



CREDIT UNION INNOVATION READINESS:

April 2025 Index

The Path to Top-of-Wallet Conversion

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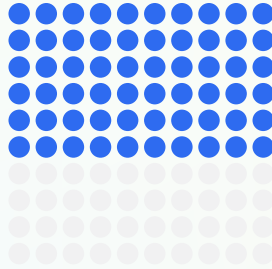
Credit Union Innovation Readiness Index: The Path to Top-of-Wallet Conversion was produced in collaboration with Velera, and PYMNTS Intelligence is grateful for the company's support and insight. [PYMNTS Intelligence](#) retains full editorial control over the following findings, methodology and data analysis.

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WHAT'S **AT STAKE**

Small but mighty, credit unions (CUs) are proving to be powerful players in the growing competition among financial institutions to make their cards and payment methods a consumer's favorite option. That's particularly true in low-population and rural towns with small and medium-sized businesses (SMBs) and younger consumers. CUs in such geographies, their traditional stronghold, have a strong track record of nudging their members to make their CU accounts and credit and debit cards their primary ones, or top of wallet, when shopping or paying. The evidence: The top-of-wallet conversion rate among America's rural SMBs with CU cards is 71%. Coupled with their growing engagement with Gen Z consumers, CUs are carving out a niche that challenges larger financial institutions and digital-only banks.

CUs hold a **60%**  **top-of-wallet conversion rate** among their Gen Z cardholders.

Financial incentives such as cash back on purchases, lower interest rates or fees and higher credit limits are the primary reasons a consumer chooses to use a financial institution's (FI) particular card. CUs stand out for offering their cardholders something else: budget-tracking and spending control features. About 20% of CU cardholders cite these tools as a key factor in their top-of-wallet decisions, making them 25% more likely than those using national or digital-only bank cards.

This trend also extends to SMBs, with CU-issued business cards preferred by their holders for their ability to help businesses manage their expenses efficiently. Aesthetic factors play a key role as well: Many CU cardholders are driven to use these cards based on their design and physical material. At the same time, the tendency of CU cardholders to be motivated by factors other than financial incentives could indicate that CUs are falling behind the competition when it comes to rewards.

Consumers and businesses alike tend to use their CU-issued debit and credit cards to cover basic purchases. Individuals most frequently use those cards for everyday essentials, especially groceries, which 63% of such cardholders favor. Meanwhile, SMBs most often rely on their CU cards for supporting their core operational costs, reinforcing their role as financial lifelines for small businesses.

These are just some of the findings detailed in the Credit Union Innovation Readiness Index: The Path to Top-of-Wallet Conversion, a PYMNTS Intelligence and Velera collaboration. This edition examines consumer and U.S. SMB CU card usage and the factors influencing their top-of-wallet card choices by consumers. It draws on insights from a survey of 12,081 U.S. consumers conducted from Oct. 21, 2024, to Nov. 20, 2024, as well as a survey of 2,000 U.S. SMBs conducted from Oct. 23, 2024, to Nov. 20, 2024.

This is what we learned.

Among SMBs whose primary account is from a CU,

23%

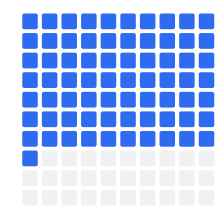
use their CU-issued cards most often
to cover basic operating costs.

KEY FINDINGS

01

THE SMALL-TOWN CHOICE

CUs demonstrate strong top-of-wallet conversion rates across select business and consumer segments, especially with Gen Z individuals and small-town and rural SMBs.



71%

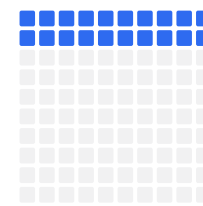
Of SMB cardholders in small towns and rural

areas have their CU cards at the top of their wallets.

IN CONTROL

02

While consumers and SMBs primarily choose their top-of-wallet cards based on economic incentives, CU cardholders are disproportionately likely to be motivated by budget-tracking tools.



20%

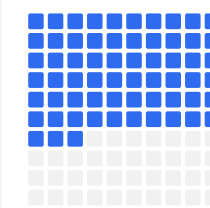
Of consumers whose primary card is from

a CU prioritize spending control and tracking.

