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Published once in June & July, twice in May, Aug., Oct., Nov., & Dec., & 3 times in Jan., Feb., Mar., April, & Sept. by the University of Nebraska–Lincoln, Dept. of Publications Services & Control, 209 Nebraska Hall, Lincoln, NE 68588. Second-class postage paid Lincoln, Nebraska.

Vol. 57, No. 11 December, 1977

BUSINESS IN NEBRASKA

PREPARED BY THE BUREAU OF BUSINESS RESEARCH IN THE COLLEGE OF BUSINESS ADMINISTRATION

CREDIT SERVICES PROVIDED BY SMALL BANKS IN NEBRASKA

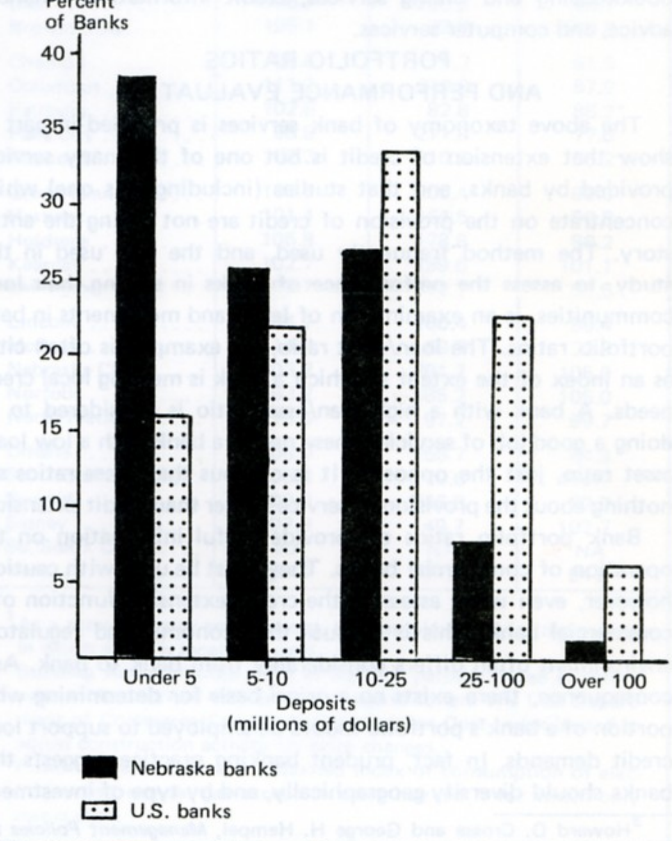
The small bank has been, and continues to be, the heart of financial activity in most American cities and towns. While attention is often focused on the activities of the nation's largest banks, an important part of the country's business activity is facilitated by services provided by small and medium-sized banks. Of the 14,372 commercial banks operating at year-end 1975, 5,449, or 37.9 percent, held deposits of $10 million or less.[1]

Most of Nebraska's 450 banks are small, even by U.S. standards. Figure 1 shows the distribution of Nebraska and U.S. banks by deposit size. In 1975, 64.1 percent of Nebraska banks held deposits of less than $10 million. Only 5 banks in the state had deposits in excess of $100 million. By way of contrast, 892, or 6.2 percent, of U.S. banks had a deposit base in excess of $100 million.

The sizable number of small banks in Nebraska is due, in large measure, to the low population density of the state, the agricultural orientation of its economic base, and the regulatory environment within the state. State banking statutes do not permit the formation of multibank holding companies.[2] Branch banking is likewise prohibited, although banks in the state may, with the approval of the Director of Banking, establish and maintain, at most, two detached auxiliary teller offices (often referred to as facilities). Thus, the bank regulatory environment in Nebraska has tended to reinforce those historically based socioeconomic factors which led to the operation of a large number of small banks with services directed primarily to the needs of the local community.

