

BANK BRANCH CLOSURE AND CASH ACCESS IN SPAIN

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Abstract

This article describes the importance of cash and the impact that the reduction of branches has on cash access, and looks at the compensatory measures taken by financial institutions to mitigate its effect on the Spanish population.

Cash continues to be the most common means of payment in Spain. The latest Banco de España survey shows that it is the payment instrument preferred by 53% of the population, evidence that is consistent with that of a recent study by the European Central Bank (ECB).

The banking consolidation in the Spanish financial system has brought the closure of bank branches, a process that could be attributed to the need to adjust capacity and to reduce costs after the strong expansion of previous years.

Since 2008 the number of branches of deposit-taking institutions has decreased by 17,873. Andalusia continues being the region with the largest number of branches although it is also the most populated and the second largest region of Spain.

This same phenomenon of branches closing has occurred in the euro area countries, although in lower magnitude. Besides the high number of closings, in 2017 Spain continued to rank among the countries with the highest number of branches per inhabitant but the differences with other country members have been reduced.

At the end of 2017, 4,109 municipalities were branchless, affecting to 2.7% of the Spanish population located mainly in the Castilla and Leon region. The Internet facilitates banking transactions and prevents financial exclusion, while the closure of branches hinders access to cash by the population segment that uses cash as the main and only payment instrument.

Banks supplement their cash distribution through the use of off-site Automated Teller Machines (ATMs) and other facilities such as mobile branches in rural areas, reducing the proportion of Spanish population with no close access to cash delivery points to 1.96%.

1 Introduction

The volume of euro-denominated cash in circulation has followed an upward course since the euro cash changeover in 2002. In 2017 the average growth of banknotes in circulation in the Eurosystem was 6.8% with respect to the previous year.

Cash continues to be the most common means of payment in Spain, as revealed by the Banco de España's latest periodic survey on the use of cash in Spain, and the recent study published by the ECB on the use of cash by households in euro area countries.¹ Both of them contradict the idea that cash is being increasingly replaced by alternative means of payment and show that consumers make widespread use of cash for day-to-day payments and as a store of value.

Moreover, the data published by the Banco de España on the number and euro amount of cash withdrawals at ATMs indicates that the number has remained stable, while their aggregate amount has increased in recent years.

¹ See Esselink and Hernández (2017).

The banking consolidation in the Spanish financial system has entailed, among other measures, the closure of bank branches throughout Spain. The data published by the Banco de España in its *Statistical Bulletin*² on the number of bank branches in each province of Spain indeed show a significant decline in recent years, particularly since the outbreak of the economic and financial crisis in 2008. Certain geographical areas have been more strongly affected, as analysed below.

This downward trend could be attributed to the need of the banking sector to adjust capacity to the less demand and to reduce costs after the strong expansion of previous years. Since the outbreak of the crisis, the decrease in the number of financial institutions is the key factor behind branch closures. Banks need to adapt their business model to the environment as they strive to raise their efficiency. In any event, the decision to close bank branches obviously lies with the banks themselves and unquestionably the rationalisation of the network has much to do with the behaviour of demand and with the change in the multichannel management strategy that is hastened by new technologies.

Bank branches have similarly been reduced in the European Union countries. Comparison of the adjustment made by the Spanish banking system with that of the main European countries shows that at December 2017 Spain continued to be one of the countries with the highest number of branches per inhabitant. However the difference with the ratio of branches per inhabitant in other countries is now substantially lower than it was before the crisis. The crisis fuelled the natural trend that, as in the other European countries, is towards fewer branches per inhabitant. Branch closures in Spain have, in short, entailed an adjustment of capacity in order to correct imbalances and improve efficiency.

The evidence presented later in this paper on municipalities and their residents that do not have a bank branch in their place of residence does not necessarily imply that the people affected are in a situation of financial exclusion. In recent years Spain has seen a significant increase in both Internet usage and online banking, which allows banking transactions to be made without having to be physically at the branch. This offsets somewhat the effects of branch closure, although admittedly the use of online facilities involves some difficulty for certain segments of the population, particularly old people living in rural areas.

However, in recent years the banking sector has adjusted not only its branch network but also the number of ATMs supplementing its banking services.

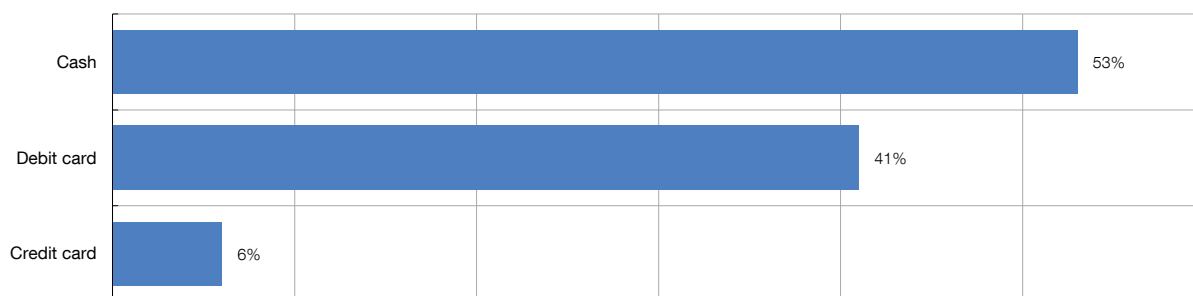
To compensate for the decrease in branches and ATMs, banks have reacted by setting up off-site customer service centres, such as mobile branches or financial agents that, in the absence of a permanent establishment, attend to customers regularly at places where there is no longer a branch.

In this respect, the maintenance of an appropriate network of distribution points throughout Spain is responsive to the Spanish population's preference for cash as a means of payment. This article describes the importance of cash and the impact that the reduction of branches and ATMs has on cash access, and looks at the compensatory measures taken by financial institutions to mitigate its effect on the Spanish population.

2 <http://www.bde.es/webbde/es/estadis/infoest/a0449b.pdf>.
<http://www.bde.es/webbde/es/estadis/infoest/a0447.pdf>.

MOST COMMON PAYMENT INSTRUMENTS IN SPAIN IN 2017

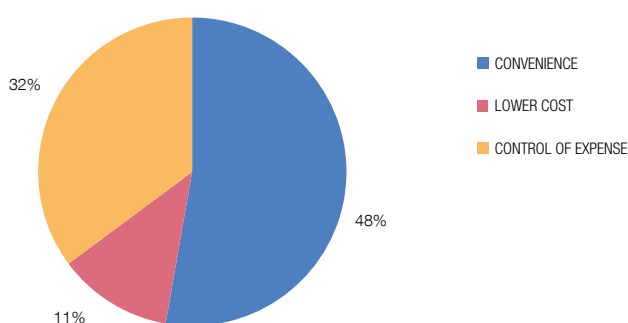
CHART 1



SOURCE: Banco de España.

REASONS WHY PAYMENT INSTRUMENTS ARE USED

CHART 2



SOURCE: Banco de España.

2 Use of cash in Spain and in the Eurosystem

Cash continues to be the most common means of payment in Spain, as revealed by the Banco de España’s latest survey conducted in 2017 on the use of cash³ (see Chart 1), which found that 53% of the population uses banknotes and coins as the main means of payment, followed by debit cards at 41%. Although this percentage has been progressively decreasing in the most recent annual surveys conducted, the reasons for its use continue to be the same: convenience, ease of control of the expense and lower cost, as reflected in Chart 2.

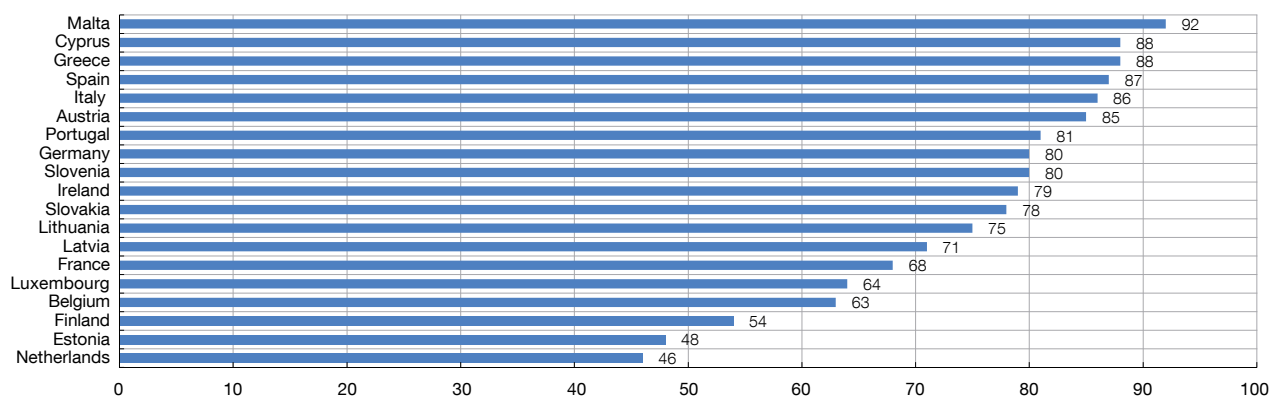
In November 2017 the ECB published an exhaustive study on the use of cash by euro area households. The study is based on the first joint harmonised survey of point-of-sale payment habits in euro area countries, including Spain, between October 2015 and July 2016. The study provides key information on the number and real value of cash payments in euro area countries, the public’s preferences at the point of sale and the differences between countries. The results allow analysis of the reasons why cash is used more in some countries than in others and provide an objective measure of the payment instruments used in day-to-day transactions. The conclusions relating to Spain are highly significant for our analysis.

