

Embedded Finance: What It Is & How to Leverage It for Your Business

Learn about embedded finance, its impact on payments, banking and customer experience, and how it is increasing revenue potential in businesses across industries.

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What Embedded Finance Is, How it Works and How to Leverage It

Embedded finance is **easy to define**: it is the seamless integration of financial services - like digital payments, banking, lending or insurance - into non-financial platforms (or financial platforms that don't yet offer the financial service in question).

By definition, embedded finance should also be **easy to implement**. Implementation is usually done through financial APIs, enabling interested platforms to offer the services without needing to build infrastructure or get regulatory approval themselves.



Leveraging embedded finance for business benefit, however, is **not easy** unless you have a comprehensive understanding of:

- The different **types** of embedded finance
- The different **business benefits** each can afford you

You'll have that understanding when you finish reading this page, which may be key to the future of your business. As the market grows, the seamless, embedded financial experience is what customers will come to expect. And the embedded finance market is definitely growing, with a projected CAGR of between [16.5%](#) and [32.8%](#).

So let's dive in.

Understanding Types of Embedded Finance (with Real-World Examples)

Almost any type of financial service can be transformed into an embeddable offering. The most common embedded financial offerings today fall into the categories of:



Let's explore them one by one.

Embedded Payments

Embedded payments enable a site user to pay for the site's products and services without needing to leave the site interface. They don't need to go look for their credit card or arrange some kind of external monetary transfer. Payment is as simple as a click or two.

Embedded payments in action:

"Buy with PayPal" or any other kind of "1-click" checkout are prime examples of embedded payments.

Embedded Lending

Embedded lending enables site users to explore and [secure financing options](#) for their purchases from within the purchase site interface. They don't need to contact bankers or do online searches for loan services. The entire loan or funding application process is smoother, simpler and faster.

Embedded lending in action:

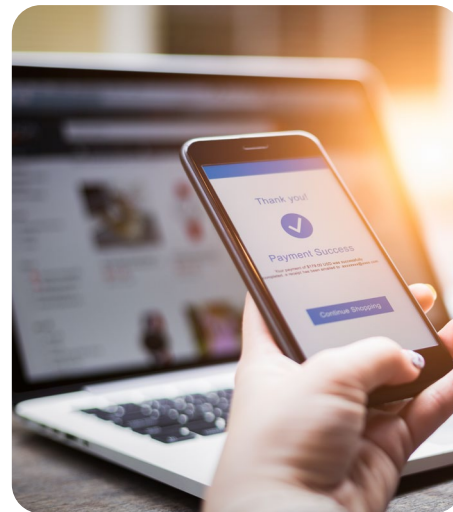
An example of consumer-focused embedding lending that is already ubiquitous across ecommerce sites selling larger-ticket items is the "Buy now, pay later" (BNPL) option. Buying a new refrigerator? Alongside the standard "Buy now" button, you'll often find a "Buy now, pay later" button, which gives you direct access to services like [Afterpay](#) that enable you to divide your payment into several parts and pay them off in monthly installments.

An example of business-focused embedding lending is [Shopify Capital](#). Businesses that are already using Shopify's platform can get access to funding from within the platform itself. Shopify's deep integration with and awareness of the business' sales performance aids them in assessing the financing request and provides a direct way for the business to pay back the loan.

Embedded Banking

Embedded banking enables users to open bank accounts and perform banking actions (e.g. deposit, transfer money, earn interest) from within non-banking platforms. They never have to go to a physical or online bank, and managing the account itself may feel simpler when done through a platform they already use and are familiar with.

Additionally, the nonfinancial brands offering these embedded banking services may give special perks and benefits to users holding these accounts, such as cashback, discounts or other promotions.



Embedded banking in action:

An example of consumer-focused embedded banking is retailer [Walgreens' Scarlet bank account and debit card](#), which are issued through MetaBank. Walgreens also offers banking services like cash deposit and withdrawal for other digital banks, [such as Chime](#).

Financial application Acorns is another consumer-focused example. Acorns is a financial application designed for investment. Banking is an [embedded service for Acorns, powered by a partnership with nbkc bank](#). Acorns users can open bank accounts for themselves or their children from within the Acorns app without any need for direct contact or interaction with the actual banks involved.

An example of business-focused embedded banking is [Revenued's partnership with Found Bank](#), enabling small businesses without a business bank account to open one easily through Revenued's platform.

Embedded Investing

Embedded investing enables users to invest in financial products on platforms and applications that they already use, without needing to go through a traditional brokerage or open separate investing accounts.

Embedded investing in action:

East Asian digital wallet app TrueMoney offers its users [the ability to invest in mutual funds and bonds](#) from within its platform.

