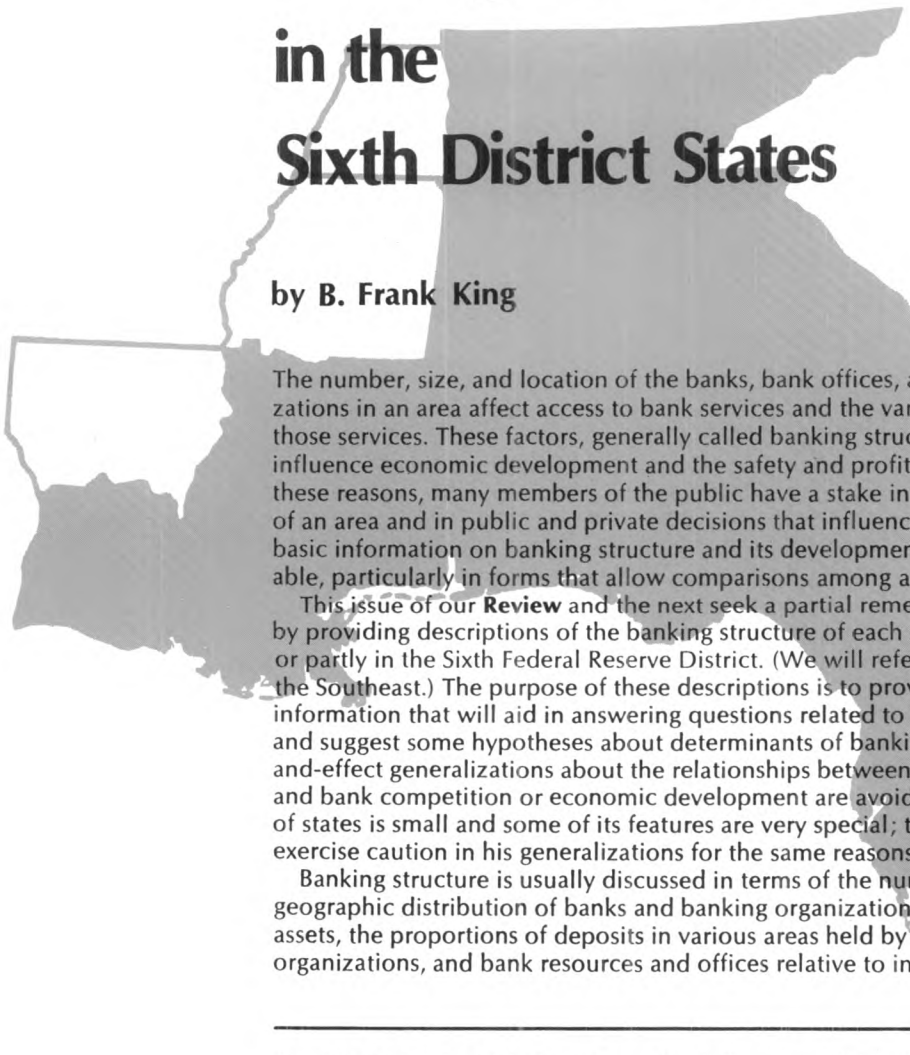
Banking Structure in the Sixth District States



by B. Frank King

The number, size, and location of the banks, bank offices, and banking organizations in an area affect access to bank services and the variety and prices of those services. These factors, generally called banking structure, may also influence economic development and the safety and profitability of banks. For these reasons, many members of the public have a stake in the banking structure of an area and in public and private decisions that influence that structure. Yet basic information on banking structure and its development is not easily available, particularly in forms that allow comparisons among areas.

This issue of our **Review** and the next seek a partial remedy for this difficulty by providing descriptions of the banking structure of each state that is entirely or partly in the Sixth Federal Reserve District. (We will refer to these states as the Southeast.) The purpose of these descriptions is to provide basic, comparable information that will aid in answering questions related to banking structure and suggest some hypotheses about determinants of banking structure. Cause-and-effect generalizations about the relationships between banking structure and bank competition or economic development are avoided because the sample of states is small and some of its features are very special; the reader should exercise caution in his generalizations for the same reasons.

Banking structure is usually discussed in terms of the number, size, and geographic distribution of banks and banking organizations, bank deposits and assets, the proportions of deposits in various areas held by certain banking organizations, and bank resources and offices relative to income and population.

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TABLE 1

Economic Environment of Southeastern Banks

State	Per Capita Income 1974	% Population Growth 1964-1974	% Population in SMSA's, 1973	% Employed in (Dec. 1974) Agriculture	Mfg.	Nonmfg.*
Alabama	$ 4,041	5.4	61.9	12.2	25.5	62.3
Florida	5,084	39.9	77.4	7.9	12.2	79.9
Georgia	4,508	14.6	58.7	10.2	22.8	67.0
Louisiana	4,218	9.2	62.9	12.5	13.4	74.1
Mississippi	3,518	3.7	21.3	21.2	22.7	56.1
Tennessee	4,407	9.5	63.2	10.9	27.8	61.3
U.S.	**5,381**	**10.6**	**72.7**	**3.6**	**23.6**	**72.8**

*Includes all other nonagricultural employment

The discussion in the succeeding series of articles will concentrate on these measures and on recent changes in them. In introducing these measures, the articles will discuss the legal and economic environment influencing the development of banking structure.

