



Promoting the Value of Community Banks

May 08

State supervisors charter and oversee 79% of the nation's banks and have a uniquely local perspective, understanding the financial needs of the families and businesses that make up their communities. They are focused on consumer protection and safety and soundness, but they also work with their institutions to encourage prudent economic growth and to mature the compliance framework for innovative financial products.

CSBS promotes the value of state-chartered banks through a number of initiatives:

Community Banking Research Conference

We held the eleventh annual [Community Banking Research Conference \(CBRC\)](#), an important partnership with the Federal Reserve System and FDIC, at the St. Louis Federal Reserve Bank in October. Academics, community bankers, and federal and state regulators convened, sharing ideas and research. The impact of the conference has grown over the past decade, as lawmakers and federal policymakers increasingly cite the research it generates.

A paper on regulatory risk perception earned the John W. Ryan Award for Most Significant Contribution to Community Banking Research at the 2023 conference. The paper, authored by Siddharth Vij with the University of Georgia-Terry College of Business and Joseph Kalmenovitz with the University of Rochester Simon Business School, showed how the misperception of risk affects the ability of small businesses to obtain access to credit. The award is named after former CSBS President and CEO John Ryan, a champion of the dual-banking system and one of the founders of the conference.

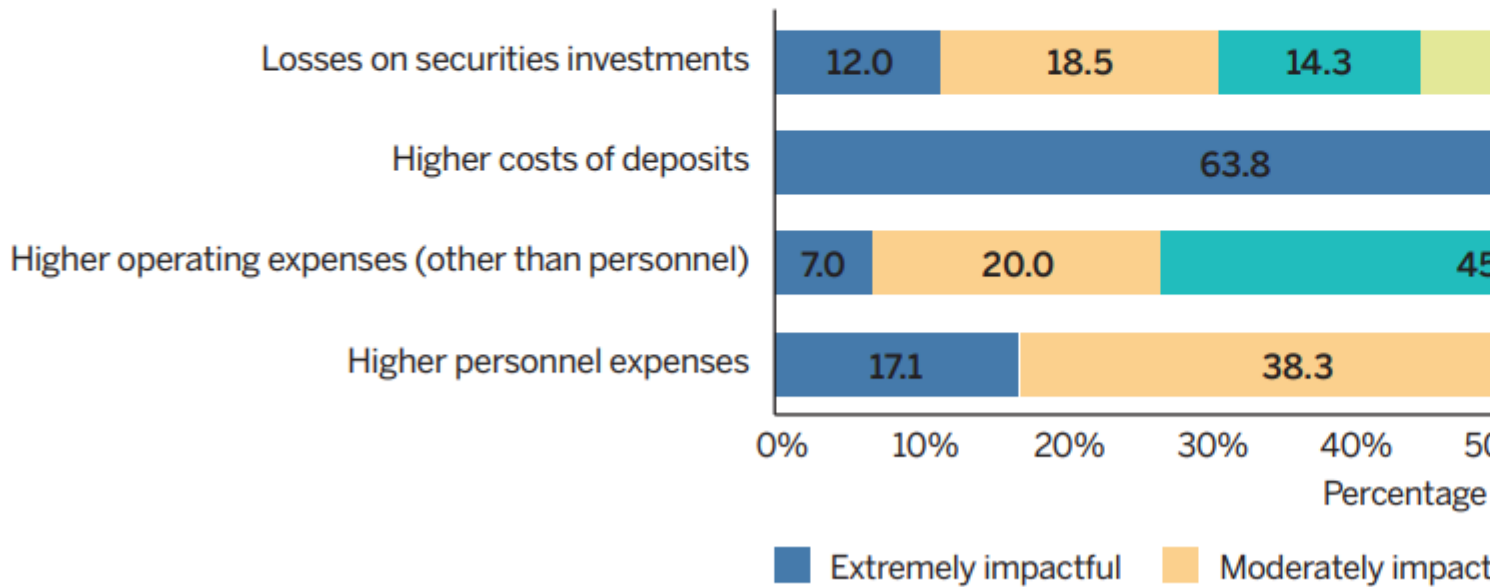
CSBS Annual Survey of Community Banks

Respondents to the tenth annual [CSBS Annual Survey of Community Banks](#) showed concerns about the impact of high interest rates and the threat of cyber-attacks.

CSBS canvassed more than 460 community banks with less than \$10 billion in total assets for the survey findings, released at the Community Banking Research Conference. The survey captures community bankers' views on key risks, compliance costs, technology, competition, and liquidity and funding, among other areas.

2023 Annual Survey of Community

How would you rank the following effects of inflation on your b



In 2023, net interest margins, cost of funds, and core deposits rated as the highest external concerns for community bankers. More than 86% of respondents named cost of funds as either extremely or very important, up from the 48% who said so last year. Core deposits were not far behind, with 83% of respondents naming core deposit growth extremely or very important, up from 38% a year ago. However, while the majority of respondents viewed the challenges created by inflation as likely to persist, three-quarters viewed these challenges as manageable.

Meanwhile, community bankers ranked cybersecurity threats as their top internal concern once again. And 83% of respondents cited liquidity concerns as extremely or very important compared to 35% a year ago. Nearly all banks surveyed identified adopting new or emerging technologies as important but cited costs and implementation as the largest impediments, followed by core service provider limitations.

Community Bank Sentiment Index

CSBS polls community bank leaders across the nation every quarter to share their thoughts on future economic conditions in seven areas for the [Community Bank Sentiment Index \(CBSI\)](#). Their answers are analyzed and compiled into a single number, with 100 being neutral. Quarterly results are included in the [Federal Reserve Economic Data](#), the online database maintained by the Federal Reserve Bank of St. Louis known informally as the FRED and widely used by economists, policymakers, researchers, and other public stakeholders.

Community bankers expressed a pessimistic outlook in 2023 but showed a slight uptick for the last two quarters, closing out at 92 points. Monetary policy had the greatest quarterly improvement. They revealed particular concerns in four components: regulatory burden, monetary policy, future business conditions, and future profitability.

CSBS Student Competitions

Investing in the workforce of the future is fundamental to state regulation. To support this, CSBS sponsors two student competitions that encourage university students to engage in community banking. For the [2023 CSBS Community Bank Case Study Competition](#), student teams examined how local community banks are recruiting and retaining talent, approaching succession planning, and using technology to advance operations. The winning case study was presented at the Community Banking Research Conference and published in the [CSBS Journal of Community Bank Case Studies](#). Thirty-two student teams representing 28 colleges and universities competed in the competition, which has been held since 2013.

The [CSBS Data Analytics Competition](#) creates another avenue for students to learn about community banking. The 2023 competition challenged students to develop a data analytics model that examines the potential impact of the recent rapidly rising interest rate environment on banks and to provide insights on how they should prepare. The top four teams received monetary awards.

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