



FINTECH LED VC INVESTMENT LAST YEAR. OUTLOOK FOR 2022

Financial services was the leading sector for venture investment in 2021 with \$134 billion invested, marking a whopping 177 percent year-over-year growth. That compares with overall global venture capital investment, which grew by a still astonishing 92 percent.

With fintech emerging as the leading sector for startup sector investment, here are three trends worth watching in 2022—plus a few words of caution.

A core focus for some VCs are fintech apps. People's desire for personal financial stability and security, amidst all of the economic uncertainty unfolding in the world right now, is on the forefront of this development.

They want to have a better sense of not just how much they're saving, but how much they need to save to be able to reach the milestones that could really change their life. Where once there was one company offering banking as a service, there are now a dozen in the space. There are more companies on the credit card issuing side as well.

Another area that investors have shown a lot of interest in is business-to-business payments. Much of the consumer payment space has been digitized, but that hasn't happened as much for business payments, which see higher payment volumes.

Buy now, pay later platforms, which allow buyers to make purchases on payment plans, first became integrated into payment systems in e-commerce and are now rapidly expanding to other industries. In 2021, around \$4 billion was invested in companies described as buy now, pay later, or with installment payment plans up from \$1.7 billion in 2020.

Leading BNPL platforms are partnering with other large companies: Klarna coupled up with Stripe in 2021, and Affirm struck a deal with Shopify in 2020 and more recently Amazon.

Square, meanwhile, is in the process of getting regulatory approval to acquire Australia-based Afterpay. And last year, Apple announced it is launching a BNPL service as part of Apple Pay, with Goldman Sachs covering the loans. BNPL platforms are an alternate payment method circumventing the credit card industry, prompting both Visa and Mastercard to announce their own BNPL initiatives in 2021.

BNPL is now moving from e-commerce to other sectors. One such sector is travel, with Silicon Valley-based Uplift partnering with airlines and travel brands to offer these experiences. And Fly Now Pay Later, headquartered in the U.K., helps consumers split large vacation bills over time.



The concern with BNPL platforms as it extends across payments is the impact on the consumer. A recent survey from Credit Karma found that 44 percent of respondents have used BNPL services and more than 1 in 3 of them have missed a payment.

In 2022, we expect to see innovation in the infrastructure layer, consumer fintech and business payments, not to mention continued growth in investing in crypto assets. Investments in financial services will continue to be a leading sector for late-stage investments in 2022, as well as newer entrants to the market.

But will fintech investment beat the massive increase it saw in 2021? To be seen....

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