

A hand holds a crystal ball containing various financial symbols such as dollar signs, line graphs, bar charts, and coins. The background features a blue vertical stripe on the left and a light gradient on the right.

# THE FINTECH INNOVATION AGENDA

June 2024 Report

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# THE FINTECH INNOVATION AGENDA

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■ May 2024

**How Credit Union Innovation Can Drive Gen Z Engagement**



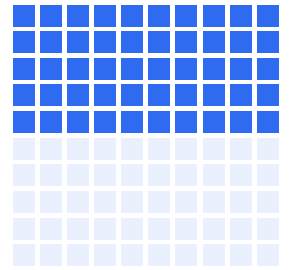
The FinTech Innovation Agenda was produced in collaboration with Velera (formerly PSCU/Co-op Solutions), and PYMNTS Intelligence is grateful for the company’s support and insight. [PYMNTS Intelligence](#) retains full editorial control over the following findings, methodology and data analysis.

# WHAT'S AT STAKE

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**E**ven though traditional financial institutions (FIs) dominate the financial services arena on a national and regional scope, a certain segment of consumers turn to options such as credit unions (CUs) and FinTechs for their banking needs. Moreover, many FinTechs partner with CUs and other FIs to provide the innovative products and services that today's digitally savvy consumers expect. Looking ahead three to six years, FinTechs, along with CUs, are developing roadmaps for digital banking and payment innovation to drive future growth.

# 50%



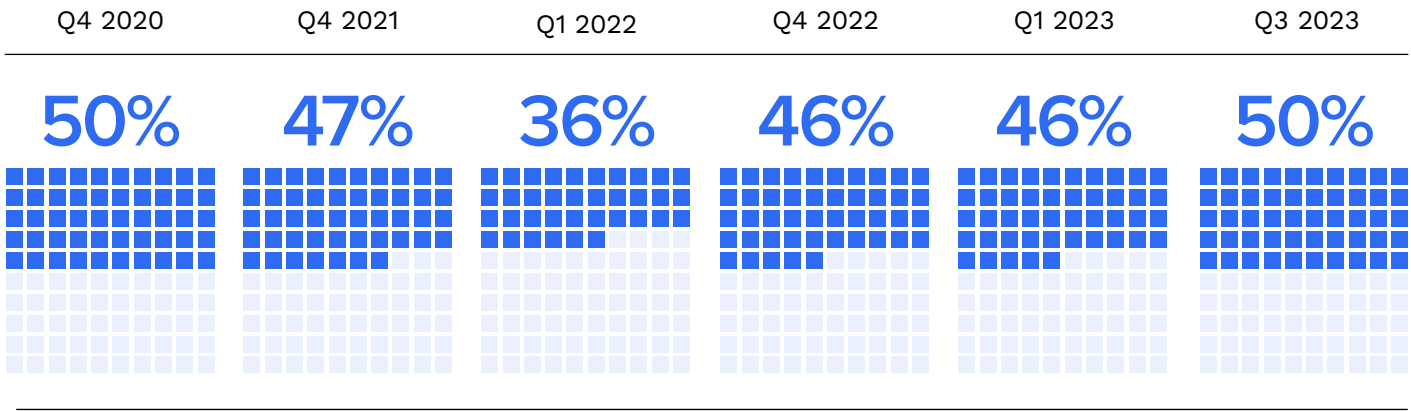
Share of FinTechs that **sell** products or services to CUs

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Data shows that half of FinTechs currently sell products or services to CUs, a trend that has been on the rise after hitting a low of 36% in early 2022. In fact, 8 in 10 FinTechs view themselves more as vendors serving CUs rather than competitors, an indication that FinTechs and CUs can and should work together to engage consumers today and in the future. A key objective among FinTechs is to innovate new products that extend their brand reputation and market reach. FinTechs are also expanding their mobile features and capabilities and improving the user experience with the aim of retaining existing accountholders and attracting new customers. Like CUs, many — but not all — FinTechs have also set their sights on attracting Generation Z consumers, recognizing that this digital-first generation is a growing market opportunity into 2030 and beyond.



**FIGURE 1:**  
**FinTechs that sell products or services to CUs**  
Share of FinTechs that sell products or services to CUs, over time



The FinTech Innovation Agenda, a PYMNTS Intelligence and Velera (formerly PSCU/Co-op Solutions) collaboration, examines how FinTechs are innovating to meet the financial needs of consumers at CUs and other FIs. The report is based on a survey of 101 executives at FinTechs that provide services to CUs, commercial banks, community banks and individual consumers. Conducted between Oct. 16, 2023, and Nov. 10, 2023, the survey investigated FinTechs’ innovation priorities and plans.

**This is what we learned.**

Source: PYMNTS Intelligence  
The FinTech Innovation Agenda, June 2024  
N = 101: Complete responses, fielded Oct. 16, 2023 – Nov. 10, 2023

# KEY FINDINGS

01

## INTERNAL TESTING

FinTechs innovate new products that contribute positively to their brand reputation and market expansion, testing them internally 2.5 times more than with external consumers.



