



Bridging the Financial Divide: Understanding BFSI Penetration in the US

White Paper

"Making Lives Better, One Connection at a Time"



Overview

The United States (U.S.) possesses a robust financial infrastructure underpinned by a vast network of banks, financial institutions, and insurance providers. These entities offer diverse products and services, from basic checking and savings accounts to complex investment vehicles and insurance policies. However, the reach and depth of these services vary significantly across the population.

Penetration rate in the BFSI

The penetration rate in the Banking, Financial Services, and Insurance (BFSI) sector refers to the extent to which BFSI services are adopted and used by the population. It measures how widely financial services, such as banking, insurance, and other financial products, are accessible and utilized by consumers and businesses within a particular market.

1. What constitutes BFSI penetration?

Before embarking on a detailed analysis, clarifying what constitutes BFSI penetration is essential. Beyond simple bank account ownership, this metric encompasses a broader spectrum of financial services, including:

Banking: Checking and savings accounts, credit cards, loans, mortgages

Financial Services: Investment products, wealth management, retirement planning

Insurance: Life insurance, health insurance, property and casualty insurance

By considering these various dimensions, we can gain a more comprehensive understanding of the financial landscape in the US.

Latest Statistics

- The U.S. financial services market size reached a value of 60.65 billion in 2023 and is expected to grow at a CAGR of 7.47% between 2024 and 2032, reaching almost 115.99 billion by 2032¹. The U.S. financial system is extensive and complex, designed to serve the needs of individuals, companies, and governments of all proportions.
- The total revenue of the financial system in the 4Q23 was \$191.7 billion².
- U.S. has one of the world's most profound and diverse banking systems, with 4,614 banks of all sizes^{*}
- The top five banks in the U.S. possess 41.2% of the domestic market by assets³.

2. Aspects Impelling BFSI Penetration Rate:

Demographics: Age, income level, education, and location (urban vs. rural) are all crucial factors that the audience should be aware of in understanding BFSI product adoption.

Financial Literacy: Poor economic knowledge can hinder individuals from accessing and utilizing BFSI services effectively.

Technological Adoption: The proliferation of digital banking and FinTech platforms has revolutionized BFSI penetration, particularly among younger demographics, showcasing the pivotal role of technology in financial inclusion.

Regulatory Environment: Government regulations wield significant influence over access to certain BFSI products and can sway overall penetration rates, highlighting the crucial role of policy in shaping financial access.

3. The American Financial Landscape: Assessing current BFSI Penetration Rates

BFSI penetration rates vary significantly across different regions of the US. Rural areas often face challenges in accessing financial services compared to urban areas. While bank account ownership is relatively high, penetration fall short for more complex financial products and insurance coverage.

3.1 Banking Sector Penetration

In the U.S., 81% of families are fully banked, 13% are under-banked, and 6% are unbanked⁴. The US banking sector has a high penetration rate, with a majority of the population accessing banking services. However, there are disparities in access among different demographic groups and regions.

