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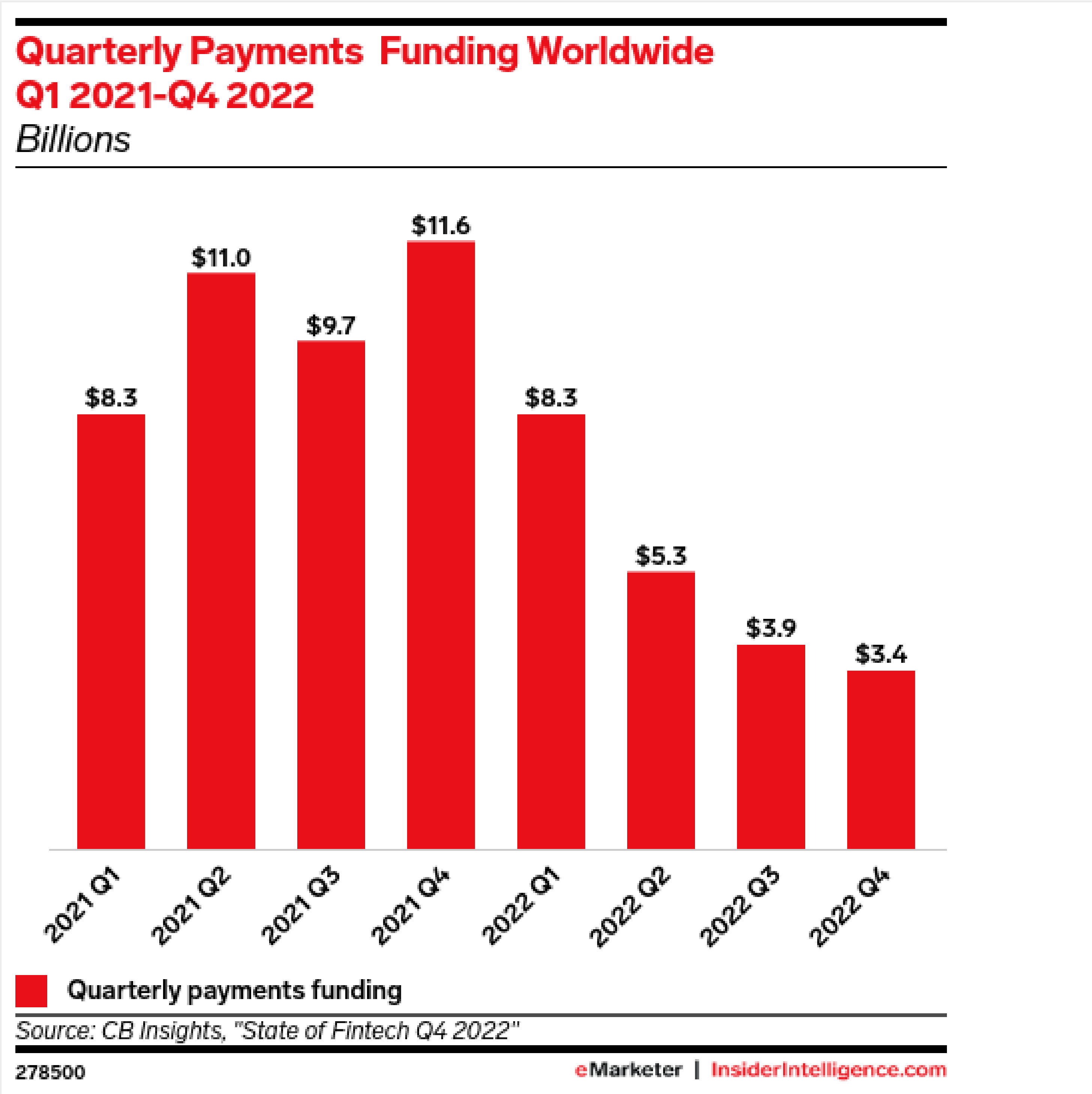
Payments funding fell by half last year, signaling tougher climate for 2023

Article

The news: **Global funding for payments startups fell 49% last year**, signaling a more cautious approach by investors amid high levels of economic uncertainty.

The funding picture: Here's what CB Insights' State of Fintech 2022 report found.

- The number of **funding rounds worldwide involving payments firms fell 7%** year over year (YoY) to 956.
- **Payments funding for Q4 fell 70.7% YoY to $3.4 billion**, dropping for the fourth straight quarter to hit its lowest level in two years.
- **All payments exit activity dropped in 2022:** The M&A count fell 39% to 54 deals; the number of IPOs nosedived from 20 to just two; and SPACs dropped from four to one.



The big takeaways:

- **Payments led in funding and deal count.** Despite the slowdown, payments firms comfortably outperformed banking, wealthtech, and insurtech companies. Payment firms' $3.4 billion across 188 rounds in Q4 dwarfed banking, the next biggest fundraiser with $1.8 billion across 62 rounds.

- **Early-stage investing proved resilient.** The share of deals comprising early-stage payment firms reached 65%, a five-year high. Late-stage firms made up just 11%, a five-year low. The dealmaking landscape is shifting, and late-stage startups will have to work harder to win funding while earlier-stage paytechs can keep attracting investors.
- **The US maintains its dealmaking lead.** In Q4, US-based firms made up 35% of all payment startup investments, the biggest share of any region. Asia and Europe made up 27% and 18%, respectively.

The bottom line: The latest figures highlight the harsher funding climate for payment providers, mirroring a wider trend affecting other sectors. Given the unpredictable economic outlook, this will likely continue for the short term.

Payment firms, particularly later-stage companies, must work harder to secure investment. They might be better off cutting costs and scaling back expansion plans until the funding climate improves.

*This article originally appeared in **Insider Intelligence's Payments Innovation Briefing**—a daily recap of top stories reshaping the payments industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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