Banking structure is significantly influenced by the legal and economic environment in which it develops. The capabilities and objectives of actual and potential bank organizations in terms of prices, services offered, location of offices, and marketing strategy are influenced by the economic characteristics of the markets in which banks operate. What banking organizations are actually allowed to do is determined by the laws and regulations that outline permissible bank activities. It is within these major influences that banking structure is formed.

There is also evidence that this structure affects the economic and legal developments that influence it. Since economic and legal environments in the Southeastern states differ considerably, one should not be surprised to find in the subsequent series of

TABLE 2

Legal Restrictions
(June 15, 1975)

State	Branching Law	Holding Company Law
Alabama	Varies from county to county, ranging from countywide branching to unit banking.	No limits on number of bank subsidiaries.
Florida	Unit banking with one limited facility allowed each bank.	No limits on number of bank subsidiaries.
Georgia	Countywide branching; number of branches per bank limited by county population.	Multibank companies prohibited with exception of three "grandfather" companies that may not add subsidiaries.
Louisiana	Parishwide branching; number of branches limited by capital of bank.	Multibank companies prohibited.
Mississippi	Regional branching; home office protection in small towns.	Multibank companies prohibited.
Tennessee	Countywide branching.	No limits on number of bank subsidiaries; holding companies may not acquire more than 16½ percent of IPC deposits in the state by external expansion.

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Summary
Banking Structure Measures

Sixth District States
(as of June 28, 1974)

	Ala.	Fla.	Ga.	La.	Miss.	Tenn.
Banks	292	690	443	248	184	330
Bank Offices	679	777	1,045	760	653	1,014
Banking Organizations	250	307	431	246	184	279
Deposits of All Banks ($ billion)	7.9	22.8	11.4	9.9	5.0	11.6
Deposits of Median Bank ($ million)	11.7	17.6	9.6	15.6	12.9	12.7
Population Per Bank Office (thousand)	5.3	10.4	4.7	4.9	3.6	4.1
Personal Income per Bank Office ($ million)	21.3	52.9	21.1	20.9	12.5	18.2
Percentage of Banks in SMSA's	38.0	77.7	28.4	36.3	12.0	27.6
Percentage of Bank Offices in SMSA's	58.0	77.6	55.7	53.7	26.2	51.6
Percentage of Bank Deposits in SMSA's	66.9	87.1	67.1	73.1	35.2	69.2
Percentage of Banks in Multibank Holding Companies	19.9	63.0	3.8	1.2	0.0	17.9
Percentage of Deposits in Multibank Holding Companies	59.6	77.7	29.4	.6	0.0	47.8
Percentage of Deposits Held by						
3 Largest Organizations	38.4	25.1	40.4	20.8	28.4	28.1
5 Largest Organizations	53.5	37.1	47.1	27.0	34.4	43.5
10 Largest Organizations	63.8	54.5	52.4	40.6	43.3	61.9
20 Largest Organizations	68.8	69.4	58.2	55.3	53.5	69.7

articles that banking structures have developed differently in each state.

Briefly, banks in the Southeast have operated in economic environments with characteristics ranging from above average to very low per capita incomes, rapid to very slow population and income growth, and mainly urban to substantially rural economies. Economic bases range from service-oriented to agricultural economies. Table 1 gives some general indicators of these varying economic environments.

The legal environment of banking also varies considerably among the states. Branching law ranged until very recently from restrictive unit banking with limited facilities in Florida to regional branching in Mississippi, with countywide branching the general rule in the other four states (see Table 2, col. 2). State holding company law, while allowing one-bank companies and forbidding out-of-state multibank holding companies, ranges from unlimited permission for multibank companies in Florida and Alabama to absolute prohibition in Mississippi and Louisiana (see Table 2, col. 3).[1]

Thus with different needs and powers, banking organizations have developed differently in each Southeastern state and banking structures vary considerably. For example, Georgia and Tennessee, states that allow branches, have many more bank offices than Florida, in essence a unit banking state up until now, though with a much larger population. Florida is a state with many metropolitan areas containing more than three-fourths of its bank offices; Mississippi, a state with few such areas, has only one-fourth of its bank offices there. Many other comparisons are shown in the summary table preceding the series of articles on specific states. The banking structures of Alabama, Florida, and Georgia are analyzed in this issue; Louisiana, Mississippi, and Tennessee are treated in the next issue. ■

[1]One Louisiana organization that includes three banks is a multibank holding company by Federal standards but not by Louisiana standards.

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