# pay 360

STATE OF THE INDUSTRY
SURVEY

IN ASSOCIATION WITH
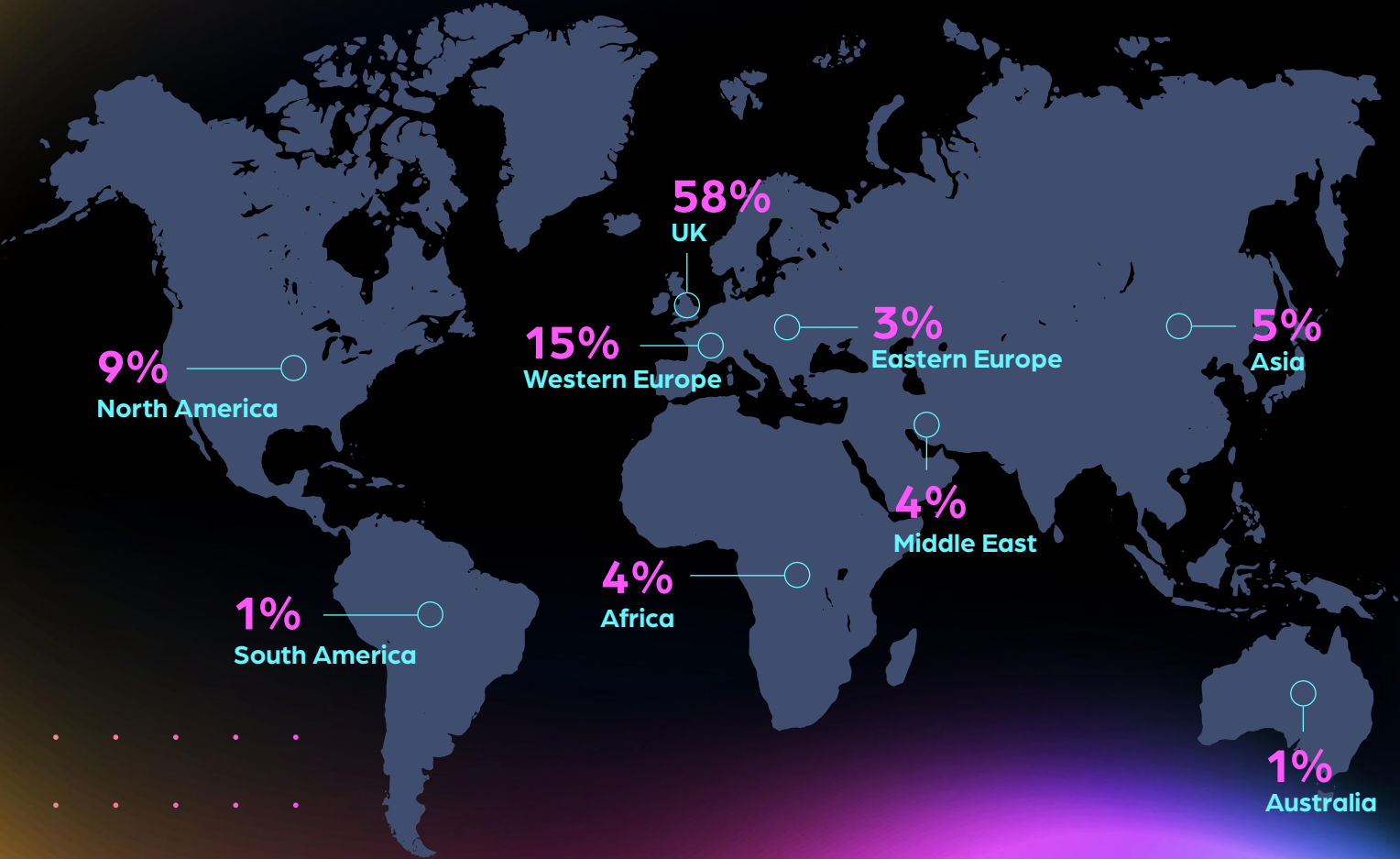
STRATEGIC PARTNER

SUPPORTED BY

NatWest

Department for Business & Trade

pa
the payments association

POWERED BY:

