

Smaller Financial Institutions Weigh In: Key Findings from the Federal Reserve 2018 Quick Hit Mobile Financial Services Survey

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Overview

In January 2018, the Federal Reserve Bank of Boston (FRB) published results from a 2016 online mobile financial services (MFS) survey of financial institutions (FIs) in seven FR Districts, listed in **Figure 1**. The objective of the survey was to inform the FR and industry stakeholders about the status of mobile banking and payment practices, products, and services at FIs across disparate regions in the U.S.¹

In June 2018, the Boston FRB coordinated a *Quick Hit Mobile Financial Services Survey* (QHS) of FIs that did *not* respond to the in-depth 2016 MFS survey.² Our expectation was that non-respondents would be more amenable to answering just five questions about mobile financial services and providing some demographic data in an email format to supplement findings from the 2016 MFS survey.

Methodology

The QHS was fielded from June 11 to June 22, 2018. Six FRBs sent emails to a total of 4,817 non-respondent FIs and received 565 responses – resulting in a response rate of 11.7 percent, marginally higher than the 11.6 percent rate in 2016. (See **Figure 1**).

Where 2016 and 2018 FI respondent data are combined, the results are ‘consolidated.’ There is no overlap between 2016 and 2018 respondent data as the 2018 respondents did not complete the MFS survey in 2016.

¹ Key findings from the October 2016 MFS Survey are presented in the report, [“Mobile Banking and Payment Practices of U.S. Financial Institutions: 2016 Mobile Financial Services Survey Results from FIs in Seven Federal Reserve Districts.”](#) The participating Federal Reserve districts included Atlanta, Boston, Cleveland, Dallas, Kansas City, Minneapolis, and Richmond.

² Six of the original seven FRBs participated in the 2018 QHS; the Dallas FRB did not participate.

Figure 1: Respondents by District – 2018 QHS and 2016 MFS

| FR District | 2018 QHS # of FIs Solicited | 2018 QHS # of FI Respondents | 2018 QHS District Response Rate | 2016 MFS Survey District Response Rate |
|--------------------------------|--|---|--|---|
| Atlanta | 1,115 | 121 | 11% | 10% |
| Boston | 453 | 45 | 10% | 35% |
| Cleveland | 634 | 27 | 4% | 5% |
| Dallas | n/a | n/a | n/a | 11% |
| Kansas City | 1,013 | 192 | 19% | 7% |
| Minneapolis | 802 | 62 | 8% | 12% |
| Richmond | 800 | 118 | 15% | 9% |
| Total All Districts | 4,817 | 565 | 11.7% | 11.6% |

Key Findings

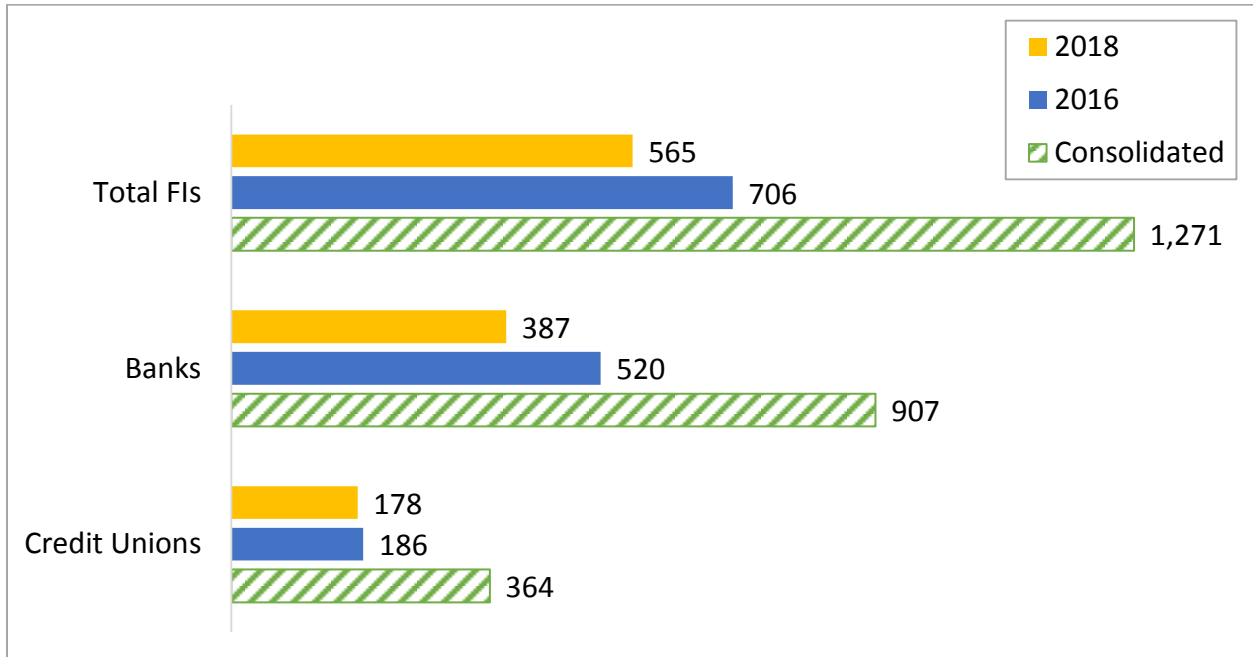
The key findings, which are consistent across Districts, highlight that mobile banking is offered by 82 percent of the 2018 QHS respondents.