The purpose of this study is to describe briefly banking services in general, and to examine credit services provided by small banks to Nebraska communities. Small banks are defined as those with deposits of $10 million or less. The services provided by small banks merit consideration for several reasons. First, behind most bank charters is an explicit commitment by the recipient to serve those in the community in which the bank is chartered. Most individuals (or groups of individuals), when applying for a bank charter, maintain that the "needs and convenience" of the community would be better served upon the approval of the application, and the "needs and convenience" factor is often weighed carefully by the chartering authority. Under these circumstances, it is appropriate to "assess" periodically the performance of commercial banks with respect to the services they are providing. Second, banking structures in many states have undergone significant change in recent years, primarily as a result of legislation permitting branching or multibank holding companies. The debate over alternative banking structures has revolved primarily around their impact on the provision of services to bank customers. The results of this debate, which is still under way, will have important implications for public policy toward banking structure. Resolution of many unsettled issues demands a better understanding of the nature and extent of existing bank services. By examining the recent performance (continued on page 2)

Figure 1
DISTRIBUTION OF NEBRASKA AND U.S. BANKS BY DEPOSIT SIZE



[1] Information on uninsured commercial banks is limited. Data for this study cover only those banks which were insured by the Federal Deposit Insurance Corporation (FDIC). At the end of 1976, 98.1 percent of commercial banks in the United States were insured by this agency. Data on the number of banks, and their distribution by deposit size, were obtained from *Federal Reserve Bulletins* and *Bank Operating Statistics*, an annual publication of the FDIC.

[2] Five Nebraska banks are subsidiaries of the Northwest Bancorporation, a bank holding company based in Minneapolis, Minnesota. Their subsidiary status in this holding company was preserved by a grandfather clause in the Nebraska Bank Holding Company Act of 1963.

(continued from page 1) of small banks in Nebraska, this study attempts to shed additional light upon these issues.

SERVICES PROVIDED BY BANKS

Commercial banks provide a number of interrelated services that are critical for the economic well-being of their local communities. These include: (1) depository services, (2) check clearing, (3) extension of credit, and (4) other services. Commercial banks serve as depositories for working balances of individuals, business enterprises, and government bodies. These balances are kept in the form of demand deposits. The acceptance and servicing of demand balances, which serve as a medium of exchange and constitute the major portion of our nation's money supply, have traditionally been exclusive functions of commercial banks. In addition, commercial banks compete with other financial institutions for funds deposited for the purpose of accumulating savings. These deposits usually take the form of time or savings deposits.

Check clearing is a service provided by banks and the banking system, allowing a wide variety of transactions to be conducted quickly, safely, and cheaply. Although this function has been well standardized and its operation is largely routine, more banking system person-days are spent on this function than on any other.[3]

The extension of credit includes granting of loans and purchase of investment securities. This credit may finance consumption expenditures of individuals, production, distribution and investment expenditures of businesses, or the deficit spending of governments. Commercial banks are the primary source of commercial and industrial loans, and in many local markets they are the primary source of agricultural credit.

Other services include a number of miscellaneous services that a bank may provide to the public. These include trust services, safe deposit facilities, credit cards, travelers checks, money orders, bookkeeping and billing services, credit information, financial advice, and computer services.

PORTFOLIO RATIOS AND PERFORMANCE EVALUATION

The above taxonomy of bank services is provided in part to show that extension of credit is but one of the many services provided by banks, and that studies (including this one) which concentrate on the provision of credit are not telling the entire story. The method frequently used, and the one used in this study, to assess the performance of banks in serving their local communities, is an examination of levels and movements in bank portfolio ratios. The loan/asset ratio, for example, is often cited as an index of the extent to which a bank is meeting local credit needs. A bank with a high loan/asset ratio is considered to be doing a good job of servicing these needs; a bank with a low loan/asset ratio, just the opposite. It is obvious that these ratios say nothing about the provision of services other than credit extension.

Bank portfolio ratios do provide useful information on the operation of commercial banks. They must be used with caution, however, even when assessing the credit extension function of a commercial bank. This is because the economic and regulatory environment often differs considerably from bank to bank. As a consequence, there exists no *a priori* basis for determining what portion of a bank's portfolio should be employed to support local credit demands. In fact, prudent banking practice suggests that banks should diversify geographically, and by type of investment, to reduce both default risks and risks associated with fluctuations in prices of financial assets. Bank portfolio ratios, such as the loan/asset ratio, become more meaningful when they are supplemented with additional information about the level of loan demand, the liquidity needs of a bank and its customers, and the regulatory environment in which the bank is operating. It is with these limitations clearly in mind that the following analysis is presented.

[3]Howard D. Crosse and George H. Hempel, *Management Policies for Commercial Banks* (Englewood Cliffs, N.J.: Prentice Hall, Inc., 1973), p. 8.