Cash is the most widely used instrument at point of sale: by number of transactions, 79% of the number of transactions in euro area are in cash, which in terms of amount represents

³ Provisional result at the date of preparation of this article with 80% of responses processed.

TRANSACTIONS IN CASH AT POINTS OF SALE IN EURO AREA COUNTRIES (%)

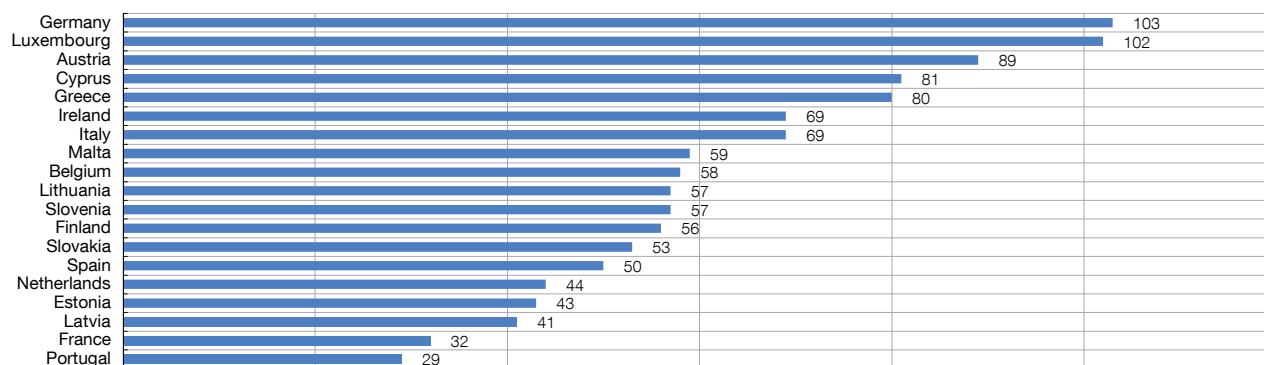
CHART 3



SOURCE: European Central Bank.

AVERAGE AMOUNT OF MONEY KEPT IN WALLET IN EURO AREA COUNTRIES IN 2016 (€)

CHART 4



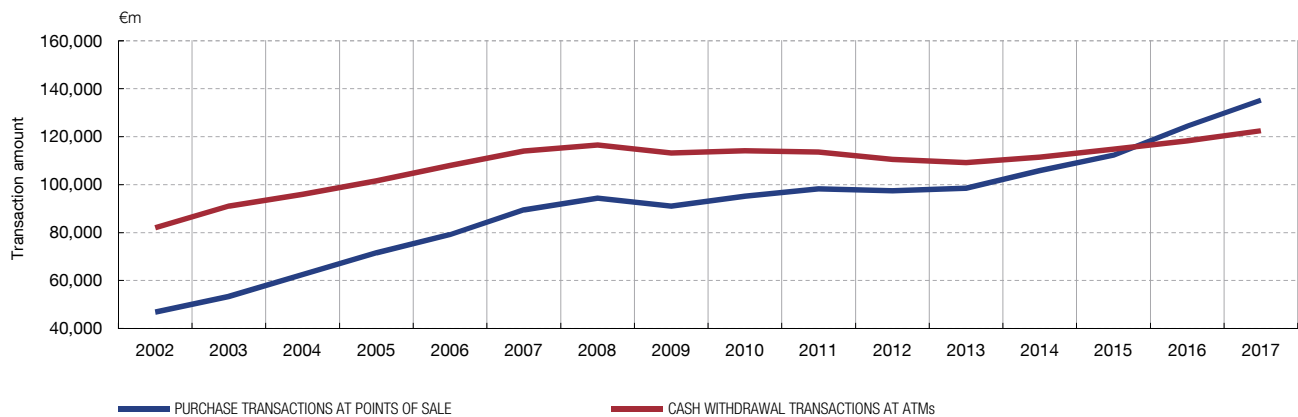
SOURCE: European Central Bank.

54% of the total, although there are large differences between the various euro area countries. In Spain, the figures are higher than the average, being 87% by number of transactions and 68% by value. Charts 3 and 4 give a breakdown by country.

The average value of the cash transactions in the euro area as a whole was €12.38 and somewhat less in Spain at €8.8, with 65% of all point-of-sale transactions being less than €15. Cash was generally the payment instrument chosen for transactions below €45.

For the purposes of this article, importantly the ECB study also reports that ATMs are the main source from which consumers obtain cash: 61% compared with 8% at bank counters. On average, 20% of survey respondent's state that they withdraw money at ATMs or bank counters two or three times a month. The average number of cash withdrawals per person per week at ATMs is 0.5, for an average amount of €73, while at counters it is 0.1, for the considerably higher amount of €124. The rest of cash comes from money kept at home, is received from friends or, in some cases, obtained via cashback.⁴ The amount of cash that Europeans carry in their wallets is €65 on average: Spaniards carry only €50. Additionally, 16% of consumers in the euro area (excluding

⁴ A means of obtaining cash at commercial outlets through the card payment of an amount exceeding that of the purchase made.



SOURCE: Banco de España.

Germany) received at least a quarter of their regular income in cash in 2016. In Spain this figure was 21%.

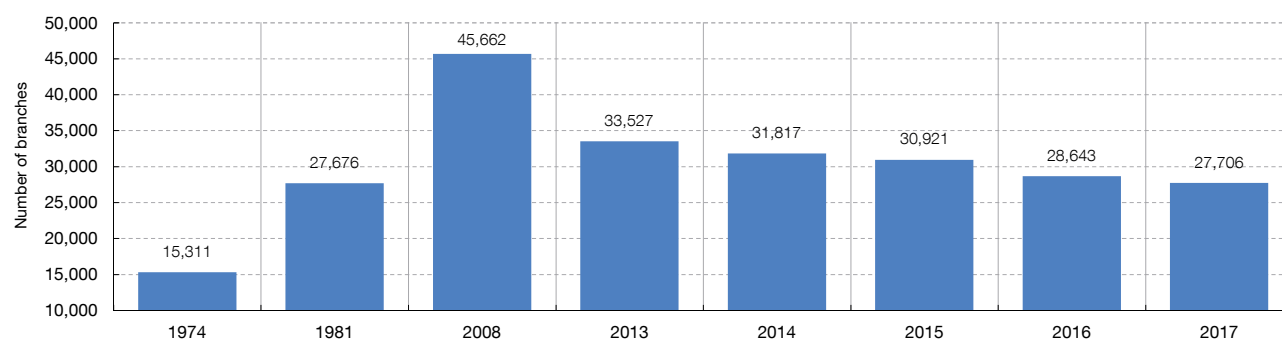
In general, the results of the ECB study show that cash is the means of payment most widely accepted and used in all euro area countries. This result contrasts with the widespread perception that the use of cash is decreasing and that of other instruments is increasing.

The ECB's analysis methodology based on the daily recording of transactions at points of sale differs from that of other surveys carried out by different organisations, such as the Banco de España, which focus on the intention or preference in payment instrument usage. In this respect, the ECB supplements its analysis by asking consumers about their preferences regarding the means of payment in purchases, the result being that only 42% of respondents in Spain said they prefer cash as the means of payment, 40% said they prefer cards or other instruments and 16% had no preference. The discrepancy between preference (42%), perception of use (53%) and actual behaviour (87%) may be due to a lack of conscious appreciation of the small day-to-day payments that generally tend to be made in cash.

The central bank of Germany also recently published an article on behaviour in the use of payment instruments in 2017, which reports that cash is the most widely used means of payment, accounting for 74% of transactions and 48% of their value.⁵

Regarding the use of other alternative means of payment, particularly cards, the data published by the Banco de España on the number and euro amounts of ATM cash withdrawals and of purchases at point-of-sale (POS) terminals in Spain with cards issued by institutions belonging to Spanish networks, indicate, as can be seen in Chart 5, that the number of cash withdrawals from ATMs has remained steady, while their aggregate amount has increased in recent years, although less quickly than that of POS transactions. Comparison of these two statistics shows that the average value of POS transactions decreased from €48 in 2008 to €39 in 2017, while the average value of cash withdrawals increased from €114 to €131 in the same period.

