



December 4 - 5, 2024 • ExCeL London

FINTECH CONNECT: STATE OF FINTECH INVESTMENT 2024

THE GLOBAL FINTECH ECOSYSTEM.
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KEY FINDINGS

CONFIDENCE PERSISTS DESPITE VALUATION RESET

77% of respondents still hold a positive outlook for the sector's long-term prospects amid the "Great Fintech Valuation Reset."

PRIVATE EQUITY TAKING CENTRE STAGE?

48% of fintechs now look to private equity as a preferred source of capital.

AI DRIVING DEALMAKING ACTIVITY

AI tops investor interest, with 71% identifying it as a major driver of investment.

PROFITABILITY OUTWEIGHS INNOVATION

Economic pressures push 57% of FI leaders to prioritise profitability over innovation.

ESTABLISHED MARKETS DOMINATE INVESTOR FOCUS

The UK (94%), USA (85%), and Ireland (68%) rank as top regions for fintech investment, investors currently favouring these well-established hubs.

ENHANCED DUE DILIGENCE ON FINTECH DEALS

Investor scrutiny is rising, with 62% of fintech leaders noting stricter due diligence requirements.

GEOPOLITICAL AND ECONOMIC UNCERTAINTY SHAPES STRATEGY

68% of investors now favouring well-regulated markets in the face of economic volatility and regulatory shifts.

INVESTOR INTEREST FAVORS EARLY-STAGE AND PROVEN TECHNOLOGIES

Investors show strong interest in Series A/B fintechs (70%) and focus heavily on AI (64%), payments, and WealthTech as primary areas of investment.

FINANCIAL INSTITUTIONS PURSUE STRATEGIC PARTNERSHIPS

FI leaders prefer partnerships with fintechs, with 61% collaborating occasionally or actively.

ECOSYSTEM-WIDE INSIGHTS

This section offers a temperature check on some of the key issues shaping fintech investment today, capturing the perspectives of the full spectrum of players, from investors to fintechs and financial institutions.

NAVIGATING THE VALUATION RESET WITH CONFIDENCE

2023 was undoubtedly the year of the 'Great Fintech Valuation Reset': startups were deemed to be in a **strong position** if they secured valuations of 7 times their revenue - far from the heady days of 2021, when **revenue multiples of 15-20 were achievable**. At the tail end of 2024, despite **promising signals** in the UK, for example, confidence is still shaken. Concerns over fintech valuations are evident, with 44% of our respondents "somewhat concerned" and 25% "extremely concerned" about the sector's trajectory over the past year. **Some say** the sector has finally hit bottom, but only time will tell if that is truly the case.

This apprehension hasn't dampened overall sentiment, though. A solid 67% of our respondents describe their outlook for the fintech sector as positive, and an additional 10% as very positive.

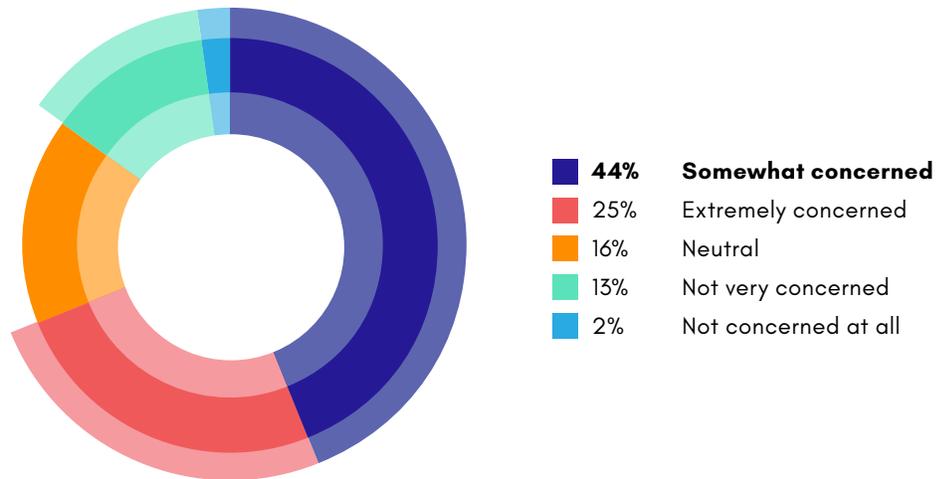
Even with a downturn in total funding, **average deal size for the first half of 2024** was still \$10 million, indicating that there is still strong investor confidence in the sector's potential.

It's clear that market conditions recommend caution, but the continued confidence in fintech highlights a belief in the industry's long-term prospects. Players from all corners of the ecosystem seem ready to weather the valuation challenges and keep their eyes fixed on a brighter future.



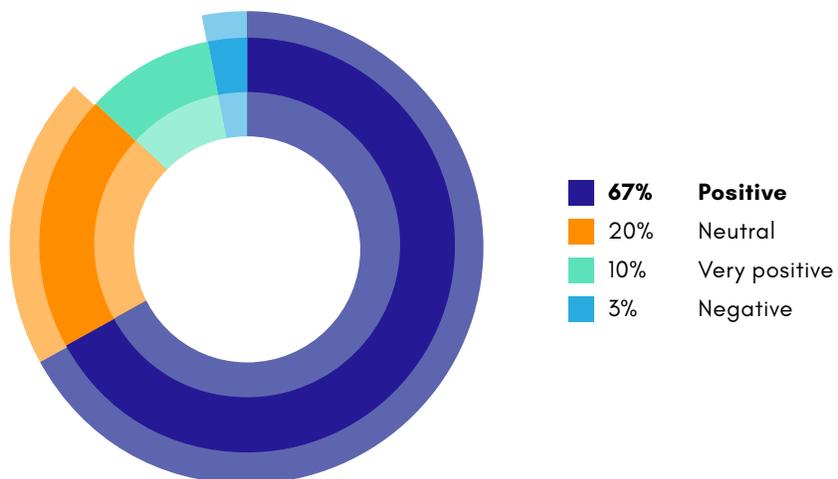
QUESTION 1

How concerned are you about the trajectory of fintech company valuations over the past 12 months?



QUESTION 2

How would you rate your overall sentiment towards the fintech sector right now?



RESHAPING FUNDING STRATEGIES AS PRIVATE EQUITY TAKES THE LEAD

In 2023, investment-hungry fintechs were said to 'hit a wall' as annual funding **plunged below \$40 billion**, a whopping 50% year-over-year decline - and the lowest level seen since 2017.

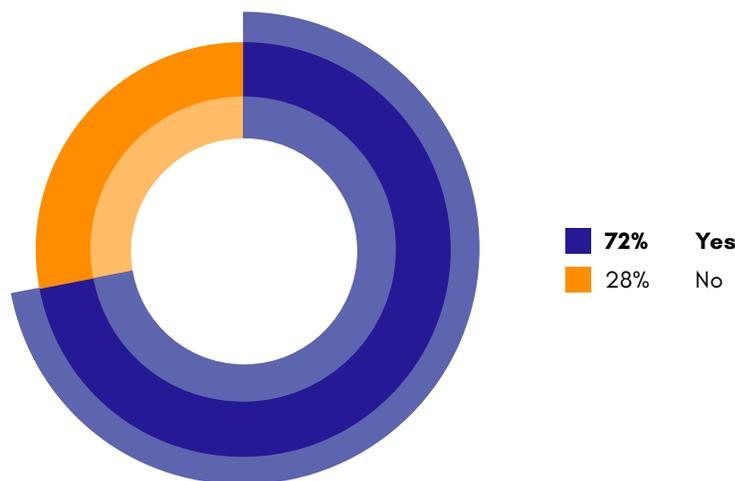
As there are signs this **downward trend in investment looks set to continue**, securing funding has become a priority for many: 72% of our respondents are now actively seeking capital. Investment plans have been in flux, too, with nearly a third of our respondents revising their funding approaches based on internal strategic imperatives.

Meanwhile, a significant portion of fintechs are adapting due to external factors, such as the 25% who struggled to secure investment and the 10% who saw existing backers withdraw.

In this fraught atmosphere, private equity (PE) has emerged as the most promising avenue for investment-seekers, with 48% of respondents identifying it as the source of the most opportunities today. **Recent market activity** suggests that this could well be the case, as PE firms increasingly look to fintech in their **search** for high-return investments in tech-driven sectors.

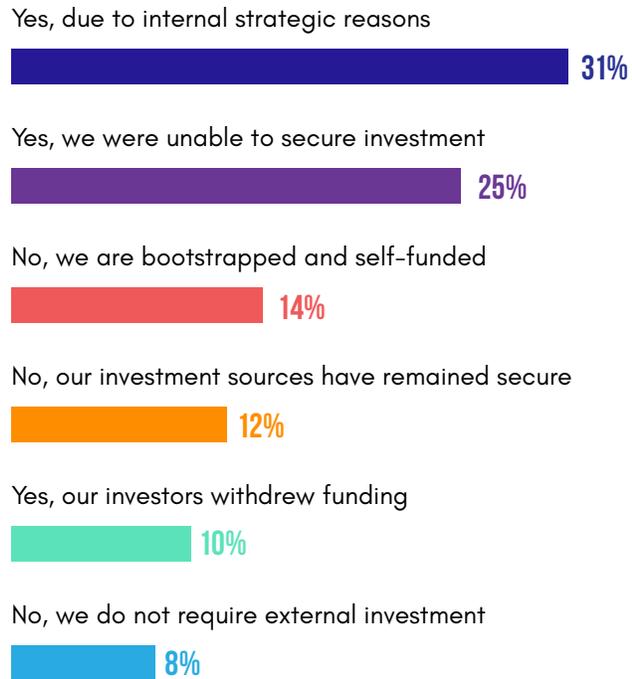
QUESTION 3

Are you currently looking to secure investment?



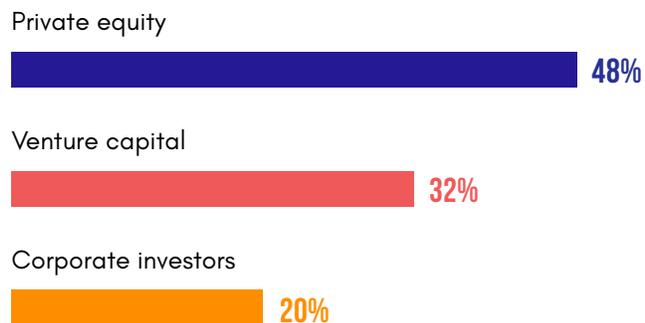
QUESTION 4

Have your investment and funding plans changed over the past 12 months?



QUESTION 5

Which type of investors do you believe provide the most investment opportunities currently within the fintech space?



BETTING ON FINTECH GROWTH WITH AI AND REGTECH SETTING THE PACE

Despite the challenging investment environment, our respondents remain optimistic about the performance of fintech investments over the next three to five years. A 70% majority anticipate steady growth, while an additional 16% look forward to exponential expansion. Resounding confidence of this kind suggests a widespread conviction that fintech investments will continue to yield returns, driven by the continued transformation of financial services.

Taking a closer look at the trends our respondents believe will shape the investment landscape over the next five years is also revealing. AI-enabled solutions top the poll, with 71% identifying it as a key driver of investment in the coming years.