44%

Share of FinTechs that say they improve their innovations by testing them internally with employees, while 17% test innovations externally with consumers

02

## GROWTH-ORIENTED INNOVATION

FinTechs are driving growth by expanding their mobile capabilities and improving the user experience.



67%

Share of FinTechs that say improving mobile capabilities is highly important for meeting business goals in the next three years

03

## DISCOUNTING GEN Z

**Two-thirds as many FinTechs as CUs say attracting Gen Z consumers is important.**



# 62%

Share of FinTechs that say that attracting more Gen Z consumers is at least somewhat important to meeting their business goals, compared to 95% of CUs

04

## KEY CHALLENGES

**Regulations and technical challenges, rather than a lack of resources or budget, are FinTechs' main obstacles when bringing innovations to market.**



# 34%

Share of FinTechs that say regulatory compliance is a challenge when bringing innovations to market



# THE FULL STORY

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**Innovating financial products and services can give FinTechs a competitive edge, enabling them to engage digital-first consumers.**

**FinTechs innovate new products that contribute positively to their brand reputation and market expansion, testing them internally 2.5 times more than with external consumers.**

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FinTechs innovate for a wide variety of reasons. The top reasons are straightforward: to improve their brand reputation and to enter new markets. In fact, 42% of FinTechs say that improving brand reputation is an important consideration when establishing their innovation agendas, while 39% cite entering new markets. Interestingly, just 8.9% say improving brand reputation is the most important factor. Instead, FinTechs are more likely to cite the following as most important: entering new markets, at 14%; improving profits, at 12%; and streamlining processes, at 11%. This suggests that even though brand reputation is important, FinTechs may be more interested in innovation's ability to improve their bottom lines across existing and new markets.

FIGURE 2:

Top five factors driving FinTech innovation

Share of FinTechs citing select factors as important when establishing their innovation agenda, by level of importance

	Most important	Important, but not the most important	Total
• Improving brand reputation	8.9%	32.7%	41.6%
• Entering new markets	13.9%	24.8%	38.6%
• Improving profits	11.9%	25.7%	37.6%
• Streamlining processes	10.9%	25.7%	36.6%
• Responding to competitive threats	6.9%	27.7%	34.7%

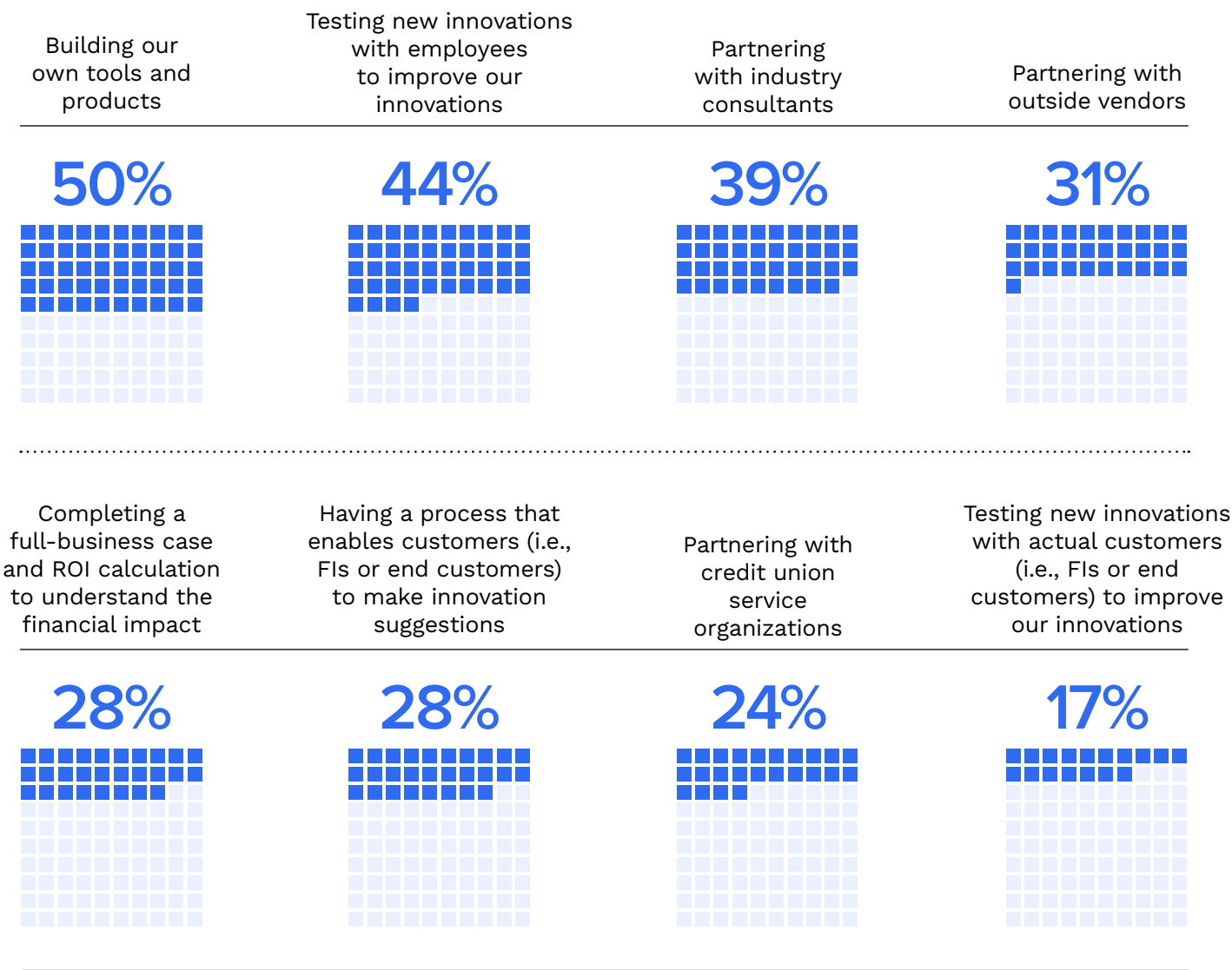
Source: PYMNTS Intelligence  
The FinTech Innovation Agenda, June 2024  
N = 101: Complete responses, fielded Oct. 16, 2023 – Nov. 10, 2023

