

US Fintech Startups See 36% Fall In Funding Amid Global Economic Challenges

(Tracxn Geo Annual Report: US FinTech 2023)

UNITED STATES, January 5, 2024 /EINPresswire.com/ -- US Fintech Startups See 36% Fall In Funding Amid Global Economic Challenges

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Highlights:

- Total funding into US FinTech startups fell 36% to \$28.5B in 2023, from \$18.2B in 2022
- Number of \$100 million+ funding rounds fell to 19 in 2023, from 70 in 2022
- In 2023, 172 acquisitions and two IPOs took place
- Four new Unicorns emerged in 2023
- San Francisco took the lead in terms of city-wise funding in the FinTech space
- Payments, Investment Tech, and Finance & Accounting Tech were the top-performing segments

US, January 5, 2024: The Tracxn Geo Annual Report: US FinTech 2023, based on our extensive database, provides a round-up of funding and other major developments in the US FinTech space.

The US FinTech startup ecosystem is the highest-funded FinTech startup ecosystem in 2023 on a global scale. However, this sector reported a decline in funding in 2023, when compared with 2022.

With inflation, increased interest rates, geopolitical issues, and other macroeconomic conditions, activity across industries has been slow, making it challenging for the investment market.

US FinTech companies attracted investments worth \$18.2 billion in funding in 2023, a decline of 36% from \$28.5 billion raised in 2022, and a plummet of 68% compared with \$56.3 billion raised in 2021. A total of 899 funding rounds were observed in 2023, this is a drop of 39% from the 1467 rounds witnessed in 2022.

In terms of stage-wise funding in the space, late-stage funding in this space was the least affected. Late-stage funding stood at \$11 billion in 2023, 18% lower than the \$13.4 billion raised

in 2022. Seed-stage investments, too, fell 59% from \$3.2 billion to \$1.3 billion in 2023. The sector secured early-stage funding worth \$5.8 billion in 2023, which is a drop of 51% compared with \$11.8 billion raised in 2022.

Funding into US FinTech companies rose 42% to \$13.2 billion in H1 2023 when compared with H2 2022. Investments stood at \$5 billion in H2 2023, 62% lower than the amount raised in H1 2023.

The highest funding in 2023 was observed in the first quarter of the year. US FinTech startups secured funding worth \$9.5 billion in Q1 2023, which is more than 50% of the funding in 2023. In Q4 2023, funding stood at \$2 billion, making it the lowest-funded quarter in 2023.

The number of \$100M+ rounds in 2023 fell 73% to 19 in 2023 from 70 in 2022. Stripe, a provider of payment processing and card issuance solutions for businesses, raised \$6.9 billion in its Series I round making it the highest-funded company in 2023.

Only four new Unicorns emerged in the US FinTech space in 2023, a sharp contrast from 29 in the previous year. Kin, SageSure, Lendbuzz, and Vestwell crossed the \$1 billion valuation mark after raising at least \$200 million each in 2023.

There has been a downward trend in terms of acquisitions as well. The number of acquisitions in the sector fell to 172 in 2023, from 247 in 2022 and 319 in 2021. Further, only two companies went public, as against three IPOs in 2022 and 37 in 2021.

Payments, Investment Tech, and Finance & Accounting Tech were the top-performing segments based on funding in this space in 2023. Companies in the Payments segment raised a total of \$8.45 billion in 2023, a sharp spike of 208% compared with \$2.74 billion raised in the previous year. The Investment Tech segment secured funding worth \$3.1 billion in 2023, a drop of 56% from \$7 billion raised in 2022. The Finance & Accounting Tech segment witnessed funding of \$1.4 billion in 2023, which is half of the \$2.8 billion raised in 2022.

Among US cities, San Francisco dominated the funding landscape, accounting for 50% of the funds raised by FinTech companies in the country. FinTech startups based in San Francisco raised \$9.2 billion in 2023, followed by those based in New York City and Palo Alto, which raised \$2.3 billion and \$562 million respectively.

Y Combinator, Techstars, and a16z are the overall top investors to date in the US FinTech ecosystem. Y Combinator, a16z, and Spartan Group were the top seed-stage investors in 2023, while Commerce Ventures, Khosla Ventures, and General Catalyst were the top early-stage investors in 2023. Geodesic Capital, Capital IG, and Bond Capital were the top late-stage investors in 2023.

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