

**Bankjoy**

**Scaling Credit Unions  
and Banks with Digital-  
first Commercial Banking  
and Lending**



# The volatility of recent years has amplified the financial needs of micro, small, and medium-size businesses (SMBs) that largely go unserved.



**Commercial banking services and loans that these companies require to run efficiently and stay in the market are often unavailable from many financial institutions.**

Yet 89% of America's businesses are SMBs with fewer than 20 employees,<sup>1</sup> and represent an estimated \$5.2 trillion a year in unmet financial needs.<sup>2</sup>

For credit unions, this indicates a significant growth opportunity -- to both strengthen relationships with existing commercial members and more readily attract new businesses. But it also requires the organization to offer and operate with digital-first commercial banking capabilities.

## The legacy challenge

Commercial banking has typically been built to serve enterprises, leaving the majority of companies out in the cold. Just like the big players, SMBs from 'mom-and-pop' stores, to companies with \$5-10M in revenue may need merchant services, bulk ACH transfers, business bill pay and robust expense management. Larger businesses may also need treasury services, lockboxes and remote deposit

capture. And SMBs of every size often need commercial loans for operating capital and real estate.

Many credit unions, however, are not equipped to meet those needs, serving business members with a modified retail banking platform and legacy processes. Slow, often manual, workflows for managing commercial accounts and lending make it

hard for credit unions to compete, differentiate, and scale.

Capitalizing on the growth opportunity requires credit unions to deliver the advanced banking capabilities and lending that SMBs need. And do it with the digital efficiency and simplicity critical to both members and the organization.

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# \$5.2T

Per year, in unmet loan financing needs for small and medium businesses<sup>2</sup>

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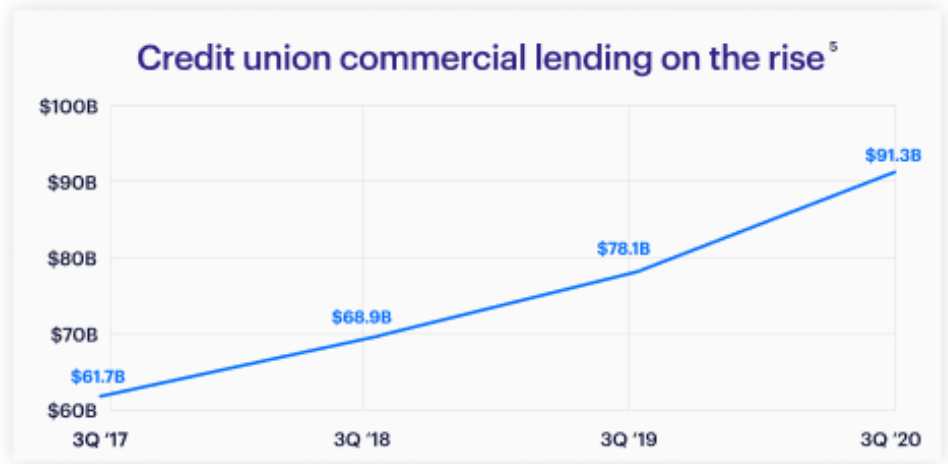
# Why scalable commercial lending matters more than ever

Now is a pivotal time to tap into the growth potential of small business lending. In 2021, \$41.9 billion in loans was originated by credit unions (CUs) nationwide, a staggering 70% higher than in 2019.<sup>3</sup> While about \$12 billion of those loans were actually funded, only \$2.45 billion was from the largest CUs,<sup>4</sup> which indicates smaller to medium institutions are rising up to meet the need.

Furthermore, credit unions increased commercial loan portfolios by 48% from 2017 to 2020.<sup>5</sup>

But competition is growing more fierce. Banks and fintech lenders like Fundbox and Bluevine are gaining traction, offering SMB loan products and capabilities that many credit unions lack. As an example, the number of members seeking business lines of credit from other financial institutions increased 16% between 2020 and 2021.<sup>6</sup> "Credit unions have had to fight hard to maintain their business members as banks and other lenders fought to win business from them," reports the Credit Union Times.<sup>7</sup>

Fintech lenders have changed the lending landscape with a laser focus on speed and ease of online applications and approvals. Financial institutions keeping



pace have replicated that experience, while trying to integrate more data to better understand a business's credit-worthiness.

