

Competition and Adoption of Internet Technologies by Texas Community Banks

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ABSTRACT

This study examines the impact of the recent surge in Internet banking activities on competition in Texas community bank markets. The results show that the competition from large national banks has substantially increased in recent years. In general, national banks are the major competitors in residential mortgage, commercial credit, electronic banking, trust services, and cash management services. However, in terms of Internet based competition, national banks are not the sole factor in the market. While national banks are the major competitor in residential mortgages, trust services, and cash management services, other community banks are active rivals in the markets for transaction deposits and CDs. This change in competitive structure is challenging the traditional community banking model that was primarily based on relationship banking. Community banks are responding to this challenge by offering Internet based products and services. A wide variety of transactional, informational and strategic offerings may be used to enhance the relationship building competitive status of community banks in the future.

Keywords: online banking, competition, relationship banking