



An Explanation of the Changes in the Number of Commercial Banks and Branches Across the US

Gerald Mashange

Department of Agricultural and Consumer Economics
University of Illinois

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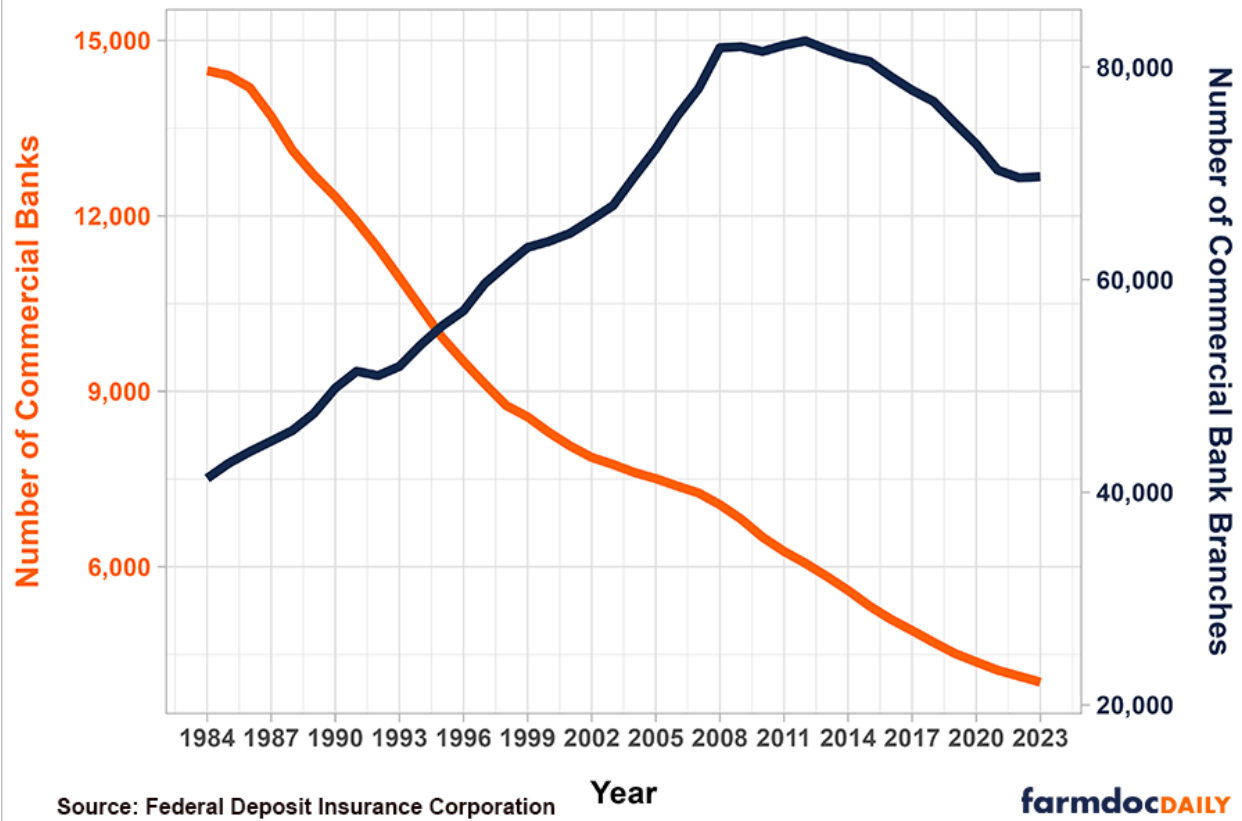
The U.S. commercial banking industry has undergone substantial consolidation and structural changes over the past four decades, resulting in a dramatically altered landscape when compared to the 1980s. In 1984, there were 14,483 FDIC-insured commercial banks across the United States. However, by 2023, that number had fallen to 4,027, representing a 72.19% decrease. In this article, we revisit a previous *farmdoc daily* article (see *farmdoc daily*, [May 25, 2012](#)) and examine how the number of commercial banks and their branches have trended since 2011, as well as explore the factors contributing to these changes.

The total number of FDIC-insured commercial banks in the United States has steadily declined over the past four decades, as shown in Figure 1. Prior to the Great Financial Crisis (GFC) of 2008, the number of commercial banks decreased by an average of 309 banks annually. By 2008, the total number had fallen to 7,061. Following the GFC, the rate of decline slowed to an average of 202 commercial banks per year, and by 2023, only 4,027 banks remained. This represents a total decline of 72.19% in the number of commercial banks from 1984 to 2023.

In contrast to the decline in the number of commercial banks, the total number of branches increased over the same period, albeit with a notable shift in recent years. In 1984, there were 41,311 branches across the country. Thereafter, the total number increased by an average of 1,687 branches annually until 2008. By 2008, the total number of branches had reached 81,809. Although the annual change plateaued for a couple of years after the GFC, it has been trending downwards since 2012. Since then, an average of 808 bank branches have been closing each year. As of 2023, there were 69,684 bank branches. Despite the recent decline, there are still more branches today than there were in 1984.