CREDIT EXTENSION RESULTS

This section examines movements in the aggregate loan/asset ratio of small Nebraska banks (those with deposits of less than $10 million). The study encompasses the nine mid-year and year-end call dates from December, 1972, to December, 1976.[4] The loan/asset ratios employed are the means of individual bank ratios, with each bank receiving equal weight in the calculation of the mean ratio. Such aggregation should overcome some of the difficulties associated with the use of the loan/asset ratio in evaluating the performance of an individual bank. Where appropriate, supplemental information concerning the economic and regulatory environment is provided.

Evidence for the period under consideration does not support the hypothesis that small banks in Nebraska have been insensitive to the credit needs of their customers. This is not surprising, even though individuals living in rural areas of the state may have a limited choice of banking alternatives within reasonable distance. Most banks must accommodate a significant portion of customer credit demands in order to maintain their deposit base.

Figure 2 (page 3) shows the movement in the aggregate loan/asset ratio for small Nebraska banks in comparison to the same ratio for U.S. banks of the same size, all U.S. banks, and all Nebraska banks. For the entire period, bank loans accounted for more than 50 percent (50.57) of the assets of the average Nebraska bank with deposits of less than $10 million. This figure compares favorably with the average ratio for U.S. banks of the same size (47.47 percent), and for all U.S. banks (49.98 percent), although the loan/asset ratio for all Nebraska banks was slightly higher than that for small banks in the state on each call date (refer to Table 1, page 3).[5]

Loan/asset ratios for small Nebraska banks exhibited considerable variation from call date to call date. This was not unexpected. These banks have highly specialized loan portfolios, with loans to farmers representing a sizable portion of total loans. Table 2 (page 3) shows the distribution of loans at small Nebraska banks from December, 1972, through 1976. Like the loan/asset ratios employed in this study, these ratios are means of individual bank ratios. While the mean ratio of farm loans to total loans for small

[4]Data for this study were obtained from Federal Reserve System tapes of *Reports of Condition of Insured Commercial Banks and Their Domestic Subsidiaries*. Computer programming assistance was provided by Pam Coats, computer consultant to the Finance Department of the University of Nebraska-Lincoln.

[5]The average loan/asset ratio for U.S. banks was based upon data from the first 8 call dates only. Ratios for the December, 1976, call date were not employed in the study, since the records for some banks outside the state were found to be incomplete. When the ratios for the first 8 call dates were compared, the average loan/asset ratio for small banks in Nebrasl still exceeded the ratio for banks of a similar size in the United States by more than 2 percent, and it was only slightly below the ratio for all U.S. banks.

banks in the state dropped during the period under study, agricultural loans continue to account for well in excess of 60 percent of the average small bank loan portfolio.

Agricultural loans are characterized by seasonal fluctuation, and tend to be sensitive to the liquidity position of farmers. The volume of farm loans at banks is relatively high in the spring and summer months, when farmers borrow to finance current production. Many of these loans are subsequently liquidated later in the year following the harvest of crops. Other things being equal, one would also expect the volume of agricultural loans to be inversely related to the liquidity position of farmers.

That variation in the loan/asset ratios of small Nebraska banks is closely related to fluctuations in agricultural loans is not really subject to question. Throughout the period of this study, there was a close association of movements in agricultural loans and total loans as a percentage of small Nebraska bank assets. This was true, both for periods when the aggregate loan/asset ratio was relatively low and for periods when the ratio was quite high.

The relatively low level of loans at small banks in the state (and in the nation) in late 1973 and throughout 1974 raised doubts concerning the willingness of these banks to lend in local markets when rates on liquidity instruments, such as Treasury bills and federal funds, were at peak levels. Some argued that these banks, in pursuit of higher profits, were streamlining their loan portfolios in order to extend their holdings of liquidity instruments. Not only were these instruments attractive because of their abnormally high yields, but they tended to result in low transactions and carrying costs in comparison to bank loans.

An alternative hypothesis was that small banks did, indeed, maintain an accommodative posture with respect to customer credit needs. The years 1972 and 1973, it is argued, were characterized by relatively high agricultural prices and incomes. As a consequence, Nebraska farmers experienced improvements in their liquidity positions and did not require as much bank credit as was normally the case. The low demand for bank credit, and not restrictions in supply, was thus responsible for the relatively low loan/asset ratios of small Nebraska banks in late 1973 and 1974.