To deliver high quality products and services, FinTechs cite building their own tools and testing innovations with employees as the most important methods in their payment innovation process. More than half of FinTechs say they build their own tools, while 39% partner with industry consultants and 31% work with outside vendors. Twenty-four percent partner with credit union service organizations. Meanwhile, 44% of FinTechs improve their innovations by testing them internally with employees, compared to just 17% of FinTechs that test innovations by sharing them externally with consumers. That FinTechs tend to build their own tools as well as test payments innovations internally suggests that they do so to ensure the launch of new products is smooth and contributes positively to their broader innovation priorities.

FIGURE 3:

FinTechs’ innovation processes

Share of FinTechs citing select methods as important in the payment innovation process



Source: PYMNTS Intelligence  
The FinTech Innovation Agenda, June 2024  
N = 101: Complete responses, fielded Oct. 16, 2023 – Nov. 10, 2023



**FinTechs are driving growth by expanding their mobile capabilities and improving the user experience.**

FinTechs have an innovation roadmap for the next three years to meet their business goals. Data shows that 6 in 10 FinTechs view improving mobile capabilities and investing in newly emerging technologies as key to meeting their growth objectives in that time. While 67% of FinTechs say improving mobile capabilities is very or extremely important for meeting business goals in the next three years, 62% view innovating newly emerging technologies as very or extremely important. Improving existing products and services and their website capabilities rank third, at 56%. Fifty-one percent of FinTechs cite adding new products and services as very or extremely important. These findings suggest that FinTechs recognize the importance of innovation to engage today's increasingly digital-first consumers and grow their businesses.

**FIGURE 4:**

### Top five areas of FinTech innovation

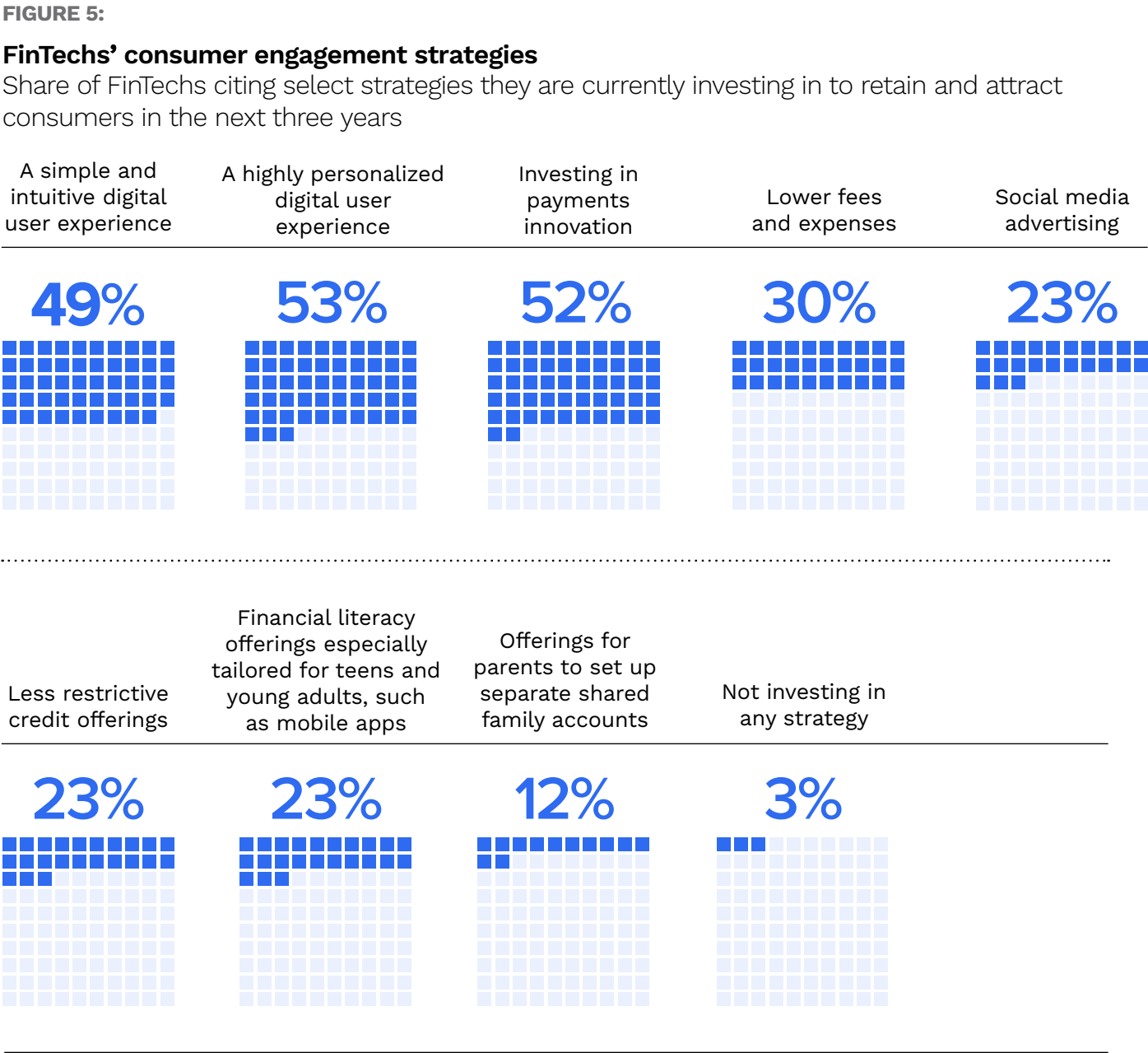
Share of FinTechs citing the importance of select areas in meeting their business goals in the next three years