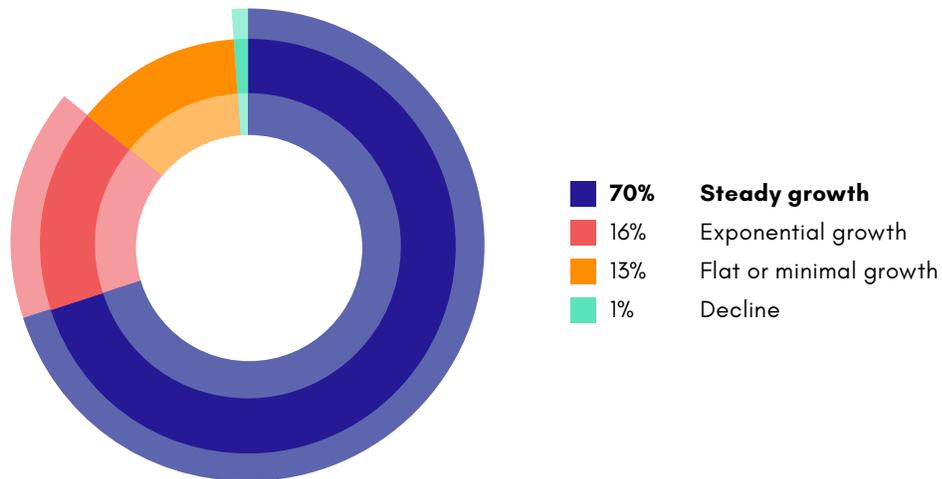
While the **AI arms race** between the giants of the digital economy continues to grab headlines, **some suggest** that intelligent tools are now ushering in a new beginning for fintech - and the possibility to fundamentally transform how financial institutions operate. Of course, opportunities of this scale are unbelievably attractive to investors.

RegTech follows closely, with greater regulatory oversight tipped to be a major influence by 52% of respondents. Increasingly, compliance teams are **struggling to meet their obligations**, and as regulatory burdens grow the need for tech-enabled solutions will be more keenly felt. Naturally, with this evolving market need comes the opportunity to back the fintechs targeting it.



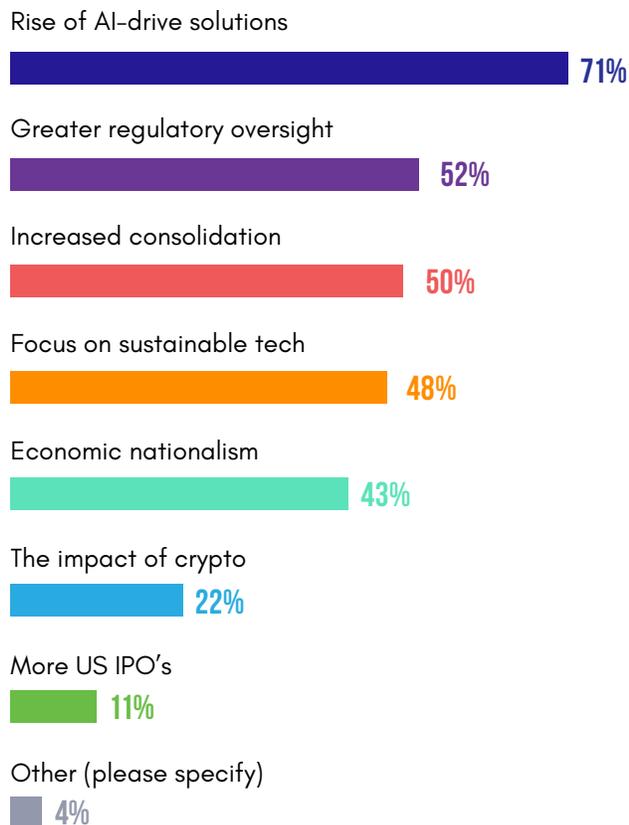
QUESTION 6

How do you foresee fintech investments performing in the next 3 – 5 years?



QUESTION 7

What trends do you think will shape the fintech investment landscape in the next 5 years?



STEERING A COURSE THROUGH REGULATION, INVESTMENT AND SOCIAL IMPACT

Today, the fintech ecosystem is navigating a complex field where regulatory and investment dynamics are intricately linked, and alignment with societal shifts on issues around governance and diversity are increasingly important. Combined, this interplay of trends is shaping fintech's next chapter.

With regulatory scrutiny on fintech firms ramping up, authorities across the globe are calling for **upgrades to compliance frameworks**. The area in which this is perhaps most visible is Anti-Money Laundering (AML) and Know Your Customer (KYC) compliance, with **new rules incoming in Europe**, for example. It is little surprise, then, that 64% of our respondents pinpoint this as the regulatory trend of most concern to them. With the obligations placed on fintechs and financial institutions increasing, this will continue to be a key driver in how the ecosystem grows - and the shape of investment opportunities.

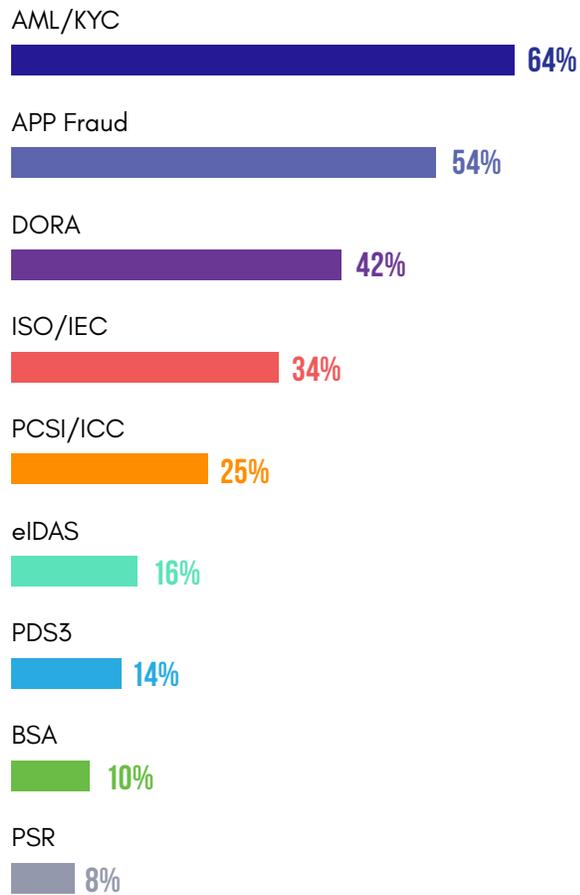
Fintech players are also apprehensive about rules on Authorized Push Payment (APP) fraud. Robust security measures are of course a must, but **recent moves** for stricter regulations in this area are undoubtedly causing concern. Lastly, another piece of European legislation is a cause for apprehension: the data the

Digital Operations Resilience Act (DORA) comes into force is fast approaching (17 January 2025), and 42% of our respondents rank it as a top concern. With the regulation placing greater responsibility on senior management for the digital resilience of their organisations, it will surely be top of the executive agenda as implementation nears.

The majority of our respondents believe declining investment is now hurting the fintech industry's commitment to promoting ESG (Environmental, Social, and Governance) and DE&I (Diversity, Equity and Inclusion) initiatives, with 52% seeing moderate impact and 25% citing significant impact. As funding tightens, it may well be that firms prioritise 'keeping the lights on', with a focus on core operations and profitability, but there are signs that **ESG-linked investment remains robust** and DE&I still **features prominently** on term sheets. Of course, much work remains to be done.

QUESTION 8

Which regulatory compliance legislation do you feel the most concerned about?



QUESTION 9

To what extent do you believe that declining investment in fintech is directly affecting the industry's commitment to ESG (Environmental, Social, and Governance) sustainability initiatives and DE&I (Diversity, Equity, and Inclusion) efforts?

Moderately impacting both ESG and DE&I initiatives



Significantly impacting both ESG and DE&I initiatives



Little to no impact on ESG and DE&I initiatives



Unsure / No opinion



No impact at all on ESG and DE&I initiatives



LONDON'S APPEAL FOR FINTECH IPOs COULD BE SLIDING

London might be a global fintech hub, but its prominence as a premier location for IPOs is waning. 2024 has seen just 10 IPOs on the London Stock Exchange, with **only one from the fintech sector**. Just 24% of our respondents believe the City offers the

best opportunities for fintech IPOs, almost level with the 20% who say other hubs are more attractive. While there is some comfort in 39% viewing it as the best choice for specific fintech models, there is little by way of resounding endorsement in our data.

QUESTION 10

Do you believe London is the best location for fintech companies to launch an IPO compared to other global financial hubs?

Yes, but only for certain types of fintech companies



Yes, London offers the best opportunities for fintech IPOs



No, other financial hubs are more attractive for fintech IPOs



Unsure / No opinion



No, London's appeal for fintech IPOs has declined



INVESTOR VIEWS

This section dives into the perspectives of those driving capital into the fintech ecosystem, giving an insight into investors' strategies, motivations and their outlook for the year ahead.

GAUGING INVESTOR APPETITE: WHO, WHERE AND WHAT

How are investors prioritising their capital when it comes to fintech? Which growth stages, regions and technologies do they see as in alignment with their search for high-return potential? Here we dig into the data to answer these pressing questions.

While most (72%) of the investors we surveyed dedicate between 5–20% of their portfolios to fintech, a smaller segment—about 13%—maintain over 30% exposure. With this distribution, we can see a spectrum running from degrees of strategic caution to firmer conviction, as investors look to balance risk with the sector's high-growth potential. Investor interest in fintech has not dimmed, at least, as 91% of those we surveyed said their interest increased or stayed the same over the past year. There is no doubt that the investment landscape is challenging, but it is reassuring to see that the appeal of fintech endures.

Flows of investment capital may be drying up, but some fintechs are being sought after more than others. The investors we surveyed show a clear preference (70%) for investing in Early Stage (Series A/B) fintechs. This makes a departure with the **distribution of investment in the market** in 2023 and 2022, which saw seed stage fintechs take up 67% of deals. At the same time, just over half (51%) are focused on more mature, growth-stage (Series C+) opportunities, perhaps pointing to the importance of identifying tried and tested business models in the current environment.

When it comes to investor preference by region, the UK, USA and Republic of Ireland take the three top spots in our respondents' ranking. By this measure, London's standing as a fintech hub looks solid, and overall this aligns with market analysis that positions both the UK and the USA as the most attractive regions for global fintech investment. For Ireland, this is positive news, as fintech investment **cratered in 2023** before showing **signs of improvement** this year to date. At the same time, many of our respondents are opportunities in Germany and Benelux, as well as emerging fintech markets in the Middle East and Scandinavia, demonstrating a willingness to look beyond traditional hubs in search of high-value opportunities.