An obvious difficulty in assessing the merits of these two alternative hypotheses is an absence of direct evidence on the demand for bank credit during the period under consideration. Survey information, for example, on those seeking credit in late 1973 and in 1974 would be helpful, but such information is not currently available.

Despite the lack of direct evidence on the demand for loans at small banks, indirect methods were employed in an attempt to provide insight into the matter. (continued on page 6)

Figure 2
LOAN/ASSET RATIOS
FOR NEBRASKA AND U.S. BANKS

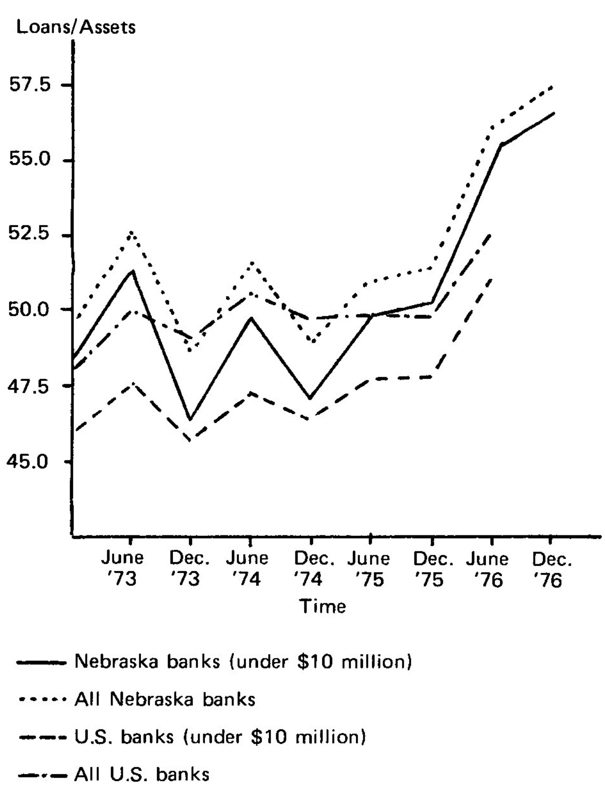


Table 1
LOAN/ASSET RATIOS FOR NEBRASKA AND U.S. BANKS

Date	Small Nebraska Banks*	All Nebraska Banks	Small U.S. Banks*	All U.S. Banks
Dec. '72	48.57	49.59	46.09	48.12
June '73	51.42	52.60	47.56	50.05
Dec. '73	46.45	48.60	45.70	49.05
June '74	49.83	51.58	47.29	50.56
Dec. '74	47.11	48.97	46.48	49.77
June '75	49.77	51.07	47.72	49.82
Dec. '75	50.30	51.28	47.85	49.80
June '76	55.01	56.17	51.04	52.64
Dec. '76	56.63	57.53	**	**

*Under $10 million.

**December 31, 1976, records for several banks outside of Nebraska were incomplete. As a consequence, loan/asset ratios for U.S. banks were not computed for this call date.

Source: Federal Reserve System tapes of the *Report of Condition of Insured Commercial Banks and Their Consolidated Domestic Subsidiaries.*

Table 2
PERCENTAGE COMPONENTS OF THE LOAN PORTFOLIOS
OF SMALL NEBRASKA BANKS, 1972 - 1976

	Type of Loan			
Date	Farm[1]	Commercial and Industrial	Individual	All Other[2]
Dec. '72	66.4	12.4	13.6	7.6
June '73	65.3	13.1	14.1	7.5
Dec. '73	64.8	13.2	14.3	7.7
June '74	63.8	14.8	14.0	7.4
Dec. '74	63.8	13.7	14.5	8.0
June '75	62.7	14.5	14.7	8.1
Dec. '75	63.2	13.5	15.0	8.3
June '76	63.1	13.5	15.2	8.2
Dec. '76	63.2	12.7	15.5	8.6

[1]Includes loans to farmers and real estate loans secured by farmland.

[2]Includes real estate loans (except those secured by farmland), loans to financial institutions, loans for purchasing and carrying securities, and all other loans.

