

Banks need a strategy to cash in on \$7T embedded finance opportunity

Article

The forecast: Embedded-finance-driven business lending will skyrocket in popularity to grow sixfold over the next five years, from \$200 million in 2021 to \$1.3 billion by 2026, according to research from Bain & Co and Bain Capital.

Data drilldown: The transaction value of embedded finance is projected to surge from \$2.6 trillion to \$7 trillion in the US by 2026, making up 10% of all US financial transactions,

according to the [report](#).

- **Revenue opportunities for software platforms and infrastructure providers linked to embedded offerings will more than double**, from \$22 billion in 2021 to \$51 billion in 2026.
- **By 2026, consumer payment transactions through embedded platforms will more than double**, reaching \$3.5 trillion and earning platforms and enablers \$21 billion in revenue.
- **B2B payments are expected to jump three-fold** to hit \$2.6 trillion by 2026.

US Adults Who Have Performed Select Embedded Finance Activities, Dec 2021

% of respondents

Used a service such as Apple Pay, Google Pay, or Shop Pay to make a payment

42%

Made investments or purchased cryptocurrency through a noninvestment app

23%

Sent a payment directly through a social media platform

23%

Used a buy now, pay later (BNPL) service to finance a purchase and repay it in installments

23%

Used/signed up for a co-branded credit card

20%

Bought something within a game/VR

19%

Purchased insurance for a product/service through the platform you bought it from

17%

████████████████████ 11%

Paid for something using a wearable device

████████████████████ 12%

Shopped at a "just walk out" store where there's no need for a checkout process

████████████████████ 11%

Ordered and paid for food from an app connected to your refrigerator

████████████████████ 10%

Paid for something using your car

████████████████████ 10%

Note: n=2,200; in the past six months

Source: Morning Consult, "The State of Consumer Banking & Payments Q1 2022," Jan 25, 2022

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What banks can do: Here's what lenders can do to capitalize on the massive opportunity presented by embedded finance.

- 1. Consider super apps:** Along with banking, embedded financial services include investing, insurance, and cryptocurrencies. Digital banks like **Revolut** that are attempting to build super apps have been using embedded finance to bolt on new services. Banks that don't wish to launch their own super app can plug into third-party equivalents via banking embedded finance.
- 2. Explore payments:** This is the most highly developed financial services segment for embedded finance. And it provides an ample opportunity for banks to cash in on B2B transactions, which Insider Intelligence forecasts will hit \$30.7 trillion this year in the US. More banks are considering expansion into payments, with 92% of financial institution (FI) executives saying they're innovating or plan to innovate embedded finance solutions for corporate payments, per a PYMNTS and FIS survey. This is part of the rationale behind **JPMorgan's** recent purchase of payments fintech **Renovite**.

3. **Assess fintech partnerships:** Banks should consider tie-ins with networks and developers at fintechs and consumer brands. This helps lenders grow in the embedded finance space without giving up their own branding, which remains visible to customers, such as when **Klarna**, **Afterpay**, and **Mastercard** display their logos to consumers buying products online. Banks and fintechs can also share data on users and their behavior, letting them create a more personalized customer experience.
4. **Seek out Big Tech tie-ins:** Partnerships with Big Tech firms could also give banks access to millions of customers to bolster their revenues. **Goldman Sachs** has partnered with Apple Card and Apple Pay Later to capitalize on the company's vast reach and loyal customer base.

Keep reading: Check out our [The Bank in 2025 report](#) for more on how embedded finance is changing the banking industry's dynamics.