



Should You Buy Fintech Stocks in 2023?

Description

Companies in the fintech space rose to prominence by bringing innovation to the traditional business models of lending, investing, and payment processing. However, fintech stocks have performed poorly in 2022, underperforming financial and [tech giants](#). Could they recover in 2023? Let's look at what's going on in the fintech space.

What happened to fintech stocks?

Before we look at fintech stocks, we must first define fintech, which combines finance and technology. This broad term often refers to any business that focuses on applying new technology to the financial sector. Payment processing, online banking, mobile banking, peer-to-peer lending, financial software, financial services, and investment services are examples of business services in this sector. As the world continues to go cashless and more people rely on simpler payment methods, the number of fintech companies has increased in recent years.

What fintech stocks should you consider?

Paypal Holdings ([NASDAQ:PYPL](#)) is one of the best fintech stocks out there. The company benefited from the pandemic months when people were shopping online and using the digital payment processor. PayPal saw a drop in volume when people returned to in-person shopping. **Apple's** entry into the payment space has also increased competition for the digital payments giant. PayPal currently controls 16% of the global payments market, with Apple trailing at 5%, but people are still determining what the future holds.

The good news is that the Venmo app is now available on **Amazon's** e-commerce platform, which should bring in new customers for PayPal.

Another great stock in the fintech space is **Propel Holdings** ([TSX:PRL](#)). Propel Holdings operates under the brands MoneyKey and CreditFresh, offering an online lending platform that provides consumers who cannot obtain credit from traditional lenders with access to credit products such as

instalment loans and lines of credit.

Propel's revenue growth and profitability have accelerated significantly over the last two years. The company reported that revenue in the third quarter of 2022 increased by 82% year on year to \$59.7 million, while net income increased by 570% to \$4.2 million, setting new quarterly records. Propel will launch a new consumer credit product in Canada in Q4 2022. Propel's existing proprietary artificial intelligence and technology infrastructure will be used to deliver the product under a new brand.

Should you invest in fintech stocks?

No one knows what the future holds. However, there may be better times to invest in the fintech space given the possibility of further rate hikes.

Recession talk persists as rate hikes continue. Many analysts believe that the soft-landing scenario is unrealistic and that we will enter a full-fledged recession in 2023.

A recession means that the entire economy is in decline, and every aspect of the economy is affected. This would also harm consumer confidence because people will be hesitant to spend money if they are concerned about losing their jobs. This would be detrimental to any company that lends money or processes payments.

As we await the official launch of Apple Pay Later, companies in the financial services and payment processing sectors will face competition from Apple. This new service would be a buy now, pay later program, competing directly with PayPal and other digital payment processing companies.

In conclusion

If the economy recovers by 2023, there is hope for fintech stocks to recover. However, we can't ignore that many of these companies simply became overly focused on growth during the pandemic months, when consumer spending habits were shifting, and profitability was falling behind. But the worst is probably over for fintech stocks. If you have a [long-term investment](#) horizon, it might be a good idea to take a small position the fintech stocks mentioned above, but expect some volatility this year.

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