payments intelligence

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## Q1 Participant breakdown

**58%**
UK

**15%**
Western Europe

**3%**
Eastern Europe

**5%**
Asia

**9%**
North America

**4%**
Middle East

**4%**
Africa

**1%**
South America

**1%**
Australia

## Q2 Seniority of respondents

**58%**
C-level/VP/
Director

**42%**
Other

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## Q3 Industry breakdown

Professional Services to the Industry **23%**

Technology / Solution Providers **18%**

Banking / Account Providers **12%**

Card Industry **10%**

Cross-Border Payments **7%**

Non-Bank Financial Institution **7%**

Payments Industry Supplier **6%**

Government, Regulatory or Rules Body **4%**

Merchant **4%**

Open Banking **3%**

Financial Crime / Compliance Services **3%**

Digital Assets & Crypto **2%**

Gift & Loyalty **1%**

## Q4 Are you a Payments Association Member?

**33%** Yes

**67%** No

## Q5 Who is your customer?

**41%** MERCHANTS

**54%** BANKS

**30%** CONSUMERS

**51%** ENTERPRISES

**24%** OTHER
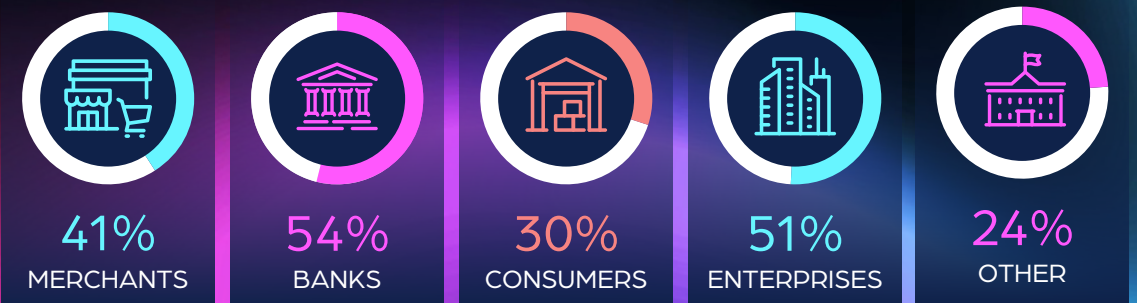
*(Survey takers were able to choose more than one option)*

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**Q6** **What do you see as the biggest challenge ahead for the payments sector?**

**28%**
Financial crime and cyber-security threats

**18%**
Compliance with new regulation and policy

**10%**
Keeping up with digital transformation

**9%**
Implementing new payment methods

**3%**
Wider/macro-economic downturns and shifts

**6%**
Understanding what the customer wants

**8%**
Streamlining backend infrastructure and processes

**11%**
Interoperability between different payment systems

**7%**
Other

**Q7** **Please share why you chose the answer**

" As digital payments increase, so do the risks associated with cyber-attacks and fraud. Ensuring secure transactions and protecting consumer data is a continually evolving challenge. "

" With AI and arrogance of controllers, security is a major concern. "

" **Constant need to adjust to new banking and card schemes.** "