- The 565 QHS respondents comprised 69 percent (387) banks and 31 percent (178) credit unions; the mix of FI respondents in 2016 represented 74 percent banks and 26 percent credit unions.
- Most of the QHS respondents offering mobile banking (65 percent) are smaller FIs with less than \$250 million in assets, compared to just 46 percent in 2016. Of the 19-percentage point increase from 2016, 16 percent were FIs with less than \$100 million in assets.
- The most significant finding relates to customer use of mobile banking, which has increased since 2016, even though the QHS respondents are smaller FIs. More 2018 respondents (55 percent) have over 20 percent of their customers actively using their mobile banking services, compared to 44 percent of 2016 respondents.
- More than half (57 percent) of 2018 respondents currently offer or plan to offer mobile payments; while 20 percent have no plans to offer; and 23 percent remain undecided about offering mobile payments in the next year. Unlike the 2016 MFS survey, the 2018 QHS added a “don’t know” option to allow a more nuanced assessment of FIs’ thinking about mobile payments.

Respondent Profile Data

There were 565 respondents to the 2018 QHS. **Figure 2** shows the number of total FI, bank, and credit union respondents by year as well as the consolidated 2016-2018 total respondents. Banks represent 71 percent of the consolidated totals while credit unions represent 29 percent.

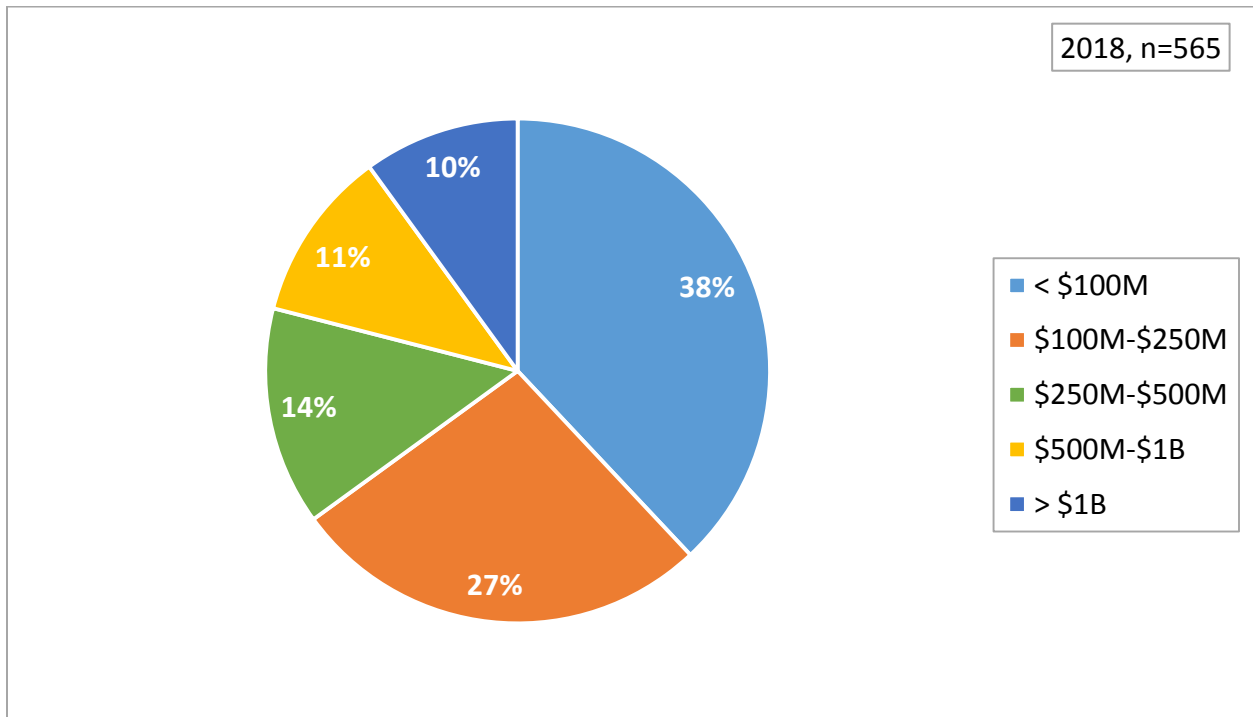
Figure 2: Respondents by Type – 2018 QHS vs. 2016 MFS (# of respondents)



Q. Financial institution type

As a group, the FIs that responded to the 2018 QHS are smaller in asset size than the MFS respondents. The 65 percent of 2018 respondents with assets under \$250 million are comprised of 27 percent in the ‘\$100-\$250M’ range and 38 percent below \$100 million. By FI type, 58 percent of the banks and 81 percent of the credit unions have less than \$250 million in assets. More credit unions fall into the smallest tier: 63 percent have under \$100 million in assets. Just 10 percent of all 2018 respondents have assets over \$1 billion. (**Figure 3** shows respondents by asset size.)

