RESEARCH & ANALYSIS

Community banks in the fintech era: Competing for customer engagement

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As consumer fintech platforms diversify and digital expectations rise, community banks face growing pressures to deliver faster, more flexible and more intuitive financial experiences. This report highlights select insights from a fourth-quarter 2025 survey of more than 340 US consumers who utilize a community bank as their primary financial institution. The research explores how these customers are using fintech services, where they see opportunities for their banks to improve, and what actions community banks can take to strengthen engagement in an increasingly multi-provider banking landscape.

Learn more:

– Access the full survey crosstabs.

– Access the full survey charts and figures.

The Take

Consumers are increasingly assembling their financial lives across multiple apps, marking a structural shift in how people manage money. For community banks, the real risk is not losing accounts — it is losing everyday financial engagement as customers turn to third-party platforms for payments and short-term financing needs. The institutions best positioned to respond will focus on strengthening the core moments where customers interact with their finances most frequently, such as moving money, accessing credit and protecting their accounts.

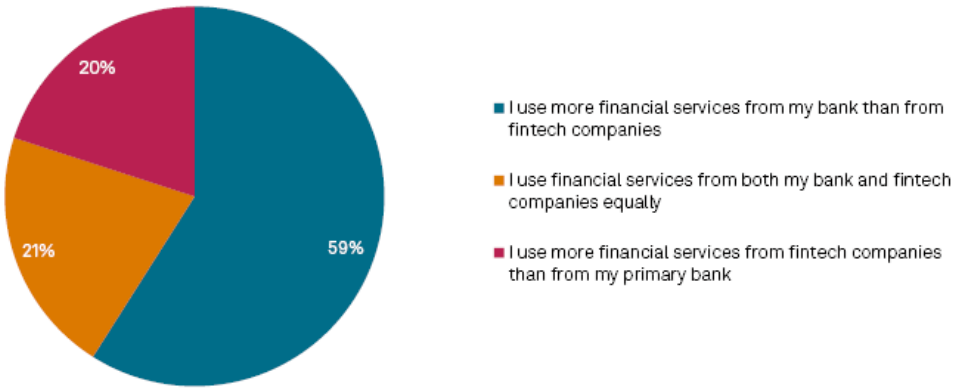
Rather than building entirely new products, banks can accelerate these capabilities through partnerships that layer modern features onto existing banking platforms. The goal is simple but strategic: ensure that the most important financial activities in a customer's daily life still happen within the bank's ecosystem.

Competing in a multi-provider banking landscape

Consumers are increasingly using fintech providers in conjunction with traditional financial institutions. In our survey, 45% of community bank customers reported having two or more financial services apps on their phone, with peer-to-peer (P2P) payment apps and digital wallets among the most frequently used. For many consumers, fintech apps provide convenient access to specific capabilities alongside their primary banking relationship.

Our survey suggests community bank customers may be somewhat more likely than other banking segments to rely on fintech providers to supplement their financial needs. Among community bank customers that use fintech services, 20% reported using more financial services from fintech companies than from their primary bank — five percentage points higher than national bank customers (15%). Overall, more than two in five (41%) community bank customers are using financial services from fintech companies as much, or more than, from their bank.

Community banks increasingly share the financial relationship with fintechs



Data compiled March 12, 2026.
Q. Which do you use more, financial services from your bank or from fintechs (e.g., Apple, Google, Cash App, PayPal)?
Base: Community bank customers that use fintech services (n=233).
VoCUL: Connected Customer, Fintech & Holiday Experience 2025.
Source: 451 Research from S&P Global Energy Horizons.
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Importantly, the growing use of fintech services does not necessarily signal the erosion of the community bank relationship. Just 15% of community bank customers strongly agree that they would close their account with their primary bank because they have an account with a fintech provider(s). Instead, the shift highlights a more nuanced competitive dynamic: Banks are increasingly sharing the financial relationship with fintech providers.

These findings highlight an important strategic shift. The competitive challenge for community banks is less about retaining the primary account relationship and more about maintaining day-to-day financial engagement. When customers rely on fintech apps for routine activities such as payments, budgeting or financing, those platforms increasingly become the primary interface for making financial decisions.

Speed, flexibility and control are key demands from community bank customers

Community bank customers are not asking their institutions to radically reinvent banking — but they are signaling clear priorities around speed, flexibility and control.

When respondents were asked how their primary bank could improve their experience, the most frequently cited improvements centered on more flexible financing options (16%), better fraud controls (14%) and faster credit approvals (14%). These responses suggest that a latent opportunity for community banks may lie in modernizing how they deliver their traditional strengths, particularly lending and risk management.

Customers continue to value access to credit and financial security, but increasingly expect these services to be delivered with the speed and convenience they experience in fintech applications. Community banks can address these capability gaps through partnerships with fintech infrastructure providers that enable modern features to be layered onto existing core banking platforms. Examples include:

– **Fidelity National Information Services Inc.'s recent partnership with Affirm Holdings Inc.**, which enables banks using its platform to integrate "pay-over-time" options directly into their existing debit card programs and mobile banking apps. Through the integration, banks can allow customers to convert purchases into installment plans or monthly financing without launching a stand-alone buy-now, pay-later (BNPL) product.