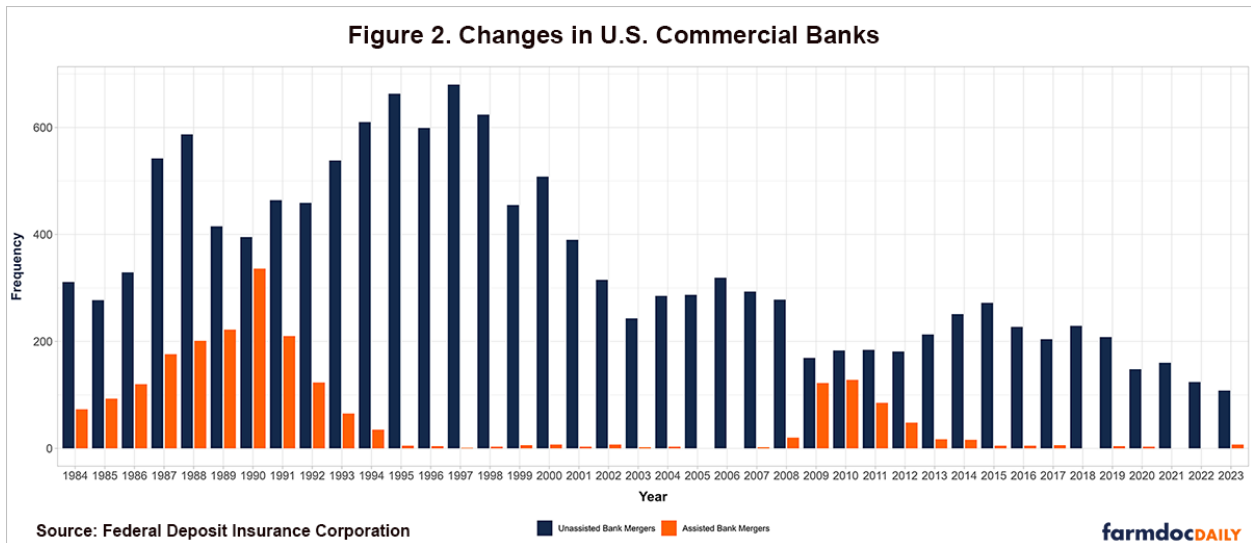
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Figure 1. Number of U.S. Commercial Banks and Branches



Bank mergers and acquisitions are the primary factors contributing to the decline in the number of commercial banks in the U.S., as shown in Figure 2. There are two main types of mergers: assisted mergers and unassisted mergers. In an assisted merger, the FDIC intervenes and facilitates the merger of a failing or failed bank with a healthy one. In contrast, an unassisted merger occurs when two non-troubled commercial banks voluntarily combine their operations. These unassisted mergers have been driven by a more favorable regulatory environment and the banks' need to scale, improve their efficiencies, and increase their competitiveness. The number of unassisted mergers in a given year hasn't reached the peak previously seen in 1997. From 1984 to 1997, unassisted mergers trended upwards, with an average of 491 mergers occurring each year. Since 1997, unassisted mergers have generally trended downward. On average, 423 unassisted mergers occurred each year from 1998 to 2003, and that rate fell to an average of 216 a year from 2004 to 2023.

The 1980s and early 1990s were marked by an unprecedented series of bank failures and substantial losses, partly due to many banks increasing their exposure to commercial real estate as a result of speculation and deregulation (Federal Deposit Insurance Corporation, 1997). In 1984, there were 73 assisted mergers, and this number steadily increased, peaking in 1990 with 336 assisted mergers occurring. From 1984 to 1994, a total of 1,654 assisted mergers took place. The following decade was relatively stable, with very few banks requiring assistance from the FDIC. However, during the GFC, a wave of bank failures occurred, resulting in a total of 436 assisted mergers between 2008 and 2014. In 2023, the U.S. witnessed three of the four largest bank failures in its history: First Republic Bank, Silicon Valley Bank, and Signature Bank. A total of seven assisted mergers occurred in 2023.



Conclusion

In conclusion, the U.S. commercial banking industry has experienced significant consolidation and structural changes over the past four decades. The number of FDIC-insured commercial banks has declined by 72.19% since 1984, with mergers being the primary driver of this change. Unassisted mergers, driven by a favorable regulatory environment and the need for banks to scale up and improve efficiency, have been more prevalent than assisted mergers, which involve the FDIC facilitating the merger of failing banks with healthy ones. The 1980s and early 1990s saw a series of bank failures leading to a high number of assisted mergers. Although the following decade was relatively stable, the Great Financial Crisis in 2008 triggered another wave of bank failures and assisted mergers. Interestingly, the number of bank branches rose dramatically until 2012, but has since declined. As the banking landscape evolves with changing consumer preferences, technological advancements, and regulatory developments, ongoing consolidation and restructuring are likely to persist.

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