03

DAILY BREAD

Consumer CU cardholders purchase groceries most often with their cards, while SMB cardholders most frequently use their cards to cover basic operating costs.



63%

Of consumers with a CU card use it to buy groceries.

THE FULL STORY

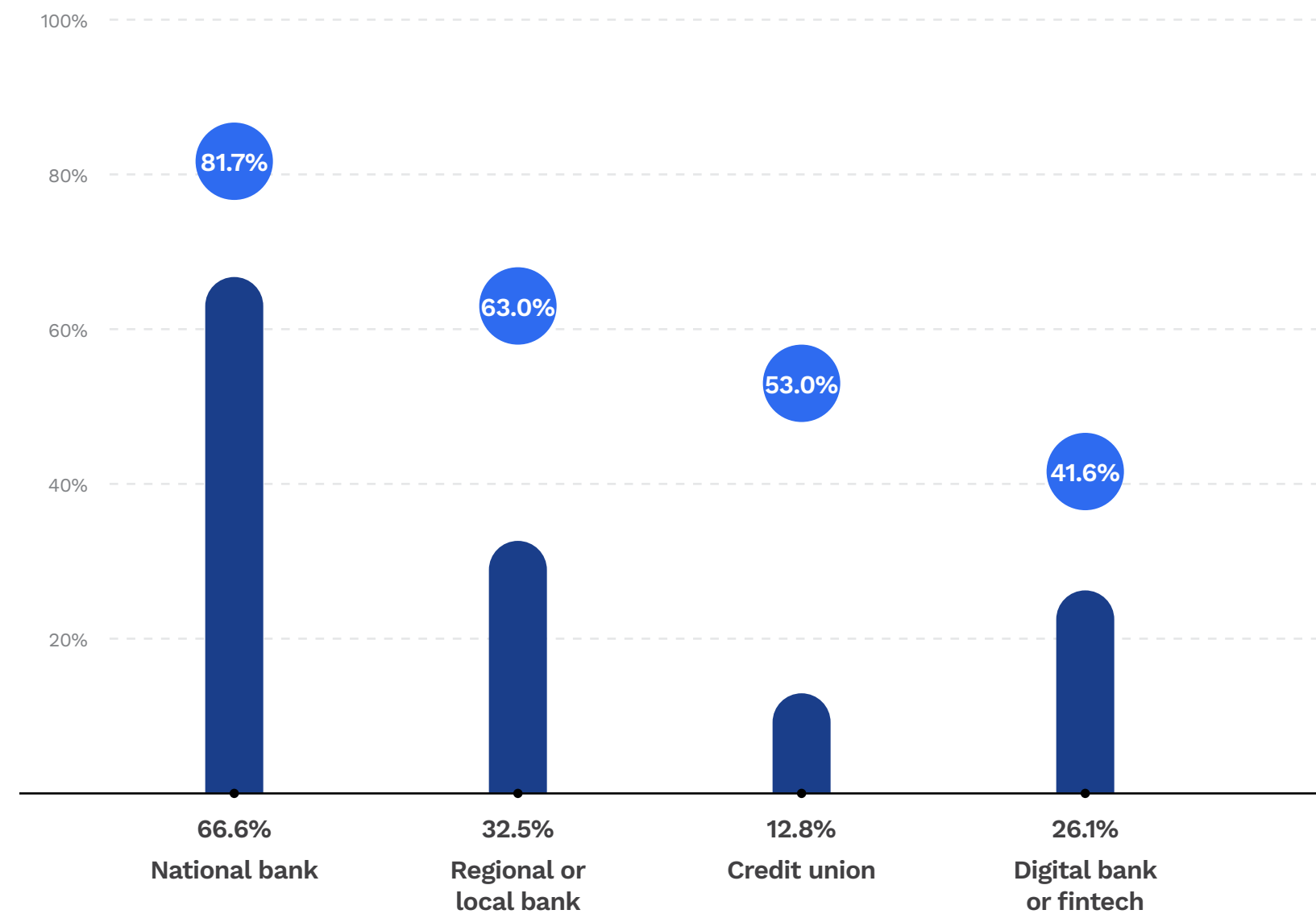
Because credit unions excel in top-of-wallet conversions among select consumer and SMB segments, they have an opportunity to drive growth among underpenetrated groups.

