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The Threat Facing Rural Banks

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Technological advancements have narrowed the digital divide and blurred geographic lines, priming rural America for a long overdue banking renovation. However, few players are stepping up to take charge. What should have been a rural banking renaissance resulted in digital stagnation that is contributing to the continued decline of smaller local FIs as larger banks penetrate their markets. To survive, these resource-strapped community banks and credit unions must allocate their resources judiciously, focusing on products and services that meet their markets' specific needs. Doing so will require a prioritization of initiatives, as well as leadership from banking technology vendors. If vendors are not up to the task, rural FIs will be pressured to seek out best-in-class solutions providers. Using Javelin's ZIP-code-driven analysis of FIs and rural banking customers, this report spells out major dissonances between trends affecting rural markets and rural banking usage, and identifies the behaviors and attitudes of rural banking customers. To address these market-specific findings, this report recommends products and services that will enable rural FIs to address the significant challenges facing the rural banking market.

Key questions discussed in this report:

- What external forces and trends will have the most impact on the rural banking market?
- Given market changes, what can rural FIs do to remain relevant?
- If digital banking is a way to retain customers, what features should be prioritized?
- Is mobile banking crucial to the survival of rural FIs?
- What is the future role of rural branches?
- Is the coronavirus pandemic a watershed moment to make changes?

Consumer data in this report is based on information gathered in Javelin surveys administered online in June 2020 to a random-sample panel of 10,762 consumers and from April to May 2019 to a random-sample panel of 11,448. Data was gathered and weighted to reflect a representative sample of the adult U.S. population. The margin of sampling error in the 2020 survey is ± 0.94% at the 95% confidence level, and ± 0.92%. The margin of sampling error is higher for questions answered by subsegments.

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