" Financial crime and cyber threats just seem to be ever-evolving and increasing; it's difficult to judge what will happen next. "
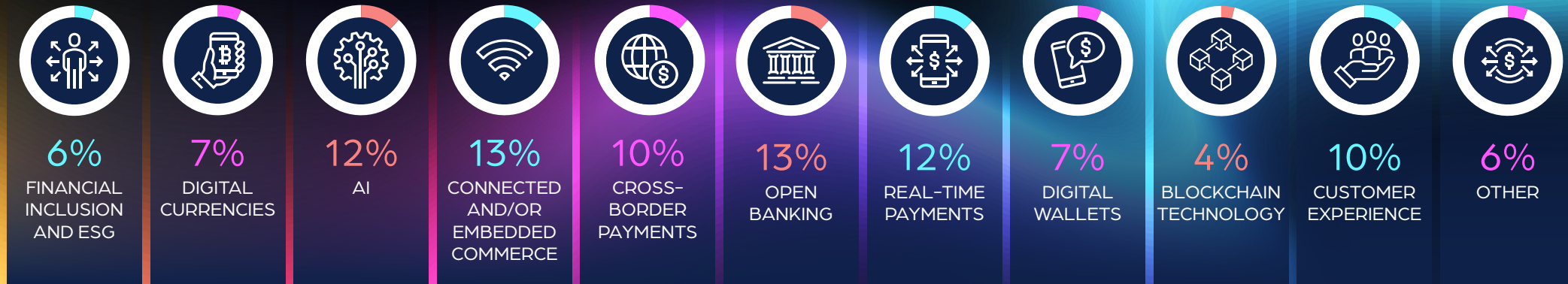
" With so much change in Europe with PSD2, and now PSD3/PSR/FiDA/EU Digital Identity Regulation, financial institutions must invest heavily in new technology and infrastructure. However, they must be able to realise an ROI (unlike PSD2); otherwise, they will not embrace and properly invest in future services and technology. "

" Economic downturns endanger retail and e-commerce turnover and threaten the ability to keep pace with technological change. "

" Payments companies are handling more data than ever but continue to deal with volume, complexity, and knowledge challenges — e.g., inability to reconcile due to problems with data accurately. "

" Everyone is extremely concerned about fraud because of the financial implications and the amount of time/effort that it consumes. Coming up with true solutions to authenticate the validity of consumers and payments is in the best interest of businesses, FIs, and consumers alike. "

**Q8** **Where is the biggest opportunity for the payments sector?**

| 6% FINANCIAL INCLUSION AND ESG | 7% DIGITAL CURRENCIES | 12% AI | 13% CONNECTED AND/OR EMBEDDED COMMERCE | 10% CROSS-BORDER PAYMENTS | 13% OPEN BANKING | 12% REAL-TIME PAYMENTS | 7% DIGITAL WALLETS | 4% BLOCKCHAIN TECHNOLOGY | 10% CUSTOMER EXPERIENCE | 6% OTHER |

**Q9** **Please share why you chose the above answer**

" As wallets gain new functionality in terms of digital identity, social networking, commerce, financial services, and payments, consumers in the UK will adopt (as consumers have done in most other countries in the world. "

" Embedded finance can bring more opportunities for payments industry through other non-financial players. "

" AI provides the biggest change for good to help improve and speed up the payment process. On the flip side, it also provides the biggest change for the bad, providing greater opportunities for criminals to commit crimes. Underestimating the impact and importance of AI, good and bad, would be a huge mistake. "

" With internet access becoming more reliable and reaching remote corners, there will be mass adoption of digital payments and wallets. "

" **Real-time payments significantly improve cash flow and treasury management for businesses that take advantage of this and provide better experiences for consumers.** "
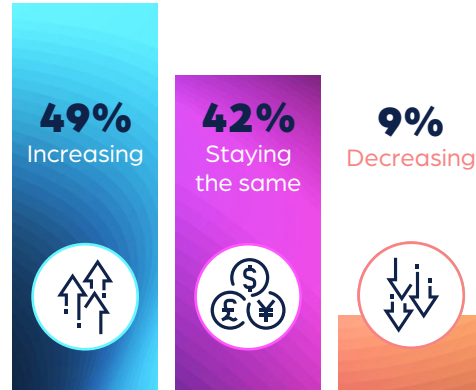
" **Digital wallets provide a solution for increased convenience with increased security at the same time.** "

" The optimisation of payments and retail or loyalty experiences represent a huge growth opportunity. "