CUs demonstrate strong top-of-wallet conversion rates across select business and consumer segments — **especially small-town SMBs and Gen Z individuals.**

Among SMBs everywhere, CUs achieve a 53% conversion rate, behind national, regional and local banks but outperforming digital-only banks, which convert 42% of their cardholders to top-of-wallet status. CUs are particularly effective in converting SMB cardholders in small towns and rural areas, where they reach a 71% rate. They also perform well among micro-SMBs, with a 68% conversion rate for businesses with less than \$250,000 in annual revenue across geographies.

Top-of-wallet conversion rates for businesses vary by how long they have existed, with the highest rate—60%—for SMBs that have been operating for fewer than five years. By contrast, businesses in operation for five to 10 years see a lower conversion rate of 45%, as do those that have been functioning for more than 10 years (53%).

FIGURE 1
SMBs’ Top-of-Wallet Conversion Rates
 FIs’ top-of-wallet conversion rates among SMB cardholders



- Card ownership to top of wallet
- Has at least one card issued by select FI

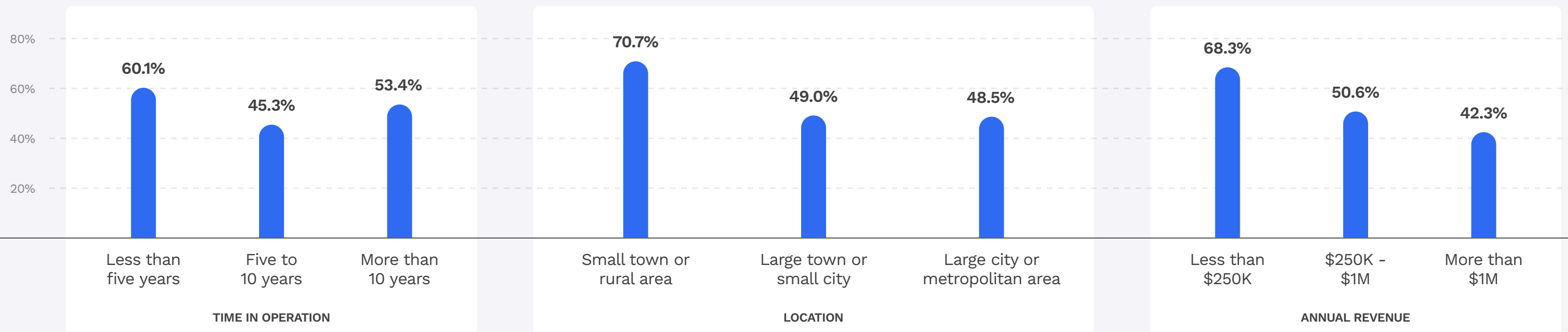
Source: PYMNTS Intelligence
 Credit Union Innovation Readiness Index, April 2025
 N = 2,000: Complete SMB responses fielded Oct. 23, 2024, to Nov. 20, 2024

On the consumer side, CUs have converted 60% of their Gen Z cardholders to top-of-wallet status. However, such consumers, now aged roughly 18–28, are less likely overall to have at least one card issued by a CU than those in older generations. Conversely, millennials (now roughly age 29–44) are more likely to have at least one such card, but less than half only a minority of these cardholders—49%—have these cards at the tops of their wallets.

53%

CUs' top-of-wallet conversion rate
among SMB cardholders.

FIGURE 2
The Age and Location of a Business Matter
CU top-of-wallet conversion rates among different types of SMB cardholders



Source: PYMNTS Intelligence
Credit Union Innovation Readiness Index, April 2025
N = 1,680 SMBs that hold CU cards fielded Oct. 23, 2024, to Nov. 20, 2024