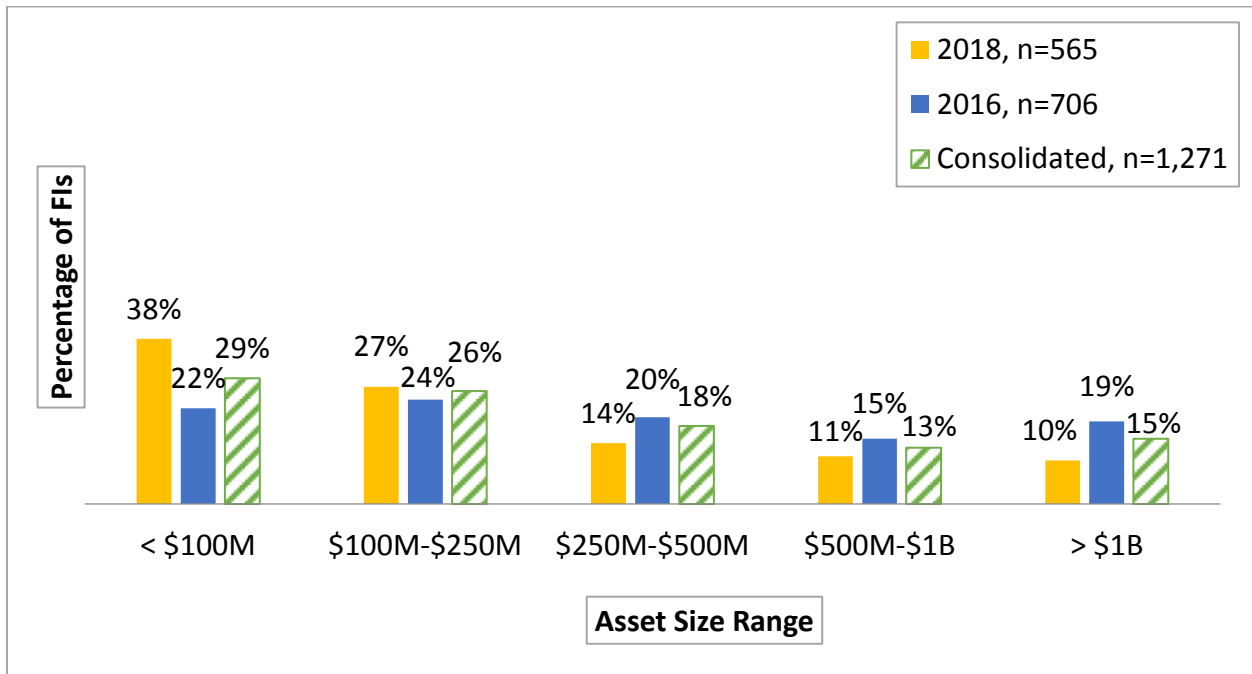
Figure 3: 2018 QHS Respondents by Asset Size (% of respondents)



Q: What is your FI's asset size?

More of the smaller FIs responded to the short 2018 QHS survey than to the full MFS survey. The percent of QHS respondents with assets under \$100 million is 16 percent higher than in the MFS survey, and the percent in the ‘\$100M-\$250M’ range is three percent higher, resulting in a 19-percentage point increase in the number of smaller respondents between 2016 and 2018. Because a higher percentage of smaller FIs completed the QHS, the consolidated trend growth shifted to the lower asset tiers. (See **Figure 4**).

Figure 4: Respondents by Asset Size – 2018 QHS v. 2016 MFS (% of respondents)



