

**Press contact:**

*Fahd Pasha*

Tel.: +1 647 860 3777

E-mail: [Fahd.Pasha@capgemini.com](mailto:Fahd.Pasha@capgemini.com)

## **Banks face fallout as 40% of small and mid-sized merchant businesses eye shift to PayTechs**

- *Merchants face up to nine hours of downtime annually due to their current unreliable payment systems, increasing attractiveness of alternative PayTech<sup>1</sup> options*
- *PayTechs are winning the innovation race, with 60% adopting Gen AI across their operations, compared with 41% of banks*
- *Total worldwide non-cash transactions set to reach 3.5 trillion by 2029, led by rapid growth in Asia-Pacific region*

**Paris, September 25, 2025 – The [Capgemini](#) Research Institute's [World Payments Report 2026](#), published today, highlights mounting pressure on banks to modernize their merchant services in the face of competition from more agile PayTechs, those firms that have been created specifically to provide technology solutions that facilitate payments. Now in its 21<sup>st</sup> edition, the report finds that banks face an uphill battle, with satisfaction levels particularly low among small (15%) and mid-sized merchants (22%). Despite this, 66% of merchants still prefer traditional providers for their financial services needs representing a significant opportunity ahead.**

### **Banks risk losing relevance with merchants**

According to the new report, banks have deprioritized the merchant services business, citing margin compression, increasingly complex infrastructure, and hefty operational costs, so PayTechs have stepped in to fill the gap. While 70% of merchants value high payment success rates and reliable infrastructure in a digital-first environment, only 19% of banks feel confident in their own ability to deliver these services. Similarly, 69% of merchants demand fast and seamless onboarding, yet just 13% of banking executives believe their institutions are fully capable of delivering this service.

The report also highlights major challenges in bank onboarding of merchants, which can take up to seven days, with an average cost of up to \$496. PayTechs, by contrast, can enable merchants to go live in under 60 minutes for as little as \$214. This slow and cumbersome process costs merchants both revenue and patience, turning many into flight risks.

*"As many banks focus on the card issuing business over merchant acquisition, gaps have emerged in servicing merchants, enabling agile, digital-first competitors to win market share," said Jeroen Hölscher, Global Head of Payment Services at Capgemini. "With 40% of merchants on the move, the message is clear: banks risk falling out of the merchant ecosystem entirely. To recover, they need to eliminate the friction that costs merchants*

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<sup>1</sup> For the purposes of this study, "PayTechs" refers to companies that develop and provide solutions for processing payments, including mobile payments, contactless transactions, digital wallets and payment gateways. It covers Payment Service Providers (PSPs), Payment Facilitators (PayFacs) and Independent Software Vendors (ISVs) that provide built-in payment capabilities for specific business needs or industries.



*time and money, and embrace the possibilities offered by Generative AI. Those who act swiftly and put merchants at the center of their strategy will be best placed to compete with PayTechs in a new era of commerce."*

### **PayTechs winning the innovation race**

When it comes to the pace of innovation, PayTechs are outpacing banks, creating a significant disparity. For example, 70% of PayTechs have deployed payment orchestration – a critical enabler for the intelligent routing of transactions – compared to just 47% of banks. A further 41% of banks report adopting GenAI across their operations, compared with 60% of newer entrants. Likewise, PayTechs are shaping market expectations in line with regulatory shifts, with nearly half prioritizing Central Bank Digital Currencies and stablecoins, and 59% looking into digital identity frameworks, versus only 23% and 38% respectively of banks.

Gaps in fraud prevention and payment processing present another area for improvement. Only 26% of bank executives express confidence in offering advanced fraud prevention and data security. Merchants feel this strain acutely, reporting losses of about 2% of total revenue to payment fraud, and up to 9 hours of downtime annually due to unreliable systems.

### **New digital payments mix surges as cards lose share worldwide**

Over the past decade, global non-cash transactions have expanded fourfold, with nearly 90% occurring in retail and B2C environments. In 2024, volumes are estimated to have reached over 1.6 trillion, with projections suggesting they will exceed 3.5 trillion by 2029.

Globally, instant payments and digital wallets are gaining influence across the payment mix, rising from 13% in 2020 to 25% in 2024. In contrast, the share of cards across the payments mix is expected to decline from 65% to 52% during the same period, even as the total number of card transactions continues to grow.

Asia-Pacific led the surge recording nearly 800 billion digital transactions in 2024, with an expected 21% year-over-year growth in 2025. In contrast, North America recorded approximately 256 billion digital transactions in 2024 with slower growth (7%) projected for the coming year, as cards continue to dominate the payment mix.

### **Banks must seize the opportunity**

The combination of rising transaction volumes in e-commerce, combined with stickiness of the payments business, position merchant servicing as a prime opportunity for banks to deepen ties beyond processing. Banks can leverage their unique strengths, including deep trust and power of working capital, built over generations to win back business. Specifically, merchants cite banks' strong brand reputation (78%), perceived stability and long-term presence in the market (49%), and broader suite of financial products (46%) compared to PayTechs.

Merchants appear willing to switch back to traditional providers if banks and payment providers can offer embedded, industry-specific value-added services such as smooth integration with food delivery platforms for restaurants or seamless loyalty programs for retailers. Eight in ten merchants also say they would consider switching to a bank if it could offer all the services of a PayTech at the same cost.

Read the full report: [The \(not-so\) silent takeover](#)



## **Report Methodology**

The World Payments Report 2026 draws on insights from two primary sources – the global payment executive survey 2025 and the global Merchant surveys and interviews 2025. These primary research sources cover insights from 15 markets: Australia, Brazil, Canada, France, Germany, Hong Kong, India, Italy, the Netherlands, Poland, Singapore, Spain, Sweden, the UK, and the United States. The 2025 global merchant survey questioned 2,600 merchants across small (revenue up to \$1mn), medium (revenue \$1mn– \$100mn) and large (revenue > \$100mn). The 2025 global payment executive surveys and interviews included over 420 participants and more than 65 focused interviews with senior payment executives from leading banks and PayTech players, including Traditional PSPs, New Age players, PayFacs, and ISVs across the Americas, Europe, and Asia-Pacific.

## **About Capgemini**

Capgemini is a global business and technology transformation partner, helping organizations to accelerate their dual transition to a digital and sustainable world, while creating tangible impact for enterprises and society. It is a responsible and diverse group of 350,000 team members in more than 50 countries. With its strong over 55-year heritage, Capgemini is trusted by its clients to unlock the value of technology to address the entire breadth of their business needs. It delivers end-to-end services and solutions leveraging strengths from strategy and design to engineering, all fueled by its market leading capabilities in AI, cloud and data, combined with its deep industry expertise and partner ecosystem. The Group reported 2024 global revenues of €22.1 billion.

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## **About the Capgemini Research Institute**

The Capgemini Research Institute is Capgemini's in-house think-tank on all things digital and their impact across industries. It is the publisher of Capgemini's flagship World Report Series, which has been running for over 28 years, with dedicated thought leadership on Financial Services focussing on digitalization, innovation, technology and business trends that affect banks, wealth management firms, and insurers across the globe.

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