Source: Federal Reserve System tapes of the *Report of Condition of Insured Commercial Banks and Their Consolidated Domestic Subsidiaries.*

Review and Outlook

Real output in Nebraska rose 1.9 percent in August. The increase in the state physical volume index for the month followed a slight decrease the previous month. The August increase in state economic activity was broadly based, with four of the five sectors in the Nebraska physical volume index registering increases. Those sectors, and their July-to-August percentage increases, were: government (4.6), agriculture (2.0), manufacturing (1.9), and distributive (1.9). Construction, down 5.8 percent, was the only sector recording a drop in activity for the month.

The Nebraska economy has been sluggish for most of 1977. For the first five months of the year, real output drifted downward, although the extent of the decline was of modest proportions. In May, the physical volume index for the state was 1.2 percent below the level of last December. There is some indication, however, that economic conditions in the state have improved significantly in the past several months. Since May, real output for the state has climbed 3.6 percent, mainly as a result of sharp increases in state economic activity in June and August.

Recent growth of economic activity in the state was broadly based, with the agricultural, manufacturing, government, and distributive sectors all showing renewed strength. Agricultural output, up 8.5 percent since May, registered the largest gain. Agricultural prices, however, remain depressed, and notable economic improvement in many areas of the state awaits a reversal of the downward trend in these prices. (continued on page 5)

Notes for Tables 1 and 2: (1) The "distributive" indicator represents a composite of wholesale and retail trade; transportation, communication and utilities; finance, insurance, and real estate; and selected services. (2) The "physical volume" indicator and its components represent the dollar volume indicator and its components adjusted for price changes using appropriate price indexes—see Table 5, page 5.

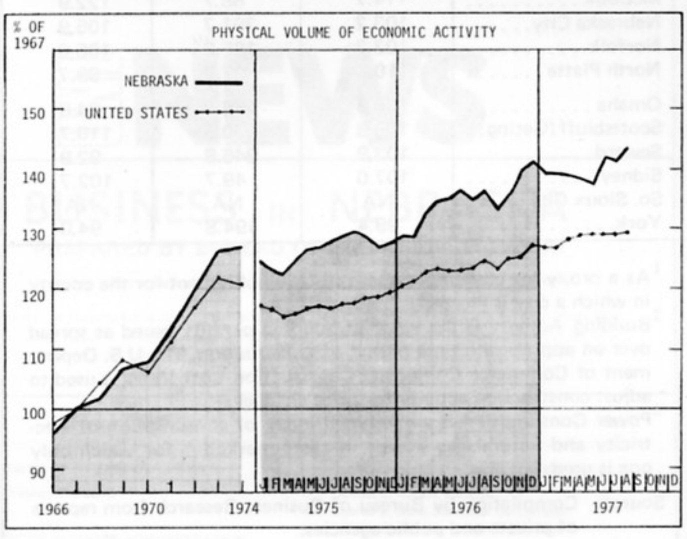
ECONOMIC INDICATORS: NEBRASKA AND UNITED STATES

1. CHANGE FROM PREVIOUS YEAR

August, 1977	Current Month as Percent of Same Month Previous Year		1977 Year to Date as Percent of 1976 Year to Date	
Indicator	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume	110.0	110.2	109.8	110.5
Agricultural	100.6	97.7	97.3	100.0
Nonagricultural	111.4	110.6	111.9	110.9
Construction	129.3	120.5	144.8	115.3
Manufacturing	112.2	111.4	112.8	111.1
Distributive	109.4	110.5	109.8	111.6
Government	112.6	106.6	108.4	106.5
Physical Volume	105.3	104.0	105.2	104.4
Agricultural	114.6	103.9	107.9	102.0
Nonagricultural	104.0	104.0	104.7	104.5
Construction	120.3	112.1	137.3	109.1
Manufacturing	105.6	104.8	106.5	104.7
Distributive	102.6	103.6	103.2	104.9
Government	102.8	101.9	99.4	101.3

2. CHANGE FROM 1967

Indicator	Percent of 1967 Average	
	Nebraska	U.S.
Dollar Volume	264.9	238.9
Agricultural	214.2	215.2
Nonagricultural	273.7	239.7
Construction	284.6	213.0
Manufacturing	286.1	227.6
Distributive	268.5	248.7
Government	274.6	240.9
Physical Volume	143.4	129.2
Agricultural	135.6	125.8
Nonagricultural	144.7	129.3
Construction	132.4	99.1
Manufacturing	148.8	119.1
Distributive	146.5	135.7
Government	135.9	138.2