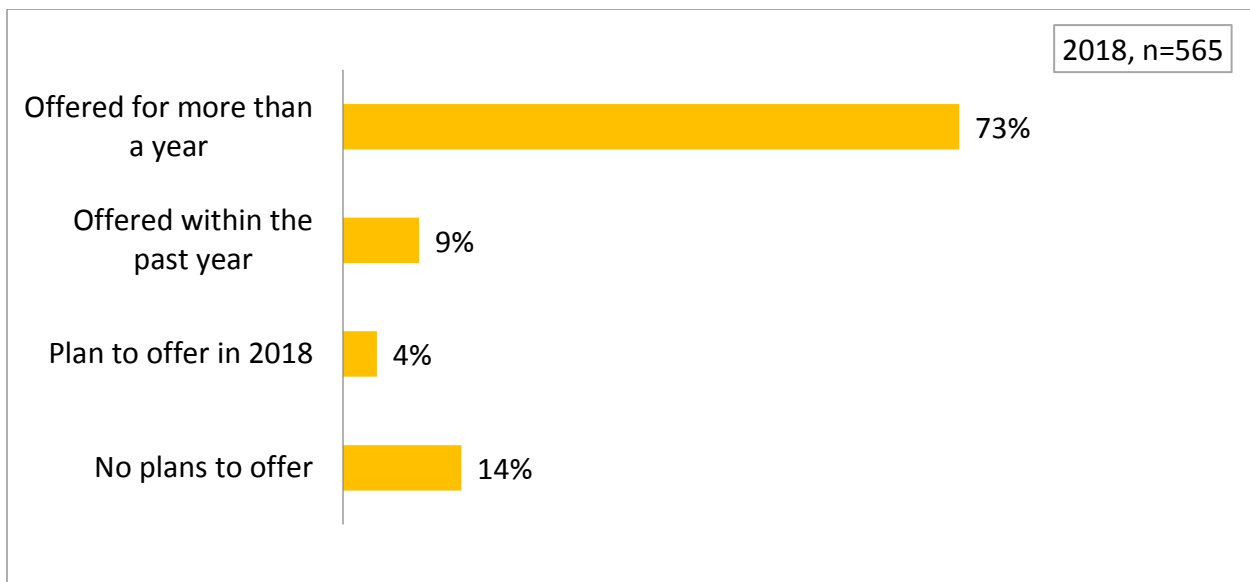
Q: What is your FI's asset size?

Assessment of 2018 QHS Results

The QHS focused on a few key questions to supplement the 2016 MFS survey and asked about whether FIs offered mobile banking services, and if so, sought data related to consumer usage of their mobile banking and mobile payment plans. By surveying only FIs that did not complete the 2016 MFS survey, we were able to glean additional insights on key mobile data points.

Eighty-two (82) percent of all QHS respondents offer mobile banking, and another four percent plan to offer it by the end of 2018 (**Figure 5**). Just nine percent of respondents implemented it within the last year, indicating that many (primarily smaller FIs) have been providing mobile services to retail customers for at least two years. By type, 88 percent of banks and 81 percent of credit unions currently offer mobile banking or plan to offer it by the end of 2018. However, 14 percent of all respondents still have ‘no plans to offer’ mobile banking.

Figure 5: 2018 QHS Respondent Mobile Banking Plans (% of respondents)



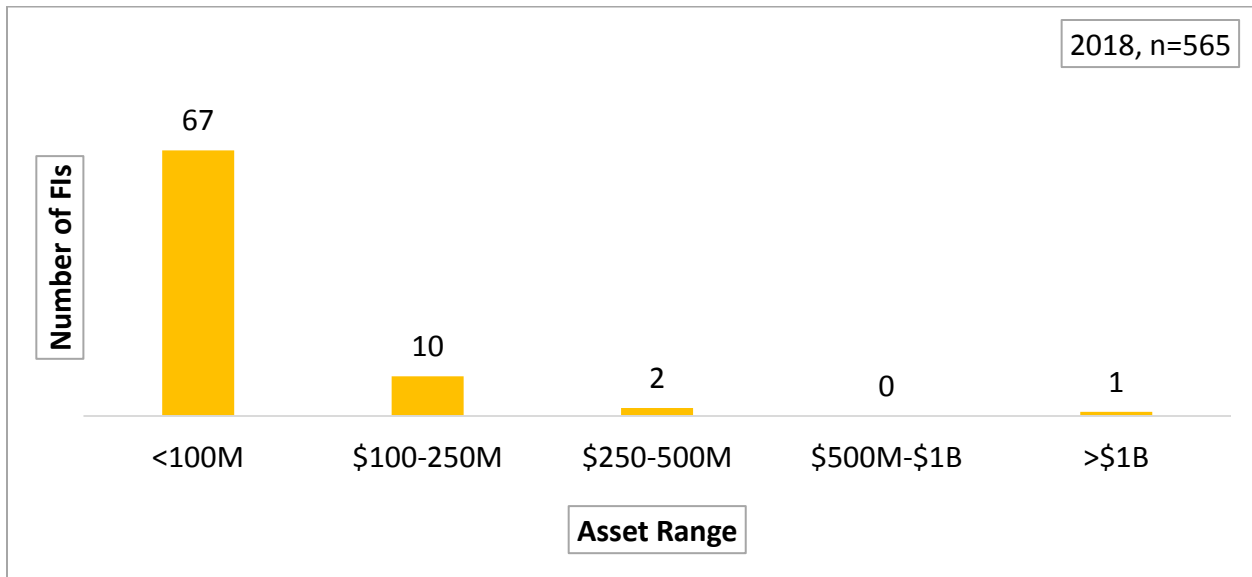
Q1: Do you offer or plan to offer mobile banking to customers before the end of 2018?

