



Feel good about payments

# Innovation Insights

## **The Cloud: Core of banking innovation in 2025**

January, 2025

Innovation  
Insights

As we step into the new year, the payment industry is as usual subject to a plethora of reports and discussions, summarizing the main innovations and trends that have shaped 2024 but also foreseeing the ones that will make 2025. Technologies like account-to-account payments, BNPL, and digital wallets have transformed banking. However, to deliver these at scale while ensuring seamless card management and payment processing, cloud-based infrastructures are the cornerstone.

## The why: The payment & banking consumption shift

According to the Bank Administration Institute (BAI), banking services and product consumption will increasingly shift to digital channels. By 2026, 65% of consumers are expected to conduct at least 65% of their transactions and interactions digitally. Mobile devices (27%), online platforms (26%), and ATMs (12%) will dominate, while human interaction will drop to just 20%.

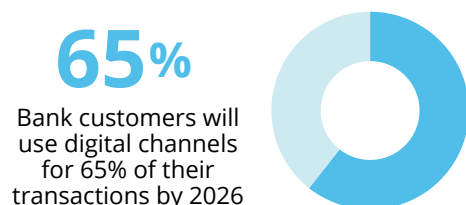
These trends emphasize that digital banking is no longer optional. Banks must meet high standards of security, scalability, user experience, and resilience to compete. For Millennials and Gen Z, digital banking will be central to their financial activities. By 2030, these generations are predicted to interact with their financial institutions up to 73 times per month—more than twice a day on average. Digital banking isn't just about convenience; it's about enabling seamless payments, budgeting tools, and even credit card applications.

This shift highlights a deeper truth: banking is not merely about providing functional products; it's about delivering exceptional user experiences, adapting to evolving expectations, and achieving scalability to serve a growing, dynamic customer base. With digital payments now pervasive—used for grocery shopping, e-commerce, peer-to-peer transactions, and even splitting rides or meals—digital-first banking has become the foundation of modern financial services.

## Consumers' projected channel usage in 2026

35% HUMAN			65% DIGITAL		
Branch	Drive-up	Contact Center	Mobile	Online	ATM
20%	10%	5%	27%	26%	12%
3	5	6	1	2	4

Surveyed consumers across all generations ranked their expected preferred means for bank transactions in the next few years.



Source: *Bank Administration Institute*

Long story short, Digital banking is not a nice to have or a cool feature to satisfy younger generations no more. **Digital banking is Banking.**

## The How: The much-needed tech & process update

To thrive in this digital era, financial institutions must excel in three critical areas:

**1 . Business Model Innovation:** Banks that embrace digital-first business models are better equipped to address shifting customer expectations and complexities. As Infosys's CEO states, these institutions are positioned to lead.

**2 . Scalability:** Innovation must be supported by infrastructure capable of handling a growing user base. High uptime, seamless deployment, and robust quality assurance are non-negotiable.

**3 . Rapid Value Delivery:** Non-incumbent players often drive innovation, forcing traditional banks to act swiftly. Per Jim Marous, "Size no longer dictates innovation maturity." Speed and strategic investment are essential to stay competitive.

This relentless need for innovation calls for the right infrastructure.

Cloud banking has emerged as the cornerstone of this transformation. The 2024 Innovation in Retail Banking Report by Infosys highlights that transitioning to cloud-based systems can enable a digital-first business model, enhance customer engagement by over 90%, and reduce cost-to-income ratios by up to 50%. By leveraging cloud technology, financial institutions gain the agility, speed, and efficiency needed to innovate and scale effectively.

### 1 . Digital-native Tech adoption:

According to the Infosys report, 85% of banking executives believe AI will redefine financial services. However, AI thrives on data—vast amounts of it. On-premises infrastructures simply cannot keep up without continuous upgrades and expansions. Beyond AI, other critical innovations like cybersecurity, embedded banking, and API development also demand a digital-first approach, making cloud adoption indispensable.

**2 . Agility and Speed:** Cloud computing empowers financial institutions with unparalleled agility. Faster deployment cycles and seamless updates enable banks to innovate rapidly and bring new services to market faster than traditional mainframe systems. In a competitive financial landscape, where adaptation speed defines success, this agility is a game-changer.