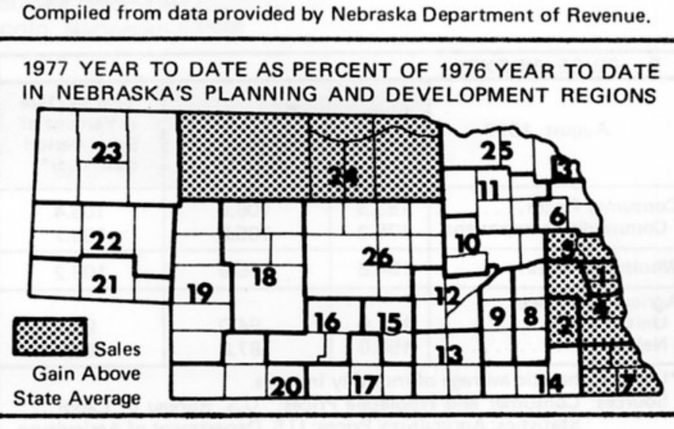


3. NET TAXABLE RETAIL SALES OF NEBRASKA REGIONS AND CITIES (Adjusted for Price Changes)

Region Number[1] and City	City Sales[2] Aug., 1977 as percent of Aug., 1976	Sales in Region[2] Aug., 1977 as percent of Aug., 1976	Sales in Region[2] Year to date '77 as percent of Year to date '76
The State	91.5	91.8	97.6
1 Omaha	99.1	100.5	101.3
Bellevue	115.5		
2 Lincoln	96.4	97.2	104.1
3 So. Sioux City	94.4	93.8	93.9
4 Nebraska City	90.5	87.9	98.4
5 Fremont	97.2	95.4	98.2
Blair	102.4		
6 West Point	80.5	86.3	93.0
7 Falls City	91.7	86.3	98.4
8 Seward	81.6	77.5	92.2
9 York	84.1	73.4	92.0
10 Columbus	92.3	76.3	95.1
11 Norfolk	91.8	84.1	93.2
12 Grand Island	98.0	89.1	95.2
13 Hastings	104.3	92.4	93.5
14 Beatrice	74.8	73.1	93.8
Fairbury	79.0		
15 Kearney	96.0	85.5	95.7
16 Lexington	106.2	89.1	96.5
17 Holdrege	85.1	85.2	88.3
18 North Platte	93.6	92.2	95.9
19 Ogallala	98.4	85.7	89.7
20 McCook	100.5	95.3	91.9
21 Sidney	104.5	89.6	89.3
Kimball	90.8		
22 Scottsbluff/Gering	91.4	89.5	90.2
23 Alliance	97.2	94.4	94.2
Chadron	115.3		
24 O'Neill	102.2	88.1	99.5
25 Hartington	69.3	84.5	93.1
26 Broken Bow	84.1	74.3	90.3

[1] See region map below.
[2] Sales on which sales taxes are collected by retailers located in the state. Region totals include motor vehicle sales; city totals exclude motor vehicle sales.
Compiled from data provided by Nebraska Department of Revenue.

1977 YEAR TO DATE AS PERCENT OF 1976 YEAR TO DATE IN NEBRASKA'S PLANNING AND DEVELOPMENT REGIONS



(continued from page 4) May-to-August growth in physical output for the other three sectors was: manufacturing (2.0 percent), government (3.3 percent), and distributive (4.4 percent).