Latest Statistics

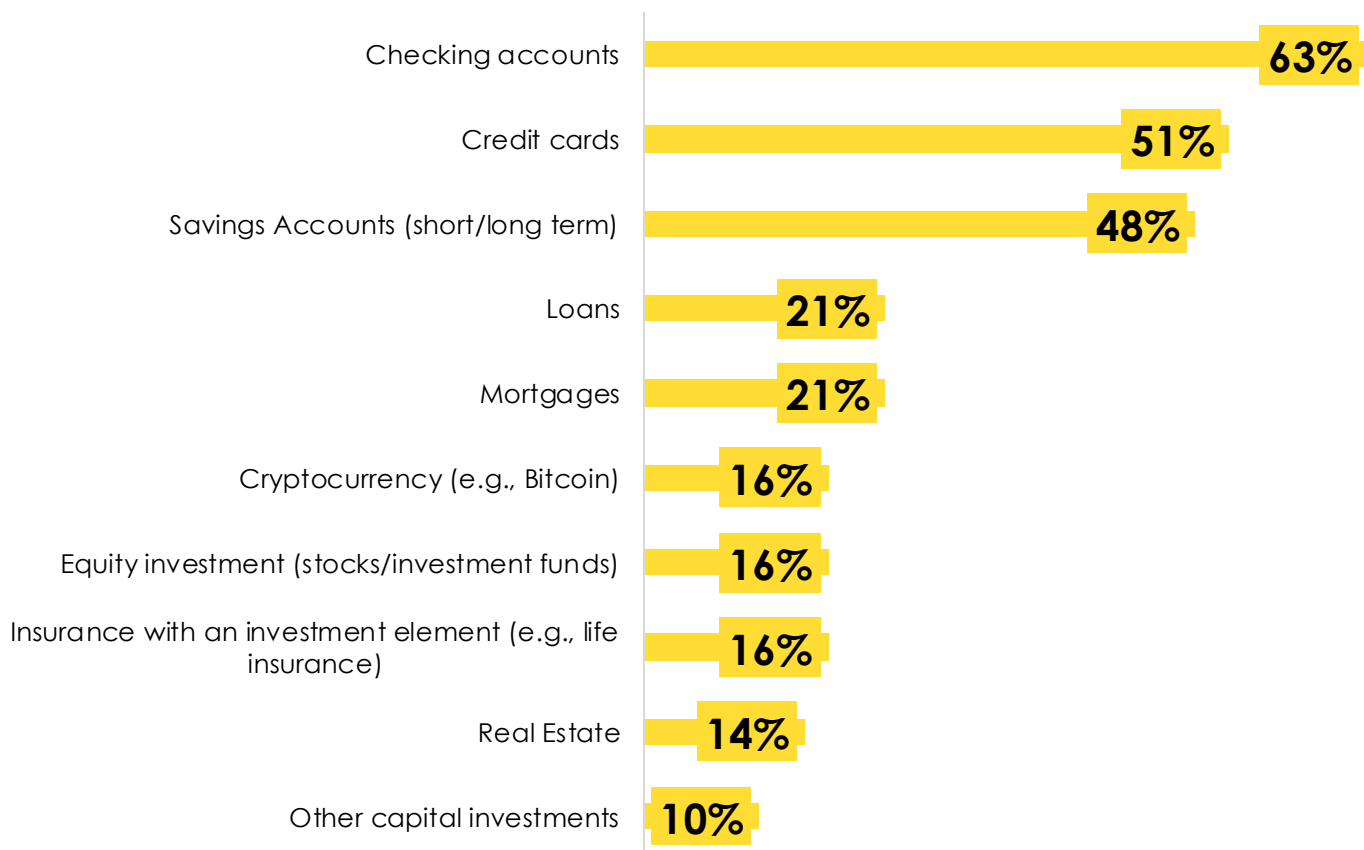
- Around 4.5 per cent of Americans are unbanked, meaning they have no bank accounts⁴.
- 98.2% of American families hold a balance in some transaction account, and the average family transaction account balance is \$41,600⁴.
- As per the latest data, 78% of adults in the U.S. choose to bank via a mobile app or website, and just 29% of Americans prefer to bank in person⁴.
- The average transaction account balance by family is \$41,600. The data shows that 98.2% of American families hold a balance in some transaction account⁴.

3.2 Financial Services Penetration

Financial services, including investment products and advisory services, have seen varying penetration levels. While high-net-worth individuals have greater access, lower-income groups remain underserved. The penetration of digital payments has reached a significant milestone, with nearly 90% of Americans now using some digital payment method⁵.

