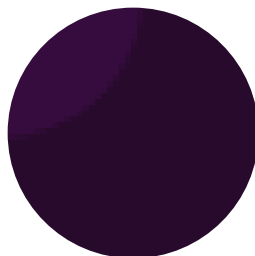
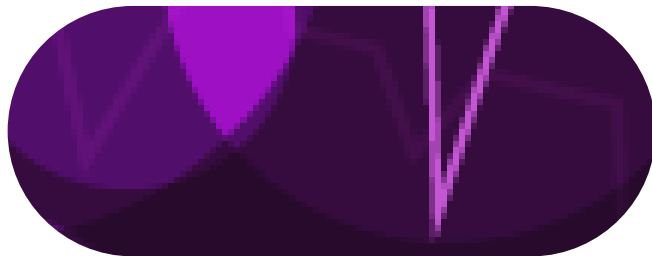
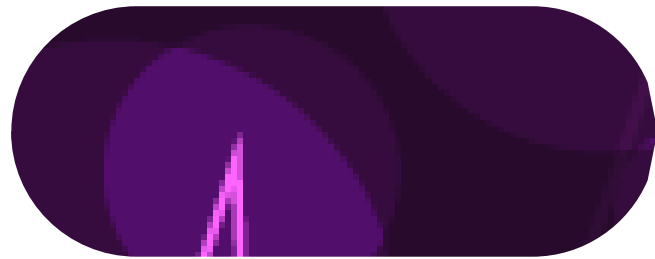
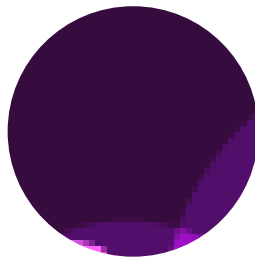


# AI's Breakthroughs: Driving Innovation in Payment Technology

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## Introduction – AI's Background in Payments and Recent Adoption

The emergence of Artificial Intelligence (AI) and Machine Learning (ML) now offers wide spectrum of innovative business applications for the Fintech industry and its sub-segments. AI is expected to account for [\\$15.7 trillion](#) in economic value across the global economy by 2030, with fintech being one of the significant sectors driving this growth.

Payment technology is a sub-set of the broader Fintech industry, which is an attractive market for AI to penetrate. [AI in fintech](#) is currently valued at \$9.2 billion in 2022 and is estimated to reach \$11.6 billion in 2023, growing at CAGR of 26.8% (vs [18.0%-20.0%](#) growth for overall fintech market during the same period). This growth is driven by the onset of commercialized Generative AI, which is scaling up as GenAI in Fintech is anticipated to exceed [\\$6.2 billion](#) in market value by 2032.

Companies in Payments vertical companies, like other industry incumbents, are adopting AI into their operations to streamline transactions, improve volumes, minimize errors, and strengthen security measures.

## AI-led Use Case Trends in Payment Technology



**Real-Time & Accurate Fraud Detection:** The [total spend](#) for digital wallets is expected to exceed \$10.0 trillion by 2025. As payment frauds are on a rise (almost simultaneously with payment volumes growth), there is an increasing need for scalable anti-fraud solutions that act as watchdogs for the infrastructure



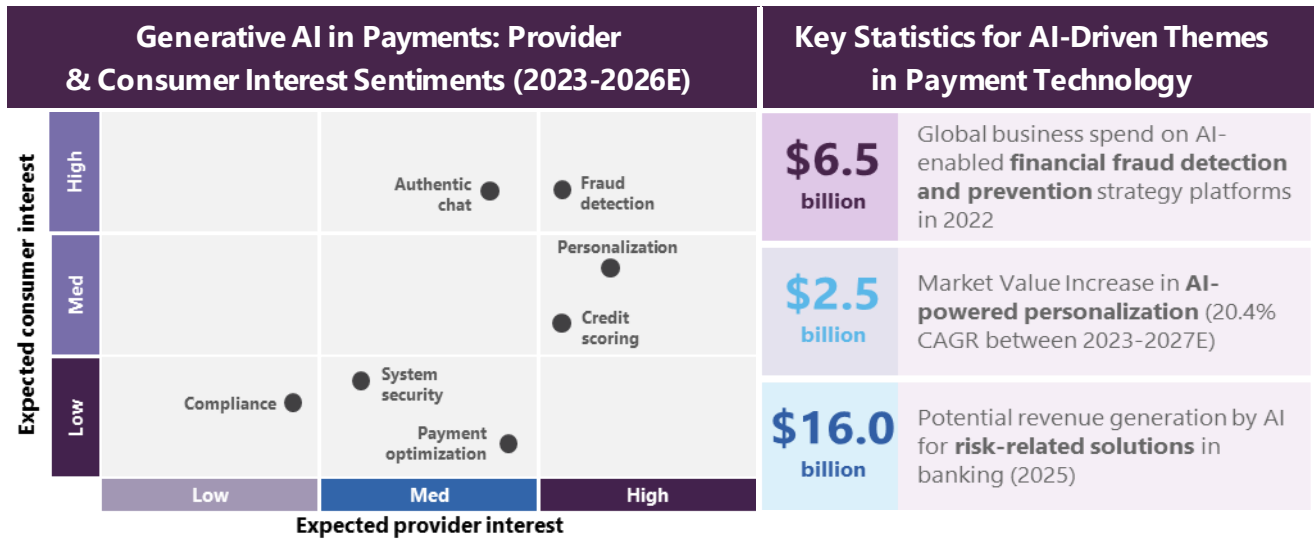
**Computer Vision-driven Retail Payments:** The concept of AI-powered stores is gaining momentum. Recognition sensors detect orders and charge them for the items without having to go through the traditional checkout process. For instance, tech companies such as Amazon are experimenting with the use of facial recognition systems to authorize payments, eventually replacing traditional credit cards