Q2: If yes, how long have you offered mobile banking?

Whether or when an FI offers mobile banking correlates strongly to asset size (**Figure 6**). Among the 14 percent of respondents that have no plans to offer mobile banking, all but one (79 out of 80) FI have assets under \$500 million,³ and 67 FIs have under \$100 million in assets. All 33 credit unions without plans to offer mobile banking are in this lowest tier, as well as 34 of the banks with no plans to offer mobile banking.

Figure 6: 2018 QHS Respondents with ‘No Plans to Offer’ Mobile Banking by Asset Size

(# of respondents)



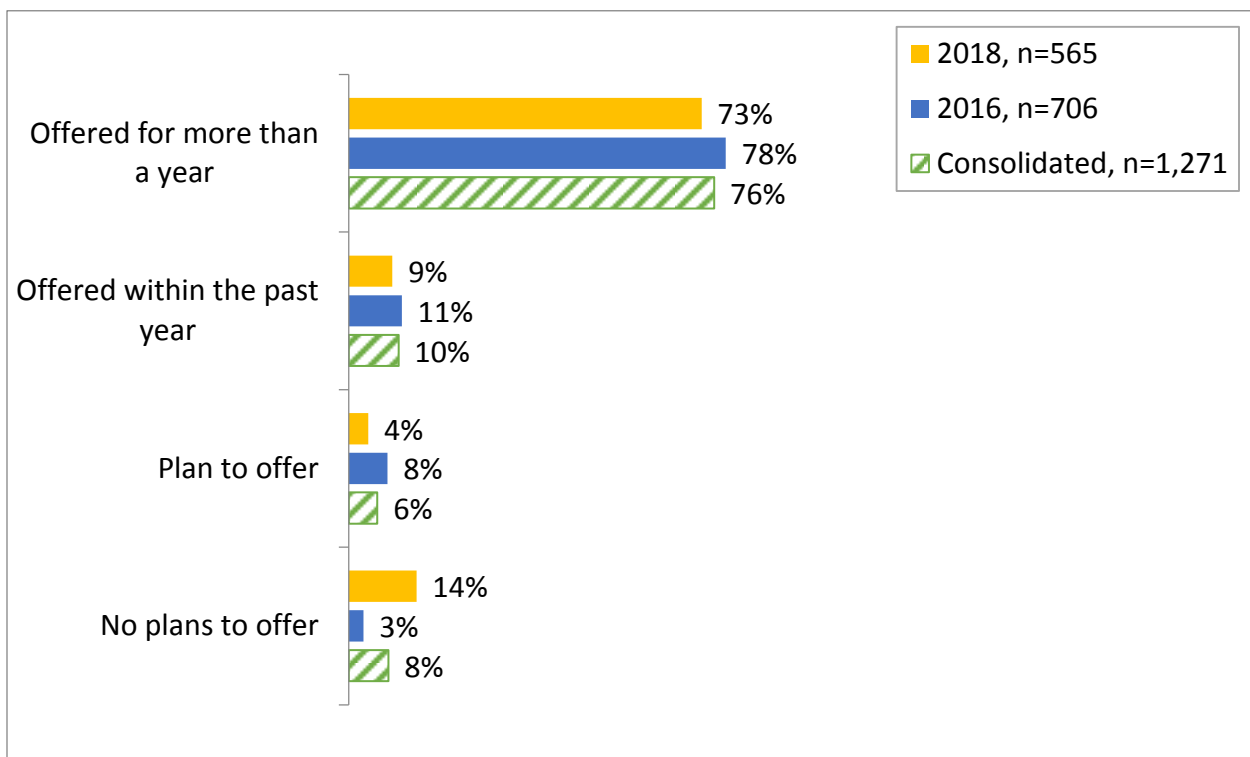
Q1: Do you offer or plan to offer mobile banking to customers before the end of 2018?

³ The bank with more than \$1 billion in assets has only corporate and institutional customers.

At the time that the QHS was fielded in 2018, 89 percent of the 2016 MFS Survey respondents had already been offering mobile banking for two years (i.e., since 2016), and eight percent planned to do so by the end of 2018. This compares to the 82 percent of QHS respondents that had already implemented mobile banking and the four percent planning a 2018 implementation (**Figure 7**).

The consolidated totals of 2016 and 2018 responses highlight that 86 percent of respondents now offer mobile banking. This adjusts the 2016 findings by merely three percent – demonstrating how ubiquitous mobile banking has become at U.S. FIs regardless of asset size.