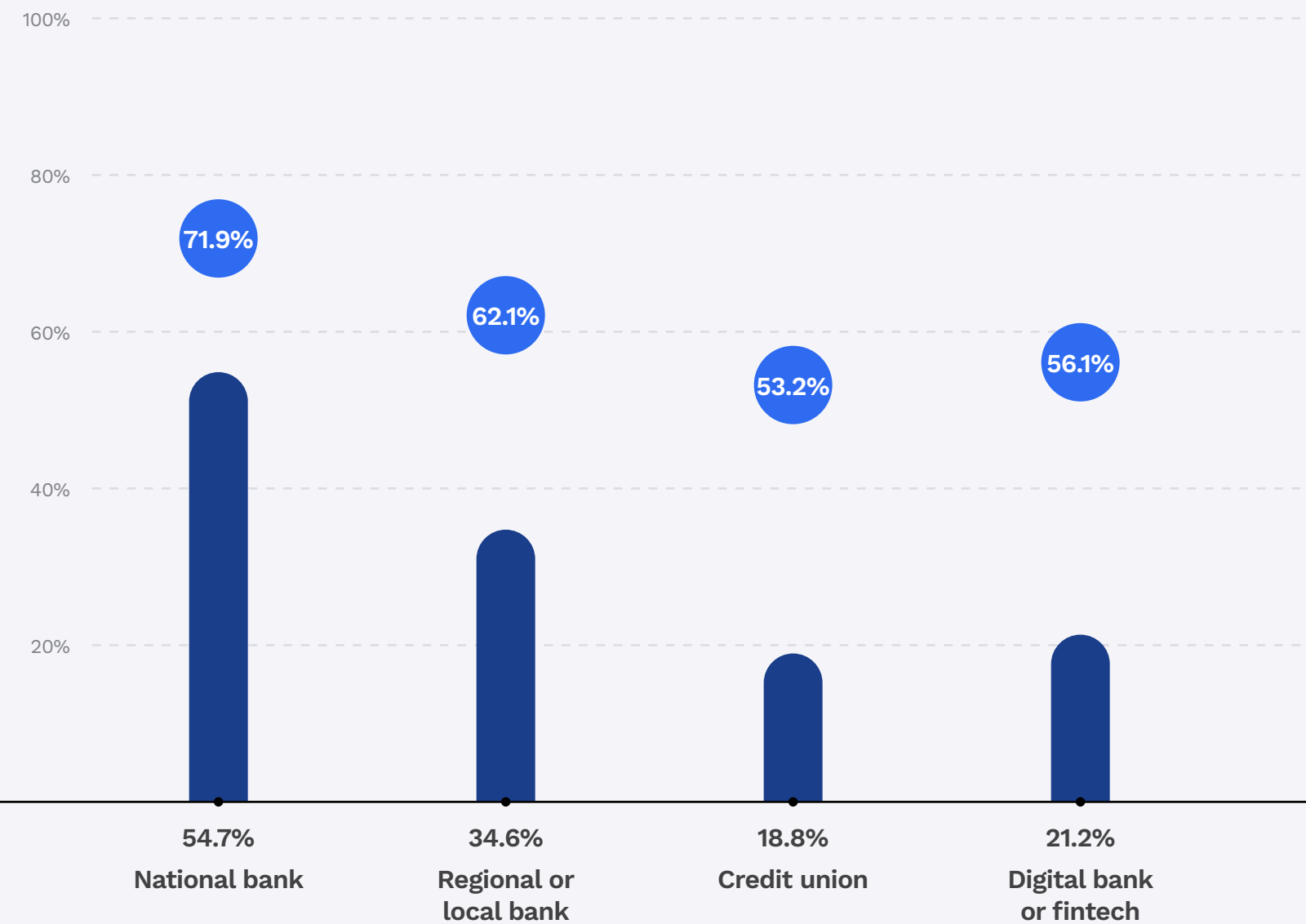
High-income consumers are more likely to have at least one CU-issued card, but the top-of-wallet conversion rate for these individuals is lower than that for other income groups. Nearly half, or 48%, of those earning more than \$100,000 a year place their CU-issued card at the top of their wallet. By contrast, 53% of middle-income (those earning between \$50,000 and \$100,000) and 64% of low-income (less than \$50,000) CU cardholders make their cards their first payment option.

By improving their offerings to higher-income consumers and millennials, CUs can compete with digital-only banks for the prized place in consumer wallets. As it stands, CUs have a 53% top-of-wallet conversion rate among their consumer cardholders overall—the same level as for SMBs—while only digital-only banks see a slightly higher 56% rate.

