How community banks drive economic impact in Texas

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Executive summary

Introduction

The Independent Bankers Association of Texas (IBAT) represents community banks across the state. These banks support the state economy by providing capital and local expertise to small businesses, farmers, and individuals. Community bank lending generates significant direct, indirect, and induced impacts on state and local economies in the form of employment and value added to GDP. This economic impact report provides the data to help IBAT understand how community banks drive economic impact in Texas.

Data and Methodology

The study was conducted by Steward Redqueen, an independent consultancy, between June 2025 and September 2025. Data was collected directly from the Federal Financial Institutions Examination Council (FFIEC) on Texas community banks' outstanding loan amounts as of December 31st, 2024. Macroeconomic data from IMPLAN, the Bureau of Economic Analysis (BEA), the Bureau of Labor Statistics (BLS), and the U.S. Census Bureau were also used in the study.

Each type of loan was considered carefully prior to the modelling phase. For commercial loans, asset turnover rates were calculated using data from the BLS for each relevant commercial sector to determine how injected capital (loans) generates additional output in a given sector. Other factors such as average life of loan types, average household spending patterns, and mortgage-related spending/wealth creation were taken into account. Before running loan data through the model, economic sectors were assigned to each lending category.

Economic impact results were calculated using a multi-regional input-output (MRIO) model, a commonly applied method developed by Nobel Prize winning economist Wassily Leontief that is used by academics and government officials around the globe to measure economic impacts.

The model reflects all gross economic activity in Texas related to community banks and their lending.

Results

In 2024, community banks supported approximately **$112.4 bln in value added** in Texas, including $12.1 bln in direct value added from their own operations and $100.3 bln in indirect value added through their lending. Included in this value are **$76.4 bln in wages and benefits** for workers across the value chain and **$4.9 bln in taxes** that banks support. In total, Texas community banks contributed to **4.1% of Texas GDP** in 2024 through their lending and direct operations.

Community banks supported over **1.6 mln jobs** in Texas in 2024, of which 96.5% were supported indirectly through the value chain. This number includes **299k construction jobs** in Texas (equivalent to 23.8% of the construction workforce).

Texas community banks supported **10% of state employment** in 2024. For every **1 person employed directly by community banks, 28 jobs were supported elsewhere in Texas.**

Conclusion

This study uses robust quantitative figures to demonstrate the depth and reach of **Texas community banks as an essential driver in the Texas economy**, generating economic activity and supporting employment around the state.

How economic impact is traced back to deposits and lending

1. Deposits from Texas consumers and businesses...
2. ...allow community banks to lend into the economy...
3. ...which enables businesses to increase output and consumers to increase spending,...
4. ...ultimately supporting broader economic impact through jobs and value added across the Texas economy

Key results: Texas

In 2024, community banks in Texas held $260 billion in outstanding commercial and consumer loans. These loans generated economic flows that supported the following value added and employment in the Texan economy...

Value added

$112.4 billion
value added supported by community banks in the Texas economy

4.1%
of Texas GDP supported by community banks

$0.43
for every $1 of community bank loans, $0.43 of economic activity was supported

Employment

1.6 million
total jobs supported by community banks

10%
of Texas workforce supported by community banks

1:28
for each direct community bank job, there were 28 jobs supported in the value chain

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Definition of terms

Results from this study reflect the total gross economic impact of the Texas community bank industry in the state in 2024.

Results are presented in two key metrics:

Value added: the sum of profits earned by businesses, salaries and benefits paid to workers, and taxes paid to the government; it is equivalent to GDP

Jobs: total headcount in full-time equivalent jobs in sectors related to the economic activity supported by the community bank industry

These metrics are further broken down into direct, indirect, and induced impacts:

Direct

Community banks directly employ staff and add to GDP by paying salaries and taxes and earning profits