	Not at all or slightly important	Somewhat important	Very or extremely important
• Improving mobile capabilities	14.9%	17.8%	67.3%
• Innovating in emerging technologies	9.9%	27.7%	62.4%
• Improving existing products and services	11.9%	31.7%	56.4%
• Improving website capabilities	13.9%	29.7%	56.4%
• Adding new products and services	18.8%	30.7%	50.5%

Source: PYMNTS Intelligence

The FinTech Innovation Agenda, June 2024

N = 101: Complete responses, fielded Oct. 16, 2023 – Nov. 10, 2023



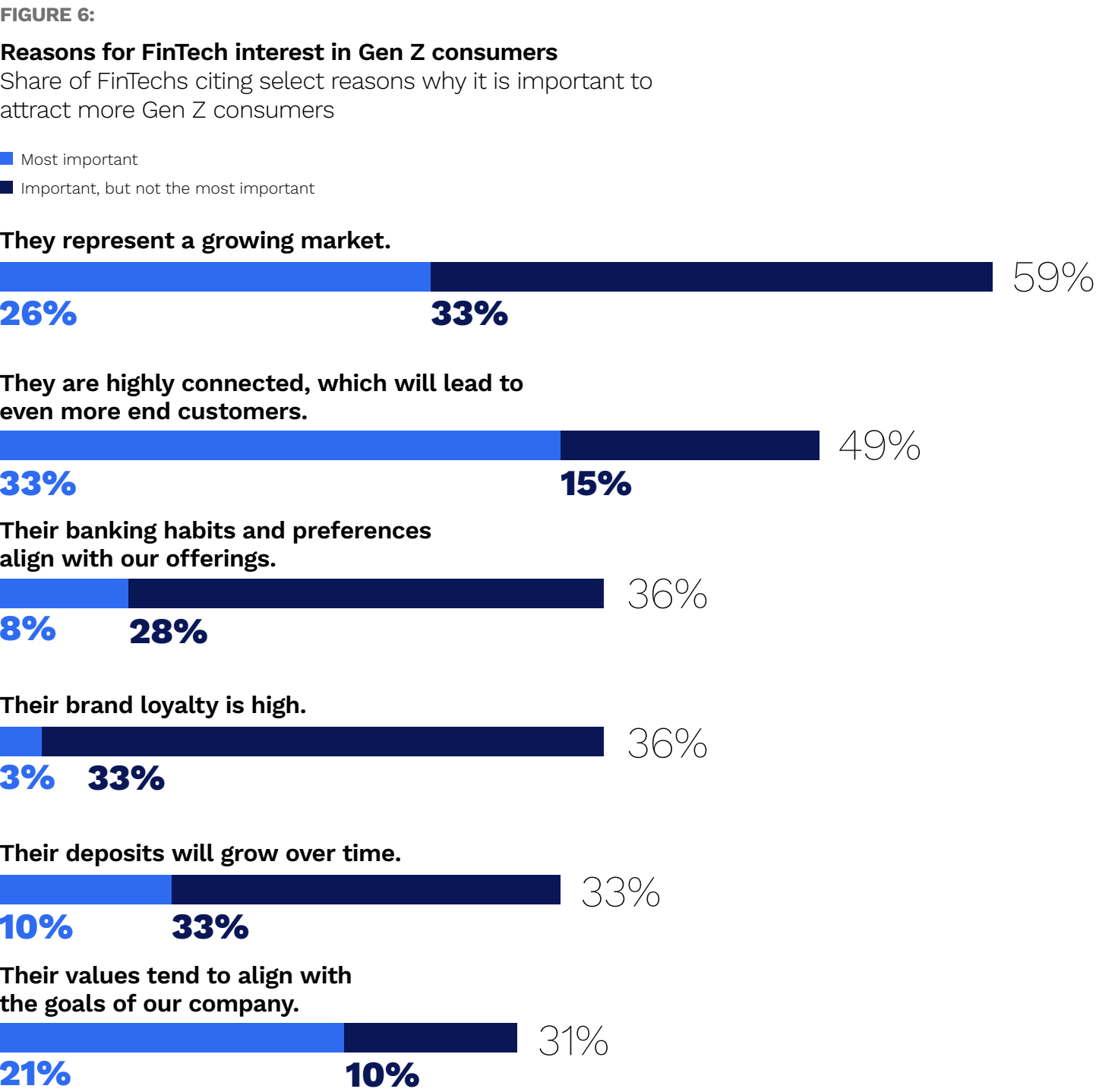
Moreover, FinTechs report a variety of strategies to improve their chances of retaining existing and attract-ing new accountholders. Their focus is more on improving the user experience and less on offering more accessible lending products. To keep and attract more customers in the next three years, 53% of FinTechs say that they are currently investing in highly personalized digital user experiences and 49% are investing in intuitive user experiences. Another 52% are investing in payments innovation. FinTechs appear to understand that making their existing product easier to use is a better way to reach a broader user base and that innovation is crucial to attracting them. In fact, a related PYMNTS Intelligence study on CU innovation finds that 24% of CU members and 28% of non-CU customers would consider switching if their FI did not innovate.<sup>1</sup> In contrast, just 23% of FinTechs are investing in offering credit products with lower lending criteria.