FIGURE 3

Consumers' Favorite Payment Cards

Different types of FIs' top-of-wallet conversion rates among consumer cardholders



- Card ownership to top of wallet
- Has at least one card issued by select FI

Source: PYMNTS Intelligence
 Credit Union Innovation Readiness Index, April 2025
 N = 12,081: Complete consumer responses fielded Oct. 21, 2024,
 to Nov. 20, 2024

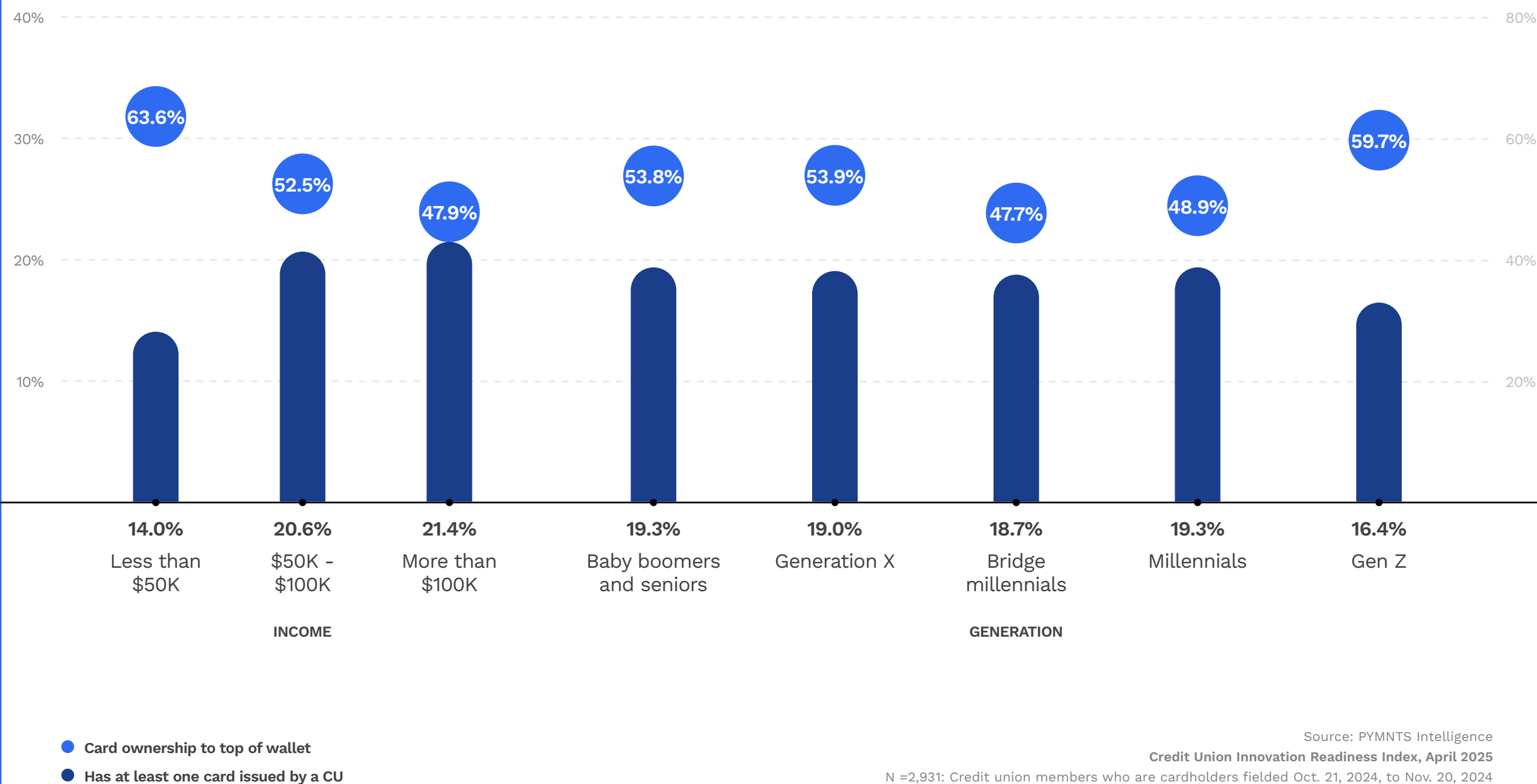
60%

CUs' top-of-wallet conversion rate among Gen Z cardholders

FIGURE 4

A Consumer's Age and Income Matter

CU card possession and top-of-wallet conversion rates among different types of consumers