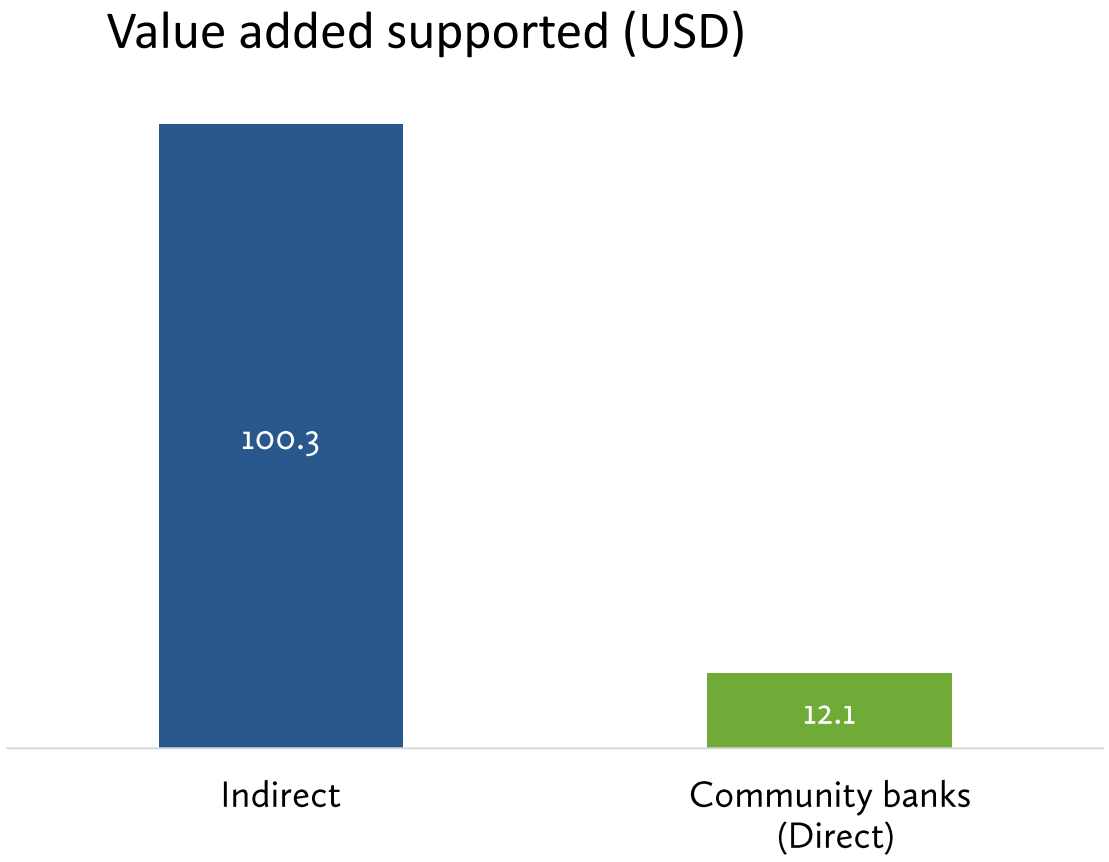
Indirect

Community banks enable increased economic activity throughout the economy, supporting jobs and adding to GDP

Induced

Community banks support induced employment impacts through the re-spending of salaries supported in the value chain

