Research Paper: Indicators of Community Bank Sentiment

# Research Paper: Indicators of Community Bank Sentiment

October 4, 2018
|
Download PDF

Over the past 30 years, the number of independent banking institutions in the U.S. has dwindled from around 14,000 to fewer than 5,000 banks (FDIC Table CB01). In the process, the industry has consolidated to the point where just 0.2 percent of the banks hold over 65 percent of all bank assets.

Still, most banks are community banks (FDIC definition), and many counties rely on community banks alone. Community banks have over 50,000 physical locations around the United States, providing the only banking services in 20 percent of the nation's counties.

Given the indispensable role community banks play nationwide, concern has grown about how continued consolidation will impact credit availability and local economies. The National Federation of Independent Business has found in its surveys of its hundreds of thousands of member firms that "Knows me and my business" is the number one priority in a banking relationship for small business owners, and a feature not reported as important for customers of mega banks. Almost 60 percent of all insured banks have under $250 million in assets and make about half of all loans to small businesses.

The economic health of these institutions is essential to the communities they serve, and a community bank's vitality depends on how they perceive their market, how willing the bank is to grow and how likely it will allocate resources to support local business activity.

The most recent survey conducted by the Conference of State Bank Supervisors (CSBS) offers an exclusive look into the current environment for community banks and the issues they face, as well as prospects for products and services, regulation, and the community banking industry.

The comprehensive nature of the CSBS 2018 National Survey of Community Banks provides a starting point for establishing an overall sentiment index of community bankers. This paper takes a preliminary look at how such an index could be constructed.

## Read the Full Paper [PDF]

### Related Posts