Figure 7: QHS and MFS Respondent Plans to Offer Mobile Banking (% of respondents)

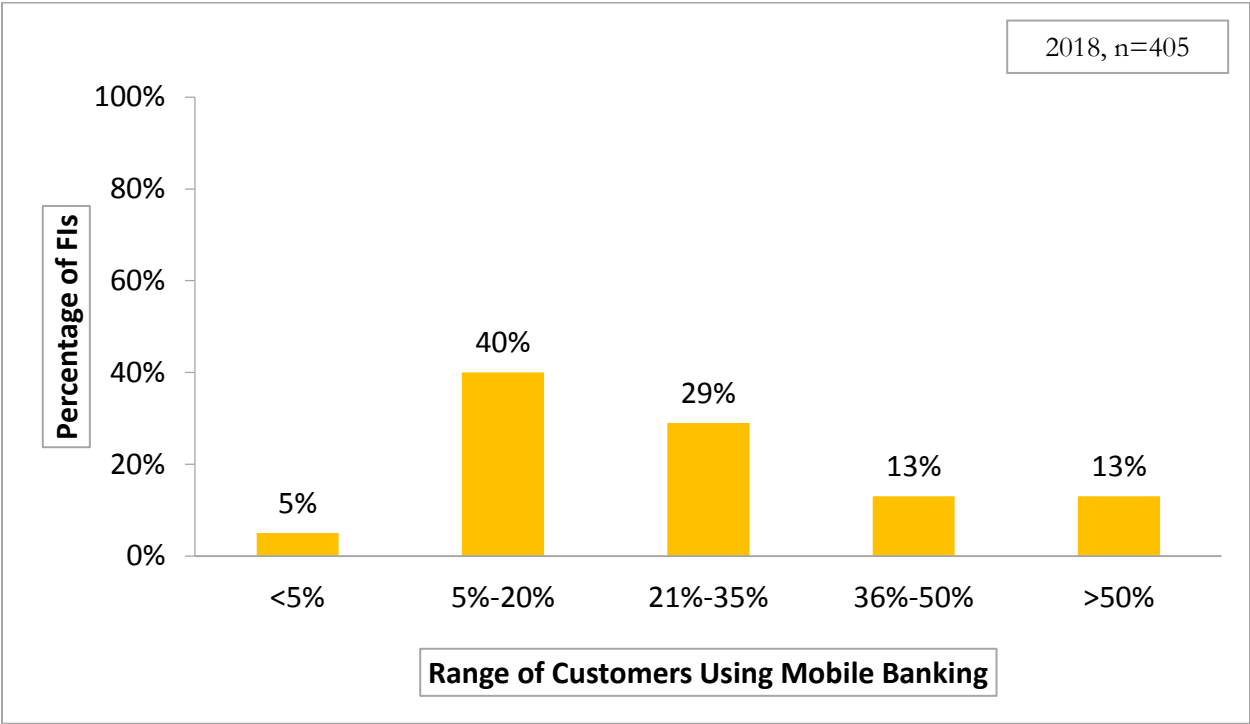


Q1: Do you offer or plan to offer mobile banking to customers before the end of 2018? Q2: If yes, how long have you offered mobile banking?¹

The recent QHS findings underscore the increasing number of FIs that are experiencing greater customer use of their mobile banking services. Among the 405 FIs that provided retail customer usage data, only five percent of respondents have very low (i.e., '<5%') customer usage rates, while 69 percent have customer usage rates between five and 35 percent. (See **Figure 8**.) Notably, 13 percent (52 FIs) reported that more than 50 percent of their retail customers use their mobile banking services, and another 13 percent (53 FIs) reported usage in the '36-50%' range.

In the 2018 QHS survey, 160 FIs (29 percent) did not answer the question about customer use of mobile banking. Based on similar results from the MFS survey, which probed more deeply into usage data, the authors inferred that many smaller QHS respondents did not reply because they do not track customer usage.

Figure 8: 2018 QHS Retail Customer Use of Mobile Banking Services (% of respondents)