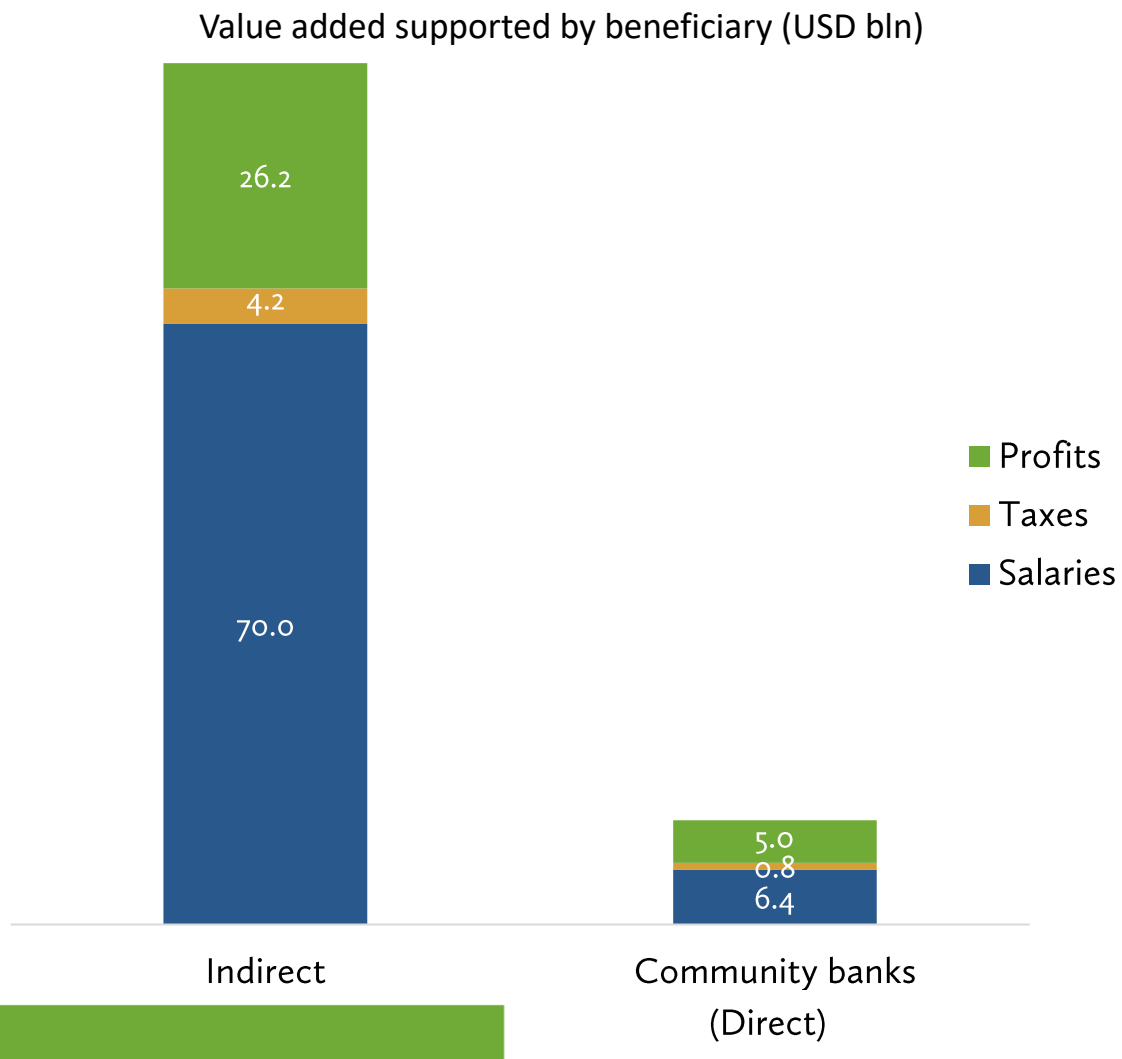
Community banks supported $112.4 billion in value added in Texas in 2024



Across Texas, community banks supported $112.4 billion in value added to GDP in 2024. **$100.3 billion of this value was supported by community bank lending** activities. The remaining **$12.1 billion was supported directly by community banks** through salaries paid to workers, taxes paid to the government, and profits earned by businesses.

$112.4 billion represents **4.1% of GDP in Texas**, demonstrating that community banks play a significant role in driving economic activity in the state. At year end 2024, community banks held $260 billion in outstanding commercial and consumer loans. In the context of economic impact, this means that for every **$1** lent by community banks, **$0.43** of economic activity was supported elsewhere in Texas.

