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Banks can attract users and avoid $57B in costs if they upgrade payments tech now

Article

The trend: Financial institutions (FIs) will spend $57.1 billion on legacy payment systems by 2028, up 56% from 2022, according to IDC Financial Insights.
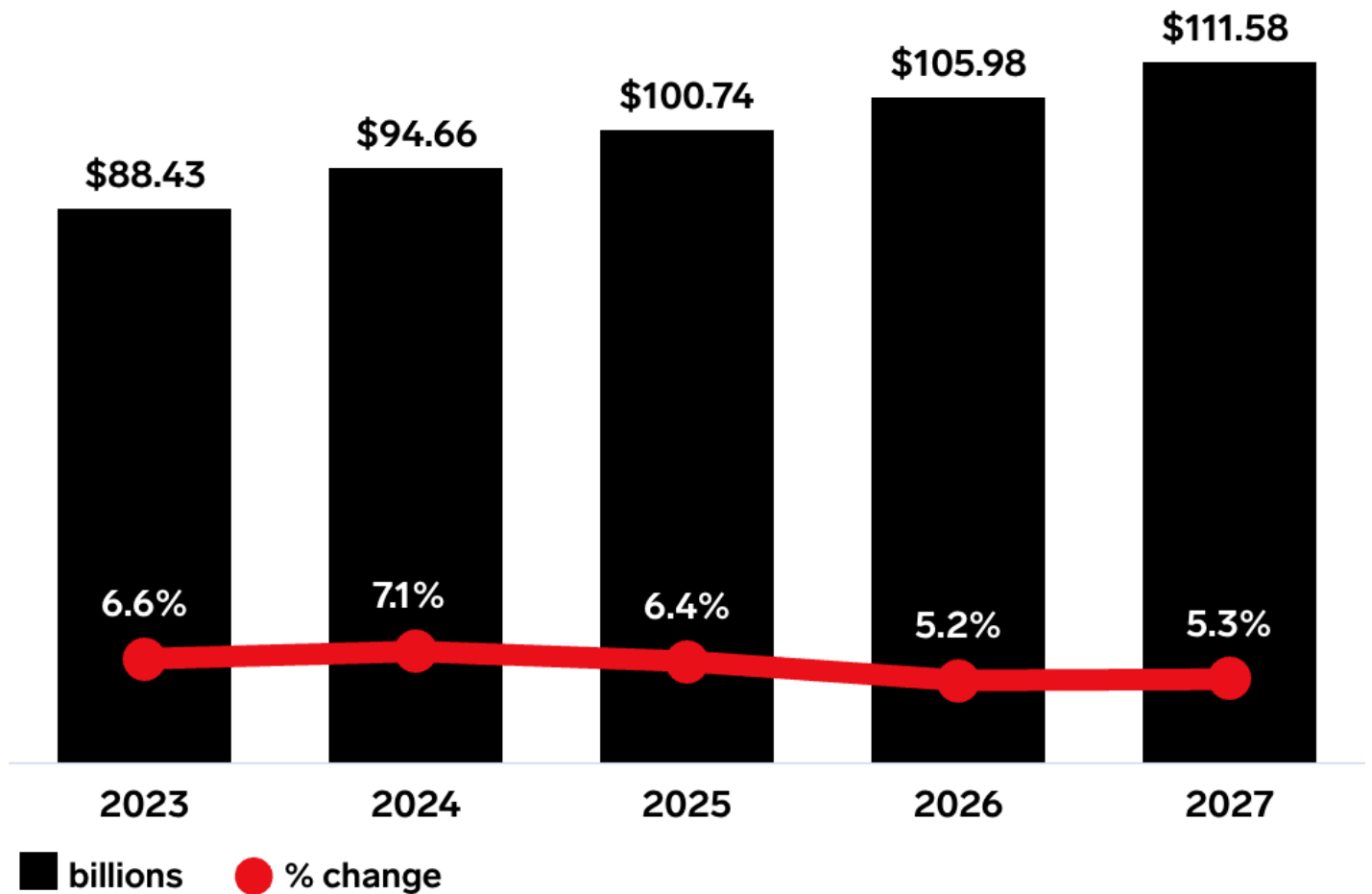
- [Outdated tech](#) holds back payments innovation at banks, particularly for cards and buy now, pay later (BNPL), IDC said.

- The cost to maintain legacy tech will grow by 7.8% annually, and the cost of delaying migration will also increase.

- The higher spending on updating systems will worsen budget constraints and technical debt.

- Areas of focus for banks to make improvements to their tech include real-time payments and payments as a service (PaaS), as well as upgrading to cloud-based systems.

The opportunities:

- **A profit boost.** Embracing new payment systems could help banks generate an extra **42% in payments-related revenues** and cut costs by up to 21%, per IDC.

- **More innovation.** Updating to new systems will free up banks to focus on payments innovation rather than firefighting problems with older tech. That could help them compete with nonbank payments and grow in segments where fintechs have had an edge. Expanding into BNPL, for example, could help attract younger users: **50.1% of Gen Zers will use BNPL by 2026**—the most of any generation, per [Insider Intelligence research](#). But flawed systems can prevent banks from integrating BNPL products.

- **Customer acquisition.** Banks can improve customer service and product quality if they adopt new payment systems. That will likely boost retention and should help attract new users who may have favored challenger banks' superior digital services. Strengthening loyalty will also make it easier for banks to cross-sell products like credit cards, banking services, and mortgages.

Total Banking IT/Technology Expenses
US, 2023-2027

Bar chart values (billions):
- 2023: $88.43
- 2024: $94.66
- 2025: $100.74
- 2026: $105.98
- 2027: $111.58

% change:
- 2023: 6.6%
- 2024: 7.1%
- 2025: 6.4%
- 2026: 5.2%
- 2027: 5.3%

■ billions   ● % change

Note: includes expenses by banks with FDIC-backed consumer and business expenses and savings accounts; expenses include core systems maintenance, modernization, innovation, transformative technology, data processing, equipment, software, digital initiatives, compliance and cyber security
Source: eMarketer, March 2023

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