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Difference Between Unit Banking and Branch Banking

1) Management

Unit banks are easier and more effective to manage than branch banking. This stems from their autonomy which gives them the leeway to make far-reaching decisions single-handedly.

2) Geographical Scope

By its nature, the unit bank is intended to impact only the local geographical locale.

The branch banks, however, reach out to a wider scope of potential customers who have spread abroad.

3) Decision-making

Given their autonomy, the unit banks are capable of making swift and far-reaching decisions with ease.

The branch banks have to consult with the head office and wait for quite some time to arrive at any decision.

4) Competition and Dominance

Unit banks are generally smaller in size. They are as such unlikely to develop any monopolistic tendencies. The exact opposite, however, applies to the branch banking approach.



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5) Resource Transfer and Distribution

Given their limited reach and meager resource base, unit banks can make almost no contribution to the distribution of resources.

The branch banks do this so well courtesy of their larger operational reach.

6) Operational Flexibility

By all accounts, unit banks are more flexible. They can easily adjust their operations to mirror the needs of the client base.

In the case of branch banks, you have to go through a very tedious bureaucracy to have your way through.

7) Diseconomies of Scale

Any large firm confronts some unique problems which arise from its sheer large size. These are called diseconomies of scale.

Unit banks suffer less from these problems when compared to the branch banks.

8) Risk Distribution

Closely related to the above is the issue of risk distribution. Unit banks are affected by external risks in ways that are worse than the branch banks.



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That is because they have nowhere else to operate.

9) Sphere of Influence

Unit banks have a comparatively limited sphere of influence. These are mostly concentrated in urban areas and local communities.

The branch banks, on the other hand, have a wider and deeper reach.

10) Interest Rates

Interest rates tend to fluctuate and vary widely from one unit bank to another. There is no central command to vary these rates.

As for branch banks, the rates are uniform regardless of the area of operations.

11) Competition

Given that unit banks are run by and are independent of each other, they tend to compete undesirably with one another. Branch banks are unique though even when they belong to different parent companies.

They are hence less likely to pose any unhealthy competition among each other.

Source and more details: <https://askanydifference.com/difference-between-unit-banking-and-branch-banking/>



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