⁵ Deutsche Bundesbank (2018).



SOURCE: Banco de España.

3 Changes in the number of bank branches in Spain

Between 2008 and 2017 the number of banks in Spain decreased by 28% and their branches declined in number by 39%.

In 2017 the number of operating branches was reduced in 937 including branches of commercial banks, savings banks and credit cooperatives. The most significant change was in the first half of the year when the number of branches was reduced in 833.

The figures cited here refer to net changes in branch numbers. The number of branches has decreased continually since 2008, although not only there have been closures, but also some openings to strengthen the network in certain geographical areas. According to data published by the Banco de España, at the end of 2017 the number of operational branches of deposit-taking institutions was 27,706.

Commercial banks and savings banks are those that have most drastically adjusted their networks since 2008, while credit cooperatives barely altered their branch numbers in the entire crisis period.⁶

Chart 6 shows that after the recent reduction in the number of branches, the remaining stock of branches of deposit-taking institutions stood practically at the December 1981 level of 27,676.

The Spanish population has not been affected uniformly by these branch closures. Rather it has been more marked in municipalities of more than 10,000 inhabitants (see Charts 7 and 8), where the concentration of branches and ATMs was also initially higher. Specifically, these municipalities lost 15,043 branches in the period analysed. This article uses the population data published by Instituto Nacional de Estadística (INE) [the Spanish National Statistics Institute] relating to December 2017.

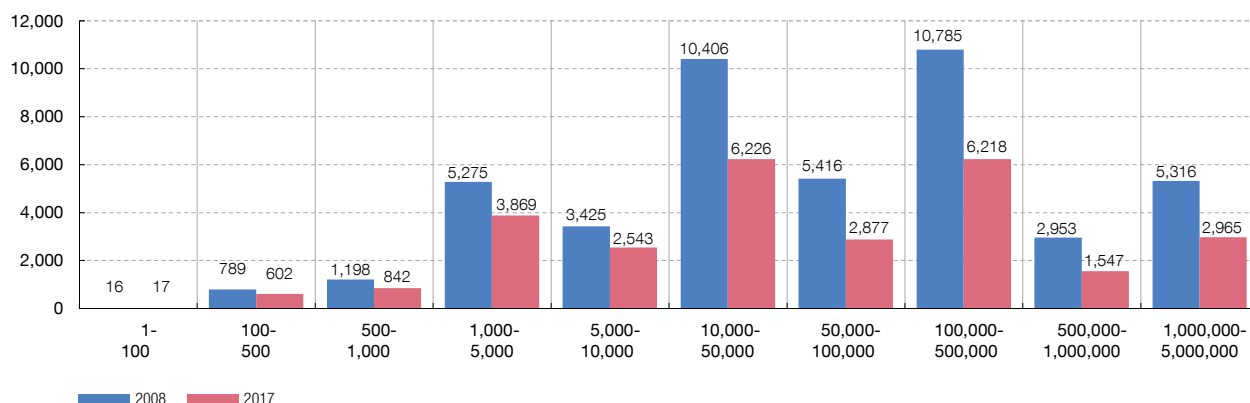
The reduction of branches in the smaller municipalities largely reflects the need for banks to adjust their networks to the population decline in rural Spain. Also, the branch closures in medium-sized and large towns were due to the restructuring of the banking sector in this period, since these towns were where the wave of bank mergers resulted in the greatest duplication of branches.⁷

⁶ In this respect, see Maudos (2016).

⁷ See Box 2.5 of the *Financial Stability Report* (November 2017).

NUMBER OF BANK BRANCHES IN MUNICIPALITIES BY POPULATION TRANCHE

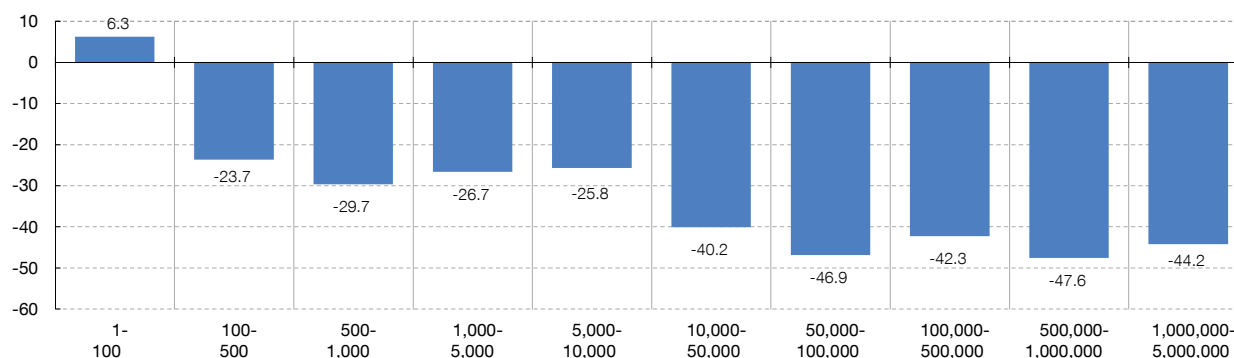
CHART 7



SOURCE: Banco de España and Instituto Nacional de Estadística.

CHANGE IN BANK BRANCHES IN MUNICIPALITIES BY POPULATION TRANCHE (%)

CHART 8



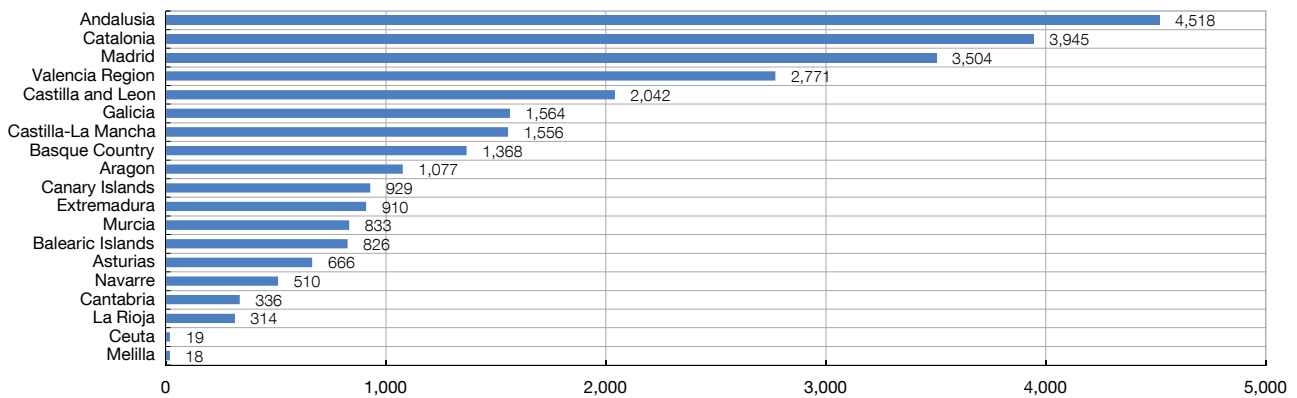
SOURCES: Banco de España and Instituto Nacional de Estadística.

The regions and municipalities have not all been equally affected by the change in the number of branches. The regional analysis set out in Chart 9 shows that Andalusia continues to be the region with the highest number of bank branches, 16% of the national total, despite their having been reduced by 36% between 2008 and 2017. Also, Table 1 shows that the number of branches decreased more in the regions where there was a higher concentration of branches or there was more marked banking consolidation. This was so in the Catalonia, Madrid and Valencia regions, which, despite their significant percentages of reduction of 51%, 42% and 45%, respectively, continue to account for 37% of Spanish branches. In other regions such as Cantabria, La Rioja or Asturias, the branch cuts were around 30% but they only account for between 1% and 2% of bank branches in Spain.

Population density is also a significant factor when it comes to calibrating the impact of branch reductions. The Andalusia, Catalonia, Madrid and Valencia regions saw the greatest closure of branches in nominal terms. Their branch concentration per million inhabitants is somewhat above 520, but below the national average of 595. The region of Castilla and Leon, which also underwent significant branch closures (1,050 in the period considered), maintain an average of 842 branches per million inhabitants, the third highest in Spain,

NUMBER OF BANK BRANCHES BY REGION IN 2017

CHART 9



SOURCE: Banco de España.