<sup>1</sup> Growing Credit Union Membership via Lending and Omnichannel Banking Innovation. PYMNTS. 2024 <https://www.pymnts.com/study/growing-credit-union-membership-lending-omnichannel-banking-innovation/>. Accessed May 2024.

Source: PYMNTS Intelligence  
The FinTech Innovation Agenda, June 2024  
N = 101: Complete responses, fielded Oct. 16, 2023 – Nov. 10, 2023

# Just two-thirds as many FinTechs as CUs say attracting Gen Z consumers is important.

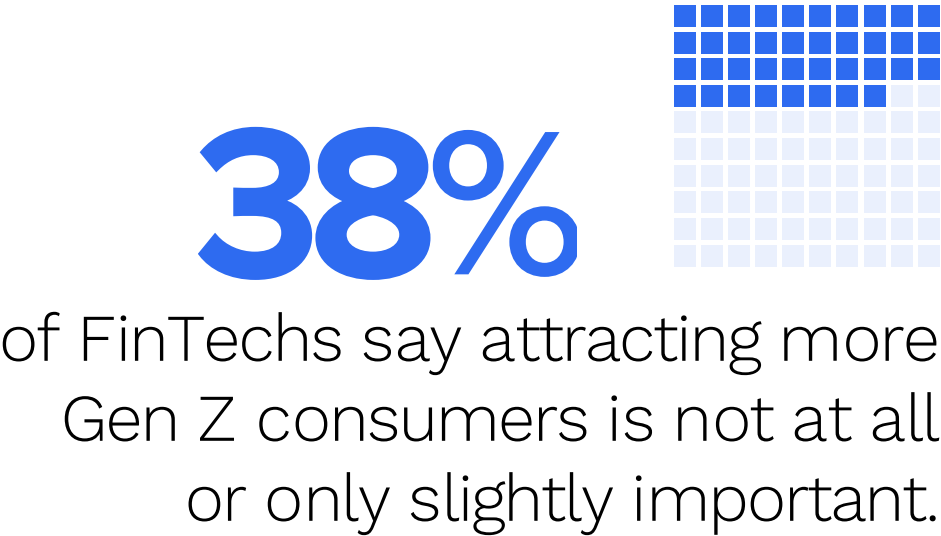
Gen Z consumers represent a key growth market for FinTechs as they are predominantly digital-first consumers who value the convenience of mobile banking and digital payments. Many FinTechs recognize this: 62% say that attracting more Gen Z consumers is at least somewhat important to meeting their business goals, with 42% reporting it is very or extremely important. While this may seem impressive on its face, 95% of CUs find attracting more Gen Z members highly important. Yet 59% of FinTechs acknowledge that Gen Z consumers represent a growing market and 49% say Gen Z consumers are highly connected and can lead to further expansion of their accountholder base.