Source: PYMNTS Intelligence
 Credit Union Innovation Readiness Index, April 2025
 N =2,931: Credit union members who are cardholders fielded Oct. 21, 2024, to Nov. 20, 2024

Consumers and SMBs primarily choose to use their top-of-wallet cards based on financial incentives, but CU cardholders are more likely to be motivated by budget-tracking tools.

ROADMAP TO

2030

39%

of consumer CU cardholders **cite rewards as the primary reason for making their cards their preferred payment method.**

Among consumers, 53% with a card from a national bank opt to use it as their preferred payment option due to its rewards, making those incentives the dominant factor driving their usage. The same is true for 41% of consumers with a card from a regional or local bank and 37% with a card from a digital-only bank. By contrast, roughly 4 in 10, or 39%, of CU cardholders cite rewards as the primary reason for making their cards their preferred payment method.

For these consumers, spending control and payment tracking features play a crucial role. Among individuals whose primary card is from a CU, 20% cite these features as a key factor, compared to just 16% of national bank card users and 19% of digital-only bank users.

44%

of SMBs that primarily use a card from a CU **cite economic incentives as a driver of top-of-wallet card choice.**

Among SMBs, economic incentives are similarly powerful motivators. These drive top-of-wallet card choice for 46% of SMBs that primarily use a card from national banks compared to 44% with cards from CUs, 42% with cards from regional banks, and 40% with cards from digital-only banks.

FIGURE 5

Drivers of Consumers' Top-of-Wallet Choice

How consumers choose which card to use, by FI issuing the card they use most often

	Regional or local bank	National bank	Digital-only bank or fintech	Credit union
Financial incentives	40.6%	53.1%	36.6%	39.4%
Spending control and tracking features	18.8%	16.1%	18.8%	20.3%
Better data security	10.0%	7.9%	10.4%	9.7%
Default card in digital wallet	5.3%	3.8%	11.1%	5.4%
Card design and material	6.9%	3.3%	5.2%	5.1%
It's a merchant's card usable only at that specific merchant	4.2%	4.6%	4.8%	4.2%

Source: PYMNTS Intelligence
 Credit Union Innovation Readiness Index, April 2025
 N = 12,081: Complete consumer responses fielded Oct. 21, 2024, to Nov. 20, 2024

Spending control and tracking features are also powerful motivators for CU cardholders. Twenty percent of SMBs that favor their CU cards make their top-of-wallet choice based on these capabilities, making them the second-most important feature behind rewards and incentives.

Card design, including the use of metal or sustainable plastic, also plays a greater role for SMBs that favor cards issued by CUs. Ten percent of these SMBs cite this reason for a card being their top payment choice, compared to just 4.8% of those with cards from national banks.

FIGURE 6

Drivers of SMBs’ Top-of-Wallet Choice

How SMBs choose which card to use, by FI issuing the card they use most often

	Regional or local bank	National bank	Digital-only bank or fintech	Credit union
Financial incentives	41.5%	46.1%	40.4%	43.6%
Spending control and tracking features	21.6%	19.5%	20.4%	20.5%
Card design and material	8.5%	4.8%	8.4%	9.8%
Better data security	9.2%	10.5%	6.8%	9.4%
Better customer service	3.9%	5.7%	6.0%	6.0%

Source: PYMNTS Intelligence
 Credit Union Innovation Readiness Index, April 2025
 N = 2,000: Complete SMB responses fielded Oct. 23, 2024, to Nov. 20, 2024.

Consumers use their CU cards most often to purchase groceries, while SMB cardholders frequently use their cards to cover basic operating costs.