Texas workers benefit the most from community ba lending



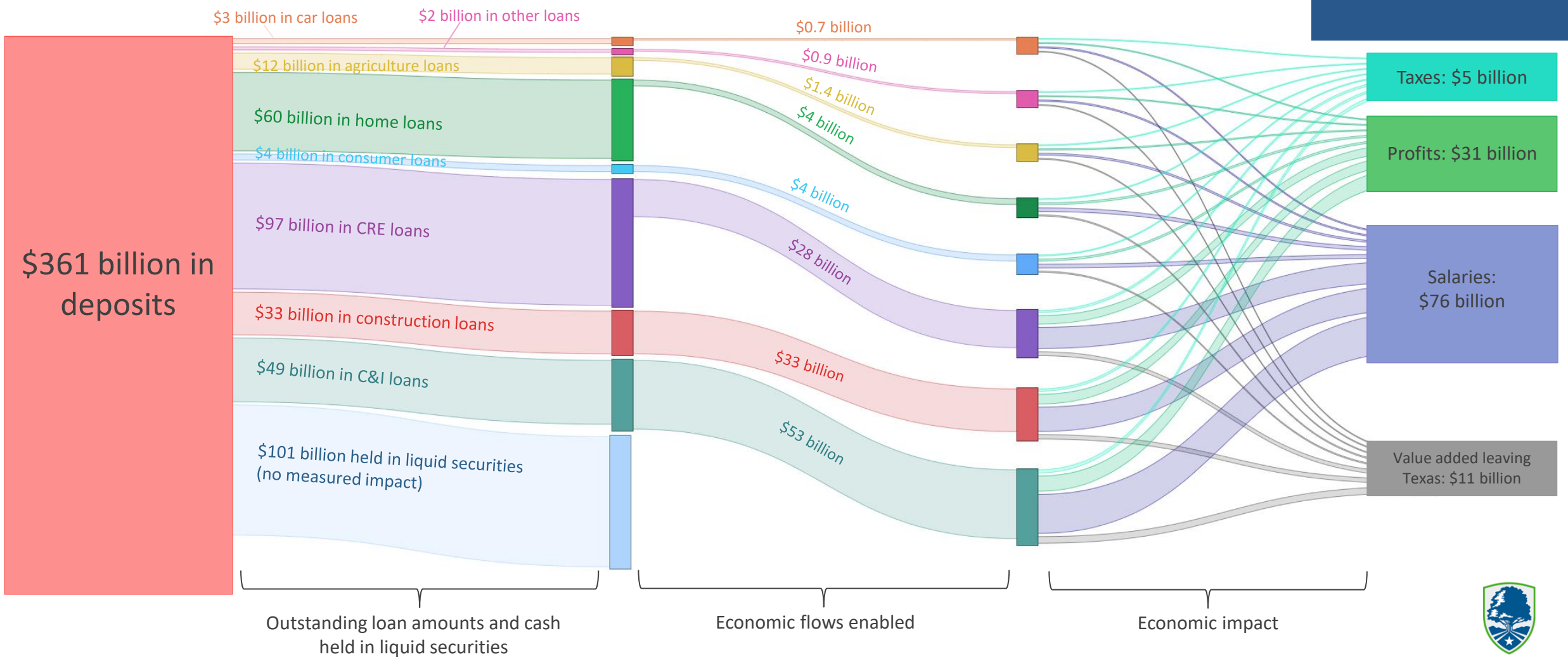
Value added breaks down to salaries, taxes, and profits and is equivalent to GDP.

As shown in the figure, Texas community banks supported **$70.0 billion in salaries indirectly** in the state and paid another **$6.4 billion in salaries and benefits directly** to their employees.

