# UK fintech investment declines by 37% amid challenging economic conditions



Investment in the UK fintech sector experienced a significant decline of 37% last year compared to 2023, according to a report from Innovate Finance, the industry body for fintech in the UK. Despite this drop, the UK maintained its leadership position in Europe and was ranked second globally in fintech investments.

The downturn in funding was attributed to challenging market conditions characterised by rising interest rates, geopolitical instability, and a recalibration in venture capital fundraising strategies. The global investment in fintech also saw a substantial decrease, falling 20% to $43.5 billion, with the UK accounting for $3.6 billion of this total.

Janine Hirt, CEO of Innovate Finance, expressed a positive outlook despite the figures, stating, "The latest figures tell a compelling story of resilience and adaptability. The UK’s ability to attract $3.6 billion in fintech investment during a year of economic turbulence reflects the strength and dynamism of our ecosystem." However, she cautioned against complacency, emphasising the importance for firms to continue investing in innovation. “We need to ensure that the UK is at the front of the queue as a destination for venture funding when it does,” Hirt added.

Tulip Siddiq, the economic secretary to the Treasury, highlighted the significance of the fintech sector for the UK economy, mentioning that around 3,000 firms contribute to tens of thousands of skilled jobs nationwide. She indicated that upcoming initiatives will focus on fostering growth in the fintech landscape, stating, “New growth-focused remits for the regulators will support innovation in the sector.” The government is set to unveil the first-ever Financial Services Growth and Competitiveness Strategy in the spring, which will outline further actions to solidify the UK’s status as a global fintech leader.

An unnamed fintech leader remarked on the changing landscape of investment, stating that while funds are available, the approach from investors has shifted. “The days in 2021 of ‘prey and spray’ are over, with investors looking at fewer, safer investments," the leader noted. This shift in strategy aligns with a broader trend as investors prioritise profitability and sustainability amid tighter market conditions. Maria Scott, CEO of Tania Technology, which operates in the regtech segment of fintech, corroborated this view by stating, “There is definitely money out there and there is a focus of profitability and sustainability among fintechs... huge investment in generative AI, across all sectors.”

Despite the overall decline in investment, Innovate Finance reported that significant deals, such as the $621 million funding for fintech bank Monzo, demonstrate the sector’s ability to attract substantial capital even in a downturn. However, the report also highlighted a concerning trend: female-led fintech businesses experienced a staggering 78% decrease in investment, signalling a pressing need for more inclusive funding practices.

The forthcoming Financial Services Growth and Competitiveness Strategy is expected to include initiatives aimed at positioning the UK as a leading hub for blockchain and digital assets, advancing Open Banking and Open Finance, implementing a cohesive and tech-driven anti-fraud strategy, and enhancing the regulatory environment to support innovation.

Source: [Noah Wire Services](https://www.noahwire.com)

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