

**CHANGES IN THE STRUCTURE OF COMMERCIAL BANKING: REASONS AND EFFECTS**

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**ABSTRACT**

Over the last forty years, there has been a drastic reduction – approximately 70 percent -in the number of commercial banks in the United States. This phenomenon has received attention in the media as well as in the scholarly literature; however, the structural changes which accompanied this reduction as well as its effects need additional consideration. The scope of this paper is to discuss the reasons of the reduction in commercial banking and understand its effects, particularly on the financial system, on customers, and on employment.

**Keywords:** Commercial Banking, Structural changes, Effects

**1. INTRODUCTION**

Over the last forty years, commercial banks have decreased from 14,400 to 4,400 at the same time their total assets greatly rose with an increasing share going to the largest banks. This phenomenon has changed the landscape of the banking system as well as that of the financial system. In addition, this has had important repercussions on customers and on employment. However, while the reduction of commercial banks has received attention, the effects of their changes in the structure require further investigation. The scope of this paper is to shed lights on these phenomena.

The structure of the paper is the following: section 2 provides the statistical evidence on the commercial banks' reduction, section 3 discusses the main reasons for this phenomenon, and section 4 deals with its effects, on the financial system, on customers, and on employment. Finally, section 5 summarizes the main findings.

**2. THE REDUCTION OF COMMERCIAL BANKS: STATISTICAL EVIDENCE**

From 1980 to 2020, there has been a continuous decline in the number of commercial banks. Chart 1 displays that in the early 80's there were 14,400 banks but in 2020 they were reduced to 4,400. This decline was highly concentrated among small community banks(with less than 50 million in assets) and as one can see, the largest decline occurred over the 90's. At the beginning of the 90's there were 12,100 banks while at the end there were approximately 8,300.