" Open Banking, although immature in a Person to Business context, could potentially deliver dramatic savings on Interchange fees. "
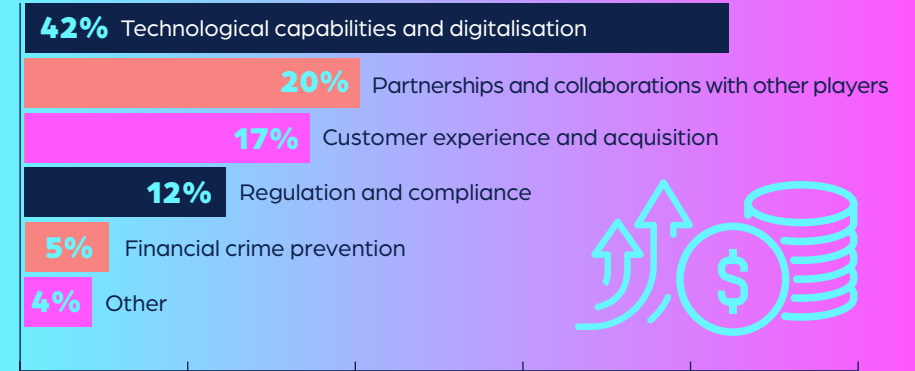
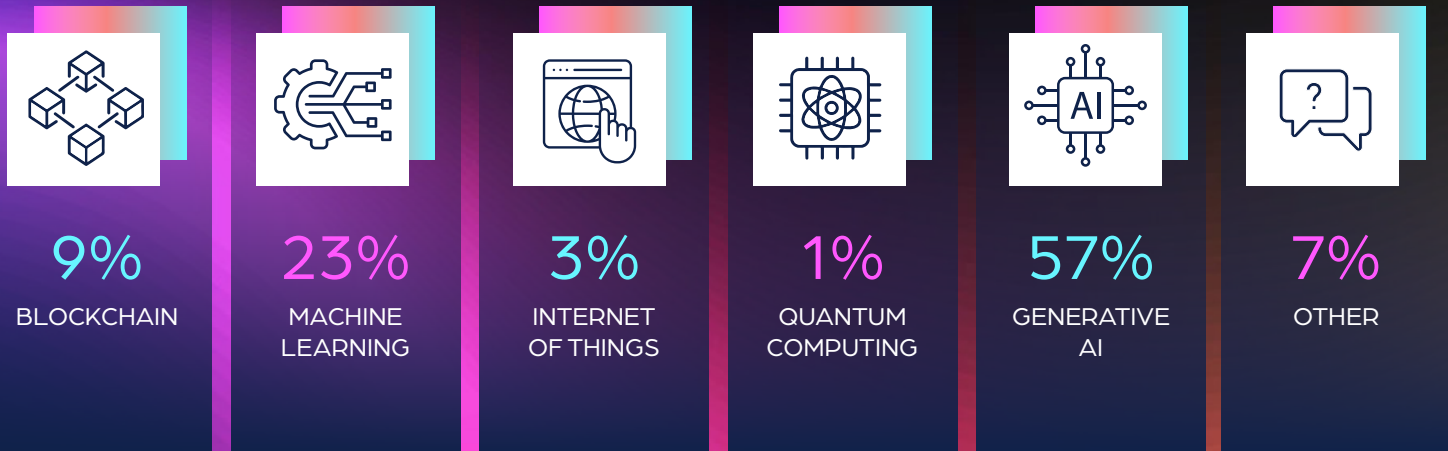**Q10** **What skills will be most important for the payments industry workforce in the next five years?**

**20%** Technical Skills

**16%** Cybersecurity

**12%** Regulatory Knowledge

**22%** Customer Experience Management

**17%** Data Analytics

**13%** Other

**Q11** **Do you see your budgets changing over the next 12 months?**

**49%** Increasing

**42%** Staying the same

**9%** Decreasing

**Q12** **What area will see the most investment from your business in the next 12–24 months?**

**42%** Technological capabilities and digitalisation

**20%** Partnerships and collaborations with other players

**17%** Customer experience and acquisition

**12%** Regulation and compliance

**5%** Financial crime prevention

**4%** Other

**Q13** **What emerging technologies is your company planning to adopt in the next 12–24 months?**

**9%** BLOCKCHAIN

**23%** MACHINE LEARNING

**3%** INTERNET OF THINGS

**1%** QUANTUM COMPUTING

**57%** GENERATIVE AI

**7%** OTHER

## Q14 Barriers to new implementations/improvements

**Cost/budgets**

| 1 | 2 | 3 | 4 | 5 | Average |
|---|---|---|---|---|---------|
| 7% | 10% | 27% | 34% | 22% | **3.54** |

