Banking in North Carolina: A Statistical Analysis of Banking Deserts
Harrison Thomas

Title: Factors That Explain Bank Branch Exit, and Banking Desert Formation
Authors: Harrison W. Thomas, W. Scott Langford, Maryann P. Feldman
Abstract: For many Americans, having access to a bank is a necessity. Inadequate banking access limits an individual's capacity to engage in the formal banking system; limiting access to capital and inhibiting wealth accumulation. Consequentially, individuals living in banking deserts are exposed to predatory lending. Banking desert formation could be profit-driven, with lower income and less densely populated regions more likely to become banking deserts. Discrimination could also play a role here; banks may avoid areas with higher minority populations or lower educational attainment. Whereas existing studies use cross-sectional datasets with limited geographies to examine this, we construct a census-tract level, panel dataset for the entire state of North Carolina. We also employ a novel technique: we observe the number of bank branches within a 15-minute drive of the census tract centroid. Consistent with the profit hypothesis, our findings indicate that income and population density play roles in banking desert formation.