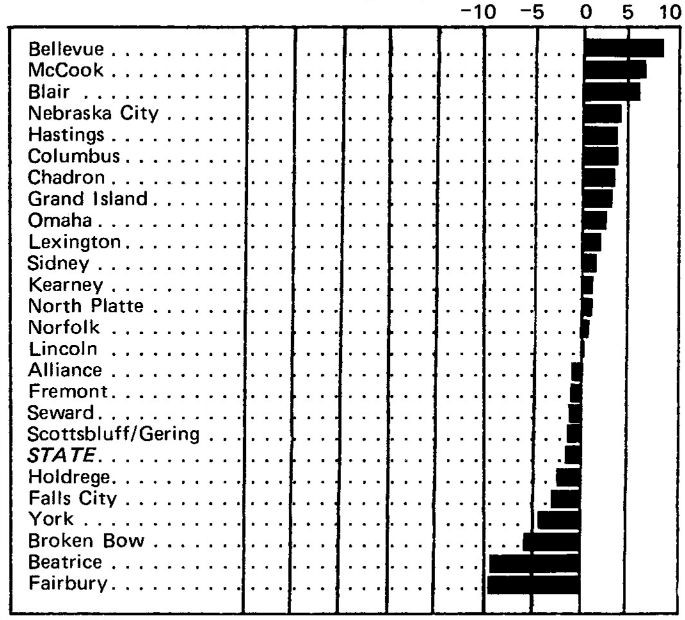
Unadjusted retail sales in Nebraska rose 6.4 percent in August. It marked the second time in the past three months that sharp gains in retail sales were recorded. Despite the fact that recent improvements in the state economy appear to be having an effect at the retail level, it would be premature to suggest that a strong resurgence of retail sales is under way. On a year-to-date basis, retail sales adjusted for price changes are 2.4 percent below levels of last year. Only two of the state's twenty-six planning and development regions show gains in price-adjusted retail sales in comparison to last year. These two regions contain the state's two largest population centers, Omaha and Lincoln. Several regions in western Nebraska have experienced year-to-date drops in price-adjusted retail sales in excess of 10 percent.

Thus data on real output and retail sales indicate improvement in the Nebraska economy since May. There is little evidence to suggest that such growth will not continue in the near future. August, however, did mark the 29th month of the current business expansion (for both the state and national economies), making it suspect on longevity grounds alone. Since World War II, the four peacetime expansions have averaged 34 months in duration, and varied from 24 to 39 months in length. Several indicators, which tend to lead turning points in the economy, have already exhibited considerable softness. Among them are stock prices, the ratio of price to unit labor cost in manufacturing, the real money supply, and the level of construction activity. Construction, the principal source of strength in the Nebraska economy early in the year, fell 5.8 percent in the state in August. This followed a sharp decline in activity for this sector in July, and marked the fourth consecutive monthly decline for construction in Nebraska. While these indicators occasionally give false signals, they do bear close watching in the next several months.

Two changes were incorporated into the city businesses indexes this month: (1) due to a disruption in bank debit data for several Nebraska cities, an employment variable was substituted for bank debits in the indexes; and (2) construction activity in Nebraska cities is now adjusted for changes in construction costs. The new indexes show that Bellevue, with an increase in economic activity of 8.3 percent relative to August, 1976, posted the largest gain for the month. Other Nebraska cities registering significant increases were McCook, Blair, Nebraska City, Hastings, and Columbus.

WILLIAM D. GERDES

CITY BUSINESS INDEXES
Percent Change August, 1976 to August, 1977



Source: Table 4 below.

4. AUGUST CITY BUSINESS INDICATORS

The State and Its Trading Centers	Percent of Same Month a Year Ago		
	Employment[1]	Building Activity[2]	Power Consumption[3]
The State	105.0	128.3	91.1
Alliance	112.2	54.8	79.4
Beatrice	103.1	96.6	94.8
Bellevue	106.0	101.5	96.4*
Blair	106.7	200.9	93.1
Broken Bow	105.1	72.7	100.8
Chadron	98.6	71.3	91.5
Columbus	111.2	213.3	87.9
Fairbury	102.6	82.6	86.2*
Falls City	98.9	211.8	77.0
Fremont	102.3	110.6	88.2*
Grand Island	104.5	200.4	90.0
Hastings	101.4	164.5	90.8
Holdrege	105.8	178.8	86.2
Kearney	102.7	159.6	101.1
Lexington	103.7	72.3	94.6
Lincoln	104.1	100.4	99.4
McCook	114.7	68.7	122.9
Nebraska City	103.2	391.7	105.9
Norfolk	103.2	185.2	105.0
North Platte	110.8	97.2	99.7
Omaha	106.0	156.7	84.8
Scottsbluff/Gering	106.9	70.6	110.7
Seward	103.9	346.8	92.9
Sidney	107.0	49.7	102.7
So. Sioux City	NA	NA	NA
York	99.4	194.8	94.0

[1]As a proxy for city employment, total employment for the county in which a city is located is used.
[2]Building Activity is the value of building permits issued as spread over an appropriate time period of construction. The U.S. Department of Commerce Composite Construction Cost Index is used to adjust construction activity for price changes.
[3]Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.

