WILLIAM MILLS AGENCY

BANKERS AS BUYERS ™
RESEARCH HIGHLIGHT & EXPERT PANEL

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Both bank and credit union executives are prioritizing small business banking – what are the implications?

Expert Panelists:

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Jimmy Sawyers
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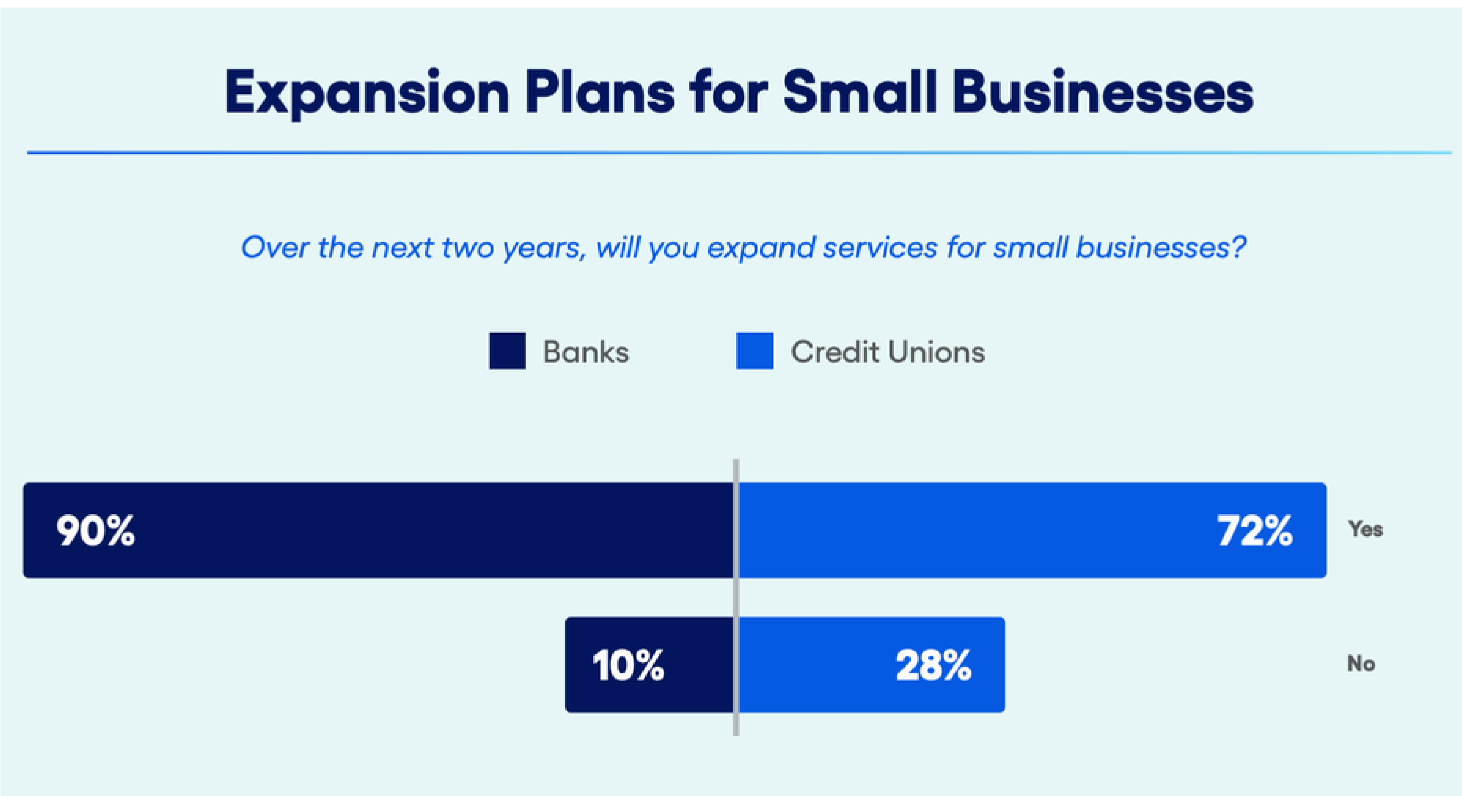
Source: Jack Henry 2025 Strategy Benchmark

About the Report

Bankers As Buyers™ Research Highlight & Expert Panel is a new series that looks at select research findings from trusted sources and adds opinions and insights of thought leaders.

In this issue, we examine a specific chart from [Jack Henry's 2025 Strategy Benchmark](). From the executive summary, "Between January and February of 2025, Jack Henry™ conducted an online survey of our clients. Responses were received from 149 bank and credit union CEOs, representing a diverse sample of Jack Henry clients across the U.S., with assets ranging from under $500 million to more than $10 billion."



Industry Experts Weigh In

Erica Pilon, Head of Strategy, Jack Henry

These numbers have been steadily increasing over the last decade and seem to be reaching a boiling point. This is not surprising as financial institutions have increasingly been disintermediated in a market that would logically be a slam dunk for offering a trusted partnership with value added services.