CHANGE IN NUMBER OF BRANCHES IN THE PERIOD 2008-2017

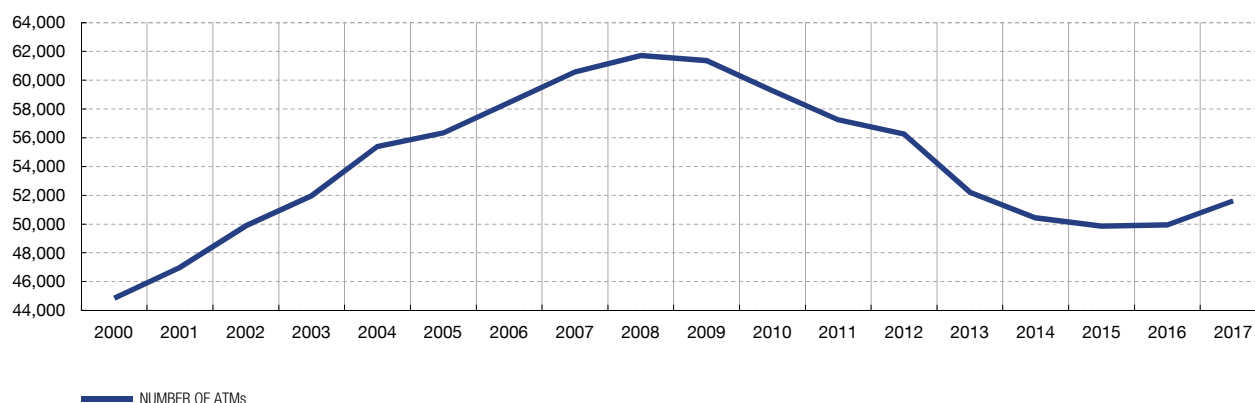
TABLE 1

	Number	% of total
Andalusia	-2,550	-36.1
Catalonia	-4,059	-50.7
Madrid	-2,538	-42.0
Valencia Region	-2,295	-45.3
Castilla and Leon	-1,050	-34.0
Galicia	-917	-37.0
Castilla-La Mancha	-459	-22.8
Basque Country	-624	-31.3
Aragon	-723	-40.2
Canary Islands	-536	-36.6
Extremadura	-297	-24.6
Murcia	-523	-38.6
Balearic Islands	-429	-34.2
Asturias	-300	-31.1
Navarre	-206	-28.8
Cantabria	-174	-34.1
La Rioja	-183	-36.8
Ceuta	-7	-26.9
Melilla	-3	-14.3
TOTAL	-17,873	-39.0

SOURCE: Banco de España.

behind La Rioja and Extremadura. This ratio serves for international comparison, as will be seen below.

Annex 1 contains the change in bank branches by province. It shows that the province of Barcelona saw the largest decrease between 2008 and 2017, coinciding with the merger of various banks in its territory. The same occurred in the provinces of Madrid and Valencia, where 42% and 45% of branches, respectively, were closed.



SOURCE: Banco de España.

4 Changes in the number of ATMs in Spain

As noted above, cash can be obtained not only from bank counters, but also increasingly from ATMs. ATMs are the main source from which consumers obtain cash.

The number of ATMs has also decreased in recent years, although in a lower proportion than bank branches and with a slight rise in the last year. This is largely because cash dispensers tend to be located at branches and were removed when the branches were closed. Offsetting this has been the installation of a large number of ATMs at points frequented by large numbers of people, such as for example shopping centres, airports or railway stations; these are the so-called off-site ATMs.

According to 2017 data, the number of ATMs in place in Spain amounts to 50,839, having decreased by 10,875 from a peak of 61,714 in 2008, down 17.6%. Chart 10 shows the changes since 2000.

5 Comparison of branches and ATMs with those of other European countries

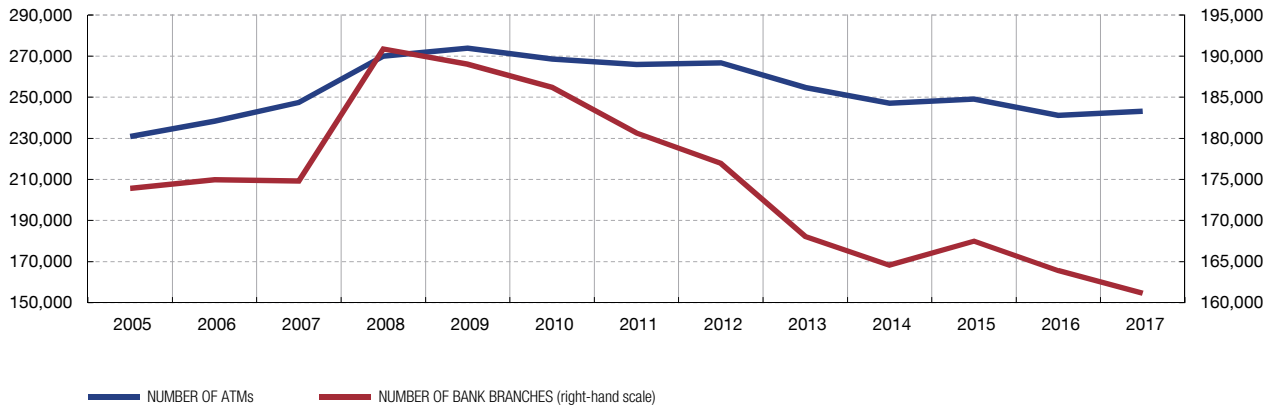
According to the latest data published by the European Banking Federation, at the end of 2016 there were nearly 189,000 branches of credit institutions in the European Union, after the closure of approximately 48,000 since 2008, i.e. a reduction of 20%. The reduction in the EU-28 in that last year was 9,100 branches, or 4.6% of the total.

The ECB data show a significant decrease in the number of bank branches in the euro area as a whole between 2008 and mid-2017. The data available on bank ATM numbers indicate a stock of 241,803 ATMs at mid-2017, down 32,056 from the peak in 2009, as can be seen in Chart 11. France is the country with the highest number of both branches and ATMs, while Spain is notable for its high number of ATMs that, added to branches, gives an aggregate for these two facilities equal to that of Italy, as shown by Chart 12.

The 2017 Eurosystem data allow the situation of Spain to be compared with that of the other European countries, in terms of branches per inhabitant and branches per Km². Charts 13 and 14 show that number of branches per million inhabitants in Spain, at 595, and number of ATMs, at 1.108, are higher than the average in the euro area (with 474 branches and 715 ATMs per million of inhabitants, and similar to the numbers in the geographically nearest countries (France and Portugal). In terms of geographical density the comparison gives the following results: Spain has 55 branches and 102 ATMs per 1,000 Km², while the averages for the Euro countries are, respectively, 57 and 85.

NUMBER OF BANK BRANCHES AND ATMs IN THE EURO AREA

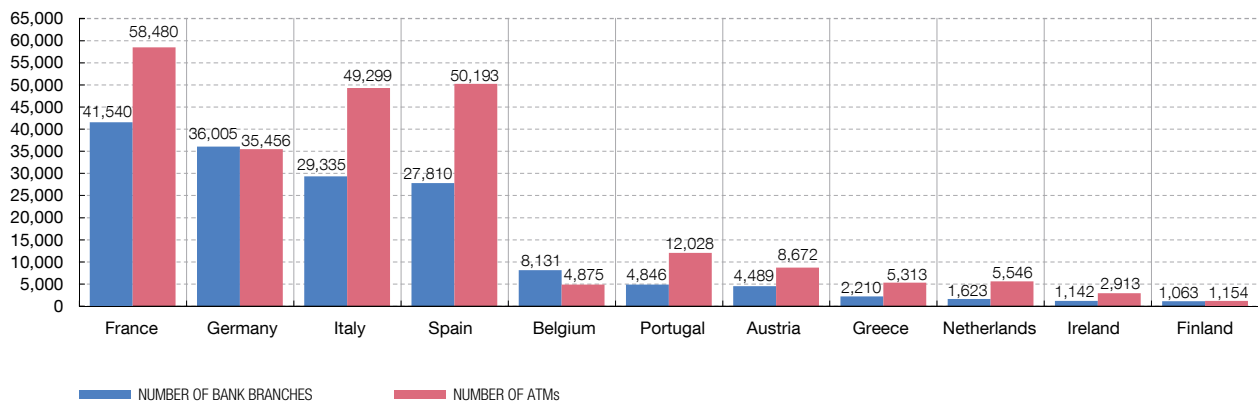
CHART 11



SOURCE: European Central Bank.

NUMBER OF BANK BRANCHES AND ATMs IN THE MAIN EURO AREA COUNTRIES IN 2017

CHART 12



SOURCE: European Central Bank.

6 Access to cash in Spain

Since cash continues to be the most common means of payment in Spain, the maintenance of an adequate network of distribution points in the country helps to satisfy this preference. However, the number of points where cash can be obtained in the country through bank counters serving the public or through ATMs has decreased from 107,293 in 2008 to 78,545 in 2017.

The sections below analyse the impact that branch closures have on cash access, describe the main developments in banking in order to offer alternative cash access channels and sketch the resulting cash access situation in Spain.

