

RURAL ATMS UNDER RECALIBRATION FOR RS. 200, RS. 500 NOTES

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

Automated teller machines (ATMs), mostly in rural areas, are being recalibrated to replace the cassettes for Rs. 2,000 bank notes with either those for Rs. 500 or Rs. 200.

This is because in such areas the demand for Rs. 2,000 bank note is not high while lower denomination notes are more sought after.

“It is more in the rural areas. There, people do not want Rs. 2,000 notes. Because it becomes difficult to change those notes. They generally prefer Rs. 100 and Rs. 200,” said Navroze Dastur, MD, NCR Corporation. NCR manages close to 1.1 lakh ATMs in the country.

There are a total 2.1 lakh bank-deployed ATMs in the country apart from about 30,000 white label ATMs.

“Not all the ATMs are replacing the Rs. 2,000-note cassette. It is being done strategically, depending on the requirement and the need of the location,” he said.

The average ticket size of ATM withdrawals is Rs. 4,000 to Rs. 4,500, slightly up from the Rs. 3,500 earlier.

According to Mr. Dastur, in the urban and metro locations, ATMs typically carry Rs. 2,000 notes. Bank branches in the urban areas also prefer putting Rs. 2,000 notes in their ATMs.

Mr. Dastur emphasised that it was a business decision that responded to the demand. “In some urban areas also, if you do not see offtake of Rs. 2,000 notes as a business decision, you will replace the Rs. 2,000 with Rs. 500 or Rs. 200,” he added.

The Rs. 2,000 notes came into calculation after the demonetisation exercise of 2016 when Rs. 500 and Rs. 1,000 currency notes were withdrawn from the system.

According to RBI data, 3,291 million pieces of Rs. 2,000 notes were in circulation as at March 2019, which was roughly the same figure for the previous two years.

Bias towards cash

A recent report by RBI has showed that the country continues to have a strong bias for cash payments.

Cash withdrawals from ATMs have increased over the past five years and India is next only to China in terms of cash withdrawals from ATMs. However, the percentage of cash withdrawals to GDP has been constant in India at about 17%.

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