

In line with the BaaS trend, Marqeta introduces seven new products

Article

The trend: Continuing the rush of big-name financial institutions entering the banking as a service (BaaS) space, global payments firm **Marqeta** added a [suite of BaaS products](#) to its

card-issuance platform, per FinExtra.

Becoming a bank: The seven products will be housed under the name **Marqeta for Banking** and will provide end-to-end banking services to its clients.

- The new features include demand deposit accounts, direct deposit with up to two days early pay, ACH with **Plaid** integration, cash loads and fee-free ATMs, with bill pay and instant funding capabilities entering beta testing next year.
- The service will operate via 40 banking-related APIs to allow customers to customize the banking services they wish to use.
- The platform is available in 40 countries.

Payments, meet banking: A sub-trend within the growing BaaS trend is the expansion of payments firms into the banking space.

- **Adyen** announced new BaaS products earlier this week, including checking accounts and small business loans. The firm's move into banking, however, will likely stop at technological infrastructure, as it said becoming a full-fledged bank would be too costly.
- **Block** (formerly Square) launched **Square Banking** last year after attaining a US banking license. The service provides business loans and deposit products to clients.
- Also last year, **PayPal** released a new version of its app that allows users to manage their entire financial lives in one place. The payments giant offers a high-yield savings account, early-access direct deposit, and bill pay features. This year, Insider Intelligence found that PayPal was the leading provider that US digital banking users trust the most.

Leading Providers US Digital Banking Users Would Trust Most to Provide Them with Banking Services, 2021 & 2022

% of respondents

	2022	2021
PayPal	42.2%	40.7%
Current primary bank** or credit union	41.9%	48.0%
Visa	32.8%	31.7%
Mastercard	20.3%	20.6%
Apple	19.2%	13.0%
Amazon	19.1%	23.3%
American Express	12.9%	16.0%
Venmo*	12.3%	-
Discover	12.0%	11.8%
Another traditional bank or credit union	9.9%	9.9%
Walmart*	7.0%	-
Microsoft	5.1%	6.0%
Another "digital-only" bank	3.1%	5.1%
Alphabet (Google)	2.9%	13.5%
Meta (Facebook)	2.2%	3.3%
TikTok*	1.5%	-
Klarna*	1.3%	-
Other	0.7%	0.8%
Uber	-	0.7%
Lyft	-	0.6%

Note: *newly added in 2022; **primary bank could include either a traditional bank or a digital-only bank

Source: Insider Intelligence, "US Banking Digital Trust Benchmark 2022," Aug 2022

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BaaS grows up: In the US, the BaaS market will reach over \$25 billion in annual revenues in 2026, according to Cornerstone Advisors. But we are seeing a rapid maturation of the technology occurring now.

- BaaS platforms were originally seen being offered by smaller banks as a way to differentiate themselves and generate revenue from new sources.
- But now bigger names are beginning to enter the BaaS space. This means the smaller firms have successfully proven the benefits of offering such products—but also that they've essentially removed the risks and uncertainties that surrounded the technology in the beginning. Big firms can now take a safe chance.
- With more big names in the game, the small banks that pioneered the technology will now find it harder to compete. But that might not be a bad thing: These banks will likely start a new wave of innovation to stay relevant.

Potential Benefits of Using a Banking-as-a-Service (BaaS) Model According to Banking Executives Worldwide, Dec 2020

% of respondents



Note: n=122; responses were rated as 5 or above on a scale of 1 to 7, with 1="no benefits" and 7="significant benefits"

Source: Capgemini, "World Retail Banking Report 2021" in collaboration with Efma, March 25, 2021

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The big takeaway: Expect to see more well-known FIs launch BaaS platforms over the next few months. With the proliferation of fintechs, neobanks, and other digital-native apps, the desire for these entities to embed financial products within their own platforms will keep demand for BaaS running high. But as these big providers start to push out their smaller competitors, keep an eye on what those competitors do next.

*This article originally appeared in Insider Intelligence's **Banking Innovation Briefing**—a daily recap of top stories reshaping the banking industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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