



## Journal of Internet Banking and Commerce

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### From the JIBC Publisher

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### **Banking/Technology Concentration**

There is a plenty of evidence, coming from the North America, Europe, South-East Asia, and other world regions, that ownership concentration in the banking industry also leads to the drastic erosion in the number of vendors that develop, sell and support specialized financial software. The number of independent banks in the North America, Caribbean and other parts of the world dwindles, with the very large banks taking over their small and medium competitors entrenched in particular localities.

A significant contributing factor to the bank industry's concentration is the substantial cost of new Internet banking solutions that are imposed by the legitimate concerns for privacy, security, operation expenses, outsourcing of support, equipment maintenance, and, increasingly considerable, reporting and compliance requirements. The Catch-22

situation is in the fact that small Financial Institutions (FIs) need relatively inexpensive and versatile solutions to support the multitude of the new government requirements; but taking place parallel rapid concentration in the banking technology industry shifts its focus to servicing very large banks, where the development money are. Small and specialized banks, trusts and insurance companies are being squeezed in the process.

The only viable long-term solution might lie in the proactive association of small financial institutions across the globe, and their aggressive use of aggregated procurement power – to jointly resolve the critical issues of privacy, security, operation costs, support outsourcing, equipment maintenance and, increasingly considerable, reporting and compliance. Technically such moderate-cost/efficient solutions are becoming available with the introduction of 64-bit computing platforms. However, they typically require a substantial level of reengineering commitment from the top banking executives in the exceedingly conservative industry, where senior managers are typically reactive. Hence, the future of a small or medium size individual bank or trust depends more on its own course of action. The radical change in small FI survivability is still feasible but, unfortunately, less and less probable with the passage of time and of the new opportunities.

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