

Why fintech is rebounding

In this article, Nicolai Chamizo, cofounder & CEO of Incore Invest, examines recent shifts in the fintech market and explains why he believes they strongly indicate that a resurgence in the sector is imminent.

Temps de lecture : minute

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Many people working in the fintech sector would probably like to forget 2023. Throughout those challenging twelve months, difficult economic conditions led to a significant decline in funding for the sector. For context, fintech funding in the first half of 2023 was less than half of what it had been during the corresponding period in 2022. Although there was a slight recovery in the latter part of the year, the reduction in IPOs, fintech company valuations, and general market sentiment became the defining trends of the year.

At the time, some of fintech's more sceptical observers argued that this downturn was more of a correction than a temporary dip. From their perspective, fintech businesses had been overvalued for years, and as such, there was little reason to believe that the market would return to its previous state. I have never subscribed to this view. Instead, I always maintained that the downturn in 2023 could be explained as a natural part of the market's maturation and wasn't indicative of any 'bubble' bursting.

Rebounding responsibly

With IPO activity in European fintech now at its highest since the 2021 boom, and significant growth in investment levels, I feel that my position

has been vindicated. The overall market sentiment across European fintech has dramatically improved from where it was less than a year ago. While some of this improvement is due to positive macroeconomic developments, such as a drop in inflation and the stabilisation of interest rates, I believe that investors have also renewed their faith in the staying power of this sector.

I would go further and say that fintech's ability to navigate that challenging year has proved exactly why it was valued as it was by investors prior to the dip. During 2023, a series of new regulations and compliance measures impacted companies across the sector. The much vaunted 'move fast, break things' era had come to a screeching halt, leading to concerns that innovation and growth would be stifled. However, rather than this being the case, most fintech business models adapted relatively quickly and have emerged stronger for it.

Reasons for optimism

Certain areas, such as banking-as-a-service, have been more affected than most. However, even in these areas, the increased regulatory oversight has seemingly spurred further fintech innovation, particularly in the rapid proliferation of embedded finance solutions. As we look ahead to the next 12 months, there seems to be every reason to feel confident. Businesses often learn more in challenging times than in easy ones, and as a result, many fintechs have emerged wiser, smarter, and far more attuned to what they need to grow.

The anticipated IPO of Revolut is also generating renewed optimism in the fintech sector. While we'll have to wait to see whether the listing occurs in Europe or the United States, either location has the potential to host one of the largest raises of all time. When it happens, it will mark a significant milestone for the sector and serve as a fitting conclusion to fintech's decade-long 'coming of age' story. The impact of a deal of that magnitude

will be felt across the entire sector, which is truly exciting.

Cultivating confidence

Above all, recent and upcoming developments in the fintech sector clearly demonstrate just how vital this field has become in powering our daily financial infrastructure. Even investors who have historically avoided the sector are finding it increasingly difficult to ignore this fact. There is now a strong expectation, particularly among younger demographics, that financial services will be delivered digitally—a trend that is only set to intensify as the sector continues to evolve and these individuals mature.

It's becoming increasingly clear that many companies across the sector have learned valuable lessons from 2023 and are now better positioned than ever to play an even greater role in driving innovation and change through their work. These are precisely the kinds of businesses I focus on identifying at Incore Invest, and right now, the fintech sector feels like a true hotbed for them. That's why I'm confident the sector will continue its current resurgence and reach the heights we always envisioned.

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