**Scalability**

| 1 | 2 | 3 | 4 | 5 | Average |
|---|---|---|---|---|---------|
| 14% | 23% | 33% | 20% | 10% | **2.90** |

**Legacy infrastructure**

| 1 | 2 | 3 | 4 | 5 | Average |
|---|---|---|---|---|---------|
| 19% | 14% | 17% | 23% | 27% | **3.24** |

**Internal resource**

| 1 | 2 | 3 | 4 | 5 | Average |
|---|---|---|---|---|---------|
| 7% | 12% | 31% | 31% | 19% | **3.45** |

**Developing a business case**

| 1 | 2 | 3 | 4 | 5 | Average |
|---|---|---|---|---|---------|
| 25% | 28% | 24% | 16% | 7% | **2.51** |
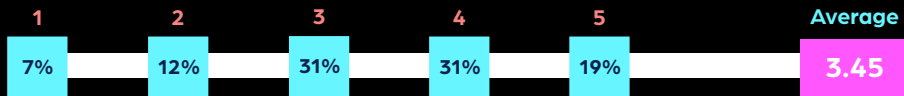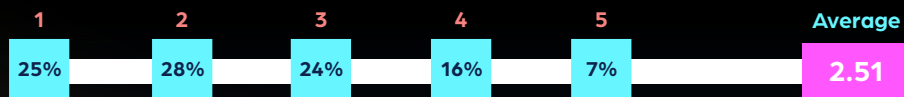
### 2024 Barriers to new implementations/improvements rankings:

1. Cost/Budgets
2. Internal Resource
3. Legacy Infrastructure
4. Scalability
5. Developing a Business Case
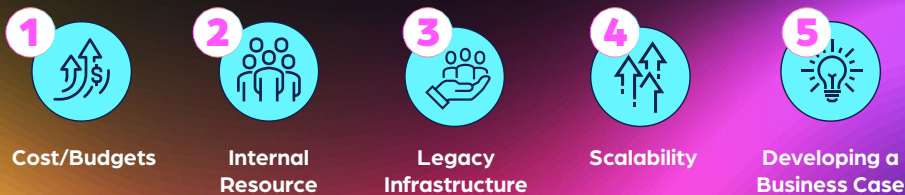
## Q15 What is your outlook on the state of the industry for the next 12 months?

**3%** Negative   **20%** Neutral   **60%** Positive   **17%** Very positive

## Q16 What can the vendor community do to help the payments industry over the next 12–24 months?

" Providing scalable, secure, cost–effective, and innovative solutions that address emerging threats and regulatory requirements, enhancing interoperability, and offering robust support and training. "

" Understand the customer needs and a business case for long–term profitability. Listen to their needs, create more seamless integration with payment services, and focus on customer–centric approaches. "

" Collaborate, be open to new ideas, and embrace them. Collaboration among partners is essential for payments to evolve and transform successfully. "

" Implement advanced security measures such as biometric authentication, encryption, and tokenisation to protect against fraud and data breaches. Provide regulatory compliance products which can be portable to the organisation. "

" Engage new technologies and match them to use cases. Vendors should incorporate AI into services to improve efficiency and embrace emerging technologies like blockchain for enhanced security and transparency. "

**Q16 Who are the organisations or individuals changing the industry right now?**

Over the next 12–24 months, the payments industry will be significantly shaped by advancements in AI and ML, enhancing fraud detection and compliance and increasing operational efficiency. Key organisations like Stripe, PayPal, and super–apps such as Alipay and WeChat Pay are leading innovations in real–time payments, blockchain integration, and digital wallets.

Central Banks designing CBDCs, Zolvat (soon), Stripe, Square/Block, PayPal, Revolut, N26, Alipay, Klarna.

