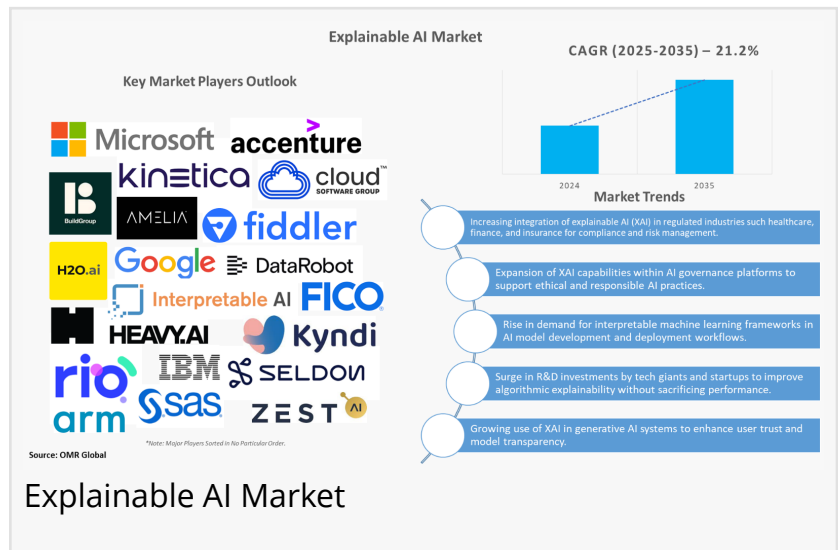# Explainable AI Market to Reach USD 18.6 Billion by 2035 Amid Rising AI Accountability

Explainable AI market was valued at USD 6.8 billion in 2024 and is anticipated to grow at a CAGR of 21.2% during the forecast period (2025-2035).

INDORE, INDIA, May 21, 2025 /EINPresswire.com/ -- The Explainable AI (XAI) market is witnessing tremendous growth due to the regulatory demand for transparency in AI decision-making, the widespread use of AI across various industries, technological innovation, and growing

Explainable AI Market

awareness among individuals. Ethical guidelines for AI focus on accountability, fairness, and transparency that necessitate the adoption of explainable AI methods. Technologies such as SHAP and LIME are leading the way toward more interpretable models, while the integration of XAI solutions with existing systems makes them easier to adopt and implement within the company.

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Market Trends

Growing Use of AI in Several Industries

The rapid AI adoption in telecommunications and network optimization is propelling XAI adoption due to sector-specific demand for transparent, interpretable solutions. For instance, in February 2024, Ericsson introduced Explainable AI in Cognitive Software to speed up AI adoption in network optimization. The new capabilities provide shorter time to value from AI-driven solutions, improving efficiency in RAN optimization. The solutions are based on AI models trained across varied global data sets and can be retrained locally for rapid deployment.

Regulatory Compliance Fuels AI Adoption

As governments and regulatory authorities implement stringent rules on the use of AI, businesses have to make sure their systems meet the requirements. Further, explainable AI provides the insights required for decision-making. Therefore, assisting businesses to stay compliant and avoid potential legal issues, hence promoting wider adoption of AI solutions. For instance, in May 2024, Temenos introduced Responsible Generative AI solutions integrated with its Core Banking platform to increase efficiency and data management. Patented Explainable AI capabilities provide transparency and security, enabling banks to deploy AI safely while deriving insights and reports using natural language queries.

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Regional Outlook

North America Dominates the Market Share

High R&D on AI, high AI adoption in various regional industries, and supportive government policies are major drivers of the regional XAI market. Higher federal spending serves as a driving force for innovation, boosting exploration and advancements in AI R&D regionally. For instance, in January 2024, the National Security Commission proposed a federal spending goal of $32.0 billion for non-defense AI R&D in fiscal year 2026 that is comparable to the current federal investment in biomedical research. Toward this goal, federal support for non-defense AI R&D would need to be raised to $8.0 billion and double every year for the next three fiscal years. This added funding would promote innovation and scientific developments by engaging different stakeholders in the industry and supporting the testing and evaluation of innovative models.

Asia-Pacific Emerging as a Fast-Follower Market

Asia-Pacific is experiencing high growth in XAI adoption across industries such as financial services, telecom, and smart cities. China's Ministry of Industry and Information Technology (MIIT) issued a National AI Ethics Standardization Plan during mid-2024, with explainability as one of the most important metrics. India and Japan are encouraging public-private collaborations to develop ethical AI systems with a focus on transparency.

Market Segmentation and Growth Areas

Cloud-based is anticipated to become the Largest Segment

Due to their high scalability and cost-effectiveness, high adoption of cloud-based XAI solutions is one of the major reasons for the largest segment. As a result, major players are emphasizing providing cloud-based solutions to achieve a major share of the global market. For instance, in April 2024, Neo4j partnered with Google Cloud to launch new GraphRAG features for GenAI applications, allowing developers to build knowledge graphs from unstructured data, process

real-time data in seconds, and develop GenAI applications based on knowledge graphs on Google Cloud.

Market Players Outlook

The leading players that serve the [explainable AI market](#) include Accenture PLC, IBM Corp., Google LLC, Microsoft Corp., and SAS Institute Inc., among others. The industry players are placing greater emphasis on business growth and product diversification by implementing strategies like collaborations, mergers, and acquisitions to compete in the market. For instance, in March 2024, Apple acquired DarwinAI, an AI vision quality assurance startup offering a patented explainable AI platform to boost production efficiency and enhance the quality of products.

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Recent Developments

• In September 2024, Qlik improves its AutoML capabilities with several major upgrades centered on explainable AI to guarantee model trust and transparency. These improvements enable organizations to transition to proactive decision-making by comprehending AI predictions, thus building confidence in data-driven approaches toward enhanced business performance.
• In July 2024, ActiveFence introduced AI Explainability in its ActiveScore models that increase transparency in content moderation, deconstruct AI decision-making, allowing moderators to see content classifications, and drive compliance with laws such as the EU's Digital Services Act.

Some of the Key Companies in the Explainable AI Market Include-

• Accenture PLC
• Amelia US LLC
• Arm Ltd.
• BuildGroup
• Cloud Software Group, Inc.
• DataRobot, Inc.
• FICO
• Fiddler Labs, Inc.
• Google LLC
• H2O.ai, Inc.
• HEAVY.AI Inc.
• IBM Corp.
• Interpretable AI LLC
• Kinetica Db Ltd.

- Kyndi
- Microsoft Corp.
- Rio ESG Ltd.
- SAS Institute Inc.
- Seldon Technologies Ltd.
- ZestFinance Inc.

Explainable AI Market Segmentation Analysis

Global Explainable AI Market by Component
- Solutions
- Services

Global Explainable AI Market by Methods
- Model-Agnostic Methods
- Model-Specific Methods

Global Explainable AI Market by Deployment Mode
- Cloud
- On-Premises

Global Explainable AI Market by End-User
- Healthcare
- BFSI
- Aerospace & Defense
- Retail and E-commerce
- Public Sector & Utilities
- IT & Telecommunication
- Automotive
- Others (Government and Defense, and Telecommunications)

Regional Analysis
- North America
o United States
o Canada
- Europe
o UK
o Germany
o Italy
o Spain
o France
o Rest of Europe
- Asia-Pacific

o China

o India

o Japan

o South Korea

o ASEAN Economies (Singapore, Thailand, Vietnam, Indonesia, and Others)

o Australia and New Zealand

o Rest of Asia-Pacific

• Rest of the World

o Latin America

o Middle East and Africa

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