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State-run banks with PCA tag prune ATMs in a bid to cut costs

BY ET BUREAU | UPDATED: JUN 25, 2018, 12.40 PM IST

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By Anjali Venugopalan

MUMBAI: Distressed state-run banks from Indian Overseas Bank to Canara Bank are shuttering ATMs at a record pace amid regulatory orders to cut down costs which indirectly is helping competitors to gain market share facilitating more cash withdrawal points.

The banks under the Reserve Bank of India's watch in the Prompt Corrective Action scheme have shut down as many as 1,635 ATM points in the last year, data from the Reserve Bank of India show.

This is despite cash withdrawals going up by as much as 22% in the past year as economic activity accelerated in rural India.

But the total number of ATMs in the country has gone up by 107 – from 2,07,813 last year to 2,07,920 this year signalling rivals are ramping up the facility.

“An ATM machine costs around Rs 2.5 lakh and another Rs 4.5-5 lakh as operational costs,” said Neeraj Vyas, deputy managing director at the State Bank of India. “Add around Rs.20 lakh as idle cash not giving returns, managing cash and free transactions on our own network, and when our customers use other banks’ ATMs. This makes the ATM business none too attractive.” Banking regulator

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has put 11 state-run banks under the so called [PCA](#) after their financial deteriorated. To improve their health, the regulator imposes restrictions like lending, orders cost reduction and freezes nonessential hiring at many levels.



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This has taken a toll on the banks' market share. The share of state-run banks in the commercial lending market dropped from Rs 32 lakh crores in March 2016 to Rs 31.1 lakh crore at the end of December 2017. During the same period the share of Private Banks grew from Rs 9.1 lakh crore to Rs 10.9 lakh crore while for NBFCs it grew from Rs 2.2 lakh crore to Rs 3.9 lakh crore, data from CIBIL shows.

Of the 11 banks under PCA, seven have cut down their ATMs. They are Central Bank, [Allahabad Bank](#), Indian Overseas Bank, Bank of India, Bank of Maharashtra, [Corporation Bank](#) and [UCO Bank](#), RBI data shows.

IOB, which came under PCA in September 2015, leads the cuts. It has slashed 15% of its ATMs, bringing it down from more than 3,500 in April 2017 to 3,000 this April. UCO Bank and Canara Bank are next, having shut down 7.6% of their ATMs.

“As one of the cost-cutting measures... 400 ATMs will have to be rationalised before February.” Dinabandhu Mohapatra, chief executive at Bank of India had told ET. Close to 300 BoI ATMs have been cut.

Bank of Baroda and Punjab National Bank, the two other big state-run banks which are also under stress, but are out of the PCA as of now, have also contributed to the slowdown this year. BoB has shut down more than 2,000 ATMs, while the scam-hit has reduced by more than 1,000.

At the same time, private banks and small finance banks (SFBs) have balanced it out by continuing to add, although at a much slower rate than earlier. New entrant FINO Payments Bank has kept the numbers steady by adding more than 2700 ATMs, while public-sector giant State Bank of India too has added nearly 500.

In contrast, private banks added 7,500 ATMs between 2016 and 2017. In the year before that, it was more than twice that number, with 15,714 ATMs being added.

While cash remains a popular means of payment, banks are looking to push digital because of the lower costs. “Migrating customers to electronic channel is the only answer,” says Vyas.

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