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Market Watch

# PSBs shutter many branches, ATMs in cities as costs mount

BY ASHWIN MANIKANDAN, ET BUREAU | UPDATED: AUG 22, 2019, 08.16 AM IST

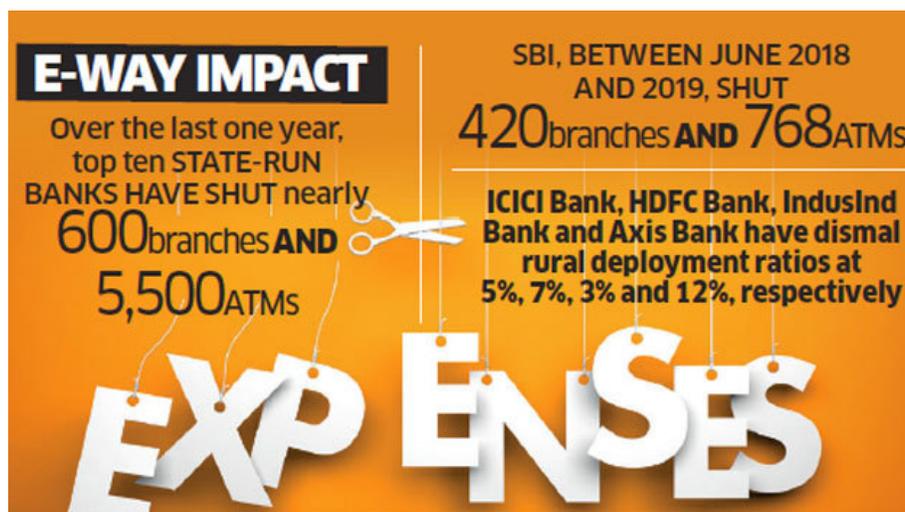
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MUMBAI: Public sector banks are shutting many of their [ATMs](#) and [branches](#) in major cities to cut expenses as urban customers are increasingly taking to [digital channels](#) for their banking needs, rendering the costs for maintaining and setting up these physical infrastructures unnecessary.

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The top ten state-run banks with the largest branch networks have shut nearly 5,500 ATMs and 600 branches over the past one year, ET analysis of the latest quarterly reports of these banks show. These closures come at a period when public banks have desperately tried to reduce their balance sheet expenditures as they have struggled to register profits owing to an environment of muted credit growth and rising non-performing assets ([NPAs](#)).

The biggest of these lenders, State Bank of India, between June 2018 and 2019, had shut 420 branches and 768 ATMs, while the amalgamated entity of Bank of Baroda, Vijaya and Dena banks shut 40 branches and 274 ATMs in this period. The other banks which have shrunk either their branch or ATM fleet include Punjab National Bank, Central Bank of India, Canara Bank, Bank of India, Indian Overseas Bank, Union Bank and Allahabad Bank.



Of the banks analysed by ET, only Indian Bank increased both its ATMs and branch networks in this period. While nine out of these ten banks have reduced their ATMs, six of these ten banks have cut down on its branches.

[Bankers](#) said that these shutdowns have happened mostly in cities, where the banking networks are amply penetrated and people are increasingly getting used to digital transactions.

“Public sector banks are closing branches and ATMs mostly in metro cities and not in rural or semi-urban areas,” said Pallav Mohapatra, MD and CEO, Central Bank of India.

While most major private sector banks such as Axis Bank, HDFC Bank and ICICI Bank have all increased their banking networks in this period, RBI data shows that these banks mostly deploy their ATMs in major cities.

ICICI Bank, HDFC Bank, IndusInd Bank and Axis Bank have dismal rural deployment ratios of 5%, 7%, 3% and 12%, respectively. While public sector banks are deploying one out of every five ATMs in these geographies, for private sector banks, the deployment rate is less

that one for every 10 ATMs.

“It’s a factor of demand. Why should there be so many branches and ATMs in metros when there is so much of competition? If I have an ATM in a metro and have a limited hit rate, why should I continue deploying them?” asked Mohapatra. Most of these state-run lenders have had a tough one year in terms of registering profits while maintaining requisite liquidity buffers, as slowing credit growth and provisions on rising NPAs have squeezed the margins of these lenders. Bank of India, which shut 36 branches and 1,269 ATMs last year, said that these closures were measures to wipe needless costs off the balance sheet.

“It’s (shutting of ATM and branches) mostly on the grounds of business viability. The rationalisation drive for branches and ATMs will be continued during FY20 as well,” said N Damodharan, executive director, Bank of India, during their results conference. As per some industry experts, the closure drive may soon become a trend, as costs of maintaining these networks may far exceed investments in digital channels as more and more banking customers go through a behaviour change.

“As customers get more comfortable banking and transacting over digital channels, ATMs and branches may soon become redundant,” said a senior public sector banker requesting anonymity.

“Soon even rural customers would become digitally empowered and banks would continue saving costs on these fronts.”

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