

ATM EXPENSE: WHO WILL FOOT THE HUGE BILL?

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Banking, NPAs and RBI

November 2018 marked two years since demonetisation and the introduction of 2,000 denomination notes with a different size, design and security features. Almost 10 months after demonetisation, a new denomination of 200 was introduced in September 2017. Also, existing denominations of 10, 20, 50, 100 and 500 started getting printed with the new design template and security features.

For more than a year after demonetisation, the erratic supply of currency and the recurring automated teller machines ([ATM](#)) [calibrations](#) impacted the transactions on the ATMs. Many ATMs remained out of cash for long periods of time or were shut down. Bank customers initially turned to e-wallets and unified payments interface (UPI). Some slowly started withdrawing larger amounts and hoarding them at home, whenever the ATMs had cash. The ATM industry and the banks suffered loss of revenue owing to the dip in transactions and increase in costs owing to recurring re-calibration of cassettes necessitated by the introduction of new denominations much smaller in size than existing currency notes.

There are two aspects which provide some silver, albeit very little, to the lining. Firstly, the country has a trendy looking set of currency notes in its wallets. One would like to think that these notes have better security features that are 'machine readable' and can be easily read by currency processing machines. This enables automation of the processing of currency notes, which could help banks reduce their cash processing costs. Secondly, the new notes, rather their non-availability, kicked the digital options to a faster and focused path of expansion and growth. Customers averse to using prepaid wallets such as Paytm and PhonePe started experimenting with them. [BHIM-UPI](#) got a much-needed booster with the government incentivising its use.

A year-and-a-half after demonetisation, RBI introduced certain guidelines on cash management to bring in certain standards of operation and to ensure minimise pilferage of cash from ATMs. Guidelines have also been introduced on installing security applications and implementing certain controls to prevent any unauthorised access to the software in the ATMs. These, if implemented well, will go a long way in ensuring the safety of ATM transactions for customers.

Recently, some banks have reduced the [maximum daily withdrawal limit on ATMs](#) for certain types of card holders. These customers were earlier able to withdraw upto 40,000 or more a day. Now, they will be able to withdraw only up to 20,000 a day.

Does this step impact the average customer? Mostly, no. A customer typically withdraws 3,000 to 4,000 on an average. At the beginning of the month, this amount goes up to 10,000 for buying provisions and meeting other household expenses. The rationale seems to be only to prevent large fraudulent withdrawals through these cards. This is, therefore, an indirect safety belt the bank is putting on these cards, which is good for card holders.

Some other banks have introduced options for putting a limit on debit and credit card usage according to the choice of the customer. You can set the withdrawal or transaction limit to zero, through an app on the mobile. You can change the limits as per your needs, subject to the overall limit set by the bank for that card. This further safeguards the card. You can also put limits or disable international transactions on the card.

With the spate of unwanted SMS messages and constant flow of Whatsapp, Twitter and

Facebook messages, customers tend to miss out on important alerts from the bank. You should always pay heed to the SMS messages that banks send on the mobile. Even when travelling abroad, it makes sense to pay a little extra for international roaming and data packs so that one receives alerts from the bank for transactions, even when on vacations.

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