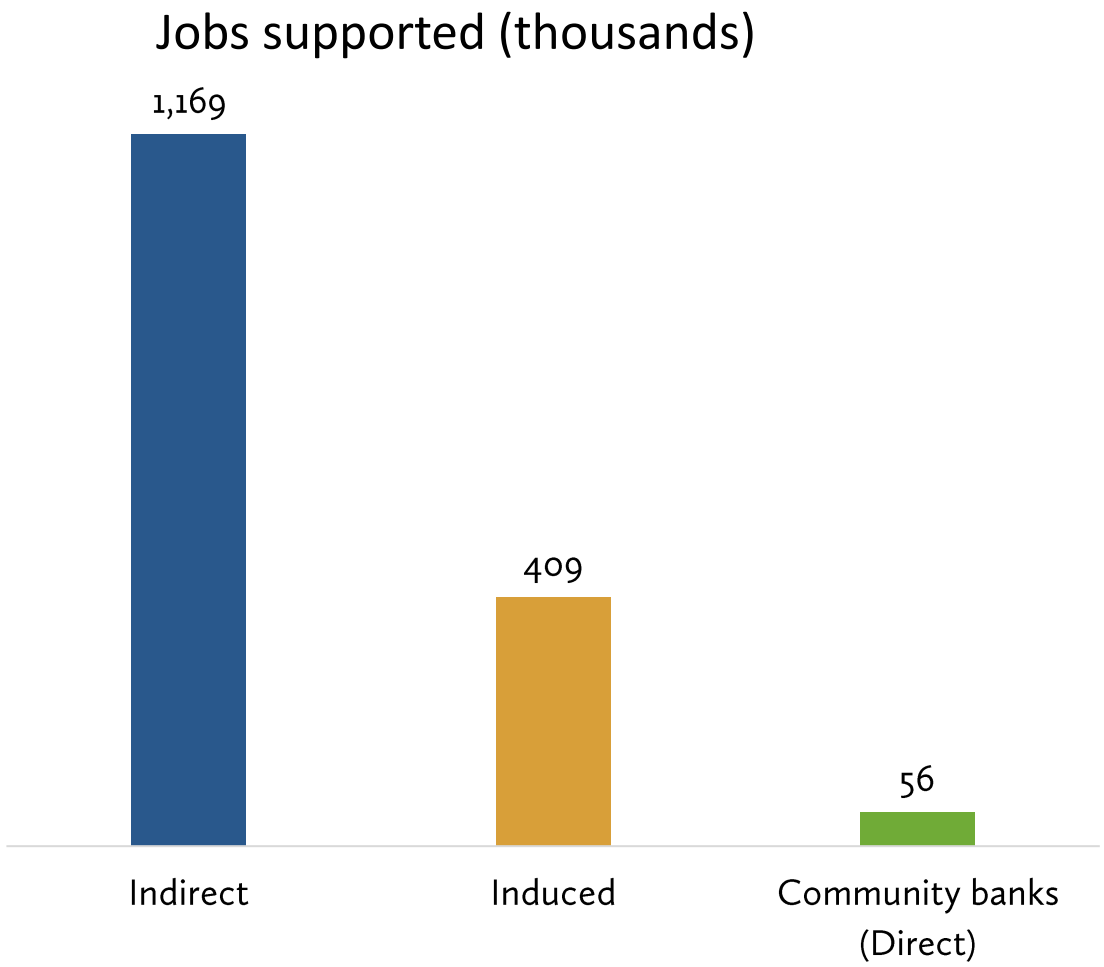
Community banks further helped drive the Texas economy by supporting **$26.2 billion in profits** for businesses and earning **$5.0 billion in profits directly**.

Finally, community banks supported a total of **$4.9 billion in tax payments**, of which **$0.8 billion were paid directly** by the banks in 2024.