**Payment Processing:** By 2030, AI is anticipated to generate [\\$1.0 trillion](#) in savings for the banking industry. A key segment of banking technology is payments processing and the usage of data and AI in payments can facilitate ~80.0% reduction in processing time. Several AI startups are partnering with banks and card processors to offer payments processing optimization via automated and intelligent enrichment, routing, and repair



**Hyper-Personalization:** Payment Tech players are bringing a personalized approach to payments and lending. This facilitates a better overall view of their customers and a scope for tailored offerings that allow players to learn spending behavior as well. For instance, AI-based chatbots are being adopted by Pay Later (BNPL) providers to interact with customers, answer their questions, and help them with navigation and online purchases

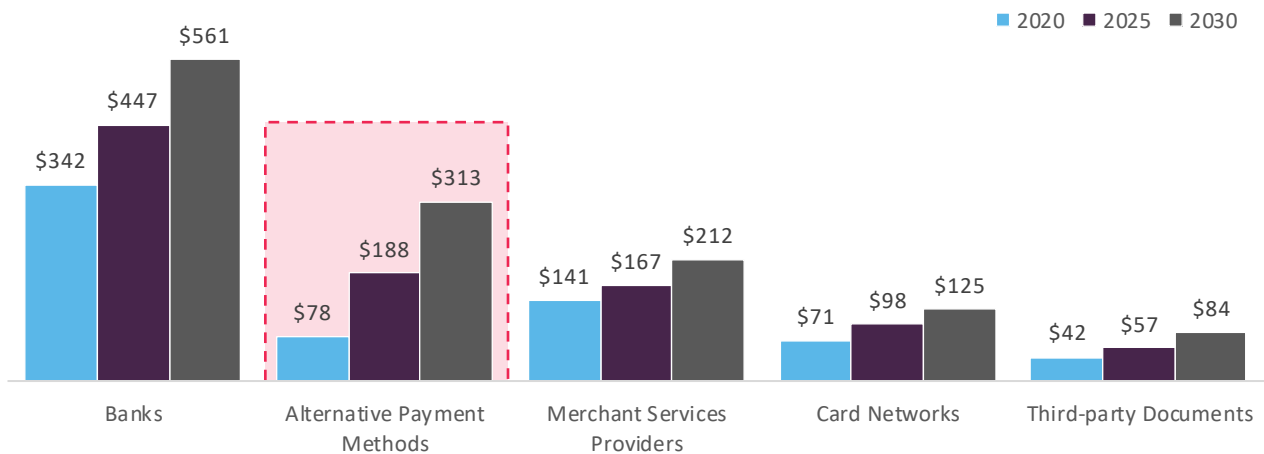


Sources: Business Insider, American Banker, and Startup Outlook India, Juniper Research, Technavio, Zipdo

### Future Outlook: Alternative Payments as the Mega-Trend

#### Changes in revenue pools from 2020 to 2030

Transactional revenue (\$ billion)



Source: PwC

Alternative payments have played a significant role this decade in transforming the Payment Tech landscape and are anticipated to further expand in usage by 2030, driven by massive shifts in consumer behavior and by advances in AI. For instance, all-purpose headsets are redefining desktops and smartphones as a unified virtual ecosystem, which might de-lever smartphone payments and open opportunities for voice and contactless payments on a larger scale.

Furthermore, text-based chatbots might get replaced by visual and verbal conversational AI, thereby increasing the focus on personalization rapidly. [Banking personalization](#) can currently reduce acquisition costs by ~50.0%, boost revenues by ~5.0%-15.0%, and increase the efficiency of marketing spend by ~10.0%-30.0%. As global digital payments volume grows, payment processors might face increasingly complex challenges in managing and securing such transactions, further enabling room for the AI crusade.

## Conclusion

To conclude, AI is strongly impacting the payments industry. AI-powered technologies are being used to automate processes, reduce costs, optimize transaction routing, and develop tailored products and services for banks, processors, Fintechs, and lenders equally. Since its utility has led to a more efficient, secure, and personalized payments experience for consumers, AI, in the long haul, is expected to play an even greater role in the payments industry. Alternative payments are becoming popular and traditional institutions are focusing on Generative AI and data processing as new avenues for growth. Although AI is currently focused on optimizing systems and structures in the payments domain, its value is majorly fixated on the expansively accessible data volumes that strengthen its accuracy and usage for different domains under the Payment Tech Industry.

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## Authors



### Gagandeep Singh

*Analyst – Investment Banking LoB*

Gagandeep has extensive experience of working in research, investment services, and investment banking and manages several deal execution engagements.

[gagandeep.singh4@evalueserve.com](mailto:gagandeep.singh4@evalueserve.com)

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