Source: Compilation by Bureau of Business Research from reports of private and public agencies.

5. PRICE INDEXES

August, 1977	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	183.3	106.6	106.4
Commodity component	176.3	105.8	105.7
Wholesale Prices	194.6	105.9	106.2
Agricultural Prices			
United States	171.0	94.0	98.1
Nebraska	158.0	87.8	90.4

*Using arithmetic average of monthly indexes.
Sources: Consumer and Wholesale Prices: U.S. Bureau of Labor Statistics; Agricultural Prices: U.S. Department of Agriculture.

(continued from page 3) First, data on the liquidity of Nebraska farmers were examined. In the absence of a better measure, percentage changes in realized net farm income were used as a proxy variable for the liquidity position of farmers in the state (see Table 3). The data support the case that Nebraska farmers experienced significant improvement in their liquidity position in late 1973 and 1974. The years 1972 and 1973 were good for agriculture in the state, with realized net farm income increasing 56.5 percent in 1972 and 46.4 percent in 1973.

Table 3
REALIZED NET FARM INCOME IN NEBRASKA

Year	Realized Net Farm Income (millions of dollars)	Percentage Change
1970	527.9	----
1971	407.4	−22.8
1972	637.4	+56.5
1973	933.0	+46.4
1974	1,132.9	+21.4
1975	848.8	−25.1
1976	475.4	−44.0

Source: *State Farm Income Statistics,* Economic Research Service, U.S. Department of Agriculture.

Second, the composition of loan portfolios of small banks in the state was examined in an attempt to determine whether the relatively low loan/asset ratios for these banks in 1973 and 1974 were due to a drop in agricultural loans relative to bank assets. Once again, the evidence was supportive of those who argued that the demand for bank credit was abnormally low during this period. In addition to this evidence, events of the past year lend additional credence to the accommodation hypothesis. Depressed agricultural prices and incomes in 1976 were accompanied by a significant spurt in the aggregate loan/asset ratio for small Nebraska banks. The main component of the increase in this ratio was a rise in agricultural loans. Thus, while additional research on the subject is necessary before reaching a definitive conclusion, the weight of existing evidence does seem to suggest that a low level of loan demand was primarily responsible for the relatively low loan/asset ratios of small Nebraska banks in late 1973 and 1974.

SUMMARY AND CONCLUSIONS

This study has presented data on the extension of credit, measured by loan/asset ratios, by small banks in Nebraska. For the period studied, 1972 to 1976, these ratios for small banks compared favorably with average ratios for U.S. banks of similar size, for all U.S. banks, and for all banks in Nebraska. There was, however, considerable variation over time with low levels of bank lending in late 1973 and 1974, both for small banks in the state and throughout the nation. As was pointed out, data of this type must be interpreted carefully, keeping in mind that information on credit extension tells only part of the story. Furthermore, loan/asset ratios reflect the interaction of the demand for credit, regulatory restrictions, and bank lending practices, and cannot be attributed solely to the discretion of bankers. In an attempt to disentangle some of these contributing factors and to explain the relatively low levels of bank lending in late 1973 and 1974, agricultural loans were examined separately. In addition, supplemental data on agricultural liquidity were presented as a proxy for loan demand. These data tend to support the hypothesis that small Nebraska banks have maintained an accommodative posture with respect to agricultural loans. The recent increase in agricultural lending that has accompanied depressed agricultural liquidity also supports this hypothesis.

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PUBLICATIONS AVAILABLE

The following publications of interest to readers of *Business in Nebraska* may be obtained by order from the Bureau of Business Research, 200 CBA Building, University of Nebraska-Lincoln, Lincoln, Nebraska 68588: *Sub-County Population Estimates, 1973* ($5.00 per copy), and *Nebraska Retail Sales, 1968-1975* ($7.50 per copy).

UNL NEWS

BUSINESS IN NEBRASKA
PREPARED BY BUREAU OF BUSINESS RESEARCH
Member, Association for University Business & Economic Research

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No. 399 December, 1977

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Lincoln, Nebraska 68588