

# Why embedded finance firms like Railsr are bucking the wider trend of shrinking fintech funding

Article

**The raise:** Embedded finance firm **Railsr** has landed \$46 million in Series C funding, according to a company press release.

- The raise consisted of \$26 million in equity and \$20 million in debt.
- The UK-based fintech, formerly called Railsbank, said it was a “significant step” on its way to turning a maiden profit.

**The market picture:** Despite a decline in fintech funding, embedded finance has been one of the more resilient areas of financial services for growth and fundraising. Within the last month:

- British software as a service (SaaS) provider **Toqio** snagged €20 million (\$23.6 million).
- London-based embedded finance small business lender **Liberis** secured \$140 million in debt financing.
- Further afield, Pakistani embedded finance platform **Neem** raised \$2.5 million and Australia’s **Shaype** bagged A\$33 million (\$25 million).

**Room to grow:** The relatively upbeat funding environment for embedded finance firms can be partly explained by its predicted growth.

- It powered around \$2.6 trillion of US financial transactions in 2021, and that **number is expected to hit \$7 trillion by 2026**, per Bain.
- And embedded-finance-driven business lending will skyrocket in popularity to grow sixfold over the next five years to reach \$1.3 billion by 2026.

Embedded finance firms like Railsr will keep attracting investors because of the huge potential of the technology and its uses, which are central to super-app development and extend beyond banking into payments, investing, insurance, and cryptocurrency. Fintechs can partner with financial institutions and banks to let them embed financial services to improve the customer experience and better personalize products.

Attempts by **Google** and **Apple** to embed financial service products within their commerce platforms show that Big Tech realizes its potential and is ready to compete with banks to become leaders in the space.

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# US Adults Who Have Performed Select Embedded

# Finance Activities, Dec 2021

*% of respondents*

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Used a service such as Apple Pay, Google Pay, or Shop Pay to make a payment

42%

Made investments or purchased cryptocurrency through a noninvestment app

23%

Sent a payment directly through a social media platform

23%

Used a buy now, pay later (BNPL) service to finance a purchase and repay it in installments

23%

Used/signed up for a co-branded credit card

20%

Bought something within a game/VR

19%

Purchased insurance for a product/service through the platform you bought it from

17%

Paid for something using a wearable device

12%

Shopped at a "just walk out" store where there's no need for a checkout process

11%

Ordered and paid for food from an app connected to your refrigerator

10%

Paid for something using your car

10%

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Note: n=2,200; in the past six months

Source: Morning Consult, "The State of Consumer Banking & Payments Q1 2022," Jan 25, 2022

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