Embedded Insurance

Embedded insurance enables users to purchase relevant insurance coverage simultaneously with purchase of relevant goods and services. The convenience eliminates the need for users to think independently about the need for insurance and go search for insurance agents, making it more likely that they will indeed insure their purchases.

Embedded insurance in action:

A long-standing consumer example is electronics manufacturers and resellers offering customers the ability to purchase product warranties or extended warranties through them.

A business-focused case of embedded insurance is Descartes ShipRush's partnership with XCover. Businesses that use ShipRush's shipping services for their products can [seamlessly purchase total shipping coverage](#) while setting up a shipping order.

BigCommerce provides an interesting example of embedded insurance in a B2B2C context. BigCommerce's Route integration lets their merchants offer embedded insurance to their customers. Consumers can add shipping insurance for the products they buy from a merchant using BigCommerce's platform, even though neither BigCommerce nor the merchant is an insurance brokerage. The insurance services are taken care of by Route, and simply embedded in the ecommerce platform.

Key Business Benefits of Embedded Finance

Nonfinancial platforms (or financial platforms that offer a limited variety of financial services) can benefit from financial services integration: embedding services and making them available to their users. The main benefits are usually found in the areas of:



Let's take a closer look at these areas and the concrete advantages they provide to businesses.

Embedded Finance Improves Customer Experience

By enabling frictionless transactions within platforms customers already use, embedded finance significantly enhances customer experience. Payments, investments, obtaining loans or [acquiring capital](#) all become smooth processes, simple to understand and simple to perform.

The simplicity is a major factor in the potential of embedded finance to expand financial inclusion, making financial services accessible to underserved segments.

This improved customer experience in finance leads both directly and indirectly to increased customer retention.

It leads indirectly in the sense that better experiences make customers feel more positive about and loyal to your product. It leads directly in the sense that you have created a stickier product that users rely on to manage more aspects of their lives. They are actively engaging more frequently with your platform, turning it into a high-touch, high-value platform that they are much less likely to leave.

Embedded Finance Expands Revenue Possibilities

As any business knows, revenue can be increased in two ways: getting more out of their existing revenue streams and adding new revenue streams. Embedded finance offers both.

Grows existing revenue stream

Embedding lending and other embedding financing options enable companies that sell products or services to increase the amount of money that customers have available to spend.

Let's take the example of an a restaurant supplies company. Their revenue stream comes from restaurants ordering inventory. If a restaurant wants to order more inventory, but doesn't have the [cash flow situation](#) that would make it possible, that is lost revenue for the supplier. If, on the other hand, the inventory company has an embedding lending or other financing component, that can open up the possibilities for that restaurant to spend more with them, right now.

Adds new revenue stream

Take the same restaurant inventory supplier. In addition to growing their current supply-sales revenue stream, they would like to add a new, parallel revenue stream. Embedded finance can provide that as well.

The embedded financial services infrastructure is provided by financial entities that usually offer some type of revenue share to the platforms that embed them. So if our example restaurant inventory supplier offers an embedded lending product to its customers, it will acquire revenue for every customer that takes advantage of the embedded lending option. Since lending products tend to be used again and again by businesses, this new revenue stream can drastically increase the LTV of the restaurant inventory supplier's customers.

Embedded Finance Provides Valuable Data

Embedded finance can be leveraged for data-driven insights, enabling businesses to better target users and offers.

Let's revisit the "restaurant supplier with an embedded lending product" example. By tracking what products their customer buys with their standard payment option and which with their embedded lending option, the supplier may be able to offer targeted discounts that will be seen as especially valuable by their customer. The same goes for tracking the months and quarters when the customer uses the embedding lending option.