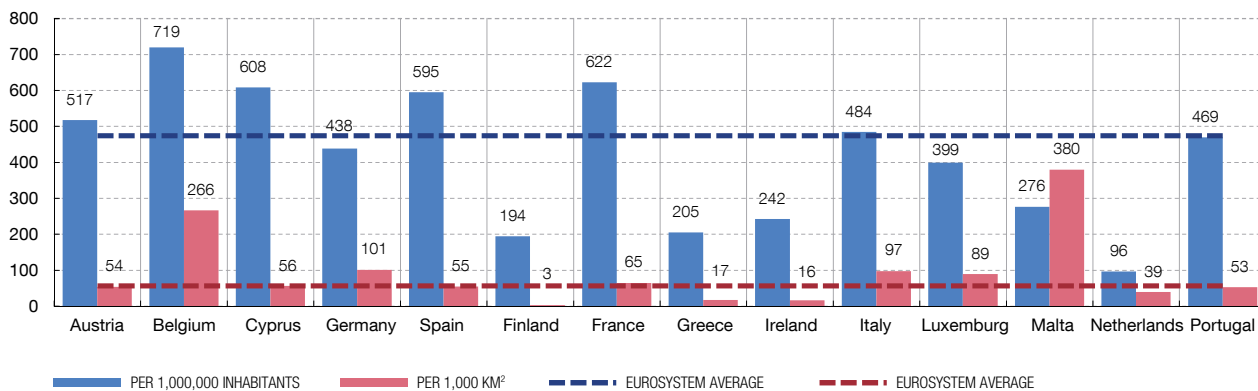
6.1 BRANCHLESS MUNICIPALITIES IN SPAIN

The most critical situation regarding cash access through a branch in a customer's place of residence occurs in municipalities which have lost the only branch which they had: at the end of 2017, 4,109 Spanish municipalities did not have a branch (540 more than in 2008), which meant that 1,249,407 inhabitants (2.7% of the Spanish population) did not have this service in their municipality of residence.

It should be pointed out that the municipalities lacking a branch are generally small (194 of them have fewer than 30 inhabitants and 521 have fewer than 50) and, in many cases, are

BANK BRANCH RATIOS OF THE MAIN EURO AREA COUNTRIES IN 2017

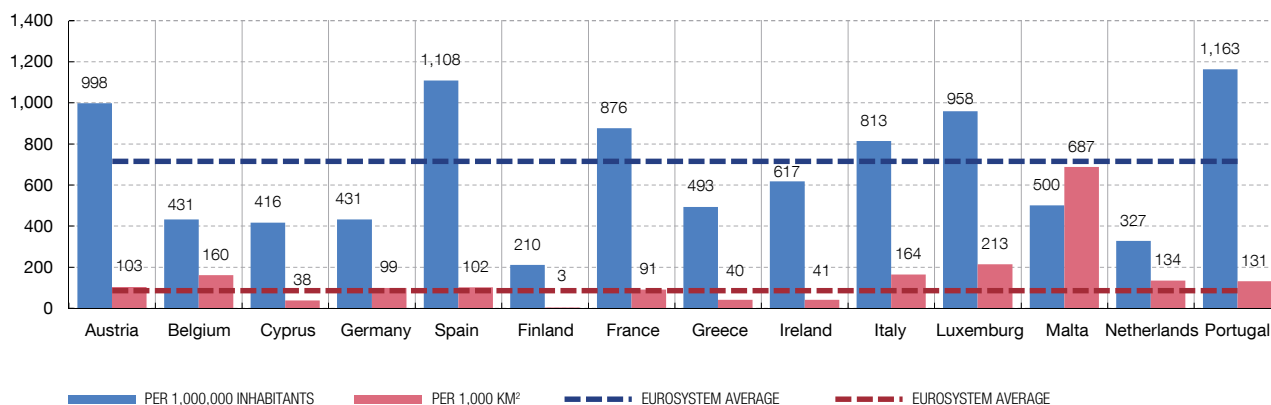
CHART 13



SOURCES: European Central Bank and Eurostat.

ATM RATIOS OF THE MAIN EURO AREA COUNTRIES IN 2017

CHART 14



SOURCES: European Central Bank and Eurostat.

near other municipalities that have a bank branch or an ATM. For example, the municipality lacking a branch that has the highest population (6,872 inhabitants) has a branch at a distance of 3 km.

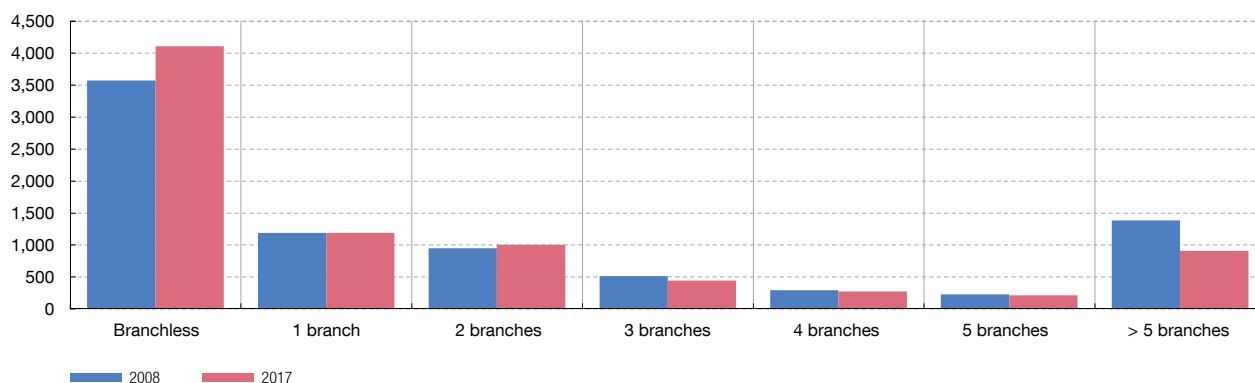
At a time of adjustment and cost cutting in the bank network, it seems reasonable to close branches with a scant number of customers, probably the less profitable. In most of these municipalities with limited access to cash, there are few opportunities to use it because of the lack of bars or shops, and their medical centres and schools closed some time ago.

However, it may be deceptive to rely on the absolute number of branchless municipalities when it comes to analysing their impact on the population, since population density plays a major role. Comparison of the map of municipalities having a cash service with the population density helps to assess the seriousness of the problem in each geographical area.

Charts 15 and 16 show that, although there are a high number of branchless municipalities, the vast majority of the Spanish population is concentrated in municipalities where there are more than five bank branches.

NUMBER OF MUNICIPALITIES AND BANK BRANCHES

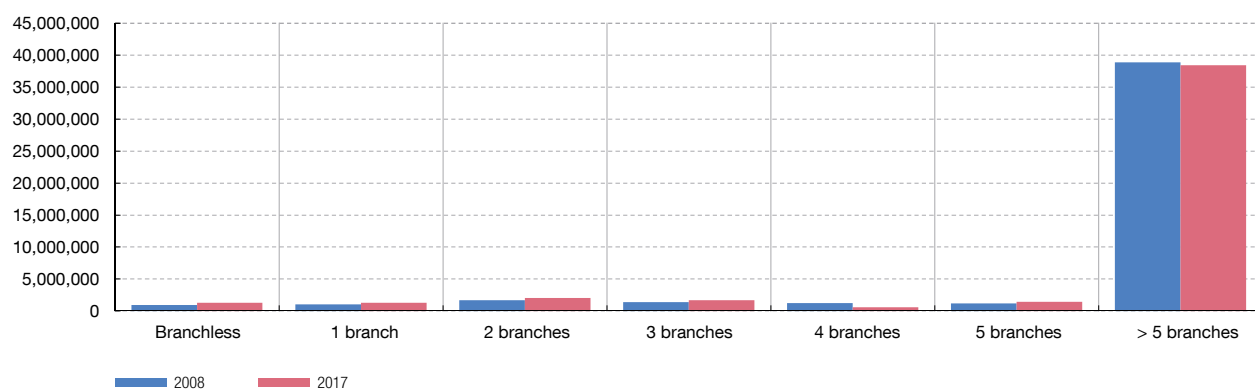
CHART 15



SOURCES: Banco de España and Instituto Nacional de Estadística.

NUMBER OF INHABITANTS AND BANK BRANCHES

CHART 16



SOURCES: Banco de España and Instituto Nacional de Estadística.