Money deposited in community banks stays in Texas and drives the economy



Texas community banks supported 1.6 million jobs in the state in 2024

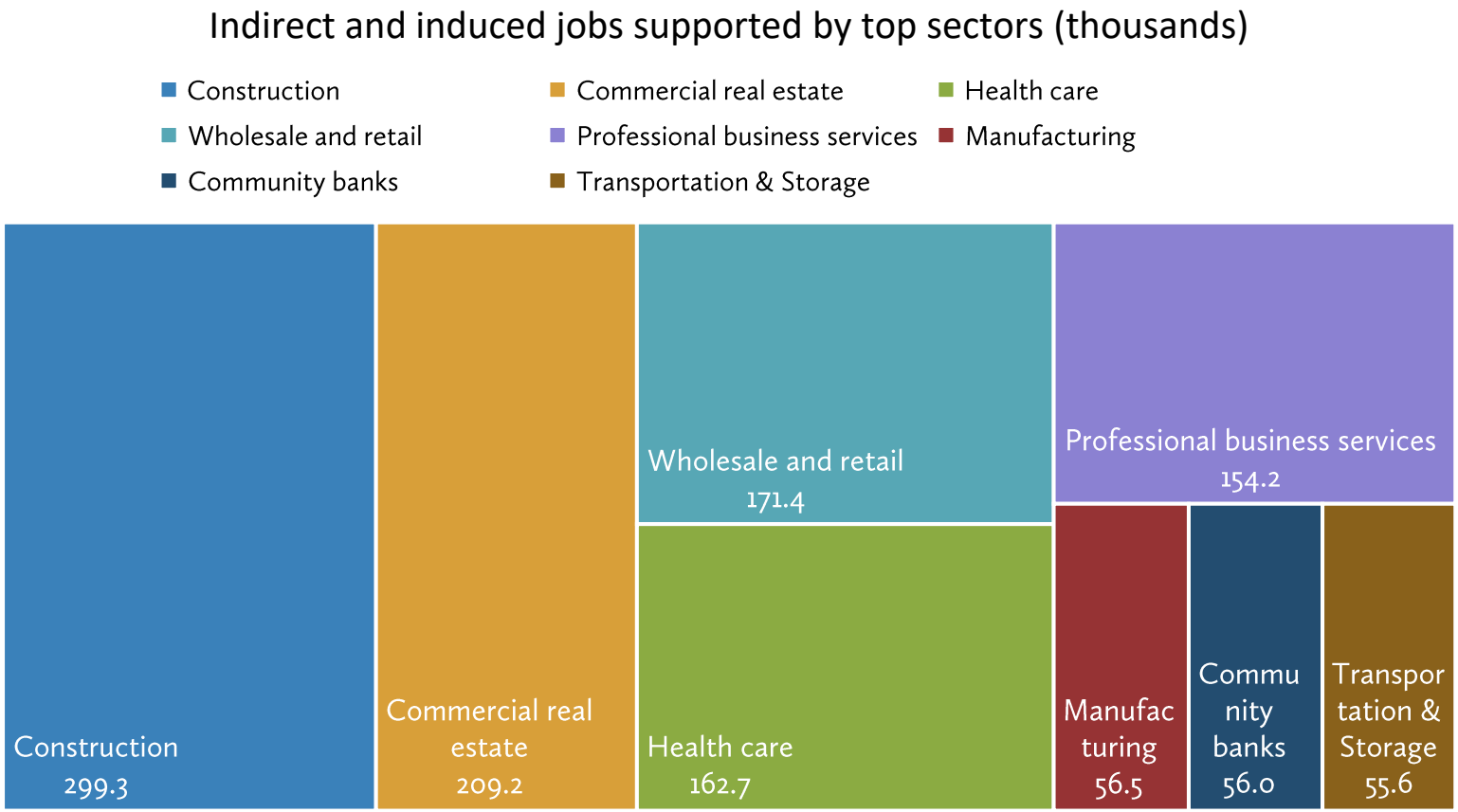


Employment supported breaks down into indirect, induced, and direct jobs supported.

In 2024, community banks supported a total of 1.6 million jobs across Texas. Of this, they supported **1.2 million jobs indirectly** through their lending activities. Community banks supported another **409k induced jobs** (employment generated through the re-spending of salaries earned in the value chain) and **directly employed 56k workers**. This means that for every **1** community banking employee, **28** additional jobs were supported in Texas.

1.6 million supported jobs represents **10% of the Texas workforce** in 2024.

Community banks supported jobs across all sectors of the economy



Community banks supported ~470,000 jobs across all other sectors

Community banking's impact spans sectors and supports employment across the state.

The highest sectors supported in terms of employment are construction, commercial real estate, wholesale & retail trade, health care, and professional business services. These sectors received high volumes of lending from community banks. Additionally, sectors like construction are more labor intensive, meaning that injected capital will create more jobs in these sectors than in sectors where less labor is required to produce output.

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Data Collection

Data was collected entirely from public sources. Bank data such as loans, employee headcounts, and deposits were collected from the Federal Financial Institutions Examination Council's (FFIEC) public call report database. The macroeconomic data leveraged in the study was collected from several reputable public sources.

FFIEC

- Call report data was collected for 354 community banks in Texas.
- Within the call reports, data was pulled from Schedule RC-C: Loans and leases.
- All data was pulled as of December 31st, 2024.

Public sources

- Macro-economic data was collected from reputable public sources.
- U.S. and Texas data used to construct the multi-regional input-output model was procured from IMPLAN, a data provider specialized in maintaining the most accurate data tables for the U.S.
- Data from the Bureau of Labor Statistics (BLS), the Bureau of Economic Analysis (BEA), and Census Bureau are used to contextualize results as a share of the labor force, share of GDP, or split state results by congressional district.

Data analysis

Loans were classified as either commercial or consumer and further categorized for the first round of analysis:

Commercial

- C&I loans
- Commercial real estate loans
- Construction loans
- Agriculture loans
- Other loans

Consumer

- Mortgages
- Consumer loans (including credit)
- Automobile loans

Each loan type generates a unique flow signal to the economy, from enabling increased output in commercial sectors to facilitating direct spending across consumer sectors. To calculate these economic flows, characteristics of each loan type were considered and rational assumptions were made when necessary to ensure the initial economic activity generated by loans was properly accounted for before the modelling phase.