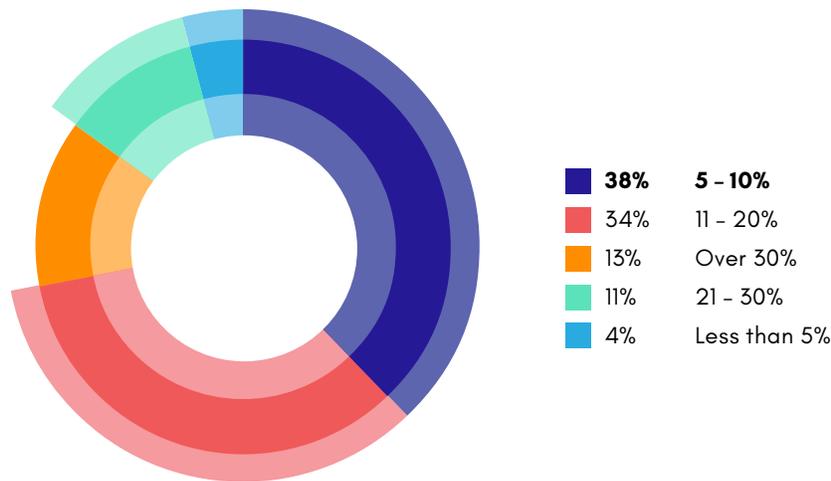
In terms of sectors, investors are focusing heavily on payments and transfers, with 83% identifying this area as their top choice. As one of the major building blocks of financial services, payments continues to offer both scalability and revenue potential, making the sector an attractive prospect for those looking to capture value. Interestingly, WealthTech comes second and garners a solid 70% of votes. With the **'Great Wealth Transfer'** set to pick up pace in the near term, the opportunities for well-positioned fintechs to benefit are real. It is little surprise that AI rounds out the top three at 64%, given that the market for AI technologies is tipped to **reach \$1.3 trillion by 2030**, with financial services being one of its major targets.

Overall, the picture that emerges is one of fintech investors aligning their strategies with the growth stages, regions and technologies that promise both scalability and resilience. Their focus on payments, wealthtech and AI signals a pragmatic

approach, targeting sectors with proven demand and the potential for high returns. Taking a punt on the unproven is well and truly out of scope in a market so challenging, so it is just as well that so many compelling opportunities remain.

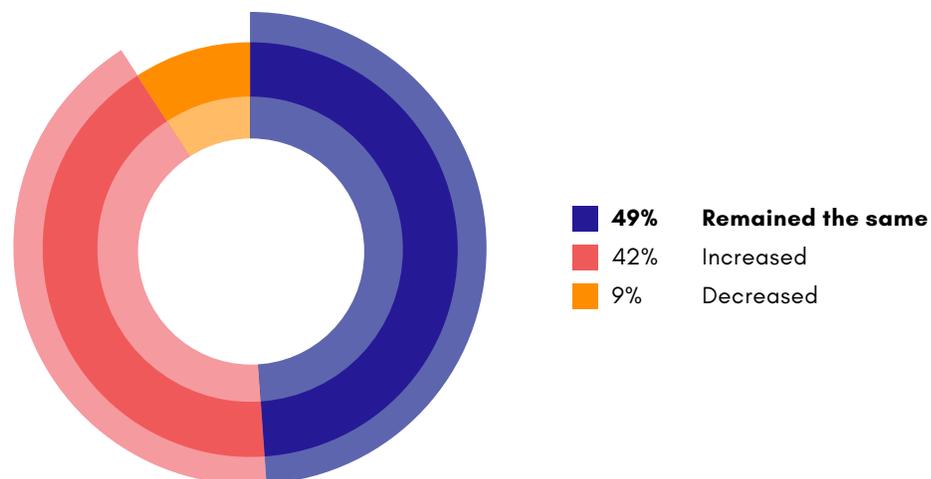
QUESTION 11

What percentage of your total portfolio is currently allocated to fintech investments?



QUESTION 12

How has your interest in fintech investments changed over the past 12 months?



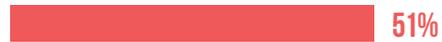
QUESTION 13

Which of these types of fintechs are you most interested in investing in?

Early Stage (Series A/B)



Growth Stage (Series C+)



Seed Stage



Late Stage

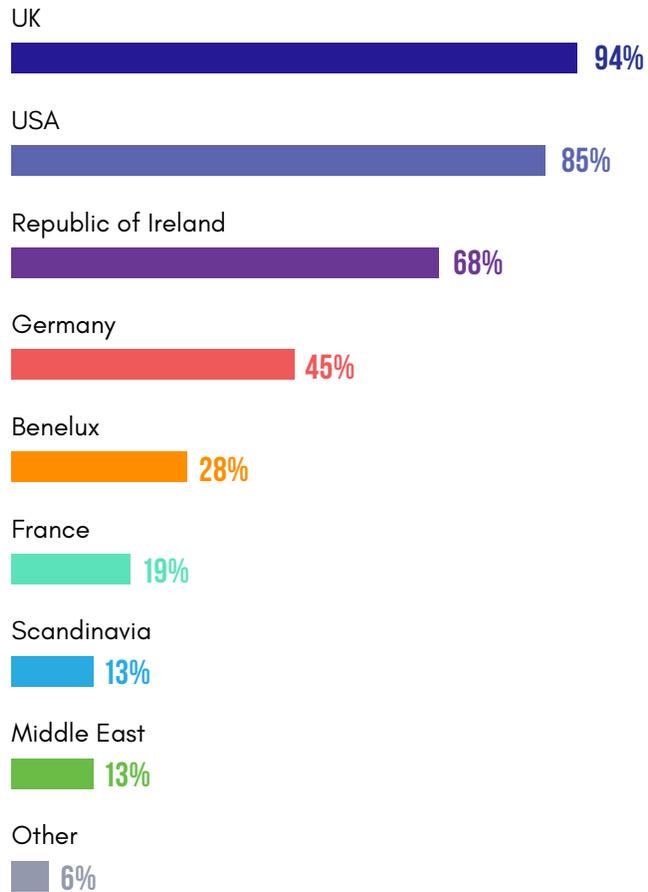


IPO and beyond



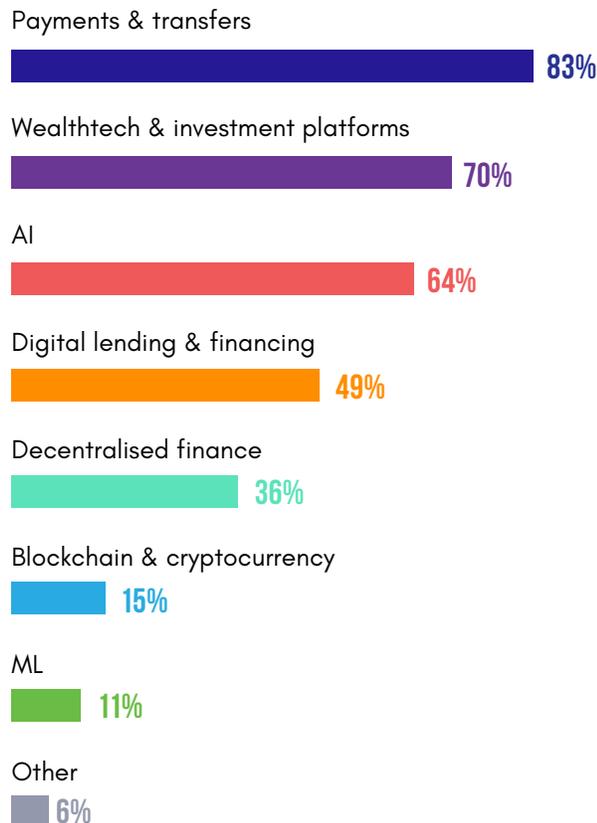
QUESTION 14

Which countries and regions are you currently most interested in investing in, when it comes to fintech companies?



QUESTION 15

Which sectors/technologies are you most interested in investing in?



INVESTOR MOTIVATIONS: WHY INVEST IN FINTECH TODAY?

Among all the economic headwinds, regulatory pressures and technological upheavals, investors are still drawn to fintech's transformative potential. We took the opportunity to dig a little deeper and tease out the specific motivations that are driving investment activity in the sector today.

Primarily, investors are drawn to fintech for its ability to generate significant returns, with 57% citing market demand and growth potential as a top motivation.

Recent analysis estimates that the global market for fintech is set to grow by five times by 2030, reaching a total size of \$1.5 trillion in revenue. In light of this, it is somewhat unsurprising that growth potential would rank first. Interestingly, almost half are driven to invest in fintech by its focus on innovation and disruption, which for many are seen to be the routes to capturing value.

When it comes to choosing between innovation and profitability in the current climate, however, there is almost an even split, with 51% leaning toward profitability.

Undoubtedly, the days of the ‘growth at all costs’ model are behind us, and profitability has emerged as a key **metric for fintech success**. But the near-even split suggests a pragmatic approach – one that acknowledges the importance of disruptive potential while underlining the need for fintechs to outline a clear path to ‘getting into the black.’ We are, after all, in a **new age of fintech** that prizes sustainable growth as a hedge against more widespread economic uncertainty. And this perspective is certainly in sync with our respondents’ expectation for returns over a mid-term horizon: 72% are now looking to reap the rewards of their investment over 3–5 years, though we may see that timeframe lengthening as the likes of Private Equity firms take a more prominent role in the investment landscape.

The drivers for investors are clear, but what could sway them to double down on the fintech sector and ramp up their investments? For many (64%) of our respondents, improving tech infrastructure would be a good place to start, crucial as it is to enabling scalability and operational efficiency. Two thirds also point to greater customer adoption, underlining the importance of market validation and demand. Poor product-market fit is said to be responsible for up to **40% of startup failures**, so it is little wonder that this features so highly.

As our data reveals, fintech’s promise of high returns, innovation and market disruption keeps investors coming back – even if today’s challenging economic environment calls for a greater emphasis on profitability.

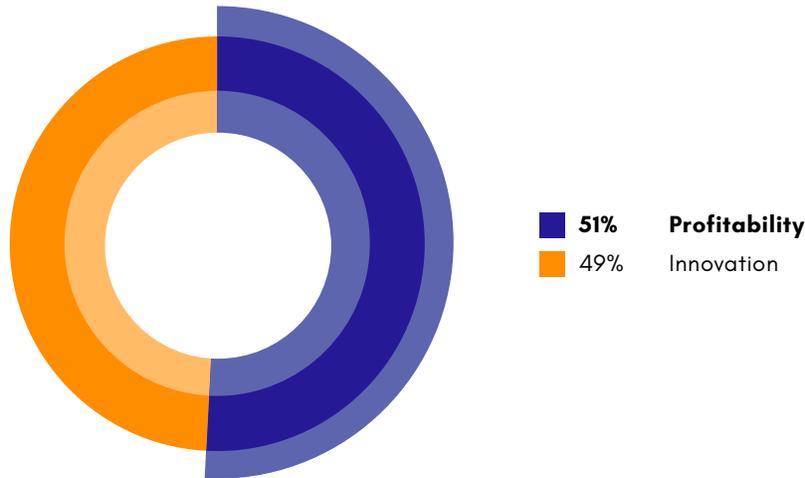
QUESTION 16

What is your primary motivation for investing in fintech companies?



