

UK Fintech Companies See Funding Drop For Second Year In A Row

(Tracxn Geo Annual Report: UK FinTech 2023)

UK, January 5, 2024 /EINPresswire.com/ -- UK FinTech companies see funding drop for second year in a row

[\(Tracxn Geo Annual Report: UK FinTech 2023\)](#)

The Tracxn Geo Annual Report: UK FinTech 2023, based on our extensive database, provides a round-up of funding and other major developments in the UK FinTech space in 2023.

In terms of funding, the UK FinTech startup ecosystem ranks second after the US, in 2023. The country has more than 13,000 companies in the FinTech space, accounting for nearly 10% of all FinTech companies worldwide.

With its leading talent pool, stronger FinTech adoption rate, a larger concentration of financial and professional services organizations, and forward-thinking legislation, the UK has been a major focus for FinTech companies. Despite these advantages, the space has witnessed a downward trend in funding in 2023. This decline can be attributed to the prevailing macroeconomic conditions characterized by escalating interest rates, inflationary pressures, and a notable surge in gas prices within the region.

The UK FinTech startup ecosystem secured a total funding of \$4.2 billion in 2023, a 63% decline from the \$11.2 billion raised in 2022 and a 70% plunge from the funds raised in 2021. The overall number of funding rounds, too, decreased by 42%, from 418 rounds in 2022 to 241 rounds in 2023.

The drop in funding is primarily due to a downward move in late-stage and early-stage funding. The sector attracted late-stage investments worth \$2.7 billion in 2023, 60% lower than the \$6.8 billion raised in 2022. Early-stage funding fell 68% to \$1.2 billion in 2023, compared with \$3.7 billion raised in 2022. Seed-stage funding, too, saw a 50% decrease to \$321 million in 2023, from \$647 million in the previous year.

In 2023, quarterly funding for the UK FinTech startup ecosystem experienced a steady decline from Q1 to Q3, reaching its lowest point in Q3 at \$410 million, marking the least funded quarter

since 2019. However, there was a notable turnaround in Q4, with funding increasing by 193% to \$1.2 billion, compared with the previous quarter.

2023 has witnessed only nine 100M+ funding rounds, a drop of 64% from 25 such rounds in 2022. Abound, a FinTech company that aims to increase access to affordable loans, raised \$602 million in Series D funding, making it the highest funding round amount in the UK FinTech startup ecosystem in 2023. Quantexa and Enable became the two new Unicorns in this space in 2023, after reporting \$100M+ rounds. Other major funding rounds in this space include the \$307 million Series E round from SumUp, which offers business solutions, card readers, and a business account to help merchants manage their money. The round valued the company at \$1.6 billion.

A downward trend has been observed in acquisitions as well. A total of 66 acquisitions were recorded in the FinTech UK sector in 2023, lower than 70 in 2022 and 95 in 2021.

Banking Tech, Cryptocurrencies and Alternative Lending are the top-performing segments in terms of funding in the UK FinTech ecosystem in 2023. Despite being the top funded segments, funding across sectors has dropped compared to the previous year. The Banking Tech segment secured total funding of \$880 million in 2023, a drop of 53% from the \$1.9 billion funding raised in 2022.

The Cryptocurrencies sector in this region has raised a total funding of \$866 million in 2023, a drop of 54% compared with the \$1.9 billion funds raised in the previous year. Funding in the Alternative Lending sector fell by more than 42% to \$865 million in 2023 from \$1.5 billion raised in 2022. While funding across the industries has seen a decline, RegTech and Insurance IT are the only sectors that were least affected in 2023 with an overall funding drop of less than 25% compared to the funding received in 2022.

In terms of city-wise funding, London takes the lead in the UK FinTech space, accounting for 81% of the funds raised in this space in 2023. FinTech companies headquartered in London raised \$3.5 billion in 2023, followed by those based in Colchester (\$150 million) and Blyth (\$122 million).

Over the past five years, London has consistently secured the highest amount of funding in the UK's FinTech sector. Remarkably, it is now the second-largest globally funded city in this industry after San Francisco.

Seedcamp, Techstars and Anthemis Group are the overall most active investors in the UK FinTech sector. Speedinvest, Y Combinator, and Techstars were the most active investors in terms of seed-stage investments in 2023, while Octopus Ventures, Motive Partners, and Augmentum were the most active early-stage investors. SoftBank Vision Fund was the leading late-stage investor in 2023 in this space.

The UK government has been actively involved in initiatives to support and boost the FinTech sector. The government has launched the "FinTech for Gov" initiative, which aims to transition the government from being not just a supporter, but also an active user of FinTech. This initiative seeks to tap into the potential for the UK government to adopt FinTech into its financial processes, given its status as the largest payer and payee in the country.

The government is also working on creating a FinTech for Gov Centre of Excellence to raise awareness of FinTech among public entities, facilitate the execution of identified FinTech opportunities, and establish strategic relationships with startups as well as established firms in the sector. Such initiatives could help the FinTech sector grow.

All our reports are available on our [website](#).

To know how Tracxn can help you - [click here](#).

About Tracxn:

Tracxn Technologies Ltd. is a data intelligence platform for private market research, tracking 2.3 million entities through 2500+ feeds categorized across industries, sub-sectors, geographies, and networks globally. It has become one of the leading providers of private company data and ranks among the top five players globally in terms of the number of companies and web domains profiled.

Lakshmitha Raj

Tracxn Technologies Limited

+91 8882133433

[email us here](#)

Visit us on social media:

[Twitter](#)

[LinkedIn](#)

This press release can be viewed online at: <https://www.einpresswire.com/article/679254495>

EIN Presswire's priority is source transparency. We do not allow opaque clients, and our editors try to be careful about weeding out false and misleading content. As a user, if you see something we have missed, please do bring it to our attention. Your help is welcome. EIN Presswire, Everyone's Internet News Presswire™, tries to define some of the boundaries that are reasonable in today's world. Please see our Editorial Guidelines for more information.

© 1995-2024 Newsmatics Inc. All Right Reserved.