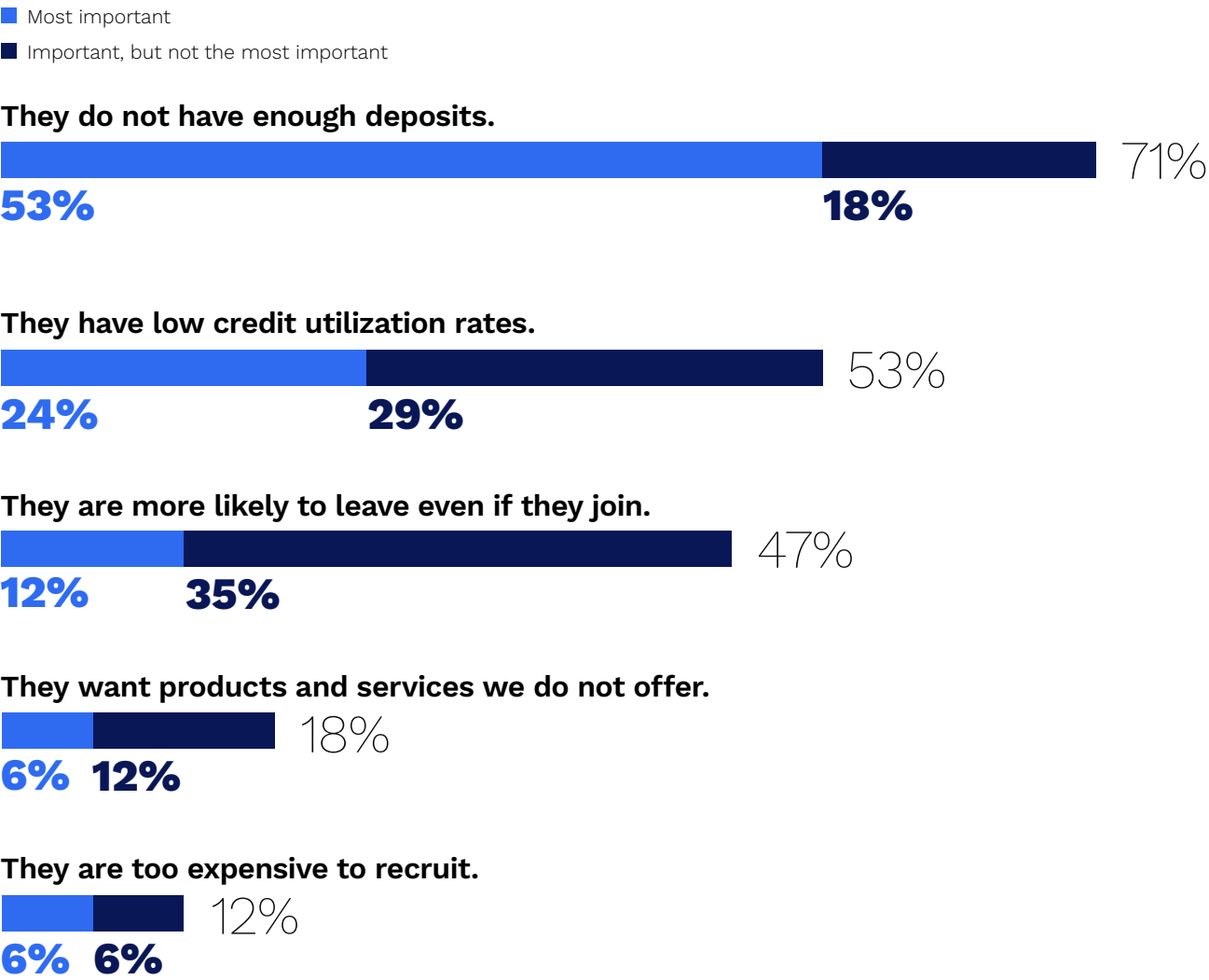
Source: PYMNTS Intelligence  
The FinTech Innovation Agenda, June 2024  
N = 39: FinTechs that sell their products and services to end customers and are interested in attracting new Gen Z members, fielded Oct. 16, 2023 – Nov. 10, 2023



On the other hand, a significant share of FinTechs do not see the value of attracting more Gen Z consumers. In fact, 38% of FinTechs say attracting more Gen Z consumers is not at all or only slightly important. Among these companies, 71% say that Gen Z consumers do not make enough deposits, with 53% citing this as their most important reason. In addition, 53% say Gen Z consumers have low credit utilization rates, with 24% citing this as their most important reason. Accountholder churn ranks third, at 47%. Interestingly, just 12% cite Gen Z churn as the most important reason. This suggests that these FinTechs may be too focused on the short term and may not realize the long-term value of investing in this crucial generation.



**FIGURE 7:**  
**Reasons FinTechs lack interest in attracting Gen Z consumers**  
Share of FinTechs citing select reasons why it is not important to attract more Gen Z customers, by level of importance



Source: PYMNTS Intelligence  
**The FinTech Innovation Agenda, June 2024**  
N = 17: FinTechs that sell their products and services to end customers and are not interested in attracting new Gen Z members, fielded Oct. 16, 2023 – Nov. 10, 2023

# Regulations and technical challenges, rather than a lack of resources or budget, are FinTechs’ main obstacles when bringing innovations to market.