Converting commercial loans to the economic flows they enabled in 2024

Commercial loans finance investments that ultimately enable businesses to increase their revenues. In this study, each category of commercial loans was analyzed based on the characteristics of the loan and the sectors in which they generate economic flows.

We applied sector-level asset turnover rates to loans in sectors that generate recurring revenue over time. For example, in the agriculture sector, a tractor generates output for several years following its purchase. Asset turnover rates are low in sectors that require a lot of capital to increase output (commercial real estate, agriculture, etc.) and high in sectors that are less capital intensive (business services, legal services, etc.).

Commercial loan type	Methodology
C&I	• Loans were split across major sectors (manufacturing, retail, energy, health care, and business services) and adjusted by region and bank size. • The asset turnover rate of each sector was directly applied to the corresponding outstanding loan amounts.
Commercial real estate	• The asset turnover rate of the commercial real estate sector was directly applied to the outstanding loan amount.
Agriculture	• The asset turnover rate of the agriculture sector was directly applied to the outstanding loan amount.
Construction	• Construction loans were input into the model at face value because they are short-term, purpose-specific loans used for materials, labor, or equipment.
Other	• The average asset turnover rate of the finance, insurance, real estate, and leasing sectors was directly applied to the outstanding loan amount.

Converting consumer loans to the economic flows they enabled in 2024

Consumer loans finance direct spending in the economy. Each type of consumer loan interacts with the economy in a unique way. Typical consumer loans such as credit represent short-term loans that fund everyday spending. On the other hand, automobile loans have a longer life, meaning the spending they enable may not have occurred within the last year.

Mortgages behave uniquely in that they enable home ownership which inspires people to invest in their homes and increase their spending on home improvement. In facilitating home sales, mortgages also support spending on brokers. In the long-term, mortgages have further wealth building effects that are recognized in this study but not quantified.

Consumer loan type	Methodology
Mortgages	• Home improvement spending was calculated by multiplying the estimated number of outstanding mortgages by the average spend on home improvement in a year. • Broker fee spending was calculated by multiplying the number of outstanding mortgages by the average spend on brokers per home sale. This value was then divided by the average life of mortgages in Texas to account for fees paid within the last year.
Consumer loans	• Consumer loans were split across spending sectors to properly distribute economic activity according to average consumer spending behavior.
Automobile loans	• Automobile loans were divided by their average life to adjust for the spending that only occurred in the last year.

Multi-regional input-output (MRIO) modelling

The direct impacts of the community bank industry are defined by the profits, salaries, and taxes of the banks themselves. The direct impact, combined with the indirect and induced impacts, comprises the industry's total economic impact in Texas.

Calculating indirect and induced economic impacts

Indirect and induced impacts were calculated using multi-regional input output (MRIO) modelling. In the model, the economic flows generated by each loan type serve as initial injections into a Social Accounting Matrix (SAM) of Texas, which captures all sector inter-linkages in the state economy to estimate total economic output related to the community banking system. The MRIO model also captures inter-state linkages to account for economic activity that leaves Texas given the openness of the economy in the United States.

Economic flows were mapped across sectors and input into the MRIO model. The MRIO model tracks how the demand enabled by lending in a specific sector generates output in the state. The model uses inter-state trade flow data for 530 commodities to estimate the amount of output needed by sectors to meet the initial demand from another sector. This is repeated for many iterations across 546 sectors and 50 states. Output supported in Texas in each sector is transformed to employment and value added using multipliers.

Results were checked for outliers, statistical anomalies, or non-sensical data. Results are directionally correct based on best available data and assumptions inherent in the model methodology and input data. More information on MRIO models, definitions, and the data used is available on IMPLAN's website.

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Conclusion

Deposits in community banks stay in Texas through local lending

Loans enable businesses to increase output and consumers to increase spending

Increased spending boosts economic activity, primarily by supporting Texas worker salaries

Increased spending fuels employment in sectors across the Texas economy

THANKS!

Any questions?

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