

# The technology gap at Black financial institutions is an opportunity for empowering partnerships

Article

**The key stat:** Roughly 80% of non-Black credit unions in the US offer an informational website and online banking services. That number falls to just about half among Black credit unions, according to an Urban Institute [study](#).

**Why the gap?** The study offered two hypotheses about why there's such a large tech gap.

- **There's less demand for digital services among Black consumers.** Black consumers across all generational cohorts are less likely to have internet access than all other groups. But that's changing: Younger, up-and-coming financial service consumers tend to have better access to technology and are driving up demand.
- **The cost and talent barriers are too high.** Digital transformation has been harder for smaller FIs, which often lack the financial resources, technical expertise, and manpower to build and upkeep digital services. Black depository institutions are among the smallest FIs in the country, per the study.

## Mobile Phone Internet User Share, by Race/Ethnicity US, 2023, % of total

White

59.9%

Hispanic

18.9%

Black

12.1%

Asian

6.0%

Other

3.1%

*Note: mobile phone users of any age who access the internet via mobile phone (browser or app) at least once per month; use of SMS/MMS is not considered mobile internet access; \*includes Native Americans, Alaska Natives, Hawaiian and Pacific Islanders, and bi- and multiracial individuals; \*\*can be of any race; numbers may not add up to 100% due to rounding  
Source: eMarketer, February 2022*

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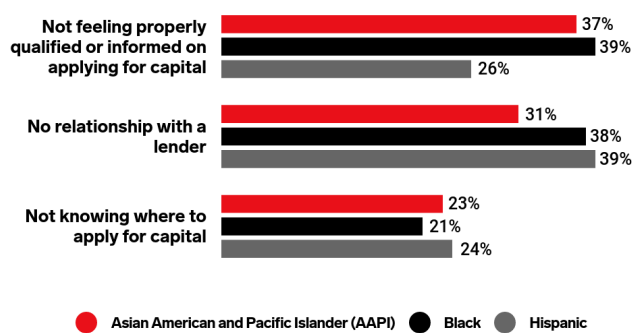
**Tech access is necessary:** Black consumers have historically been underserved by non-Black FIs and rely heavily on Black FIs to access credit and build generational wealth.

- In the past decade, most mortgages offered by Black FIs went to Black borrowers, according to research cited in the study. Black banks also offered more mortgages to Black borrowers during the Great Recession, when credit standards were tight.
- Black FIs' loan portfolios comprise a large number of small businesses—their deposits are double the percentage of deposits at non-Black community banks.

But the growing tech gap is putting these FIs and their consumers at a further disadvantage.

### Challenges US Small-Business Owners Face in Accessing Capital, by Race/Ethnicity, Oct 2022

% of respondents in each group



Source: Bank of America, "2022 Women & Minority Business Owner Spotlight," Oct 5, 2022

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**Getting what they need:** A handful of groups and programs have popped up to get these FIs up to speed with the resources they need.

- The **African American Credit Union Coalition** unites small, Black credit unions and other vendors and shares tech services to help expand their digital footprints and reduce costs.
- The **National Bankers Community Alliance** launched **MDI ConnectTech**, which helps minority depository institutions develop and integrate new tech. It's supported by a \$10 million grant from the **Citi Foundation**.

**Our take:** Black FIs also face competition from new banking entrants like fintechs and neobanks. But the new challengers may not be all bad.

Many affinity-based fintechs and neobanks build their operations around community and support the "Bank Black" movement. This could present an opportunity for these digital disruptors to partner with Black FIs to share not only digital capabilities, but financial learning

programs, networking opportunities, and small-business advice, with the same end goal of empowering Black consumers to take control of their financial lives.

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