### 3 . Operational Efficiency:

By transitioning to the cloud, financial institutions can refocus on their core business operations instead of being bogged down by hardware and software maintenance. This shift simplifies IT resource management, allowing teams to dedicate more time to strategic, value-added activities. Additionally, the high operational costs of mainframe systems—including hardware, specialized personnel, and power consumption—are drastically reduced. Cloud computing’s pay-as-you-go model ensures cost efficiency, enabling banks to optimize resources while scaling effortlessly.

## The payment use-case

Per below table, Payments is one of the top two banking application where Public Cloud and SaaS infrastructure is most preferred given, on one hand, the growing competition with smaller fintechs, far more agile and innovative, and on the other, the growing expectation from end-client for seamless,

fast and frictionless technologies, thus calling for a back-office infrastructure upgrade. Payments, particularly card management, lead the way in cloud adoption. SaaS infrastructure provides banks with significant advantages:

### 1 . Business Growth Acceleration:

Cloud-native card platforms empower banks to issue and manage cards in minutes, rivaling fintechs in agility while maintaining operational resilience.

**2 . Cost Savings:** Migrating to the cloud reduces operational and capital expenditures. By decommissioning legacy systems, banks can focus on optimizing operations while paying only for the IT resources they use.

**3 . Enhanced Security:** Public cloud platforms are PCI-DSS certified, offering cutting-edge encryption standards and ensuring real-time adherence to evolving regulatory requirements.

## Cloud Adoption: current Adoption Rates Across Key Banking Applications

	Private cloud	Public cloud	SaaS	Hybrid	Yet to adopt
Core banking	43%	5.80%	8.30%	16.50%	<b>26.40%</b>
Data lake, analytics, and AI	35.70%	8.70%	6.10%	20%	<b>29.60%</b>
Loan origination	27.90%	11.50%	14.80%	18.90%	<b>27%</b>
Digital channel suite	25.60%	13.20%	14%	22.30%	<b>24.80%</b>
Payments	<b>25%</b>	7.50%	15%	26.70%	<b>25.80%</b>
Wealth management	<b>19%</b>	8.30%	12.40%	14%	46.30%
CRM	<b>31.70%</b>	10%	10%	15%	33.30%
Loan servicing	<b>25.20%</b>	9.20%	14.30%	22.70%	28.60%

- Indicates top preferred cloud hosting model for the banking application area
- Indicates second preferred cloud hosting model for the banking application area
- Indicates top two banking application areas where public cloud and SaaS are most preferred

Source: *Infosys Innovation in retail banking report*

**4 . Improved Quality of Service:** The cloud enables instant scalability, seamless upgrades, and uninterrupted service, meeting customer demands for speed, personalization, and reliability.

Migrating payment card infrastructure to the cloud enables real-time transaction approvals, AI-driven fraud detection, and instant digital card issuance. These capabilities are essential to meet the rising expectations of 2025 consumers.

At HPS, we've embedded these expectations into our product philosophy. Our PowerCARD V4 solution is a cloud-native, microservices-based platform designed to empower our partners to lead in payment innovation. Fully customizable, globally scalable, and optimized for rapid go-to-market timelines, PowerCARD V4 is the key to thriving in an ever-changing financial landscape.

## Conclusion

As consumer expectations soar and competition intensifies, the cloud has become the linchpin of digital transformation in banking and payments. Beyond enabling agility and scalability, it fosters innovation and operational efficiency.

By transitioning core payment infrastructures to the cloud, banks unlock the ability to deliver Simple, Seamless,

Secure and Scalable experiences. This isn't just about competing with fintech disruptors; it's about setting a new standard for customer engagement and operational excellence.

**In 2025, the cloud isn't just an enabler—it's the competitive edge. Financial institutions that invest in a cloud-first strategy today will be the industry leaders of tomorrow.**

# HPS /

**We eagerly await your insights!**

Please don't hesitate to contact us at [businessinnovation@hps-worldwide.com](mailto:businessinnovation@hps-worldwide.com)

We're all ears and ready to engage in meaningful discussions.

Designed by HPS Creative Studio