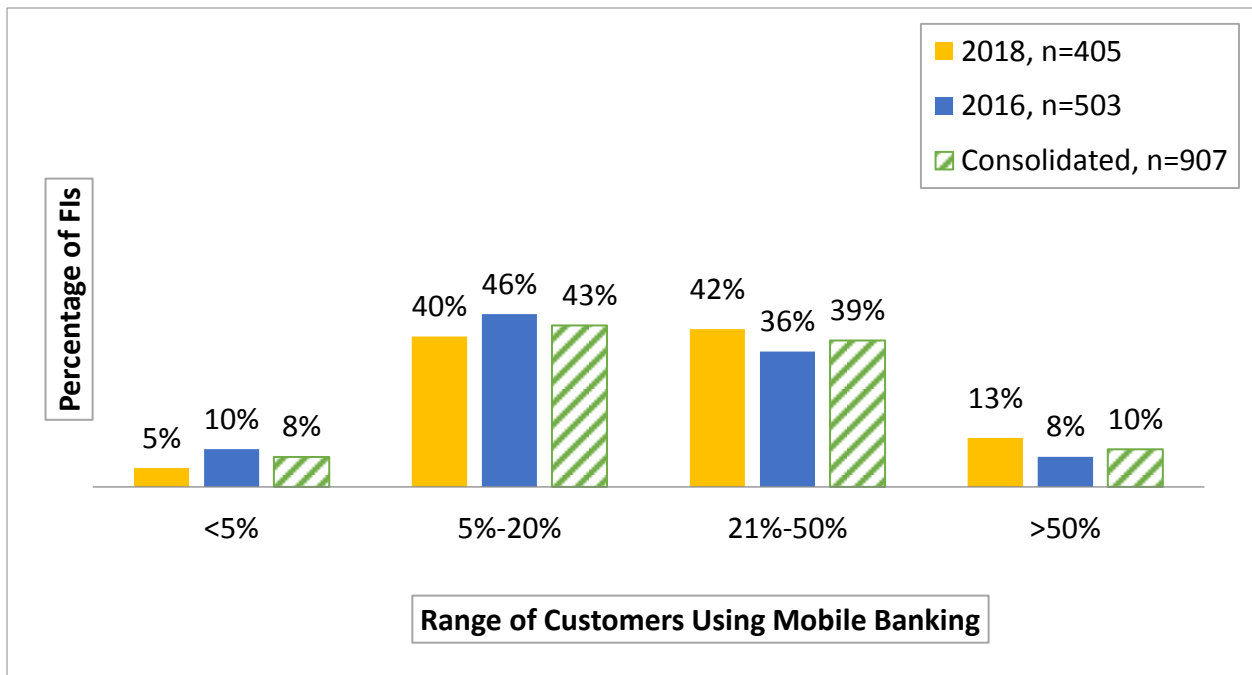
Q3: What percentage of your retail customers use you mobile banking services?

The QHS results demonstrate that retail customer usage of mobile banking has risen significantly since the MFS Survey was fielded in October 2016. (See **Figure 9**). Even though the majority of QHS respondents are smaller FIs, they reported higher customer usage rates than 2016 respondents. For example, 55 percent of 2018 QHS respondents⁴ reported over 20 percent of their customers using their mobile banking services, compared to 44 percent of 2016 respondents. In 2016, only eight percent of respondents reported over 50 percent retail customer usage, compared to 13 percent of the 2018 respondents in the same range.

Figure 9 also shows customer use of mobile banking is trending up. The 2018 data increased the consolidated totals by 5-6 percent for the larger two ranges and decreased the totals for the smaller two ranges by the same 5-6 percent.

Figure 9: Retail Customer Use of Mobile Banking Services – 2018 QHS v. 2016 MFS

(% of respondents)



Q3: What percentage of your retail customers use you mobile banking services?

⁴ 54 percent of banks and 58 percent of credit unions reported over 20 percent of their customers actively using their mobile banking services (within last 90 days).

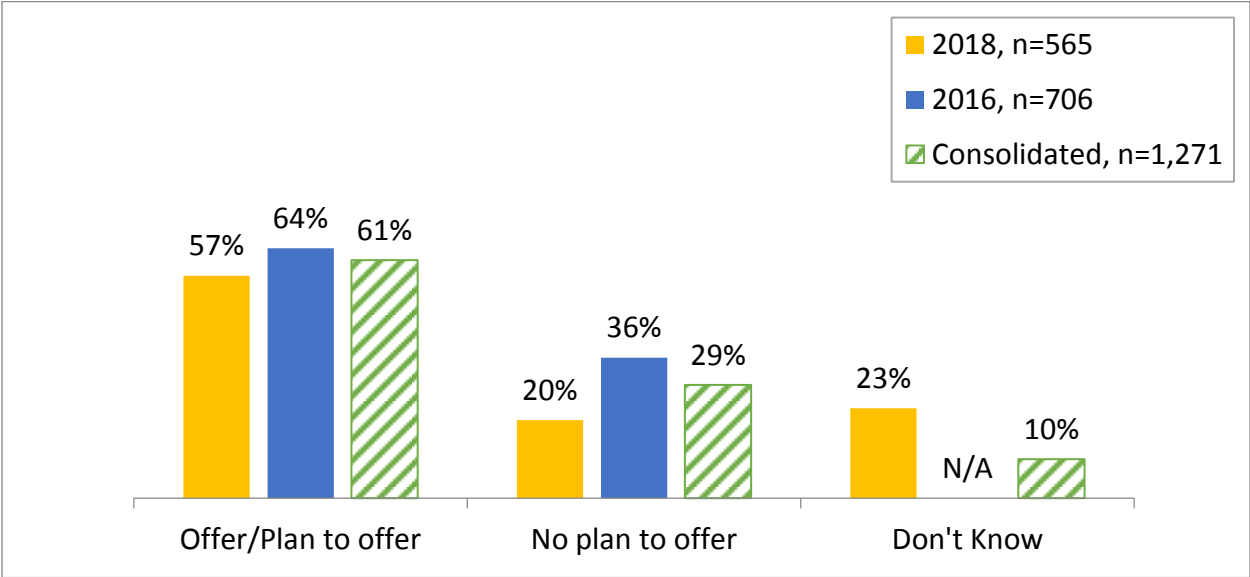
When asked about offering mobile payments, the 2018 QHS responses were somewhat lower than 2016 MFS responses. Among the 2018 QHS respondents, 57 percent offer or plan to offer mobile payment services. Another 20 percent have no plans to offer mobile payments, and 23 percent are undecided. (See **Figure 10**.) However, regardless of FI asset size, offering mobile payments lags offering mobile banking services. For example, only 17 percent of the respondents with no plans to offer and 14 percent of undecided have assets under \$250 million.