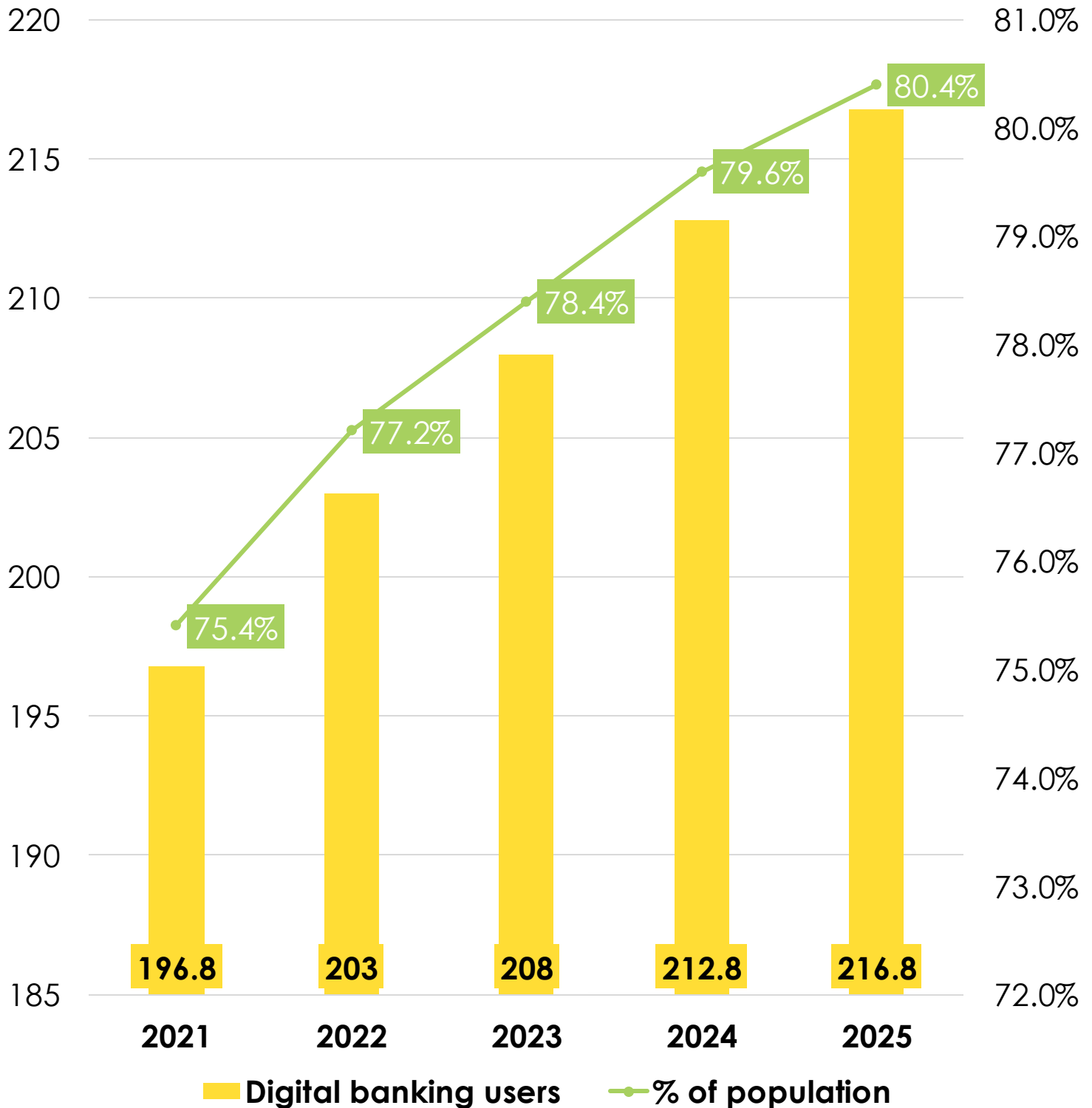
Consumers have a growing preference for digital wallets that offer payment functionality and additional features such as loyalty rewards and integration with other financial services. Adopting digital wallets and Buy Now, Pay Later (BNPL) services is particularly notable among younger consumers.