The good news is that credit unions have distinct advantages. For one, they know their community. They can identify and engage smaller businesses that many banks may overlook and fintechs never know about. In addition, banks and fintechs don't have the reputation of personalized service that credit unions are known for. In fact, CUs scored the highest business lender satisfaction ratings in 2021, over banks.<sup>8</sup> CUs have an opportunity to capture market share by

bringing their service-focused characteristics to lending. Particularly for serving unmet demand among smaller businesses in their community, with loans in the \$25,000 to \$250,000 range that many other lenders avoid.<sup>9</sup>

A critical factor is making it profitable to offer SMB loans, and that takes scalability and automated efficiency. Credit unions also need to be equipped to serve the evolving banking needs of those businesses over time. For organizations challenged with legacy systems and processes, it's time to modernize commercial lending and banking.

## Scaling loan growth with digital-first processes and automation

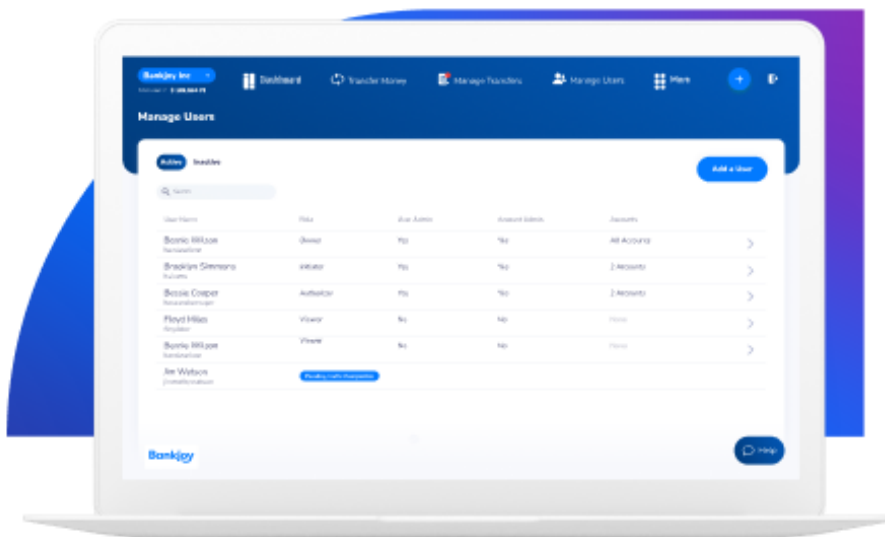
Many financial institutions are hesitant to invest in digital transformation. But the potential payoff of accelerated workflows, lower costs and higher satisfaction rates could transform a credit union's ability to compete at scale. To speed their digital evolution, many organizations are partnering with fintech innovators like Bankjoy.

*"Growing market share relies on replacing branch-based, manual origination processes with robust digital-first, data-driven technologies that increase speed and efficiency."*

Consider commercial lending for small to medium-sized businesses. It's estimated the "bulk of the opportunity" lies in loans and lines of credit of \$20,000 to \$110,000.<sup>10</sup> Growing market share – from this sweet-spot to large loans of \$5-15M – relies on replacing branch-based, manual origination processes with robust digital-first, data-driven technologies that increase speed and efficiency.

Modern systems reduce the time and effort of loan processing, and help eliminate repetitive manual entry that can lead to errors or inconsistencies. Credit unions are empowered to deliver a better, faster, more competitive experience across the lending lifecycle, with capabilities such as:

- **Online loan applications** and digital document preparation and signatures
- Automated credit scoring for faster **decisioning**
- Digital processes for due diligence that speed **underwriting and time-to-funding**
- **Digital banking** purpose-built for businesses that gives members self-service simplicity for managing their loan and other banking needs
- **Conversational AI** for 24/7 support to quickly answer basic questions and access personalized assistance



Bankjoy offers a comprehensive Commercial Banking platform designed for SMBs.

*“Lending to small businesses provides a natural opening to offer checking accounts, treasury services, and other products that make the relationships stickier and more profitable.”*

## Increasing acquisition with commercial banking services

SMBs of all sizes often have complex banking needs for managing accounts, users, payments, and approvals. But much of that is not doable if their financial institution provides only limited business capabilities through a retail banking platform. That limitation could

signal a risk of churn. And as hundreds of credit unions are trending toward offering commercial services like treasury management as a differentiator,<sup>11</sup> CUs that fall behind could face an uphill battle to acquire new business members and retain existing ones.

