

Fintechs secure almost half of all new checking accounts, report finds

Article

The finding: Most types of financial institutions (FIs) are losing ground in new checking accounts, while **fintechs' market share is growing quickly.**

- That's according to Cornerstone Advisors' 2024 Digital Banking Performance Metrics report.

By the numbers: Between 2020 and 2024, **traditional banks' share of new accounts eroded by 11 percentage points.**

- Over the same period, digital banks and fintechs increased their share of new accounts from 36% to 47%.
- Megabanks saw the sharpest decline, from 24% to 17%.
- Regional banks dropped from 27% to 21%, while community banks grew from 5% to 6%.

What fintechs are doing right: Twenty-five percent of customers conduct all of their banking activities online, per a recent GoBankingRates survey. These people likely prioritize what they consider to be the best digital experience possible.

Yahoo Finance highlighted other potential motivators driving customers to fintechs:

- Digital banks often offer **superior interest rates** compared to traditional financial institutions (FIs), with high-yield savings and money market accounts paying multiples of the national averages.
- **Lower banking fees** are another advantage of digital banks. They often waive monthly maintenance fees and overdraft charges and reimburse ATM fees. (But [many traditional FIs are also dropping overdraft fees in preparation for new regulations.](#))
- Though they lack physical branches, digital banks provide convenient account access through **large ATM networks** and partnerships with retailers that accept cash deposits.
- Digital banks often offer helpful interactive tools for setting savings goals, making budgets, and automating transfers. They also feature strong customer support options like **online chat and 24/7 phone assistance.**

How banks can compete with fintechs: Forbes Council Member Fiona Roach Canning believes it all comes down to data.

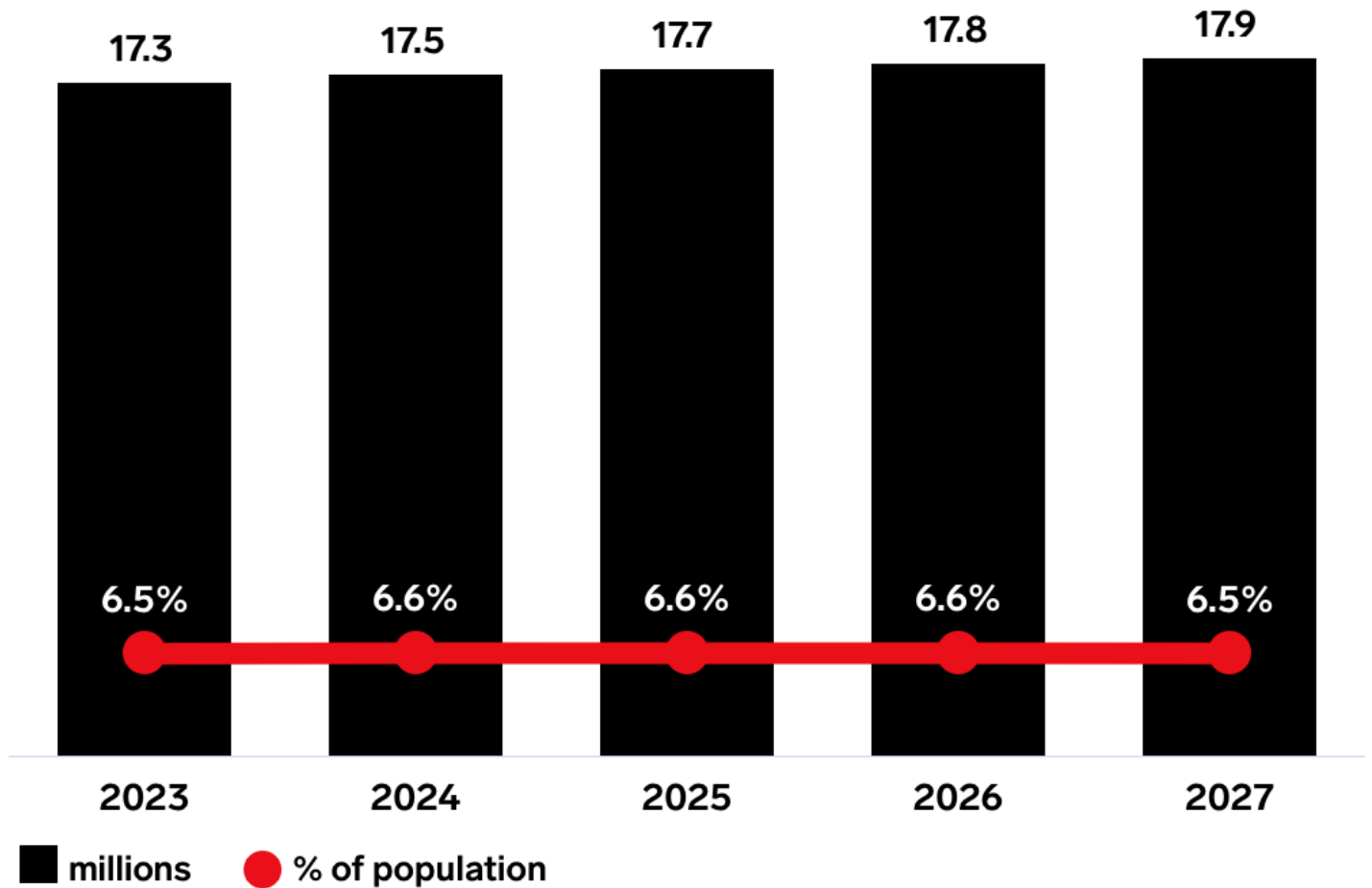
- Integrating various data inputs across different sections of the bank enables it to offer the feel of a fintech with the security and products of a bank, enhancing competitiveness.
- Leveraging data effectively also allows banks to drive intelligence-driven sales.
- Integration of third-party services into banking platforms further enhances the customer experience by offering technology or data integration where the bank didn't have capabilities

to develop it internally.

Key takeaways: The mobile-centric capabilities of digital competitors are attracting young consumers. But traditional FIs have some infrastructure, licensing, and capabilities that fintechs don't. If FIs can learn from what fintechs do right digitally and also keep rates competitive, they'll remain a formidable force.

Neobank Account Holders and Penetration

US, 2023-2027



Note: individuals 18+ who have at least one account at an FDIC-backed digital-only full-service bank open to all consumers that includes transactional and savings options but does not operate physical branches, and where all account management is carried out via web browsers, mobile apps or over the phone

Source: EMARKETER Forecast, June 2023