– **Fiserv Inc.'s 2021 acquisition of Ondot Systems Inc.**, which expanded card control capabilities that allow cardholders to manage how and where their cards are used, receive real-time alerts and view enriched merchant information for transactions. These capabilities help banks give customers greater visibility and control while reducing disputes and fraud exposure.

– **Lending technology providers such as Upstart Holdings Inc. and ZestFinance Inc.,** which are both part of Jack Henry & Associates Inc.'s Fintech Integration Network, enable banks to apply machine learning models that evaluate borrower risk using a broader set of data inputs than traditional credit scoring alone. These platforms can significantly accelerate lending decisions and expand access to credit.

Areas where community banks can enhance customers' banking experience



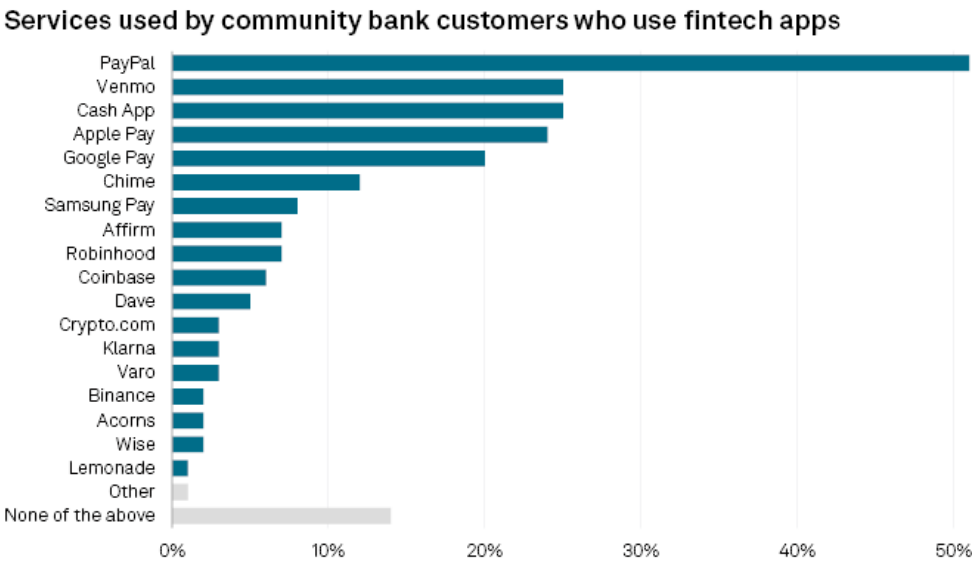
Data compiled March 12, 2026.
Q. In what ways do you think your primary bank/credit union could improve or enhance your banking experience? Please check all that apply.
Base: Community bank customers (n=323).
VoCUL: Connected Customer, Fintech & Holiday Experience 2025.
Source: 451 Research from S&P Global Energy Horizons.
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Payments: The front door to customer engagement

One of the clearest signals from the survey is the growing expectation for faster and more flexible payment capabilities. Respondents pointed to improvements in digital payments, including additional payment options such as digital wallets or P2P payments (12%) and the ability to send or receive instant payments (11%). Together, they highlight an important structural shift. Customers increasingly expect their primary bank to support real-time, frictionless money movement.

Payments are one of the strongest drivers of daily financial engagement. When customers rely on third-party apps such as Venmo or Block Inc.'s Cash App for moving funds, those platforms increasingly become the primary interface for managing financial activity. Over time, this shift can weaken the bank's visibility into customer behavior and reduce opportunities to deepen relationships through additional products and services. This threat is reinforced by the diversification of major fintech payment platforms. The top three most widely used fintech services by community bank customers — PayPal Holdings Inc., Venmo and Cash App — use P2P capabilities as a beachhead to drive adoption of debit and credit products.

Importantly, delivering modern payments capabilities does not require community banks to build entirely new infrastructure. One prominent example is Early Warning Services LLC's Zelle, which has had significant adoption among smaller financial institutions. In 2025 alone, 337 banks and credit unions went live with or signed up for the network — 97% of which were community institutions with under $10 billion in assets. Increasingly, banks can enable Zelle and other real-time payment integrations through their core providers, such as Jack Henry's Instant Payments Hub or Alacriti Inc.'s Orbipay Payments Hub.



Data compiled March 12, 2026.
Q. Which of the following financial services apps have you used in the past 6 months? Please select all that apply.
Base: Community bank customers that use fintech services (n=233).
VoCUL: Connected Customer, Fintech & Holiday Experience 2025.
Source: 451 Research from S&P Global Energy Horizons.
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The opportunity for community banks

Consumer fintech adoption should be viewed as a signal of evolving customer expectations, rather than purely as a competitive threat. The opportunity for community banks lies in reengaging customers within their own digital ecosystems.

By augmenting core capabilities with real-time payments, flexible financing, faster credit decisioning and data-driven financial insights — often through partnerships with fintech providers — community banks can ensure that customers continue to turn to them for everyday financial needs. Community banks that successfully modernize how they deliver their core services will be well positioned to maintain engagement, deepen relationships and reinforce the trusted role they play in their customers' financial lives.

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