Along with greater opportunity to increase SMB loan growth, a digital-first business banking platform enables credit unions to better meet member needs with a range of commercial services. For example:



### CENTRALIZED ACCOUNT MANAGEMENT

With a single portal for managing multiple business accounts



### DOMESTIC AND INTERNATIONAL WIRE TRANSFERS

For secure, efficient money movement



### ROLE AND TIER MANAGEMENT

With the ability to add employees as authorized digital banking users, and set permission controls



### POSITIVE PAY

For automating check management to help avoid losses from forged or altered checks



### BULK ACH TRANSFERS

To efficiently process payroll and accounts payable to multiple recipients



### TREASURY MANAGEMENT

To control cash assets such as managing investments and liability



### DUAL APPROVALS

For transfers to control money flow and help prevent fraudulent activity

A digital platform purpose-built for business banking can support multiple strategies for driving growth. For instance, credit unions could upsell advanced commercial services to existing members with larger businesses. Or motivate interest in loans

and lines of credit by offering a simple, frictionless digital lending experience.

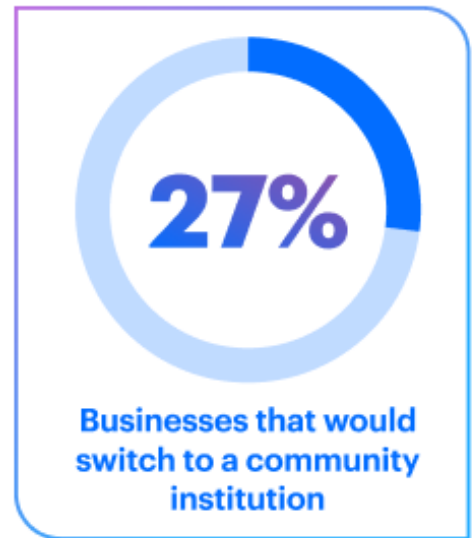
Alternatively, SMB loans could be the ‘door-opener’. CUs could use the new, optimized commercial lending process to attract businesses in their community.

Once those relationships are established, they can offer commercial banking services that serve a company’s broader needs. “Lending to small businesses provides a natural opening to offer checking accounts, treasury services, and other products that make the relationships stickier and more profitable.”<sup>13</sup>

# Transforming digital business banking with the right partner

SMBs now look for advanced digital capabilities when choosing a banking partner, but many appreciate working with local providers that support their community. In fact, 27% of businesses (whose primary provider is a major bank) would be "extremely likely to switch to a community institution if it offered the same technology capabilities."<sup>14</sup>

Partnering with Bankjoy puts credit unions on the fast-track to growth. Our digital business banking solution enables CUs to serve the unmet needs of small and medium-sized businesses, with robust capabilities and exceptional member experiences.



## Ready to explore your growth potential?

[Visit us online](#) or contact us to [request a demo](#).

### SOURCES:

- 1 Facts & Data on Small Business and Entrepreneurship, SBE Council
- 2 How banks can reimagine lending to small and medium-size enterprises, McKinsey & Company, May 2022
- 3,4,6 Credit Union Business Lending Trends: A Year in Review, CU Times, March 2022
- 5 Credit unions play waiting game with commercial lending, American Banker, Feb 2021
- 7,8,9 Deep Dive: How CUs Can Leverage Personalized Service To Capture Business Banking Opportunities, PYMTS.com, Dev 2021
- 10 Opportunities and Challenges of Diversifying into Small Business Lending in 2022, Numerated, Jan 2022
- 12,13 The potential for business banking in the US credit union industry, Beneficial State Foundation, Jan 2019
- 14 Emerging Trends in Small Business Banking, Raddon, Jan 2022

The image features a solid blue background with several abstract, semi-transparent shapes in various shades of blue and purple. These shapes are primarily circular or semi-circular, creating a modern, layered effect. The word "Bankjoy" is centered in the middle of the image in a white, bold, sans-serif font. The overall aesthetic is clean and professional, typical of a corporate logo or branding element.

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