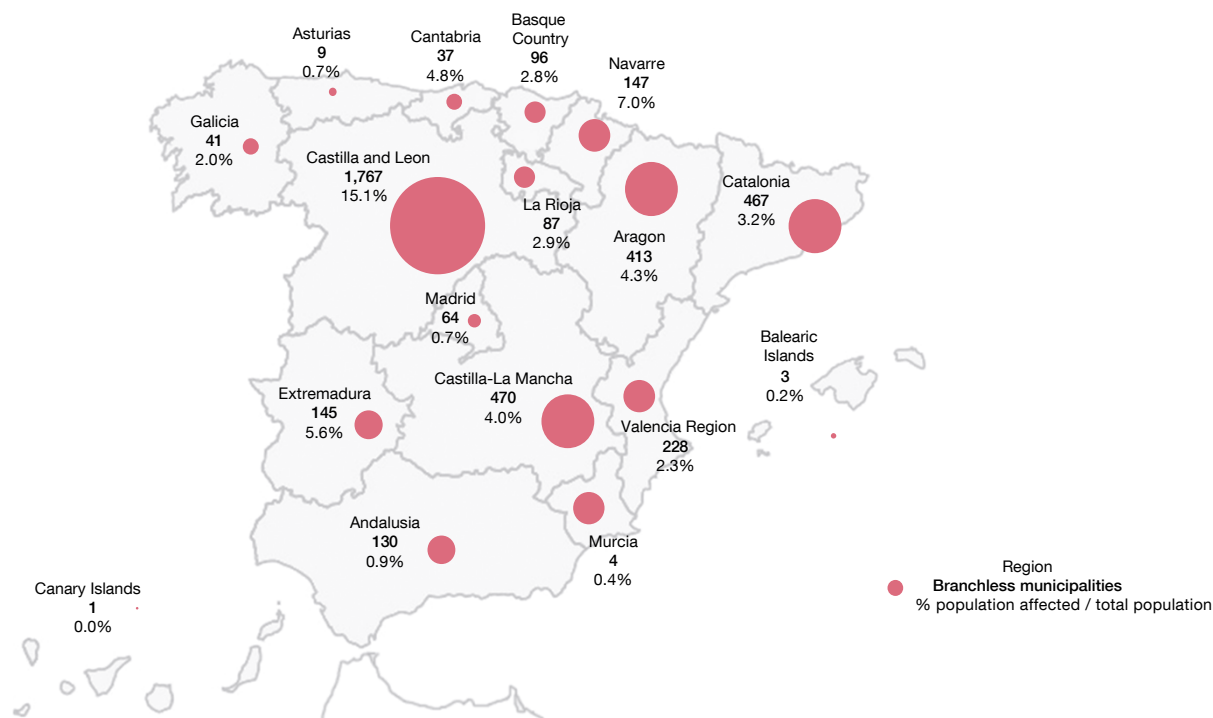
The geographical distribution of regions with branchless municipalities shows that the one with the highest number of branchless municipalities is Castilla and Leon (1,767), followed by Castilla-La Mancha, Catalonia and Aragon with 470, 467 and 413, respectively. According to INE data, at the end of 2017 Castilla and Leon had 2,248 municipalities, i.e. somewhat more than one-quarter of the Spanish municipalities, although its population barely represents 5% of the national total, so the average population per municipality is the lowest in Spain.

Map 1 shows the number of branchless municipalities in each region at the end of 2017 and the percentage of the region’s population affected.

Annex 2 includes an analysis of branchless municipalities by province. It can be seen that the province of Salamanca has the highest number of branchless municipalities, affecting 18% of its population. The provinces most affected by the reduction in bank branches in population terms are Zamora and Avila.

6.2 DEVELOPMENT OF ALTERNATIVE CASH ACCESS CHANNELS IN SPAIN

Although the reduction of bank branches can be explained by cost reduction and profitably reasons, such reduction affects the population particularly in cash access, which, unlike other bank services, cannot be covered by electronic banking.



SOURCES: Banco de España and Instituto Nacional de Estadística.

To make up for this, banks have developed other channels, such as mobile branches or financial agents without a permanent establishment that regularly attend to customers at those points that no longer have a branch. For example, one bank recently declared that *“the three basic pillars of customer service are its provision where, when and through the channel chosen by the user”*. To attend to other localities that have lost their branch, this bank has enlisted nearly 2,500 financial agents.⁸ Another bank which, in addition to its branches, has 186 counters in off-site customer service centres, recently highlighted its commitment to customer proximity and an extensive commercial network as key growth engines, and has also increased its presence in small localities with the aim of being present in all towns with more than 10,000 inhabitants.⁹

It is difficult to determine the number and location of the mobile branches and other facilities that Spanish banks have put at the service of the customers to provide cash services where there is no permanent branch. The Banco de España conducted a survey among the main Spanish banks to gather information on the implementation of these services at national level. A significant number of banks, representing 77% of banknote operations, provided information on the cash access channels acting as an alternative to bank branches and on their geographical coverage.

According to these data, in Spain at the end of 2016 there were at least 690 mobile branches and around 966 municipalities or districts whose cash services were provided through agents, off-site bank employees or cash-in-transit companies. Deposit-taking institutions also provide ad hoc cash services (some may be included in the registered bank branches) in 609 municipalities or districts and have off-site ATMs in 502 municipalities or districts.

⁸ Newspaper *Expansión* (27.1.2018).

⁹ Newspaper *El Economista* (5.3.2018).

The sum of all these facilities unquestionably lessens the impact in terms of access to cash that the reduction of bank branches and ATMs may have on the population.

Also notable is that other non-bank agents are beginning to provide cash withdrawal services through multi-purpose ATMs or when a purchase is made (“cash-back”), which may become an alternative that is convenient for the public and profitable for the provider, achieving the final objective of making cash available to customers. Similarly, the Spanish post office recently reached an agreement with a bank to make available to that bank’s customers from March its network of 2,400 post offices for them to make cash deposits, withdrawals or remittances.

6.3 MAP OF CASH ACCESS IN SPAIN

The information gathered in the aforementioned Banco de España survey was used to draw up a map of cash access in Spain. The map includes not only bank branches and ATMs, but also the various alternatives currently put in place by banks. The purpose is to identify more accurately the areas that lack cash services in Spain.

According to these data, at the end of 2016 the municipalities and population that did not have any cash services numbered 3,402 municipalities, of which 2,976 had a population below 500 inhabitants, and 913,682 inhabitants, i.e. 1.96% of the Spanish population.

A map of Spain has been used to reflect graphically the distribution of bank branches and the other supplementary services provided to the Spanish population at the end of 2016. The map shows the specific areas in which each of the services is provided.

Map 2 of the series shows the coverage of cash services by bank branches. With some exceptions, bank branches are also equipped with one or more ATMs on their premises. The red shading indicates a higher concentration of cash services and coincides with the larger cities. Blue indicates the points with more limited cash services through branches.

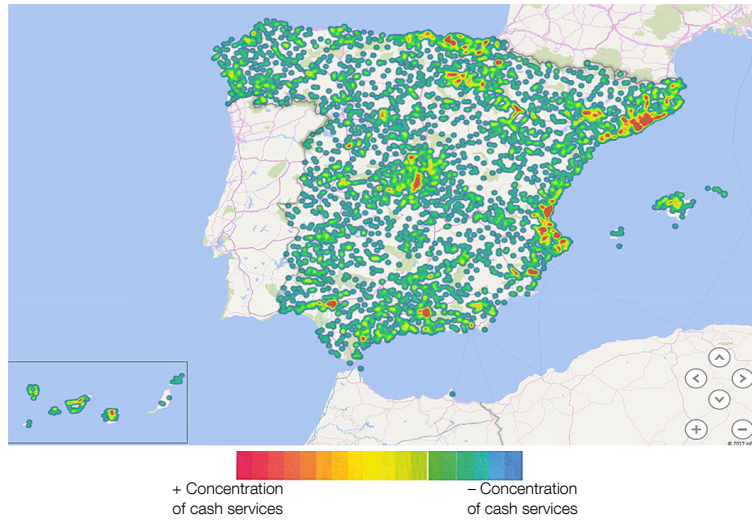
The following map shows the location of off-site ATMs, i.e. those located outside bank branches and not included in the above map. Their distribution is fairly uniform throughout Spain, particularly in areas with a higher population density.

The geographical distribution of the other alternative banking services is very uneven. Mobile branches are located mainly in Castilla and Leon, the region with the largest number of branchless municipalities, while the coverage of cash services by branches on an ad hoc basis is more common in the north-east of Spain (Maps 4 and 5). Finally, cash services provided by agents and off-site employees (Map 6) supplement the aforementioned ones throughout practically the whole of Spain, except in the *Cordillera Ibérica* area that has a higher number of branches offering ad hoc services.

The summation of all the aforementioned services (bank branches on-site and off-site ATMs, mobile branches, agents and branches offering ad hoc services) is reflected in Map 7. This map thus shows the geographical concentration of cash services in Spain at the end of 2016, which can be compared with the country’s population density shown in Map 8. The unshaded areas lack services, the blue shading indicates the less populated areas with a lower concentration of services, and the red and orange shading corresponds to the more densely populated areas. The aggregation of maps to give the resulting final map and its comparison with the population density reveal how the percentage of the Spanish population affected by a lack of access to cash is reduced by one means or another to the aforementioned 1.96%.