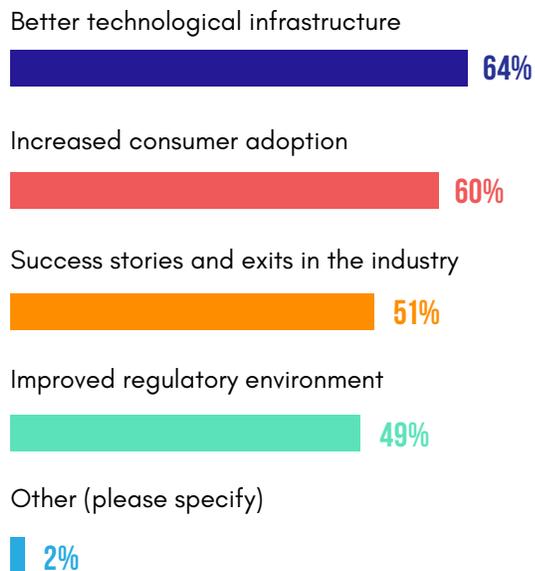
QUESTION 17

In the current climate (thinking about the last 12 months), is profitability or innovation more important?



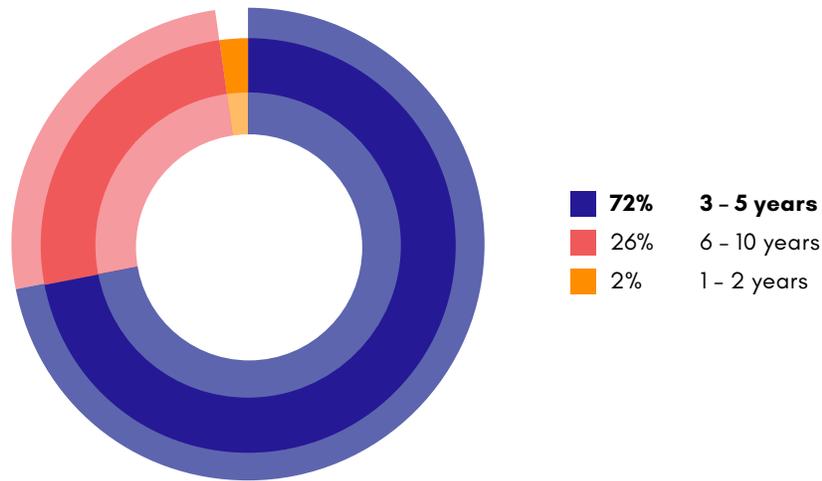
QUESTION 18

What key developments would make you increase your fintech investments in the future?



QUESTION 19

What is your expected timeline for returns when investing in fintech companies?



SPOTLIGHT ON DECISION-MAKING: THE HOW OF FINTECH INVESTING

Today's investors are zeroing in on key factors when evaluating opportunities. 83% rank innovative tech as a top factor in their decision-making process. A unique solution built on proprietary technology surely provides the kind of differentiator that wins and protects market share, while **recent evidence** shows a clear link between innovativeness and startup survival rates. Beyond tech, market size and potential also weigh heavily in the decision-making process, noted by 64% of respondents, underscoring the preference for fintechs with scalable growth opportunities. Existing traction and revenue rounds out the top three and is cited by 57%, demonstrating that investors are not only looking for groundbreaking ideas but also evidence that they can be executed to **unlock value creation**.

Environmental, Social, and Governance (ESG) considerations are also currently shaping investment decisions, though their importance varies. For 57% of our surveyed investors, ESG is a medium priority, suggesting that while socially responsible practices are valued, they are not top of mind when making a final call on a deal. A smaller segment, 23%, considers ESG a top priority, perhaps reflecting a

growing awareness of the role fintech can play in making a social impact, as well as the increasing requirements for smaller companies to collect data and report on ESG measures, **most notably in the EU**.

On openness to co-investing with traditional financial institutions (FIs) like banks and insurance companies, our respondents are largely in the 'Yes' camp, with 72% willing to entertain such a setup. While 17% state it would depend on the partnership structure, there is clear receptiveness to the idea. Partnerships of this kind could offer benefits for investors, such as access to FIs' industry knowledge, networks and regulatory expertise, which could help navigate some of the more complex areas of financial services innovation. The time may indeed be ripe for such moves, with the **World Economic Foundation** recently calling for more novel approaches to bridging the VC funding gap in fintech.

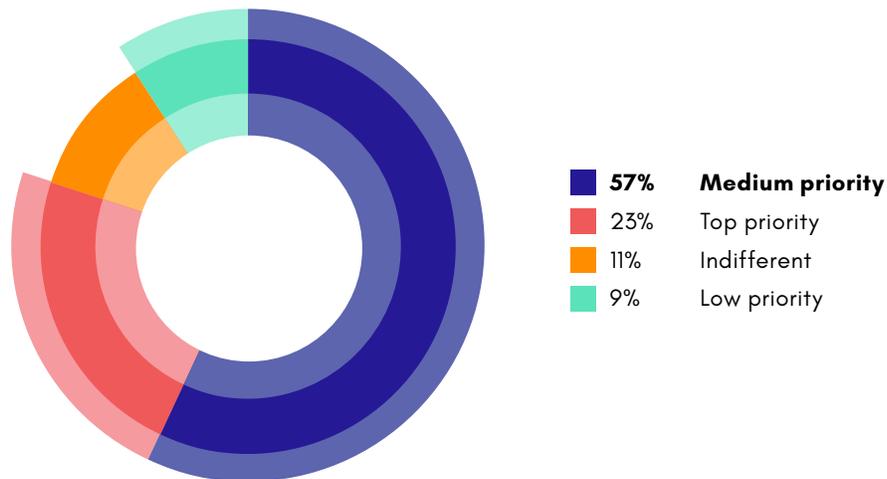
Of course, fintech investments are not without risk. For our respondents, lack of customer adoption looms largest, with 64% of investors most concerned about whether a fintech gains sufficient traction. This aligns with the one of top reasons startups are said to fail - lack of **market need**. Intense market

competition, cited by 57%, is another major concern, with many investors turned off backing startups in **saturated markets**. The likelihood of an economic downturn features prominently in the risk calculations of half (51%) of the investors we surveyed, and amid reports that a continued

'economic slowdown' is depressing fintech investment this year. Together, these risks highlight the careful balance investors must strike between backing innovators and managing their exposure to the sector's vulnerabilities.

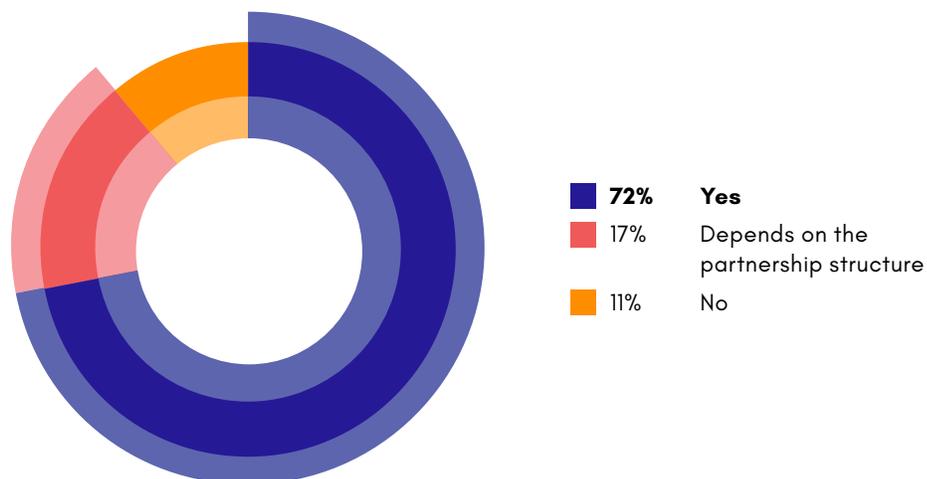
QUESTION 20

How important are ESG considerations when evaluating whether to invest in a fintech?



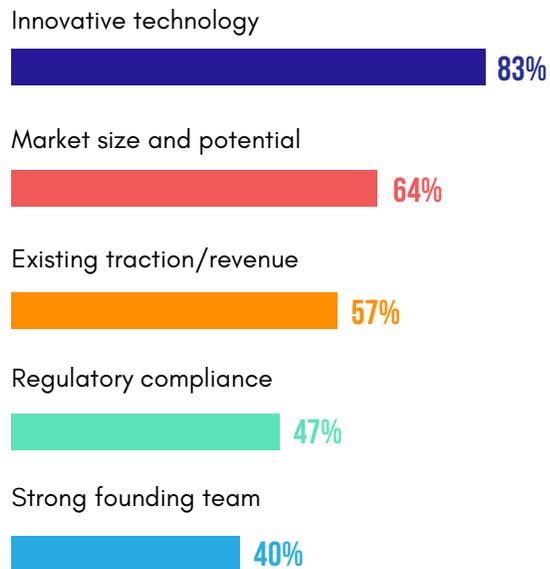
QUESTION 21

Would you consider partnering with traditional financial institutions (banks, insurance companies) when investing in fintech?



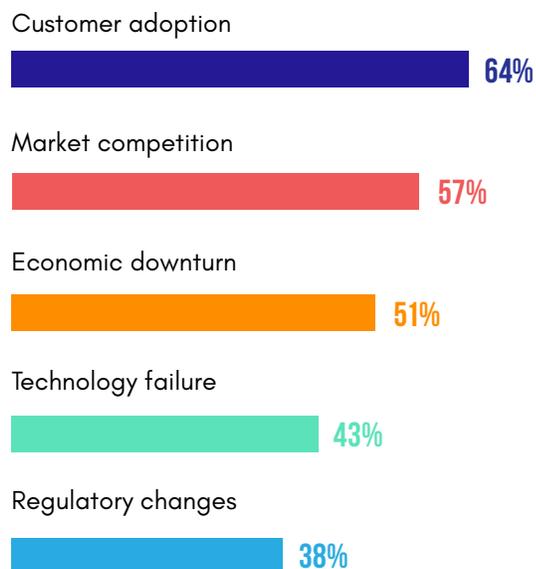
QUESTION 22

What factors most influence your decision to invest in a fintech startup?



QUESTION 23

What do you consider the biggest risks to investing in fintech companies today?



THE OUTLOOK FOR FINTECH INVESTMENT: NAVIGATING MARKET DYNAMICS, REGULATION AND ECONOMIC HEADWINDS

What does the year ahead look like for fintech investment? Our survey sheds some light on the investors' point of view, picking out the key themes they have tipped to shape the landscape over the next 12 months.

Our respondents' high predictions for both consolidation (68%) and increased M&A activities (66%) clearly signal an expected decrease in the number of players in the market. Indeed, M&A has been **tipped to pick up**, while traditional banks have **become more active** in acquiring fintechs.

Fintech aficionados will be acutely aware of the ability of regulatory shifts to help or hinder investment flows into the sector. Whether it's through increased compliance requirements, incentivising market activities or opening up space for product innovation, moves by regulators are keenly watched by investors. In the coming 12 months, our respondents (62%) have operational resilience and cybersecurity challenges front of mind. As authorities across the globe **ramp up their focus** on tech and cyber risk across financial services, operational costs are likely to rise for fintechs, with the potential for knock-on effects on profit margins.

