



## Deposit Growth Tops the List of Three Challenges for 2024



deposits industry update digital banking customer acquisition customer retention

**Summary:** For banks, the big three issues for 2024 are deposit growth, customer acquisition, and digital enhancement. Those three are perennial list toppers. We discuss why that is and how 2024 will shape your approach to meeting those priorities.

When setting priorities, how many is too much? According to the book “The Four Disciplines of Execution,” the correct number is [two or three](#). Assigning any more priorities than that decreases an employee’s ability to successfully meet those additional priorities. The more you add, the greater the chances that a number of those priorities will go unfinished and underdelivered.

Leaders within the banking industry have been working to identify what the core priorities are for 2024, as well. According to a new [survey by BAI](#), the top three priorities are deposit growth, followed by customer acquisition, and then digital enhancement.

If you look back at previous years of the BAI survey, you will invariably find these three topics at the top of the list for community financial institutions (CFIs), shifting in order depending on the preceding year’s outcomes.

What is it about those three topics that keep them at the top of priority lists year after year? Will they ever get sufficiently resolved to allow CFIs to focus on other things? The short answer is that deposit growth, customer service, and digital banking will remain key challenges for CFIs for years to come, as they are buffeted by current events and shifting attitudes. None of these three challenges are susceptible to a neat resolution like, say, a regulatory mandate.

### A Closer Look at the Top Three Challenges

To better understand the dynamics of these three challenges and how they will shape 2024, let’s take a closer look at each one.

- 1. Deposit growth.** Financial institutions faced a flight of deposits in 2023, reversing a trend of rapid deposit growth during the pandemic, when government stimulus checks found their way into customer bank accounts. That all changed with the end of stimulus and the rise of interest rates. S&P Global projects that global deposit growth for financial institutions will slow to single digits in 2024, compared to [about 13% from 2020 to 2022](#). Not surprisingly, the goal of growing deposits was not as important to bankers in those previous years, when deposits were already rising so quickly. On the other hand, slowing deposit growth puts financial institutions on a challenging course for the future, making it vitally important for bankers to try to stem or reverse the downward trend.
- 2. Customer acquisition and retention.** The banking industry has a favorable customer retention rate that has been [recently reported at about 75%](#). What’s worrisome, however, is that the retention rate is stagnant. While that’s not as bad as consumer services, which has seen its rate drop by 8%, it lags behind industries such as media and professional services, which grew 9%. Thus, holding onto existing customers and attracting new ones remains a key challenge for 2024.

3. **Digital banking.** Three years ago, digital transformation topped the BAI list as financial institutions were urged to expand and improve digital offerings to meet customer demands and respond to competition from new digital financial service companies. Digital has slipped back a few notches as pressing financial concerns around deposit growth and customer acquisition moved to the fore. But if anything, the need to improve digital functions has increased, particularly with the recent advance of artificial intelligence. There’s a good chance that by the time 2024 draws to a close, digital enhancement will climb to a more prominent place on bankers’ to-do lists.

These three themes weigh on or reflect other issues within the banking industry. For example, traditional financial institutions have been trying to lure new, younger customers as a way to boost customer acquisition. But younger customers are all about digital. In one survey, [73% of Gen Z banking](#) customers said they would switch financial institutions if they could find better digital or mobile experiences elsewhere. So, improving mobile and digital may be one way to boost customer acquisition and retention.

Financial institutions are constantly working to meet the challenges posed by deposit growth, customer acquisition, and digital enhancement. By focusing all of their efforts and energy on growing deposits, retaining and increasing their customer base, and improving their digital offerings, CFIs stand to succeed at meeting those priorities.

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ECONOMY & RATES

Rates As Of: 03/14/2024 10:06AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	5.48	0.03	0.08
6M	5.37	0.07	0.11
1Y	5.04	0.05	0.27
2Y	4.68	0.06	0.43
5Y	4.29	0.04	0.44
10Y	4.29	0.04	0.41
30Y	4.43	0.05	0.40
FF Market	FF Disc	IORR	
5.33	5.50	5.40	
SOFR	Prime	ORER	
5.31	8.50	5.32	

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