COVERAGE OF CASH SERVICES BY BANK BRANCHES

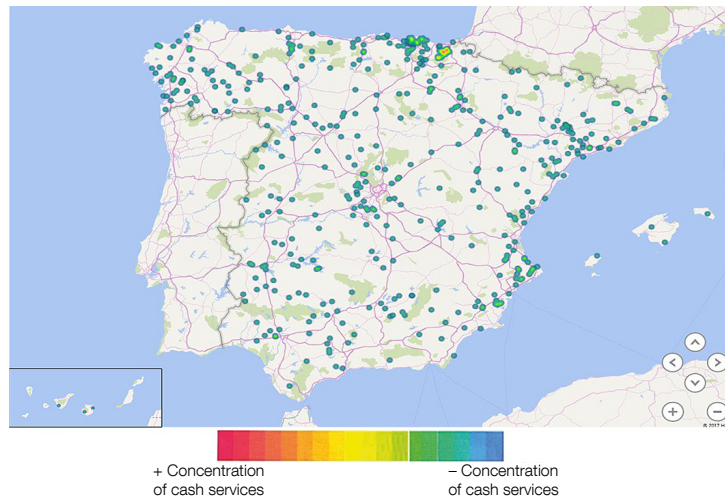
MAP 2



SOURCE: Banco de España.

COVERAGE OF CASH SERVICES BY OFF-SITE ATMs

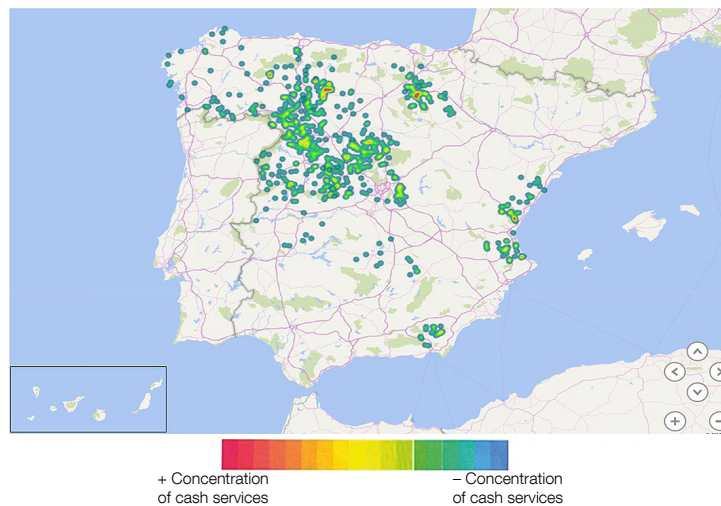
MAP 3



SOURCE: Banco de España.

COVERAGE OF CASH SERVICES BY MOBILE BRANCHES

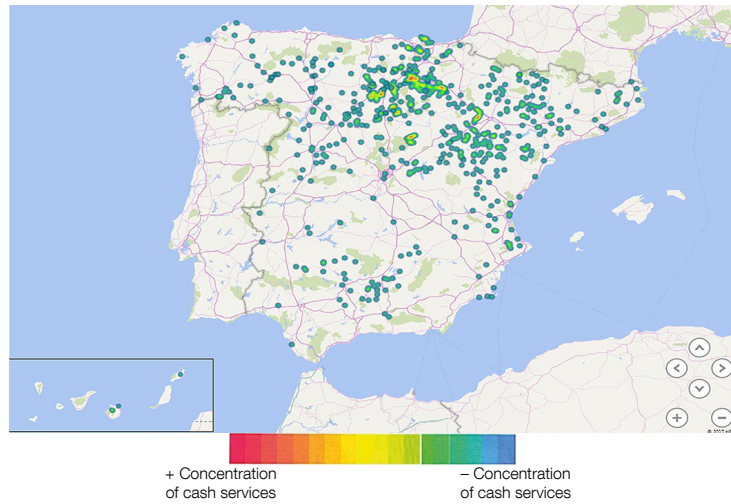
MAP 4



SOURCE: Banco de España.

COVERAGE OF CASH SERVICES BY BRANCHES ON AN AD HOC BASIS

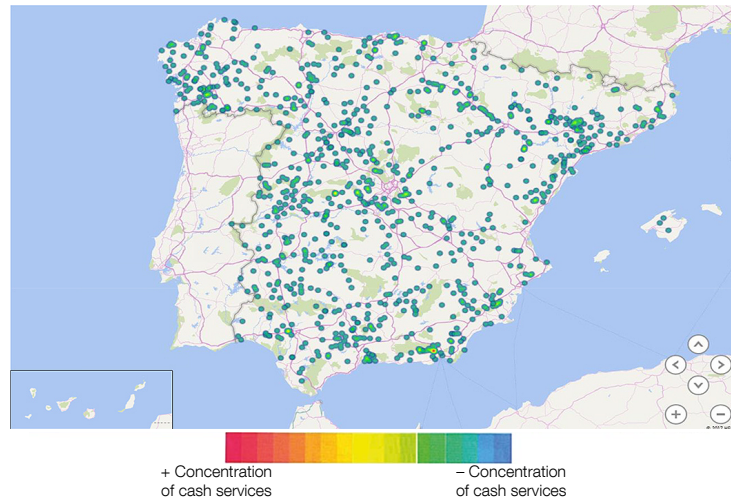
MAP 5



SOURCE: Banco de España.

COVERAGE OF CASH SERVICES BY AGENTS AND OFF-SITE EMPLOYEES

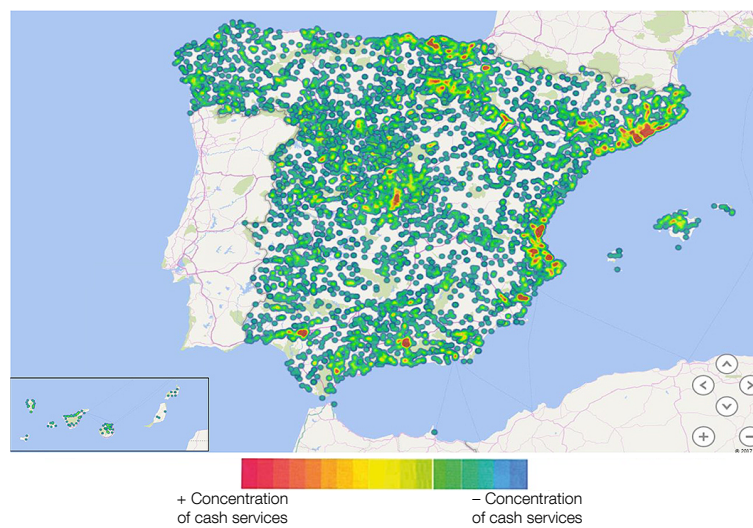
MAP 6



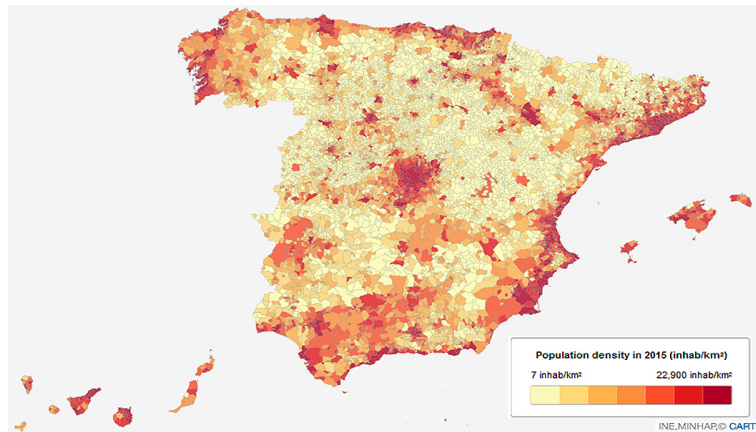
SOURCE: Banco de España.

OVERALL MAP OF NATIONAL COVERAGE OF CASH SERVICES

MAP 7



SOURCE: Banco de España.



SOURCE: Instituto Nacional de Estadística.

As noted above, this map is changing constantly due to banking sector decisions in the process of consolidation still underway in Spain and to geographical migration. That said, the measures being taken by some banks and non-bank agents to provide services to a larger number of customers will unquestionably help to complete access to cash in many areas which currently lack cash services.

7 Conclusions

The volume of euro-denominated cash in circulation has followed an upward course since the euro cash changeover in 2002. This is in line with the findings of the latest ECB survey that cash continues to be the most usual means of payment for Europeans at points of sale and, similarly, the latest survey by the Banco de España shows that it is preferred by 53% of Spaniards.