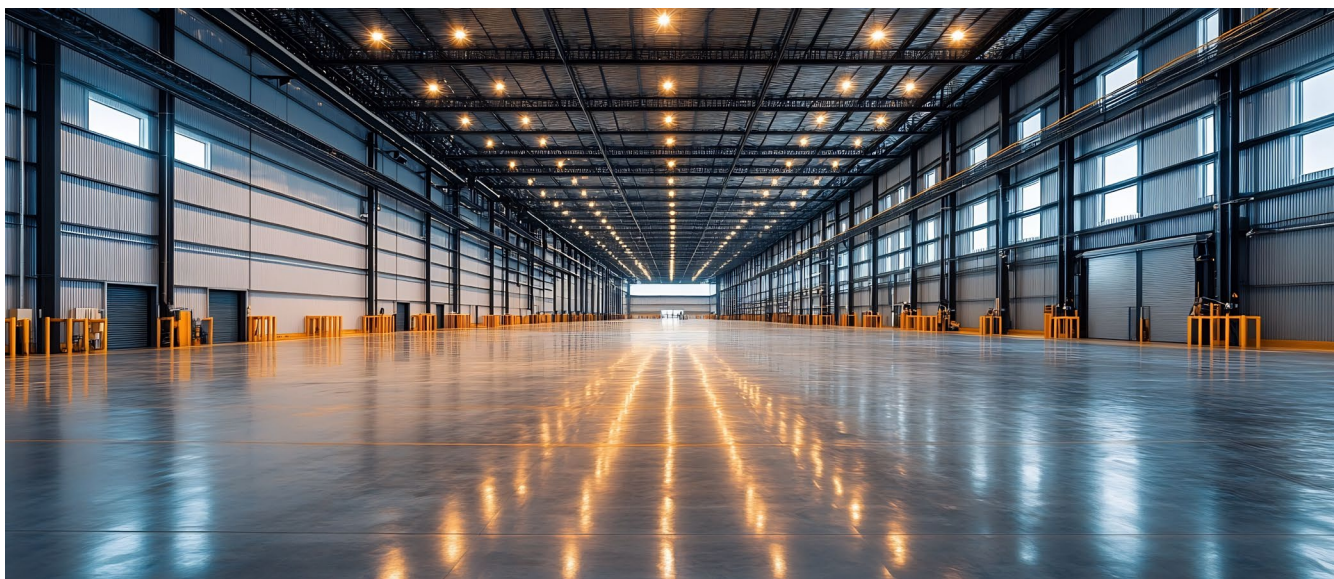
Data is power for the wise business.

Industries Impacted by Embedded Finance

Embedded finance impacts industries across the board, from non-financial all the way to the fintech solutions sector.

Non-financial industries where embedded finance is readily found include ecommerce, retail healthcare, transportation and consumer technology. The benefits encompass those noted above, with a focus on simplifying transactions and expanding the buying power of the customer, with the end result that they spend more with the business.

For a company already in the fintech sector, embedded finance is a way to expand the services or options they offer with very little work. A company that is only set up to offer payment services can easily add lending and financing for those payments. A company that already offers financing services can offer additional embedded financing options. That way, should the customer not qualify for their in-house financing, they don't have to lose the customer entirely.

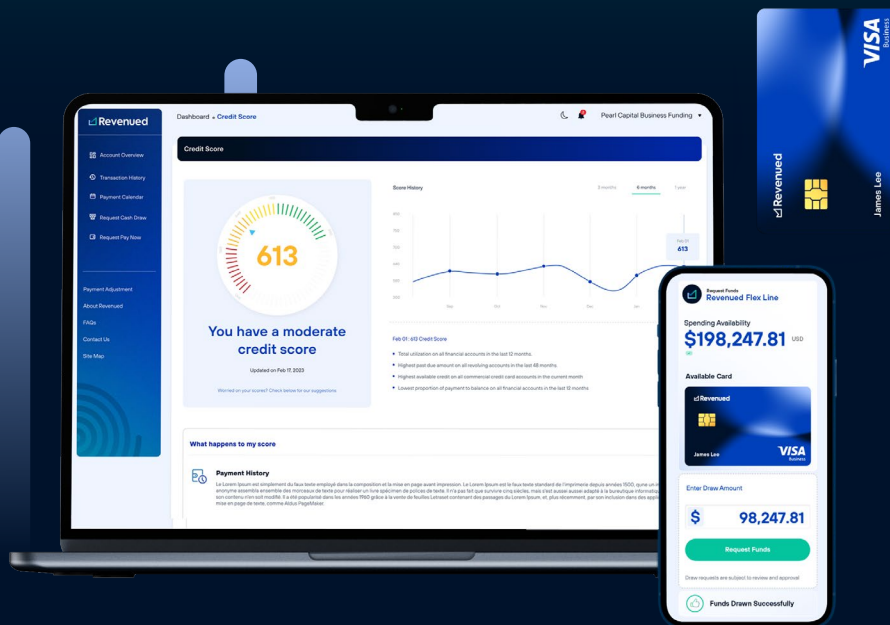


The Future of Embedded Finance and Market Trends

The embedded finance market has been analyzed in several different reports released over the past few years, with the market size estimated at between [63.2 billion](#) and [83.3 billion USD](#). Projections of market growth varied from six to ten years ahead of the base year, with projected CAGR ranging from [16.5%](#) to [30%](#) to [32.8%](#).

All data points to embedded finance as a growing industry, seeing higher and higher adoption and use. It makes sense for any future-focused business to consider how embedded finance can fit into its business strategy, so as to stay on top of the trend and not to disappoint customers who will come to expect these seamless transactions and financial experiences.

If you are interested on staying ahead of the embedded finance game, check out our ebook on advanced ways to increase revenue by leveraging embedded finance.



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