ROADMAP TO

2030

63%

of consumers whose primary FI is a CU use their **CU-issued cards to purchase groceries.**

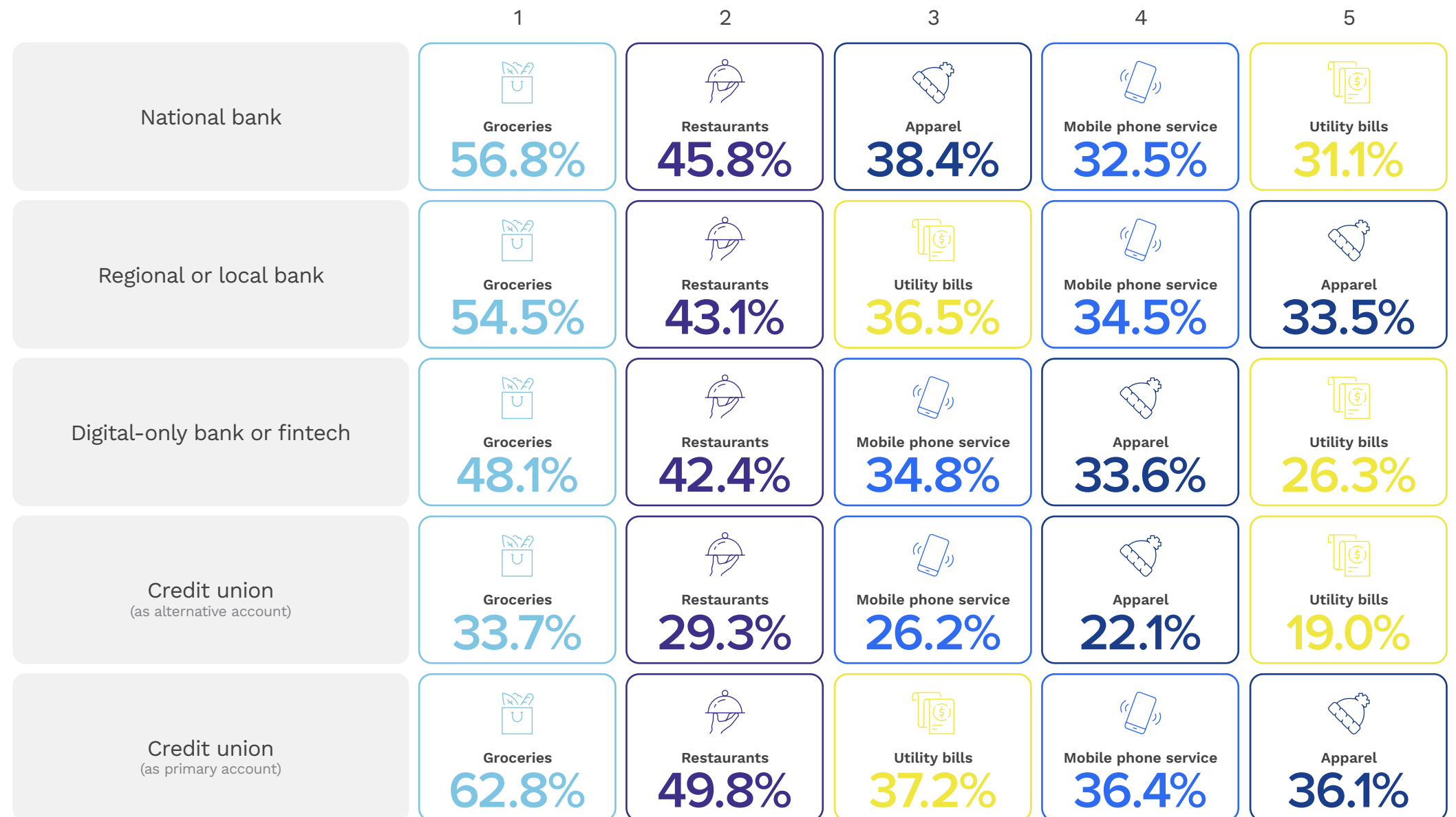
Among consumers whose primary FI is a CU, 63% use their CU-issued cards to purchase groceries, while 50% use them to buy food from restaurants. Additionally, 37% use them to cover utility bills, and 36% use them to pay for their mobile phone service, indicating that essential expenses dominate.