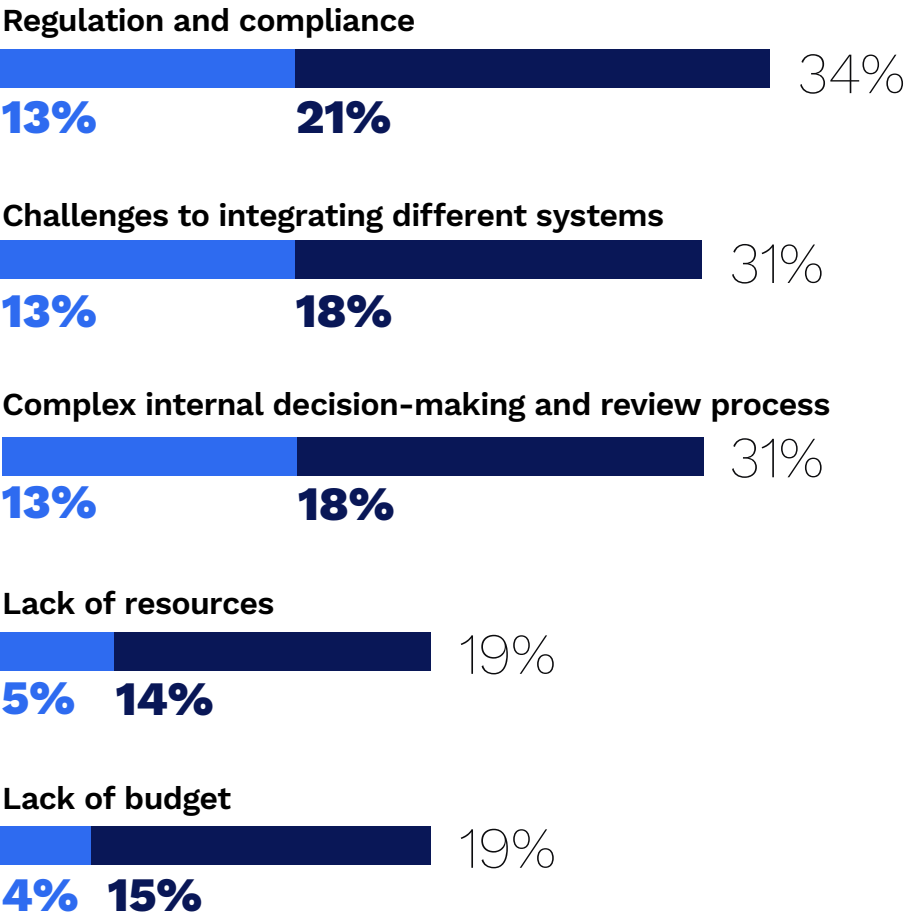
Despite their commitment to innovation, FinTechs face challenges that can slow down their innovation efforts. For instance, 34% of FinTechs say regulatory compliance is a challenge when bringing innovations to market, making it the top issue cited. Integrating different systems along with complex internal decision-making, at 31% each, are also barriers for FinTechs, and 13% cite each of these as their biggest challenges. Lack of resources is mentioned by few FinTechs, and even fewer say lack of budget is the biggest challenge, with just 5% and 4% of FinTechs, respectively, citing these as the biggest challenges they face when bringing innovations to market. The implication here is that FinTechs have the financial and technological resources to innovate, but external and internal obstacles remain.

FIGURE 8:

**FinTechs’ payment innovation challenges**

Share of FinTechs citing important challenges when bringing payment innovations to market, by level of importance

- Most important
- Important, but not the most important



Source: PYMNTS Intelligence  
**The FinTech Innovation Agenda, June 2024**  
N = 101: Complete responses, fielded Oct. 16, 2023 – Nov. 10, 2023

# DATA FOCUS

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**FinTechs are planning to innovate new products and features in a wide range of areas by 2030.**