While AML and KYC are long-standing regulations, their **frequent updating** creates opportunities for compliance-focused fintech solutions - and so this near-constant challenge continues to rank highly (60%) as a driver of fintech investment for our respondents. Data privacy (53%) and BNPL regulations (45%) are also shaping their outlook, reflecting investors' awareness that regulatory costs and pressures will likely grow over the near term, especially as authorities are **pushed to adapt** to new fintech products and services.

Although global growth has been **forecast to stabilise** at around 2.7% in 2025, firm predictions are made more difficult by the uncertainty introduced by political developments. What is clear to our investor respondents, however, is the effect economic conditions will have on investment activity. A solid 68% now foresee a focus on regulated markets, indicating a preference for backing fintechs operating within well-established regulatory frameworks and a move away from riskier subsectors.

QUESTION 24

What do you predict will be the major trends in fintech investment over the next 12 months?

Consolidation



Increased M&A activities



An increased number of IPOs

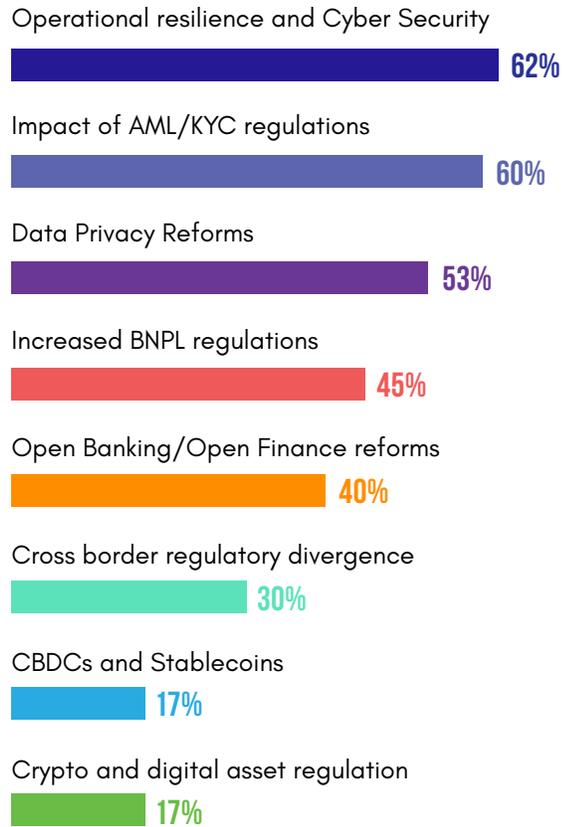


A shift toward Series A and B funding rounds



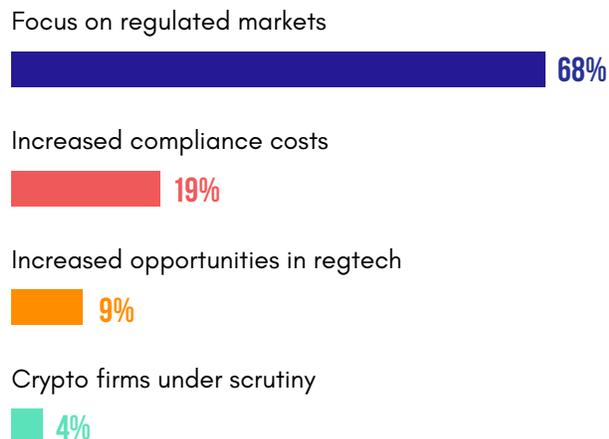
QUESTION 25

What regulatory challenges or changes do you believe will impact fintech investment in the next 12 months?



QUESTION 26

How do you expect global economic conditions (inflation, interest rates etc.) to impact fintech funding in the next 12 months?



FINTECH VIEWS

This section offers insights straight from the leaders on the frontlines of fintech innovation, revealing their views on what the investment landscape is really like out there for startups, the major growth challenges they face, and the trends they think will shape the future of fundraising.

DEFINING OUR AUDIENCE: WHERE OUR FINTECHS STAND ON THEIR INVESTMENT JOURNEY

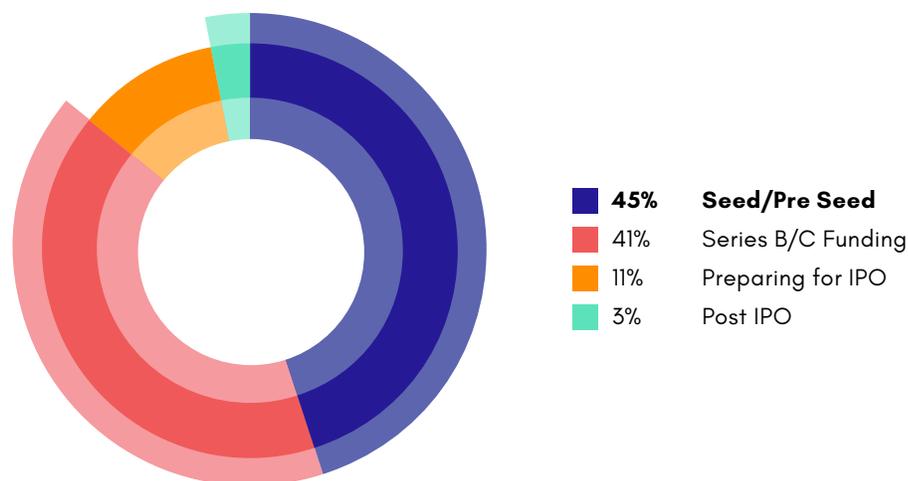
When it came to surveying senior leaders working within fintech companies, our goal was to uncover insights from the frontline of fundraising today. And this shows in the makeup of our pool of respondents. Nearly half of those surveyed (45%) are at Pre- or Seed stage fintechs, while 41% are drawn from fintechs that have advanced to Series B or C Funding (41%).

A smaller portion are at companies that are preparing for an IPO (11%) or have already gone public (3%).

Of the fintechs we surveyed, 48% successfully raised funds in the past 12 months. Within this group, 65% increased the level of investment they attracted, 23% achieved the same level of investment, and just 12% saw a drop in capital received. While global fintech investment levels are **down on 2023**, and Europe's investment scene has been described as **'in the doldrums'**, there have been some **encouraging announcements** of significant raises - aligning with the experience of our respondents and demonstrating that fintech remains a comparatively attractive sector.

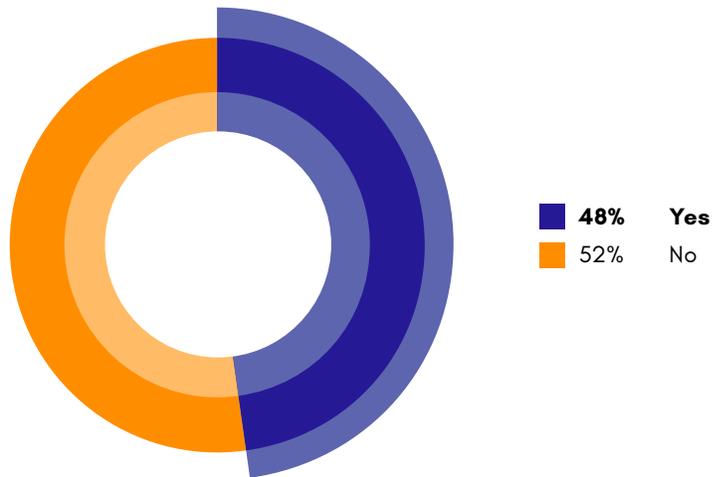
QUESTION 27

Where are you in your investment journey?



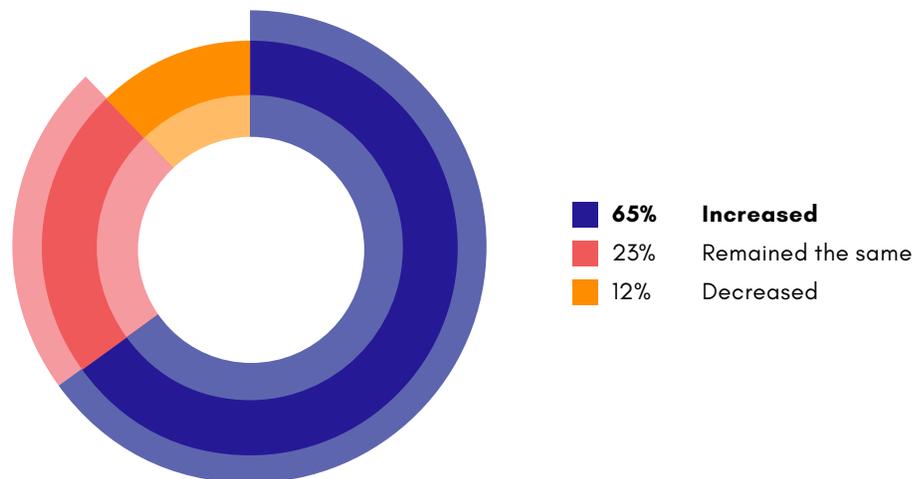
QUESTION 28

Has your company raised funds in the past 12 months?



QUESTION 29

How would you describe investment you have received in the past 12 months?



FINTECHS' INSIGHTS ON THE INVESTMENT LANDSCAPE

Fintech founders and leaders paint a nuanced picture of today's investment landscape, where drivers and deterrents shape the market, investors are drawn to sectors generating buzz, and deal-makers are doubling down on due diligence.

Interestingly, regulation emerges as a bit of a double-edged sword: 42% of respondents say regulatory frameworks are a driver of investment, likely due to the increased need for compliance-driven solutions such as RegTech; but 46% say they are a deterrent, as they introduce extra compliance costs and complexities.

Market saturation (43%) and economic conditions (52%) are also seen as drags on the sector. Intense competition in a crowded field could be discouraging investors from back startups in certain niches, while the effects of inflation, rising interest rates and general market volatility continue to hurt deal making. On top of all this, geopolitical tensions and policy shifts are also dampening progress, with 50% identifying them as a deterrent.

In the context of these drags on investment, our fintech respondents have nevertheless observed clear shifts in investor interest towards specific sectors and propositions.

Somewhat unsurprisingly, AI tops the list (70%): AI deals are currently **dominating venture funding**, and the set of technologies grouped under its banner look set to **fundamentally transform financial services** on a global scale. Our respondents also single out Payments and transfers (59%) as a solid area of interest for investors. Arguably, this is also to be expected, as it is a foundational sector that offers significant revenue generating potential, with **embedded payments** just the latest innovation to unleash a wave of value creation.

Beyond the blockers and the sectors generating buzz, fintechs also report facing more stringent due diligence. 62% say that investor scrutiny has intensified compared to previous years. Due diligence is indeed making a **'comeback'**, and for some this is simply a reaction to the fast and loose deal-making processes that defined the frothy market of 2021.

Overall, from fintech leaders' vantage, the investment landscape is mixed: regulatory hurdles, economic conditions, and market saturation ward off some investors, while buzzy sectors like AI and payments continue to draw strong interest amidst a push for more rigorous due diligence.

QUESTION 30

Thinking about these factors, select whether you think they are driving, deterring or having an indifferent impact on investment in fintech currently?

