



Looking Ahead: Strategic Priorities for CFIs

industry update strategic planning leadership

Summary: According to the latest Jack Henry survey, an increased focus on lending, faster payments, and small businesses are some of the ways in which FIs plan to adapt their services over the next two years. We highlight the key findings of this survey of banks and credit unions.

Since its beginnings in India in the sixth century, the game of chess has often been used as a metaphor for strategic planning, particularly for military exercises. Did you know that after each player has made their first move in a game of chess, there are 400 possible different board setups and numerous different game strategies available to choose from? In fact, after each player has made three moves, there are [121MM possible moves available](#).

With the planning season fast approaching, we review Jack Henry's [fifth annual survey](#) of CEOs from banks and credit unions across the US with assets ranging from \$500MM to over \$10B. By offering insight into these institutions' top concerns and strategic priorities for the next two years, this survey provides a useful measuring stick for community financial institutions (CFIs) as they focus on their strategies for the remainder of 2023 and into 2024.

Top Priorities and Concerns

Although financial institutions (FIs) have faced several economic challenges over the past year — from rising interest rates to declining loan demand and deposits — the continued rise of technology has presented various opportunities for those choosing to capitalize on them. These include new digital banking platforms, artificial intelligence (AI) and machine learning, embedded finance, and open banking.

Many of these opportunities and challenges are expected to continue to shape the market throughout 2023 and into 2024. With this in mind, here are FIs' top priorities and concerns, according to the survey:

Top priorities. Growing deposits, growing loans, and increasing operational efficiencies are the top three priorities for all types of organizations that took part in the survey. Banks are slightly more focused on growing deposits (52%) compared to credit unions (43%). Interestingly, 42% of credit unions rated "using data to improve insights" as a priority — compared to only 11% of bank respondents.

Top concerns. An economic slowdown, talent acquisition, deposit growth, and net interest margin (NIM) compression are the most pressing concerns for those CEOs taking part in the survey. Credit unions are most concerned about an economic slowdown (53%), while 57% of banks are most worried about talent acquisition and NIM compression. Credit union leaders are also significantly more worried about [loan delinquencies](#) and lack of an enterprise fraud solution compared to their banking counterparts.

Key Strategic Moves

The digitalization of finance continues to create numerous opportunities for FIs, as reflected by the survey's responses:

- 1. Increased technology spend.** The majority of FIs (79%) plan to increase their spend on technology over the next two years — focusing on digital banking, fraud and security, and data analytics. Of note, credit unions appear to be prioritizing AI more so than banks (37% compared to 7%).
- 2. Embedding fintech.** Almost all FIs (90%) plan to embed fintech within their digital banking offering over the next two years, with embedded payments taking center stage. While credit unions want to partner with fintechs that can support their digital marketing and financial health offerings, banks are more interested in obtaining fintech support for data collection and analysis.
- 3. Faster payments services.** The vast majority (90%) of banks and credit unions plan to add new payments services to their offerings within the next two years. Survey respondents say [the FedNow® Service](#), [contactless cards](#), and P2P options are the three services they're most likely to implement. Given that a greater focus on real-time payments necessitates real-time fraud monitoring and risk mitigation solutions, it's not surprising that this is also a key area of focus for FIs.
- 4. Increased focus on lending.** Nearly all (95%) FIs plan to enhance their lending capabilities, predominantly by digitizing loan applications. Banks appear to be more focused on implementing a single end-to-end loan platform, while credit unions see automated decision-making, leveraging AI for underwriting, and cross-selling as key priorities. Most FIs (67%) are planning to expand their small business lending offerings. Banks are also prioritizing mortgages and commercial loans, while credit unions are focusing on home equity lines of credit and auto lending.
- 5. Serving more businesses.** The survey found that 87% of respondents are turning their eyes to niche markets — in particular, businesses, specific demographics, and professions. Of those concentrating on businesses, 78% are focusing on [sole proprietors](#). A full 65% of these respondents expect to expand their services for small businesses, with the majority planning to offer business credit lending and merchant services.

Given the continuing economic pressures, it's not surprising that finding ways to improve financial and operational resilience will be top of mind for most CFIs as they put their strategies together for the next business cycle. Ensuring they continue to provide their communities with excellent customer service is of course key to this. They may also want to consider capitalizing on technology to help improve back-office efficiency, support real-time data analytics and decision-making, enhance user experiences, and help in the ongoing fight against cybercrime and fraud.

UPCOMING: FISERV & PCBB WEBINAR ON 10/18

Join PCBB and Fiserv for a can't-miss 30-minute webinar on 10/18. Learn how to automate Canadian check clearings for a seamless experience, expedite inclearing processes and post items quicker. [Register today](#).

ECONOMY & RATES

Rates As Of: 10/12/2023 10:37AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.61	0.06	1.19
6M	5.56	0.03	0.80
1Y	5.42	-0.02	0.71
2Y	5.06	0.01	0.63
5Y	4.70	0.09	0.69
10Y	4.71	0.13	0.83
30Y	4.86	0.16	0.90

FF Market	FF Disc	IORR
5.33	5.50	5.40
SOFR	Prime	QBER
5.31	8.50	5.32

Copyright 2023 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.