For SMBs with primary accounts at a CU, 23% use cards issued by these FIs most often to cover basic operating costs, the most for any expense. This preference marks a difference from SMBs that tend to reach for cards from national, regional or local banks, which tend to cite inventory purchases as the most common reason they use their cards. In fact, 26% of SMBs whose top-of-wallet card is issued by a national bank cite inventory purchases as their most common expense.

FIGURE 7

What Consumers Buy When They Use Their Cards

Top products purchased most often with a given card by FI issuing the card



Source: PYMNTS Intelligence

Credit Union Innovation Readiness Index, April 2025

N = 12,081: Complete consumer responses fielded Oct. 21, 2024, to Nov. 20, 2024

23%

of SMBs whose primary accounts is at a CU use their **CU-issued card to cover basic operating costs.**

FIGURE 8

What SMBs Buy With Their Cards

SMBs' top products purchased most often with a given card by FI issuing the card

	1	2	3	4	5
National bank	Inventory purchases 26.1%	Basic operating costs 20.8%	Products purchased other than inventory 18.2%	Marketing and promotion costs 17.4%	New equipment purchases or upgrades 16.5%
Regional or local bank	Inventory purchases 19.4%	Basic operating costs 18.7%	Products purchased other than inventory 14.3%	Marketing and promotion costs 13.8%	Repairs or facility maintenance 12.0%
Digital-only bank or fintech	Basic operating costs 17.7%	Marketing and promotion costs 17.0%	Inventory purchases 15.3%	New equipment purchases or upgrades 12.8%	Products purchased other than inventory 12.5%
Credit union (as alternative account)	Basic operating costs 16.5%	Inventory purchases 12.9%	New equipment purchases or upgrades 12.9%	Repairs or facility maintenance 12.2%	Marketing and promotion costs 12.2%
Credit union (as primary account)	Basic operating costs 23.3%	Products purchased other than inventory 16.4%	Repairs or facility maintenance 14.7%	Inventory purchases 14.7%	Marketing and promotion costs 12.9%

Source: PYMNTS Intelligence

Credit Union Innovation Readiness Index, April 2025

N = 2,000: Complete SMB responses fielded Oct. 23, 2024, to Nov. 20, 2024

ACTIONABLE INSIGHTS

01

CUs have a strong top-of-wallet presence among small-town SMBs and Gen Z consumers but lag with high-income consumers and millennials. To compete more effectively with digital-only banks, CUs should enhance their card offerings to include premium rewards, exclusive perks and digital-first experiences tailored to these segments.

02

To attract new top-of-wallet card users, CUs should refine their rewards programs, ensuring they are competitive with those of national and digital-only banks. Additionally, retaining current users requires prioritizing advanced spending control and tracking features, such as real-time transaction alerts, customizable spending limits and dedicated mobile card management apps. These features resonate strongly with CU cardholders and could further differentiate CUs in the competitive card market.

03

Because SMBs often prioritize economic incentives when selecting a primary card, CUs should consider enhancing their rewards programs to compete with national and regional banks. Such banks may offer cashback or discounts on inventory purchases, making them more appealing to business owners. By introducing targeted rewards or discounts on essential expenses like inventory, CUs can increase SMB engagement and boost their top-of-wallet status.



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METHODOLOGY

The Credit Union Innovation Readiness Index: The Path to Top-of-Wallet Conversion, a PYMNTS Intelligence and Velera (formerly PSCU/Co-op Solutions) collaboration, examines consumer and SMB CU card usage and the factors influencing their top-of-wallet card choices.

The playbook is based on a census-balanced survey of 12,081 U.S. consumers and investigated the products and features consumers want and expect from credit unions (CUs). The survey was conducted from Oct. 21, 2024, to Nov. 20, 2024. In our sample, 51% of respondents identified as female—the average age was 49—and 40% declared incomes of more than \$100,000 per year.

This survey was complemented by a survey of 2,000 U.S. small and medium-sized businesses that was conducted from Oct. 23, 2024, to Nov. 20, 2024. Twenty percent of SMBs were located in a small town or rural area, 30% made under \$250K in annual revenue and 48% have been in business for more than 10 years.

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velera

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