

Fintech funding hit record levels in 2021—but 2022 could be even bigger

Article

The news: CB Insights' 2021 State of Venture Report confirms fintech funding smashed several records last year, with \$132 billion raised. Fintechs captured \$1 in every \$5 from venture capital firms.

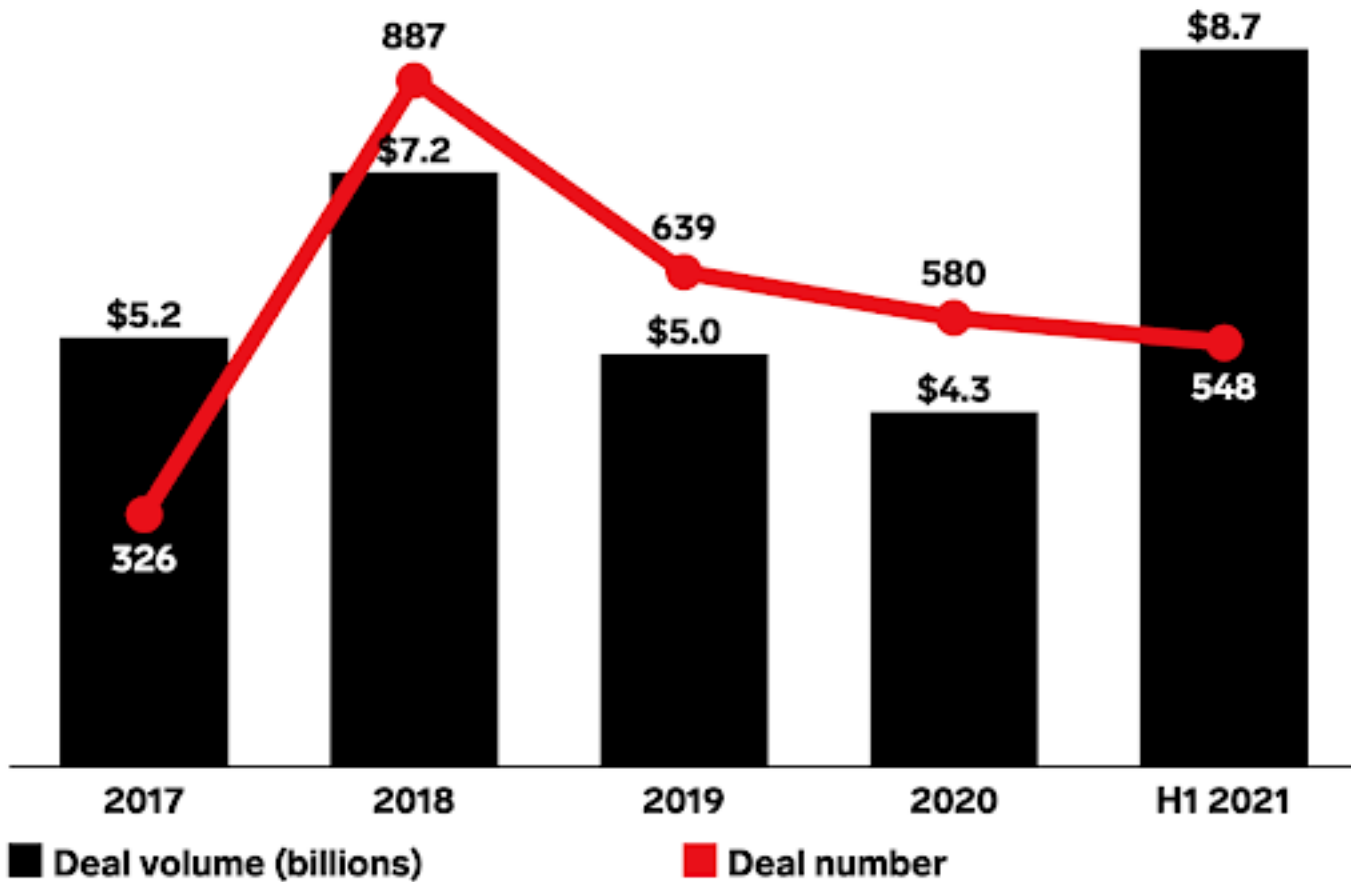
Fintech funding by the numbers: Volume, exits, and early-stage deals all ticked up last year.

- **Fintech funding surged by 169% from 2020 to \$131.5 billion in 2021**— the most funding on record.
- Q4 funding was the **second-largest quarterly haul in history, at \$34.9 billion**, which included crypto tech firm **NYDIG's** last-minute \$1 billion raise.
- There were also a **record number of M&A, IPO, and SPAC exits**—M&A and IPOs peaked in Q4.
- And the **proportion of early stage deals also ticked up from 61% to 64%**, suggesting that younger startups weren't missing out despite the mega-rounds that stole headlines.

What's coming in 2022? We predict fintech funding will surpass 2021 levels and **exceed the \$150 billion mark** as several areas, like blockchain and B2B tech firms, attract a wide pool of investors.

- New tech applications like **open finance and blockchain** will grab a wider pool of global investors, including hedge funds.
- Crypto exchanges will also keep raising an abundance of capital. Despite recent volatility, leading financial institutions like **Goldman Sachs** are still bullish about crypto prices.
- And large firms are still digitizing—S&P 500 companies will **increase their capital expenditures and research and development investment by 18%** this year from 2019 levels, per Goldman Sachs.
- But a staggering **94% of financial services firms** said they're struggling with the **frenetic pace of digital transformation** of the past two years, per a survey from ITRS Group.
- As large firms both ramp up investments in and struggle to digitize, B2B fintechs that can provide white-label solutions or the infrastructure to build them in-house will attract funding.
- And several recent venture capital war chests focused on fintechs—including **Ribbit Capital's \$1.5 billion pot**—also augur elevated investment in the sector.

Global Private Investment in Blockchain and Cryptocurrency



Source: KPMG, "Pulse of Fintech H1 2021," August 2021

Methodology: Data is from the August 2021 KPMG report titled "Pulse of Fintech H1 2021." The data was provided by Pitchbook Data as of June 30, 2021. Due to the private nature of many of the transactions, the data set cannot be definitive, but is an estimate based on information available to PitchBook.

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