Big digital have the scale to drive change and we are seeing that already. Companies like Stripe, Adyen, Visa, Mastercard.

**Open Banking Providers and Fintechs.**

PCI SSC, European regulators focusing on resilience issues, and compliance–focused entities like the FCA and PSR.

**Q17 Are there any other trends/challenges you would find useful to have more information on?**

**Real–Time Rails** – what is being developed and how the implementation is going to work for FIs and Companies is still not yet clearly communicated.

Advancements in fraud detection, DeFi, Crypto adoption, FinTech collaborations, AI in Customer Service andCompliance, Sustainability and business continuity in payments.

AI

**Yes, AI and Blockchain implementation. Trends and challenges in integrating these technologies into payment systems.**
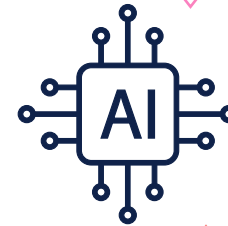
Global regulatory trends, including PSD3, APP Push Fraud, and cross–border payment regulations.

# 2023 vs 2024 findings

## 1. Challenges

- **Financial Crime and Cyber-Security:** The emphasis on financial crime and cyber-security threats increased from 21% to 28%.

- **Compliance:** Remained significant but decreased from 25% to 18%.

- **Digital Transformation:** Decreased from 14% to 10%.

- **Implementing New Payment Methods:** Increased from 13% to 9%.

## 2. Opportunities

- **Real-Time Payments:** 19% in 2023 and 12% in 2024.

- **Connected and Embedded Commerce:** 22% in 2023 and 13% in 2024.

- **Open Banking:** 15% in 2023 and 13% in 2024.

- **Digital Currencies:** 11% in 2023 and 6% in 2024.

## 3. Budget Changes

- **Increasing Budgets:** Slight decrease from 49% in 2023 to 49% in 2024.

- **Decreasing Budgets:** Improved from 17% to 9%.

- **Stable Budgets:** Increased from 34% to 42%.

## 4. Technological Investments

- **Technological Capabilities and Digitalisation:** 45% in 2023 and 42% in 2024.

- **Partnerships and Collaborations:** 28% in 2023 and 20% in 2024.

- **Customer Experience and Acquisition:** Increased from 11% in 2023 to 17% in 2024.

- **Regulation and Compliance:** Consistent at around 11% in both years.

## 4. Skills Needed

- **Technical Skills, Cybersecurity, and Data Analytics:** Specific percentages were provided for 2024 (20%, 16%, and 17% respectively).

## 6. Barriers to New Implementations/ Improvements

**2024 Rankings:**

- Cost/Budgets: **1**
- Internal Resource: **2**
- Legacy Infrastructure: **3**
- Scalability: **4**
- Developing a Business Case: **5**

**2023 Rankings:**

- Cost/Budgets: **1**
- Scalability: **2**
- Legacy Infrastructure: **3**
- Internal Resource: **4**
- Developing a Business Case: **5**

## 7. Outlook on the State of the Industry

- **Very Positive:** Decreased from 23% in 2023 to 17% in 2024.

- **Positive:** Slight increase from 56% in 2023 to 60% in 2024.

- **Neutral:** Increased from 18% in 2023 to 20% in 2024.

- **Negative:** Slight decrease from 3% in 2023 to 3% in 2024.

- **Very Negative:** Remained very low at around 0% in both years.

# Conclusion

**The comparison reveals that the payments industry continues to face similar challenges and opportunities from 2023 to 2024, with notable changes in focus areas. Financial crime and cybersecurity threats have become more prominent concerns, while compliance remains crucial but less pressing.**

The investment in technological capabilities and digitalisation remains high, with an increasing focus on customer experience. The barriers to new implementations have seen some changes, with cost/ budgets remaining the top barrier and internal resources now ranking higher as a significant barrier in 2024.

The overall industry outlook is predominantly positive, with slight adjustments in neutral and very positive sentiments.

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# payments intelligence

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