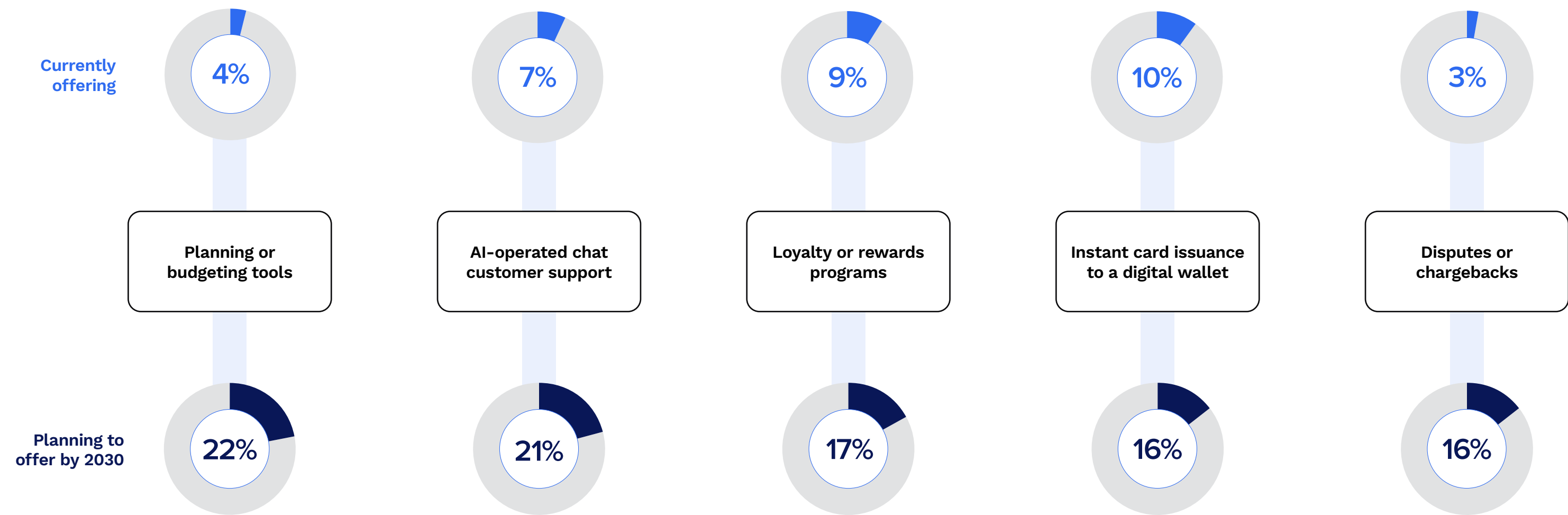
## One in 5 FinTechs are working on offering artificial intelligence (AI) chatbots and budgeting tools in the next six years.

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Looking to 2030, FinTechs expect to expand their product and feature offerings in a number of key areas that few currently offer. Looking at the top future innovation plans, 22% of FinTechs are planning to offer planning and budgeting tools by 2030, while only 4% currently offer them. By 2030, 21% of FinTechs are planning to offer AI-operated chat customer support, while only 6.9% currently offer it. Loyalty and rewards programs are third on the agenda, with 8.9% offering them now and 17% planning to offer them by 2030. Including these features on their innovation roadmaps shows a commitment to advanced products and services that can increase engagement among digital-first consumers.



**FIGURE 9:**  
**FinTechs’ top five future innovations**  
Share of FinTechs that currently offer and plan to offer select products and features in the future



Source: PYMNTS Intelligence  
**The FinTech Innovation Agenda, June 2024**  
N = 101: Complete responses, fielded Oct. 16, 2023 – Nov. 10, 2023

# ACTIONABLE INSIGHTS



## 01

Most FinTechs innovate to improve their brand reputation and enter new markets. Building their own tools and testing innovations with employees are important steps in their payment innovation process. FinTechs are highly interested in innovation to deliver high quality products and services and test them internally to ensure the launch of new products contributes positively to their innovation goals.



## 02

Mobile capabilities, emerging technologies, and highly personalized and intuitive user experiences are key areas FinTechs will focus on innovating in the next three years. They view making their products easier to use as a better way to reach a broader user base than lower lending criteria. Ongoing innovation and improving ease of use are important to retaining current accountholders and attracting new ones.





03

As digital-first consumers who value the convenience of mobile banking and digital payments, Gen Z consumers are a key market for FinTechs. Nearly 2 in 3 FinTechs recognize the growth potential among these young adults and may target their innovations to attract them. The FinTechs that do not see the value of engaging Gen Z consumers may be missing an opportunity for business growth.



04

Many FinTechs cite regulatory compliance as a top challenge when bringing innovations to market, while others point to integrating different systems and complex internal decision-making. Hardly any mention lack of resources or budget as their biggest challenges. FinTechs appear to have the resources to innovate but face key barriers that slow down their innovation efforts — though they can be overcome.



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## METHODOLOGY

**T**he FinTech Innovation Agenda, a PYMNTS Intelligence and Velera (formerly PSCU/Co-op Solutions) collaboration, examines how FinTechs are innovating to meet the financial needs of consumers at CUs and other FIs. The report is based on a survey of 101 executives at FinTechs that provide services to CUs, commercial banks, community banks and individual consumers. Conducted between Oct. 16, 2023, and Nov. 10, 2023, the survey investigated FinTechs' current innovation priorities and plans for future innovation.

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# ABOUT

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**PYMNTS**  
INTELLIGENCE

**PYMNTS Intelligence** is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what’s now and what’s next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world’s leading publicly traded and privately held firms.

**velera**

**Velera**, formerly PSCU/Co-op Solutions, is the nation’s premier payments credit union service organization (CUSO) and an integrated financial technology solutions provider. With over four decades of industry experience and a commitment to service excellence and innovation, the company serves more than 4,000 financial institutions throughout North America, operating with velocity to help its clients keep pace with the rapid momentum of change and fuel growth in the new era of financial services. Velera leverages its expertise and resources on behalf of credit unions and their members, offering an end-to-end product portfolio that includes payment processing, fraud and risk management, data and analytics, digital banking, instant payments, strategic consulting, collections, ATM and POS networks, shared branching and 24/7/365 member support via its contact centers. For more information, visit [velera.com](https://www.velera.com)

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