■ Driving ■ Deterring ■ Indifferent Impact

Regulations



Market saturation



Economic conditions



Political conditions



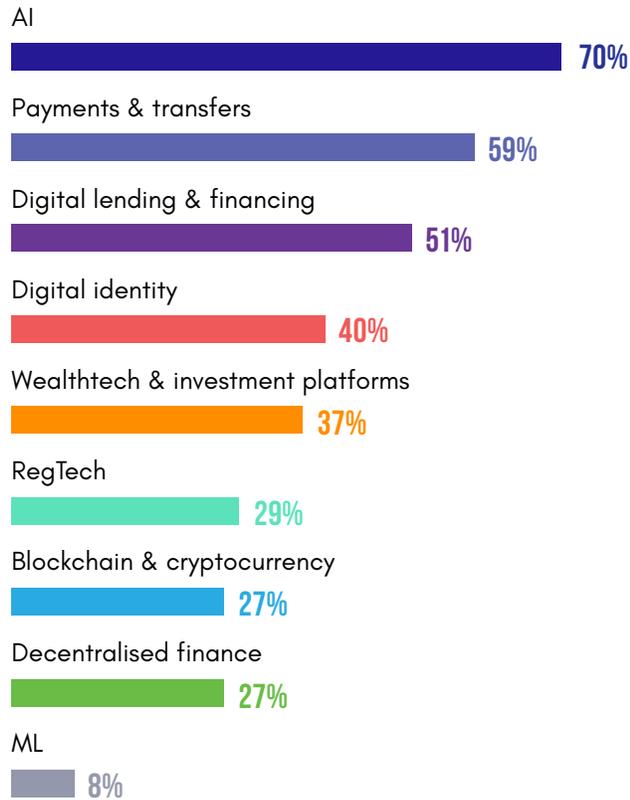
QUESTION 31

Have you observed a shift in investor interest toward specific fintech sectors?



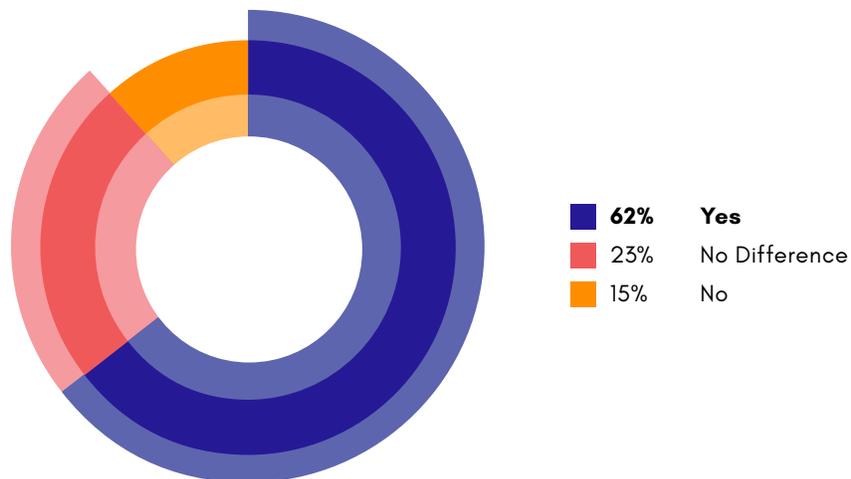
QUESTION 32

IF Yes to above question = Which sectors have you noticed a rise in interest from investors?



QUESTION 33

Are you facing more stringent due diligence or requirements from investors compared to previous years?



THE FINTECHS' VIEW ON THE OUTLOOK FOR INVESTMENT

What's on the near-term horizon for fintech investment? Our panel of fintech leaders anticipate that star performers like AI and embedded finance will continue to set the pace, even in the face of mounting regulatory and economic challenges.

Increased investment in AI and Machine Learning leads the pack by a big margin, with 71% of respondents tipping it to be a major trend over the next year. This chimes with all the signals from across the ecosystem: the AI Fintech market's growth rate is impressive, with recent estimates putting it at a **CAGR of 17%**, while the global size is projected to reach **\$70 billion by 2033**. With this kind of potential, investors are sure to be queuing up. For 57% of fintech leaders, Embedded Finance also ranked as a 'trend to watch' over the coming months. With one of the sector's flagbearers, Klarna, **teeing up an IPO**, there is renewed enthusiasm for both direct and B2B offerings in this space.

Of course, the future is not all rosy, with fintech leaders keeping a watchful eye on regulatory challenges on the horizon too. Data and Open Banking regulations (60%) top the list of our respondents' concerns, suggesting that compliance with data-sharing protocols and managing consumer privacy will be priority areas.

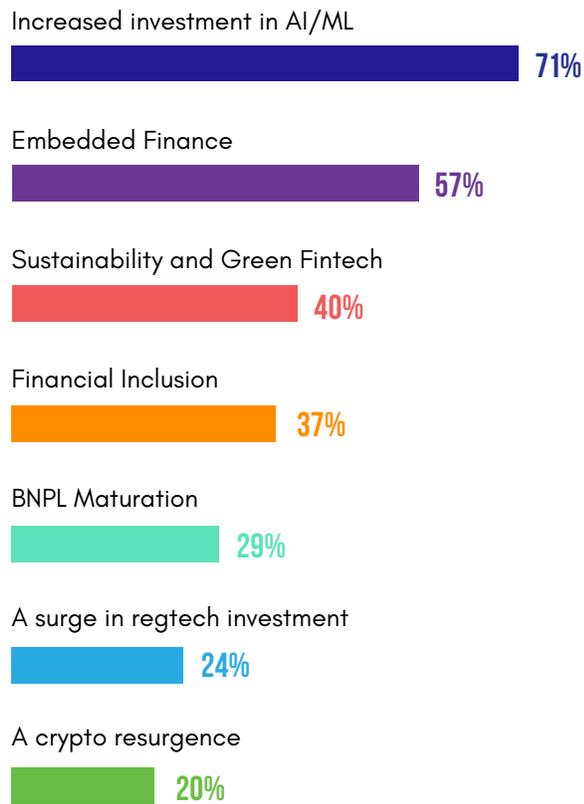
With the **EU's Data Act** coming into force in September 2025, expect these topics to grab plenty of headlines over the coming year. At the same time, 59% are apprehensive about cross-border regulatory divergence, which may impact the funding prospects for fintechs planning international expansion in the near term.

Global economic conditions will add another layer of complexity to how the investment scene evolves, but the fintech leaders we surveyed are cautiously optimistic. 40% say that the likes of inflation and rising interest rates will drive innovation: companies will be forced to find ways to optimise operations and cut costs, which will make for more attractive investment cases. On a less optimistic note, 30% expect a period of stagnation that won't much affect fintech funding.

With AI and Embedded Finance tipped for growth and regulatory complexities on the rise, it's clear that fintech leaders are looking ahead to a year that will be marked by a drive to capture investor interest.

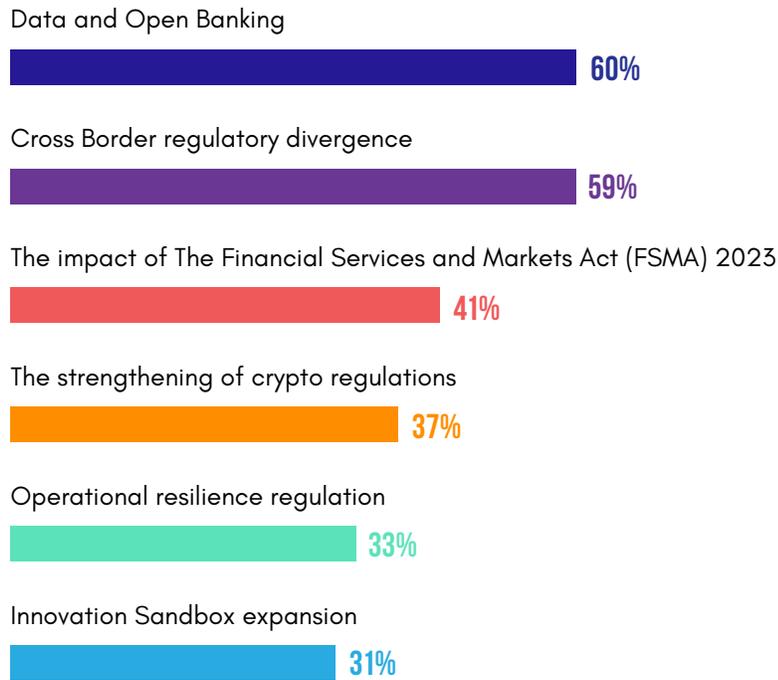
QUESTION 34

What do you predict will be the major trends in fintech investment over the next 12 months?



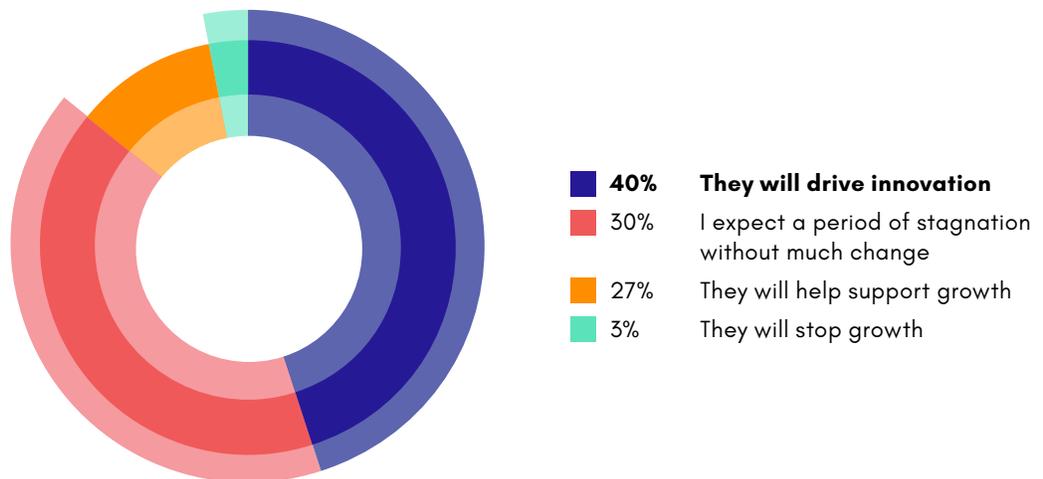
QUESTION 35

What regulatory challenges or changes do you believe will impact fintech investment in the next 12 months?



QUESTION 36

How do you expect global economic conditions (inflation, interest rates etc.) to impact fintech funding in the next 12 months?



INSIDER INSIGHTS ON ATTRACTING INVESTMENT

We asked the investors active in the market and the fintechs that have successfully raised for their top tips on attracting investment capital. We have distilled their advice and grouped it into common themes, teasing out where investors and fintechs converge and deliver the most actionable tips.

PUT PROFITS OVER PROMISES

Both investors and fintechs emphasise the need for profitability, careful spending, and a clear path to sustainable revenue. Investors want to see proof of financial prudence, and fintechs acknowledge the importance of showcasing profitability.

Investor Advice

- **Focus on Financial Discipline**
Investors emphasise a lean approach, advising startups to “stop burning money” and to “show investors that you know how to make money.”
- **Prioritise Profitability Over Growth**
Many investors favour startups that demonstrate an ability to sustain profitability, even if it means slower growth.