Comparing 2018 and 2016 data on mobile payment plans requires some explanation. The 2016 MFS respondents had a ‘yes’ or ‘no’ choice about their plans to offer mobile payments, while the 2018 QHS respondents had an additional ‘don’t know’ choice. Even with the ‘don’t know’ option, 57 percent of QHS respondents offer or plan to offer mobile payments – just seven percent lower than the MFS survey response. The authors decided to correlate the ‘don’t know’ responses in 2018 to ‘no’ answers in 2016, assuming that respondents who answered ‘yes’ would be more certain of their plans.

Overall, the data show that there is strong interest in mobile payments from FIs of all sizes. On a consolidated basis, 61 percent of the combined 2016 and 2018 respondents indicated that they offer or plan to offer mobile payments.

Figure 10: Respondent Plans to Offer Mobile Payments – 2018 QHS vs. 2016 MFS

(% of respondents)



Q4: Do you offer or plan to offer mobile payment services

Summary

The 2018 QHS provides valuable supplementary information to the findings from the more detailed 2016 MFS survey, indicating that smaller banks and credit unions with less than \$250 million in assets are closely following industry trends and initiatives related to mobile services and closing the gap in terms of implementation.

The QHS supports the conclusion that mobile banking is ubiquitous at all but the very smallest FIs. This is true for both banks and credit unions across the Federal Reserve Districts surveyed. The QHS also underscores the importance of mobile payments to FIs, while clarifying that offering these services is not a simple decision for smaller institutions.

The 2018 QHS data also sheds new light on the growth in customer usage of FIs' mobile banking services since 2016. Although still low in absolute terms, that 26 percent of QHS respondents have more than 35 percent of their retail customers actively using these services is noteworthy – a marked increase in less than two years.

Finally, the QHS data do not materially alter the findings of the 2016 MFS survey results except with regard to increasing customer usage of FIs' mobile banking services, which is valuable information that can be confirmed in the upcoming *2019 MFS survey*.

From a broader perspective, the QHS highlights how participation from small banks and credit unions in surveys of this type can add to the industry's knowledge base and benefit the smaller FIs by helping them understand how both peer and larger FIs are approaching mobile services. The QHS and, especially, the more comprehensive MFS survey, are good tools for FIs to gauge where they stand relative to other FIs and gain useful information to enhance their mobile strategies.

We appreciate the contributions from the FIs to this survey and hope that you will continue to provide your valuable input to future efforts.

Appendix – 2018 Quick Hit Mobile Financial Services Survey Questionnaire

To Financial Institutions:

Please take a **few minutes** to answer the questions below and **return** the completed email by **Friday, June 22, 2018**. (Please **REPLY** with your response.)

QUESTIONS

1. Do you offer or plan to offer mobile banking to customers before the end of 2018?
 YES, offer today YES, plan to offer in 2018 NO
2. If yes, how long have you offered mobile banking?
 Within the past year More than one year ago
3. What percentage of your retail customers use your mobile banking services (at least once within last 90 days)? _____
4. Do you offer or plan to offer mobile *payment* services?
 YES NO Don't know
5. The Federal Reserve will issue its biennial *Mobile Financial Services Survey* in early 2019.
Do you think your FI will respond to the survey?
 YES NO Don't know
What topics would you like to see included in the *2019 MFS Survey*?

PROFILE DATA

Financial institution type (e.g., commercial bank, savings bank, credit union, etc.) _____
Asset size _____
Headquarters state _____
Customer base (e.g., consumer, business, other non-retail) _____

THANK YOU! Your input will help to ensure that FIs of all types and sizes are well-represented in the aggregate survey results, which will be published in July 2018.

The 2016 *Mobile Financial Services Survey* can be found [here](#).