Cash can be obtained at the counters of bank branches and also, to an increasing extent, at ATMs. However, the banking consolidation in the Spanish financial system has entailed the closure of a significant number of branches and the reduction of the cash dispenser network throughout the whole of Spain, with decreases of 39% and 17,6%, respectively, between 2008 and 2017, higher than the capacity reduction in other countries of the European Union. Today, Spain continues to be one of the euro area countries with the highest number of branches and ATMs per million inhabitants, along with neighbour countries of France and Portugal, while the density of Spain's branch and ATM networks per thousand square kilometres is similar to the Eurosystem average.

In Spain, the regions where bank branches have been closed down in the highest numbers are Andalusia, Catalonia, Madrid and Valencia, although their branch concentration per million inhabitants is now similar to, albeit somewhat below, the national average. The main impact of the slimming of the bank branch network is seen in the 4,109 municipalities that have lost the only bank branch they had, leaving 1,249,407 inhabitants, or 2.7% of the Spanish population, without access to a bank branch. These municipalities are generally small ones that have undergone a process of depopulation and, in many cases, are near other municipalities where a bank branch or ATM can be found. The regions with the highest number of branchless municipalities are Castilla and Leon, Castilla-La Mancha, Catalonia and Aragon.

Given that cash continues to be the most usual means of payment in Spain, the maintenance of an adequate network of distribution points is a relevant issue. The Internet

facilitates banking transactions and prevents financial exclusion, but the closure of branches hinders access to cash by the population segment that has cash as the main payment instrument.

In response to this situation, banks have developed other channels to provide access to cash in the areas affected by the banking consolidation and branches closings. The initiatives include: the installation of off-site ATMs located away from branches and spread evenly throughout Spain; creation of mobile branches, mainly in Castilla and Leon, and branches offering ad hoc services, particularly in the north-east of Spain; and development of agents and off-site employees mainly in the area of the *Cordillera Ibérica*.

Summing all these facilities, at the end of 2016 the municipalities and population which did not have any cash services numbered 3,402 municipalities, of which 2,976 had a population below 500 inhabitants, and 913,682 inhabitants, i.e. 1.96% of the Spanish population.

Finally, this map is changing constantly due to banking sector decisions, geographical migration and the measures being introduced by some banks and non-bank agents to provide services to a larger number of customers, such as cash-back or the use of the post office network. These developments will have to be monitored to verify that the largest possible number of people in Spain continue to have access to cash.

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Annex 1

CHANGE IN NUMBER OF BANK BRANCHES BY PROVINCE (2008-2017)

TABLE A.1

Province	Bank branches		Change		Branches per million
	2008	2017	2017 / 2008	%	
Barcelona	5,723	2,732	-2,991	-52	490
Madrid	6,042	3,505	-2,537	-42	539
Valencia	2,650	1,449	-1,201	-45	570
Alicante	1,737	991	-746	-43	543
Seville	1,518	911	-607	-40	470
Malaga	1,408	816	-592	-42	500
Saragossa	1,206	651	-555	-46	683
Murcia	1,356	833	-523	-39	567
Balearic Islands	1,255	826	-429	-34	740
Girona	859	441	-418	-49	584
Tarragona	832	424	-408	-49	536
Biskay	1,051	693	-358	-34	603
Castellon	679	331	-348	-51	575
Pontevedra	820	488	-332	-40	518
Almeria	740	414	-326	-44	586
A Coruña	951	631	-320	-34	563
Las Palmas	762	457	-305	-40	415
Cadiz	794	490	-304	-38	395
Asturias	966	666	-300	-31	644
Valladolid	618	350	-268	-43	672
Lleida	590	349	-241	-41	807
Santa Cruz de Tenerife	703	472	-231	-33	468
Grenada	846	625	-221	-26	685
Navarre	716	510	-206	-29	793
Cordoba	688	493	-195	-28	625
Burgos	541	350	-191	-35	977
La Rioja	497	314	-183	-37	996
Cantabria	510	336	-174	-34	579
Ourense	374	201	-173	-46	645
Leon	555	390	-165	-30	833
Toledo	673	508	-165	-25	740
Huelva	444	283	-161	-36	545
Badajoz	751	592	-159	-21	871
Jaen	630	486	-144	-23	755
Alava	349	206	-143	-41	631
Caceres	456	318	-138	-30	795
Gipuzkoa	592	467	-125	-21	649
Huesca	358	240	-118	-33	1,092
Ciudad Real	477	384	-93	-19	764
Lugo	336	244	-92	-27	731
Palencia	227	136	-91	-40	832
Albacete	350	260	-90	-26	667
Avila	215	131	-84	-39	815
Segovia	209	132	-77	-37	856
Zamora	258	183	-75	-29	1,032
Guadalajara	262	192	-70	-27	758
Salamanca	320	262	-58	-18	785
Teruel	236	186	-50	-21	1,372
Cuenca	253	212	-41	-16	1,067
Soria	149	108	-41	-28	1,215
Ceuta	26	19	-7	-27	224
Melilla	21	18	-3	-14	209
	45,579	27,706	-17,873	-39	595

SOURCES: Instituto Nacional de Estadística and Banco de España.

Annex 2

BRANCHLESS MUNICIPALITIES BY PROVINCE IN 2017
Impact on their population

TABLE A.2

Province	Total		Branchless municipalities and population			
	No. of municipalities	Population	No. of municipalities	Population	No. of municipalities (% of total)	Population (% of total)
Salamanca	362	333,603	295	60,691	81.5	18.2
Burgos	371	358,171	291	44,344	78.4	12.4
Guadalajara	288	253,310	229	24,106	79.5	9.5
Avila	248	160,700	214	37,197	86.3	23.1
Zamora	248	177,404	186	44,423	75.0	25.0
Valladolid	225	521,130	173	34,880	76.9	6.7
Segovia	209	154,184	167	33,043	79.9	21.4
Cuenca	238	198,718	160	25,511	67.2	12.8
Palencia	191	163,390	158	28,052	82.7	17.2
Saragossa	293	953,486	154	21,068	52.6	2.2
Soria	183	88,903	151	12,356	82.5	13.9
Navarre	272	643,234	147	45,089	54.0	7.0
Teruel	236	135,562	145	13,975	61.4	10.3
Leon	211	468,316	132	71,627	62.6	15.3
Lleida	231	432,384	130	38,802	56.3	9.0
Girona	221	755,716	126	61,531	57.0	8.1
Caceres	223	400,036	115	43,525	51.6	10.9
Huesca	202	219,702	114	21,847	56.4	9.9
Barcelona	311	5,576,037	108	78,692	34.7	1.4
Tarragona	184	791,693	103	61,867	56.0	7.8
Castellon	135	575,470	87	29,204	64.4	5.1
La Rioja	174	315,381	87	9,081	50.0	2.9
Valencia	266	2,540,707	86	51,760	32.3	2.0
Madrid	179	6,507,184	64	46,838	35.8	0.7
Alicante	141	1,825,332	55	32,927	39.0	1.8
Almeria	103	706,672	50	24,737	48.5	3.5
Biskay	112	1,148,302	44	32,334	39.3	2.8
Toledo	204	686,841	43	17,072	21.1	2.5
Grenada	172	912,938	39	21,610	22.7	2.4
Cantabria	102	580,295	37	27,642	36.3	4.8
Gipuzkoa	88	719,282	32	15,772	36.4	2.2
Badajoz	165	679,884	30	16,826	18.2	2.5
Albacete	87	390,032	25	9,042	28.7	2.3
Ourense	92	311,680	25	27,011	27.2	8.7
Malaga	103	1,630,615	21	14,887	20.4	0.9
Alava	51	326,574	20	13,259	39.2	4.1
Huelva	79	518,930	15	5,563	19.0	1.1
Ciudad Real	102	502,578	13	5,154	12.7	1.0
A Coruña	93	1,120,294	10	21,063	10.8	1.9
Asturias	78	1,034,960	9	6,977	11.5	0.7
Lugo	67	333,634	4	3,173	6.0	1.0
Murcia	45	1,470,273	4	5,394	8.9	0.4
Seville	105	1,939,527	4	4,522	3.8	0.2
Balearic Islands	67	1,115,999	3	1,971	4.5	0.2
Pontevedra	61	942,731	2	1,806	3.3	0.2
Cadiz	44	1,239,435	1	446	2.3	0.0
Las Palmas	34	1,100,480	1	710	2.9	0.1
Cordoba	75	788,219	0	0	0.0	0.0
Jaen	97	643,484	0	0	0.0	0.0
Santa Cruz de Tenerife	54	1,007,641	0	0	0.0	0.0
Ceuta	1	84,959	0	0	0.0	0.0
Melilla	1	86,120	0	0	0.0	0.0
	8,124	46,572,132	4,109	1,249,407	50.6	2.7

SOURCES: Instituto Nacional de Estadística and Banco de España.