Banks and credit unions have long struggled with building a case for a return on their investments in SMBs because these businesses often live in an ambiguous middle ground between traditional treasury and retail offerings. As a result, SMBs often masquerade as retail customers and FIs are losing valuable fee income and cross sell opportunities.

The need to meet SMBs where they struggle (cash flow management and receivables) is even more critical in a world where many Gen Zers are building small businesses or running side hustles. Financial Institutions have a unique opportunity to deliver these features through digital banking, which will allow SMBs to focus on running their business with one less piece of technology to manage.

Will Tumulty, CEO, Rapid Finance

The study's findings highlight that banks and credit unions are looking to expand services for small businesses, particularly as they try to recapture market share lost to fintechs. However, the numbers don't tell the whole story. Small businesses vary widely, and financial institutions must tailor their approaches accordingly. For example, banks with existing SBA portfolios might focus on offering smaller loan sizes, while credit unions may be entering commercial lending for the first time.

The real key to successful expansion lies in having the right systems infrastructure to serve these businesses efficiently. Banks need automated, fast processes to handle smaller loans and services without relying on outdated systems. This means partnering with fintechs to deliver the tech capabilities that many smaller institutions can't build in-house.

While payments are a high priority for small businesses, it's important not to overlook other opportunities for generating non-interest income, such as embedded finance and referral programs. These can provide more profitable, risk-free revenue streams compared to traditional payment fees.

At the same time, fraud prevention and improving operational efficiency are critical. If banks don't modernize their systems and form the right partnerships, they may struggle to meet small business needs for speed, security, and service.

Lukas Haffer, Co-Founder & CEO, Casca

This data is super encouraging. It mirrors the conversations I'm having with FDIC-insured banks across the US – banks are demanding technology that drastically improves loan processing times, scales effortlessly, and sets a new standard for customer experience.

Why? Community financial institutions (CFIs) offer the lowest interest-rates and best terms to small businesses, but they suffer from some of the most outdated processes & technology. For instance, the average time to close an SBA loan is 60-90 days, driving small businesses into the arms of predatory online lenders that can have APRs above 100%. CFIs have a massive opportunity to update their technology and provide low-interest loans. What the data doesn't show – but AI does – are the hidden business accounts operating from retail accounts.

AI can classify thousands of bank transactions to easily identify businesses, then use cash flow records to better underwrite loans and simultaneously transition a retail account to a business operating account – with 1-click digital account opening. 2025 is the year to re-image small business banking with AI & recapture thousands of clients from predatory online lenders.

Jessica Pinkston, Senior Director, Cornerstone Advisors

This is absolutely in line with what I'm seeing daily, whether they be banks or credit unions and regardless of asset size or location of the financial institution (FI). There are a couple of converging storylines at play here, namely, opportunity to grow within their markets, creating better experiences for small businesses and using technologies to create efficiencies.

Many small business customers have been hiding in plain sight because we have been treating many of them like consumer accounts, or worse, giving a small business the same platforms, processes and products as a much larger company.

In recent years, banks and credit unions have acknowledged that there's a need to treat small businesses as if they are actually small businesses, i.e., customers who need business solutions in an approachable manner. Some of the big banks have responded well, which is why community financial institutions are looking at trying to recapture those relationships that are in their market.

Credit unions did a very commercial-oriented thing, they led with the loan and now they're looking to build up on the deposit side. To capture business relationships, many credit unions will need to add new lines of business which will require significant investments in technology, resources, and time before seeing results.

Community banks have traditionally depended on relationship-building. However, many aspects of this approach in small business banking have proven to be inefficient and overly reliant on human involvement.

How can you differentiate when we all say, "We provide excellent service and have great relationships?"

You have to get to parity first within your market by offering the products and services that businesses need and expect. Next focus on financial services in terms of financial advice and fulfilling business needs, and use technology as a touch point for those customers to complement the human relationship.

Jimmy Sawyers, Chairman, Sawyers & Jacobs

To attract small businesses, bankers must stop thinking like bankers and technologists and start thinking like business owners who couldn't care less about buzzwords but care greatly about utility and functionality. Tech providers and bankers who speak in jargon and tell business owners what they need will continue to wonder why they lose. The winners will instead listen to what these business owners want and require, then provide solutions that satisfy.

I can give you at least a dozen requirements for the banker that wins and keeps our business, but the "payments and people" factor is key.

***Be the facilitator of money movement and easy payments.** From secure methods to move money via wire, ACH, and other networks, to a business credit card that is on par with American Express service levels and features a strong app with proper controls and helpful alerts—not draconian, ill-advised denials—making these transfers and payments safe and easy is imperative to banking small businesses. Deny a low-dollar legitimate transaction and the business owner will never use your card again, which could result in significant lost interchange revenue for your bank.*

***People do business with people**...not the name on the letterhead. This is the competitive advantage of traditional banks that can do anything a neobank can do provided they align the right people, processes, and technology.*

These financial institutions can leverage their stellar reputations, strong brands, trusted people, stable operations, and the latest technology to do anything a neobank can do...only better.