FinTech Advice

- **Focus on Runway Management**
Fintechs echo the need for financial prudence, with advice like “prolong runway with non-diluting funding” and “be prudent on spend.”
- **Show Profit Potential**
Startups advise peers to highlight how they achieve financial efficiency, presenting metrics that reflect solid financials.



PROVE PRODUCT-MARKET FIT

Investors and funded fintechs agree that understanding and demonstrating market fit is critical. Investors want data-backed product validation, while fintechs focus on user experience and customer feedback.

Investor Advice

- **Demonstrate Product-Market Fit**
Investors advise fintechs to “prove your product is a market fit” and provide data-backed evidence to show alignment with customer needs.
- **Highlight Customer Retention**
Retaining customers is key to building credibility. Investors suggest fintechs “show evidence of customer retention strategies” to establish trust in the product.

FinTech Advice

- **Emphasise User Experience**
Fintech leaders highlight the importance of “focusing on the user experience” and ensuring the product resonates with the target market.
- **Provide Testimonials**
Many fintechs recommend using “customer testimonials” to convey satisfaction and loyalty, building a compelling narrative for investors.

BEND, DON'T BREAK

Adaptability is key. Both investors and fintech leaders underline the importance of demonstrating flexibility and resilience, especially in volatile market conditions.

Investor Advice

- **Showcase Agility**
Investors advise fintechs to “show how you can adapt based on market insights” and be prepared to pivot if necessary. Agility in strategy and operations is seen as an asset.
- **Emphasise Risk Management**
In uncertain times, investors are keen on startups with strong risk management plans that help mitigate potential market fluctuations.

FinTech Advice

- **Highlight Resilience**
Fintechs advise demonstrating “adaptability to changing market conditions” and showing how they can stay lean and flexible.
- **Showcase Crisis Management**
Some fintechs suggest including evidence of handling previous challenges, which reinforces their ability to survive and thrive.

FOCUS ON FUNDAMENTALS

Both investors and fintechs stress presenting a clear strategic foundation. Investors seek clarity on business fundamentals, while fintech leaders emphasise the importance of outlining growth and aligning with investor expectations.

Investor Advice

- **Convince on Core Strategy**
Investors recommend that fintechs “focus on the problem and solution” with a clear strategic plan, including solid market research and well-defined growth targets.
- **Show a Clear Exit**
Investors appreciate fintechs with a long-term vision and a clear exit plan, which assures them of potential returns.

FinTech Advice

- **Present a Growth Roadmap**
Fintechs advise developing and showcasing a “growth strategy” and being “clear on the problem and solution.” They recognise the value in demonstrating a robust, thoughtful approach.
- **Tap Networks for Strategy Development**
Building relationships is also highlighted, with fintechs recommending early engagement with potential investors to refine their strategic approach.

FORGE STRATEGIC CONNECTIONS

Making the right connections counts. Investors see building a strong network as an early-stage commitment to establish credibility, while fintechs view it as a strategic asset for building trust and attracting the right backers.

Investor Advice

- **Build Investor Relationships Early**
Investors suggest fintechs engage with potential investors well before funding rounds, allowing them to build trust and credibility over time.
- **Focus on Partnerships**
Partnerships with established financial institutions are also advised, as they add credibility and can ease investor concerns.

FinTech Advice

- **Leverage Angel and VC Networks**
Fintechs emphasize the importance of networking, advising startups to “leverage your angel network” and avoid dependency on venture capital alone.
- **Partner with Traditional Players**
Fintech leaders also recognize the value of partnerships, suggesting collaborations with established players to enhance credibility.

SHARPEN YOUR COMPETITIVE EDGE

Communicate what makes you different. While investors look for a clear competitive edge, fintech leaders emphasise the importance of brand and unique value to attract attention.

Investor Advice

- **Highlight Unique Value Proposition**
Investors recommend that fintechs “stand out by developing a unique brand identity” and focus on the differentiating factors that set them apart from the competition.
- **Present Competitive Advantages**
Emphasising what makes the startup distinct within the fintech landscape is key to attracting investor interest.

FinTech Advice

- **Showcase Competitive Advantages**
Fintechs mirror this sentiment by advising startups to “give evidence of your competitive advantages” and ensure the product or service has a clear USP.
- **Build a Strong Brand**
Fintech leaders also advise focusing on brand perception and clarity to make an impact in a crowded market.



FINANCIAL INSTITUTION VIEWS

This section provides a snapshot of the views of leaders at financial institutions (FIs), uncovering how they see the investment landscape, how they are engaging with fintechs, and the forces they believe will shape the sector's future.

THE FIS' PERSPECTIVE ON FINTECH INVESTMENT

On the subject of what's driving and deterring fintech investment, our respondents have mixed views. For a majority (55%), regulation is a driver - perhaps by fostering confidence in markets, or maybe by sparking demand for RegTech solutions to meet compliance requirements. On the flip side, 39% say regulations act to deter investors, which may reflect the view that increased costs of compliance stunt growth potential.

Similarly, economic conditions are viewed as a deterrent by 52% of respondents, while a third (32%) cast them as a driver. Rising inflation, interest rates, and capital costs are certainly dampening risk appetite and pushing investors to be more selective about the fintechs they back. Indeed, the very same factors are forcing FIs, such as **retail banks**, to adapt their strategies and focus on profitability. Fintechs may well be pursuing the same response, which could drive investor interest.

Interestingly, political conditions loom large for our FI respondents, with 64% branding them a deterrent to fintech investment. As the dust settles from elections in major fintech hubs, the post-Brexit order emerges, and geopolitical tensions continue to ramp up, the investment landscape is still clouded with uncertainty. It is likely this combination of events that our FI respondents hold responsible for any depression in deal-making activity.

Despite the hurdles, the majority (79%) of FI leaders have observed a shift in investor interest towards specific fintech sectors. For most of these respondents (77%), the buzz around AI has been the most obvious, with Payments (67%) and WealthTech (53%) rounding out the top three.

QUESTION 37

Thinking about these factors, select whether you think they are driving, deterring or having an indifferent impact on investment in fintech currently?

■ Driving ■ Deterring ■ Indifferent Impact

Regulations



Market saturation



Economic conditions

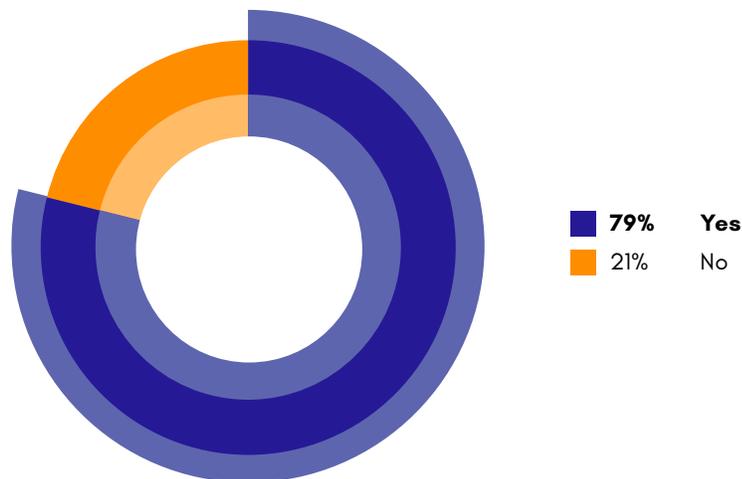


Political conditions



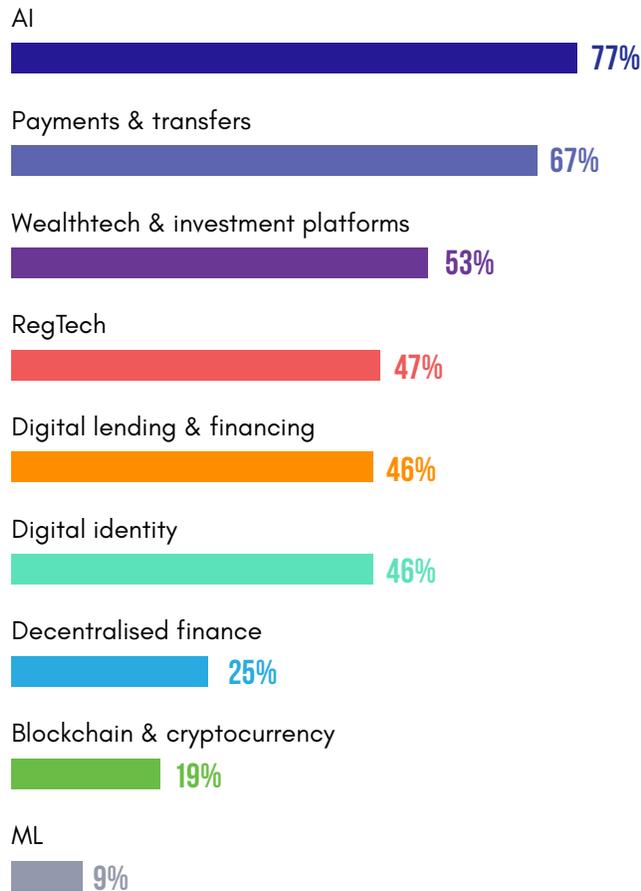
QUESTION 38

Have you observed a shift in investor interest toward specific fintech sectors?



QUESTION 39

IF Yes to above question = Which sectors have you noticed a rise in interest from investors?



HOW FINANCIAL INSTITUTIONS ARE ENGAGING WITH FINTECHS

FI leaders are under pressure to innovate, but they must do so while managing risk. It's no easy task, and so the strategies they adopt for engaging with fintechs strike a balance between collaboration and caution, as our research shows. Most prefer some kind of partnership model: 44% say they partner occasionally, 17% say they do so actively. Such engagements require investment of resources and organisational adaptation on both sides to be effective, as well as **clear alignment** on technical and commercial responsibilities.

That almost a third (29%) choose to build in-house is noteworthy, and could be explained by a lower risk appetite.

Beyond partnership, profitability is the priority for the majority (57%) of FI leaders over pure innovation. For banks, margins are expected to **decline by 5-10%** across several regions, while operating costs are rising in the context of inflation and rising interest rates. Still, 43% view innovation as crucial, emphasising the need to balance near-term results with long-term strategic moves.

This emphasis on innovation is paired with winning a competitive edge when it comes to making fintech investments. The majority (64%) of FI leaders say driving innovation and differentiation is a primary goal of investing in fintechs, pointing to the urgent need to deploy new tech to outpace the competition. For half (52%) of our respondents, improving the customer experience is a primary goal, as FIs try to keep pace with customer demand for personalised products and services.

Despite this commitment to innovation via fintech investment, FIs face stubborn challenges to success. Cybersecurity risks are cited by 49% of FI leaders, as the increasing sophistication of attacks and the regulatory imperative to ensure the integrity of internal systems weigh heavily on leaders in financial services. Integrating fintech with legacy systems presents obstacles for 44% of our respondents, hurting the scalability of fintech partnership and undermining investment activity.