Most Used Financial Products In The U.S. as Of March 2024



US Digital Banking Users & Penetration 2021 - 2025

Millions & % of population



3.3 Insurance Sector Penetration

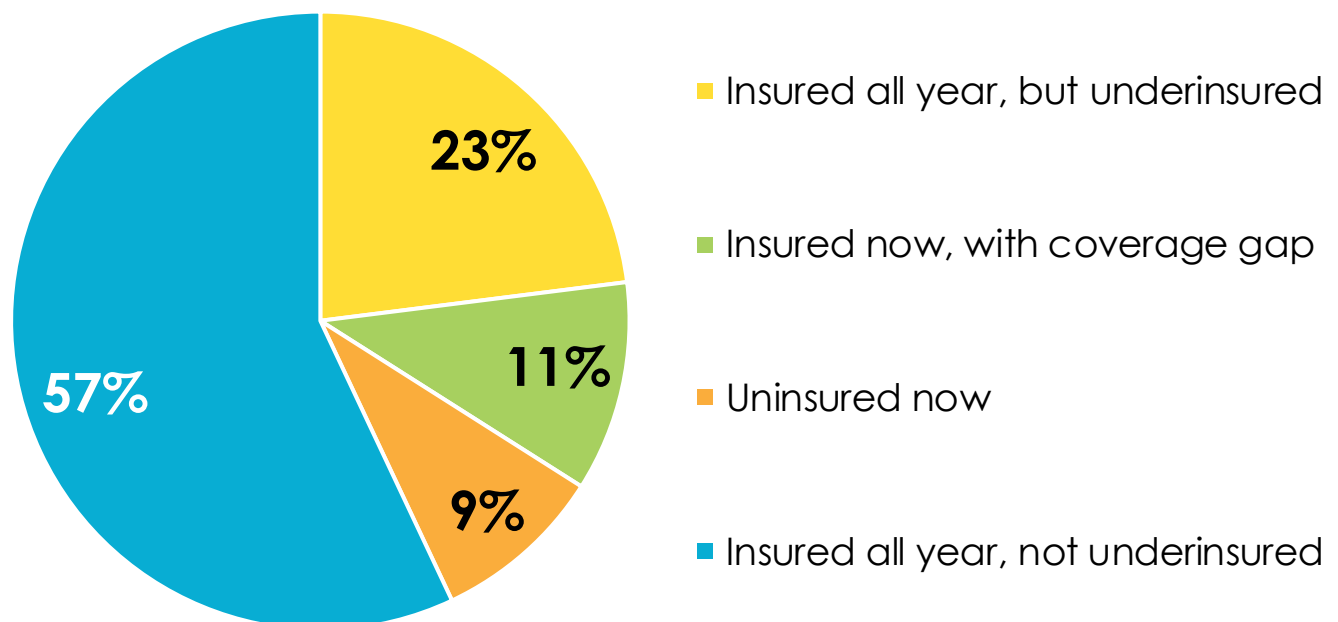
Insurance penetration in the US varies by type, with health insurance having a higher penetration rate than life and property insurance. Consumer sentiment in the U.S. remains cautious, influenced by economic uncertainties. This impacts the insurance market, particularly as customers demand more personalized and flexible products.

- In 2023, 52% of Americans reported owning life insurance that included both individual and workplace life insurance⁸.
- Regarding life insurance ownership rates, women are 11% below men, with 47% of women declaring that they have life insurance, corresponding to 58% of men⁸.
- In the U.S., 75% purchase collision coverage while 79% of insured drivers buy comprehensive coverage⁹.
- Nearly one in seven drivers doesn't have car insurance⁹.
- According to recent data, in the U.S., 92.1% of people, or 304.0 million, had health insurance¹⁰.
- The uninsured rate among working-age adults aged 19 to 64 decreased 0.8% points to 10.8% between 2021 and 2022¹⁰.

Millennials vs. Gen Z interest in life insurance policy features

Coverage feature	% of millennials	% of Gen Z
Guaranteed retired income	56%	49%
Welness programs & incentives	30%	28%
Bundled with property & casualty policy	27%	29%
Bundled with mortgage	24%	25%
Provides immediate short-term coverage	17%	20%

More Than Two Of Five Working-age Adults Are Inadequately Insured – Percentage of adults ages 19-64 by insurance coverage status with the past 12 months



Wrap up!

In conclusion, the U.S. BFSI (Banking, Financial Services, and Insurance) sector is undergoing significant transformation, influenced by technological advancements, evolving consumer expectations, and economic dynamics. Our analysis reveals that while the banking sector enjoys a high penetration, disparities exist among different demographic groups and regions. Despite strong growth in digital payments and FinTech innovations, gaps in financial services penetration persist, particularly in underserved communities. By prioritizing accessibility and innovation, the BFSI sector can be crucial in bridging the financial divide and supporting sustainable economic growth.

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