

New Research: Interest Rate, Economy Top Financial Institutions' Concerns for 2021

'What's Going On In Banking' author predicts this will be a year of value chain disruption

SCOTTSDALE, Ariz., Feb. 2, 2021 – A new research report from Cornerstone Advisors reveals that while nearly half of mid-size bank and credit union executives are more optimistic about 2021 relative to 2020, they remain especially concerned about the interest rate environment and a weak economy.

What's Going On In Banking 2021: Rebounding from the Pandemic, authored by Ron Shevlin, Cornerstone research director and noted fintech expert, identifies the concerns, priorities, fintech plans and future forecasts of 260 community-based financial institutions.

A key finding in this year's report revolves around digital transformation. Just a handful of surveyed institutions indicate they have completed their digital transformation strategy. "Quite frankly, we have our doubts about that," the report counters, "as all of them didn't even launch a strategy until 2019." Based on survey responses, Cornerstone estimates that most institutions have a six- to eight-year timeframe to complete their digital transformation journey.

Other select study findings:

- Both banks and credit unions consider revenue generation opportunities a technology spending priority this year.
- 42% of banks and 35% of credit unions are very interested in partnering with fintechs for digital account opening in 2021.
- The number of executives who see Big Tech firms (Apple, Amazon, Google) as a major threat declined significantly from last year.
- The percentage of banks placing a high priority on commercial real estate loans dropped sharply from 76% in 2020 to 45% this year.

The report also presents Shevlin's Top Trends for 2021, which explores shifts in the financial services value chain across a number of areas including small business relationships, fintech-as-a-service platforms, and fintech-powered core system workarounds.

"Changes (or disruptions) to the value chain have certainly been in the works for a while now," Shevlin maintains, "but 2021 is going to shine a much brighter spotlight on those activities—making 2021 the year of value chain disruption in banking and fintech."

This year's report is the result of Cornerstone's sixth annual *What's Going On In Banking* study.

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