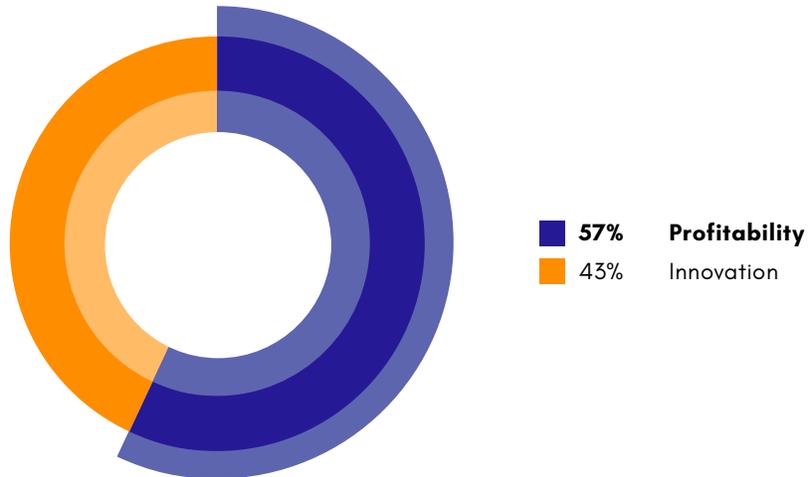
QUESTION 40

How does your institution approach collaboration with fintech startups?



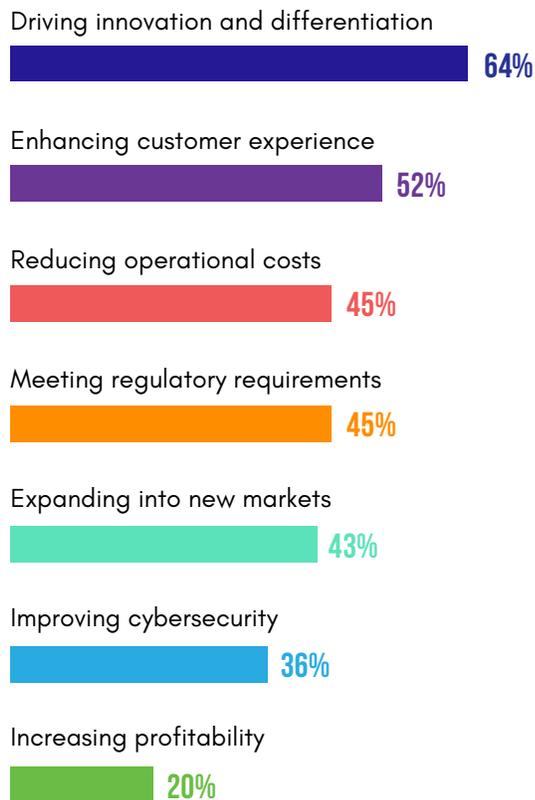
QUESTION 41

In the current climate (thinking about the last 12 months), is profitability or innovation more important?



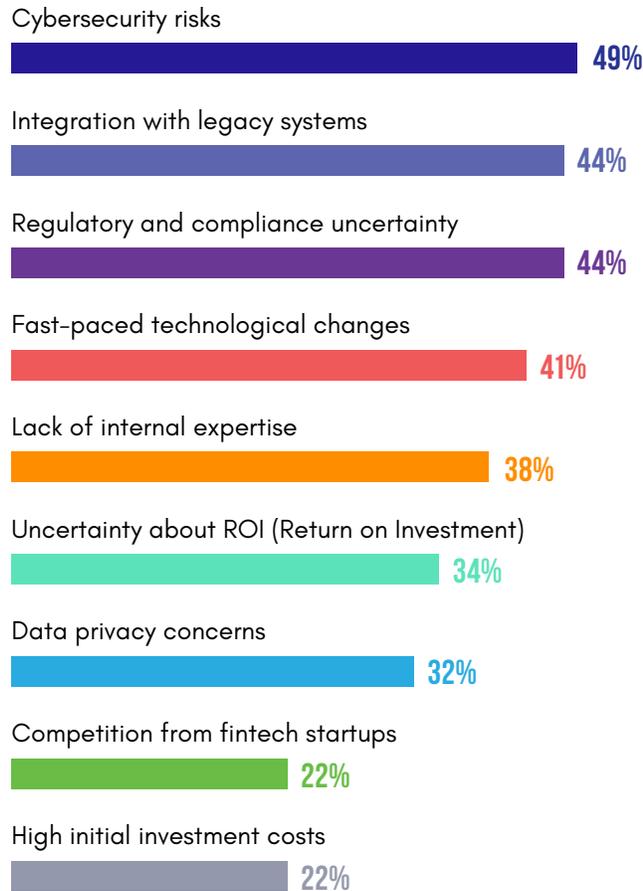
QUESTION 42

What is the primary goal of your fintech investments?



QUESTION 43

What are the main challenges your institution faces in investing in fintech?



THE FI VIEW ON THE OUTLOOK FOR INVESTMENT

FI leaders are in firm agreement with those at fintech startups: increased investment in AI and Machine Learning will be the major trend over the coming year, as noted by 65% of our FI respondents. This aligns with the **sector-wide trends** that sees the biggest players in financial services investing in their AI infrastructure and scaling proven use cases. For 57% of FI leaders, Embedded Finance will be a trend to watch, as FIs seek to provide the kind of seamless, in-context financial offerings that have

won consumers over to buy now, pay later. Beyond pure tech plays, FIs predict that financial inclusion (48%) will also be a major trend in investment, reflecting the belief that fintech can take a bigger role in making a social impact. With global bank **account ownership at 76%**, for example, there is still scope for improvement, and any further push for financial inclusion will only expand market reach.

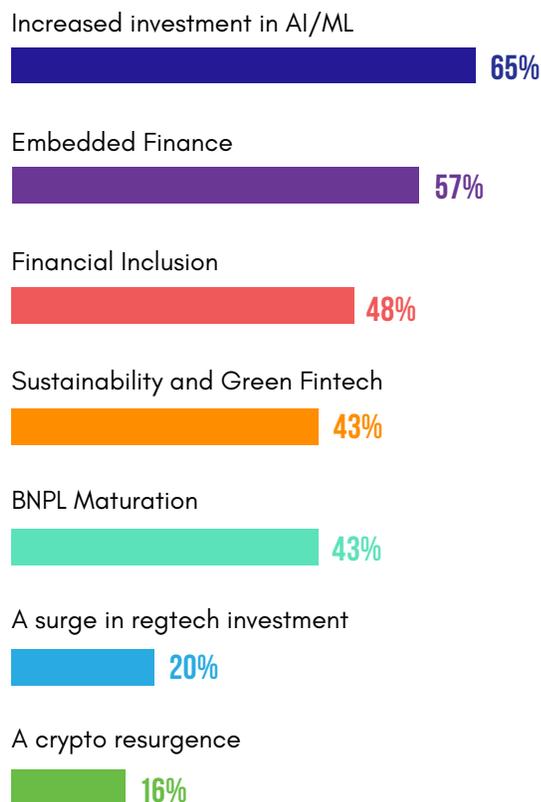
For FI leaders, there will be clear challenges to fintech investment over the next year.

Cross-border regulatory divergence (62%) and data and Open Banking reforms (61%) lead as concerns. In the context of **increasing UK-EU divergence** in financial services regulation, and incoming EU-wide rules on data sharing and privacy, frameworks are undoubtedly in flux. FI leaders may well hold off on any fintech investments themselves until the regulatory environment affords greater certainty, while they expect it to dampen activity at large.

On the economic front, 49% of FIs believe shifts in global economic conditions, such as inflationary pressures and rising interest rates, will spur innovation, perhaps by pushing FS players to pursue cost-cutting operational improvements and making the investment case for supporting solutions more attractive.

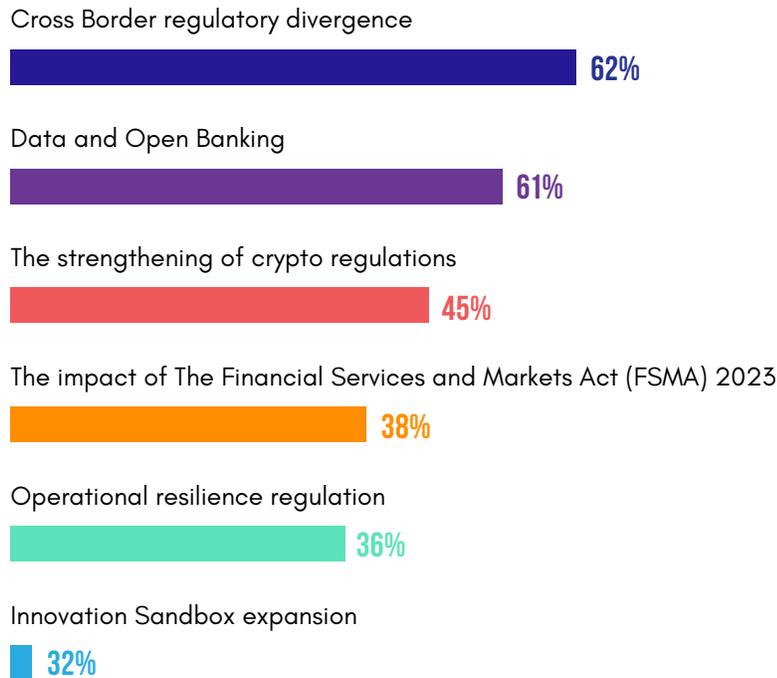
QUESTION 44

What do you predict will be the major trends in fintech investment over the next 12 months?



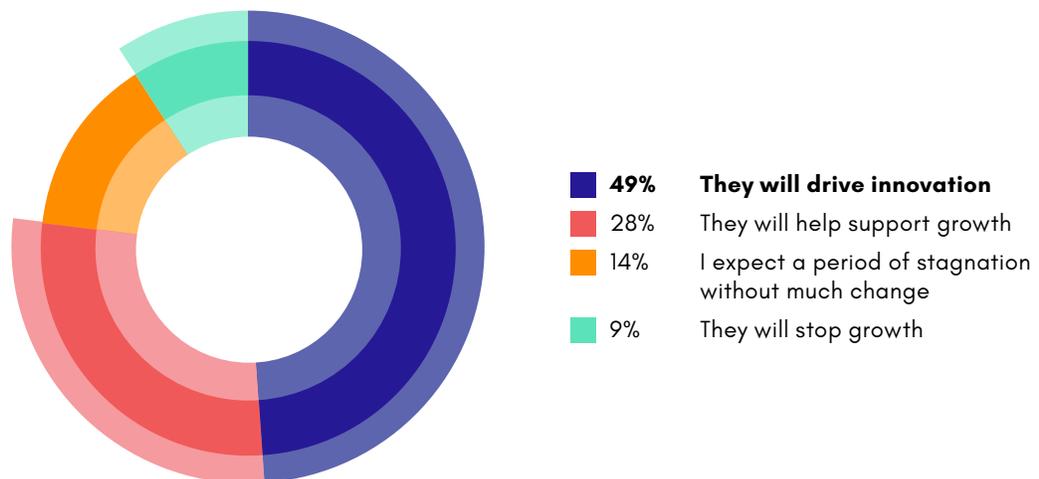
QUESTION 45

What regulatory challenges or changes do you believe will impact fintech investment in the next 12 months?



QUESTION 46

How do you expect global economic conditions (inflation, interest rates etc.) to impact fintech funding in the next 12 months?



ABOUT FINTECH CONNECT

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