

# Business Standard

## ATMs in small cities, villages will take weeks to be ready

With about 2,000 qualified engineers to service ATMs across the country, it's an uphill task to modify 220,000 machines

Nupur Anand & Anup Roy | Mumbai November 19, 2016 Last Updated at 01:07 IST



It's more than a week now and the banking sector is yet to recover from the

*People stand in a long queue to withdraw money at an ATM in Allahabad*

demonetisation move of the government. In fact, the ATM recalibration exercise has started only in the past four days and a little over 30,000 ATMs are ready for the new notes, according to people engaged in the operation.

This translates into recalibration of 7,000-8,000 ATMs per day. Surely, the daily number will go up as the task force created under the Reserve Bank of India Deputy Governor S S Mundra intends to recalibrate 12,500 ATMs a day.

However, that target is ambitious as the number of qualified engineers who can work on cash vending machines is limited. Also, parts of the cassettes used in ATMs of certain vendors are not available in the country and have to be imported. On top of that, sorting out the logistics is a herculean task in itself, say people engaged in the task.

At the end of August 2016, scheduled commercial banks had 202,801 ATMs (both onsite and offsite). There are also some more white-label ATMs but they are shut as banks don't have enough cash to feed even their own ATMs.

Primarily, there are three major ATM providers in the country: NCR, Diebold and AGS. As per experts, these companies typically maintain one engineer per 100-200 ATMs. Hence, a back of the envelope calculation shows that across all these firms, there are no more than 2,000 engineers who can recalibrate ATMs. In any case, the engineers are either based in metro cities or major cities where the offices of these firms are located.

According to the ATM operators, it takes at least five people to get an ATM up and running and coordinating their presence together is ending up becoming a big challenge.

At any given point of time, apart from the engineer working on the recalibration, there two custodians who fill up cash in a machine. Both these custodians have half the password for the safety vault of the ATM machine and therefore both of them need to be present to load cash, and having two custodians also reduces risk of fraud. Apart from these three people working on the ATM, there has to be a security guard and a driver to ferry the cash from the currency chest to the ATMs.

“It is this coming together of five people, and the travelling time required to reach an ATM, that is proving to be a logistical nightmare,” said Aspy Engineer, CEO, ASDA Integrated Security Solutions, a cash risk management firm.

A conservative estimate suggests that to recalibrate an ATM it can take up to three hours. And at this rate, to make more than 200,000 ATMs up and running would take weeks, if not months, say engineers.

This explains why if an ATM breaks down in semi-urban or rural area, it takes up to three days to link it up with the bank servers. And therefore, small towns could be the worst hit with this demonetisation move.

Manjunath Rao, senior vice president & head of sales, CMS Infosystems explained that the companies will begin to face challenge as they begin to work in the semi-urban and rural areas. “Recalibration of these ATMs will be fast in the first week as the metros will be in focus but as we begin to travel to the hinterland we will see some delay in the timeframe as the travelling time will increase and so there will be logistic issue that also needs to be accounted for.”

In the hinterland though, banks are actively engaging micro ATMs as well as roping in banking correspondents. The Centre also said on Thursday that money can be withdrawn swiping the cards at 2,500 petrol pumps (the scale will be ramped up to 20,000 gradually), which use State Bank of India point of sales.

The total cost of recalibration could come to around Rs 200 crore, which the banks will have to bear. To understand the math, the new recalibrated cassettes will cost Rs 5,000-7,000 a piece, and the cost of an engineer is typically Rs 2,500 for two hours, which approximately put the cost per ATM at Rs 10,000.

### **Not enough Rs 500 notes**

Bankers say there are not enough new notes being supplied by RBI, even after running its printing presses overtime. Once the ATM machines are recalibrated and enough ~500 notes are printed, the chaos will be under control, say bankers.

It is not clear how many Rs 500 notes have been printed and the central bank is in no mood to reveal the figure either. The RBI on Friday informed the Madras High Court that details of the new Rs 500 notes could not be disclosed for security reasons.

Even as top bankers are assuring the public that the situation will come under control in a week, bankers behind the counter at branches have a different view. For starters, the new Rs 500 notes have not been released in non-metro cities in a meaningful manner yet. Even in metro cities, the new notes are rare. Most branches just 20-30 km away from metro cities have not seen the new Rs 500 rupee note as the currency chests are said to be putting metro branches on priority.

A public sector bank branch manager in the outskirts of Kolkata told Business Standard that the currency chests are now dispensing soiled, old Rs 100 notes. The scarcity of new ~100 notes has been caused by members of general public who won't part with them.

Another big challenge is that since most of the ATMs have not been recalibrated, the banks can put only about Rs 3-4 lakh in denominations of 100 as opposed to Rs 50-60 lakh that could be stored in denominations of Rs 500-1,000. As a result of this, only 150-200 customers can be served which means that even though money is being loaded, ATMs are drying up faster.

[\*\*READ OUR FULL COVERAGE ON THE MODI GOVT'S DEMONETISATION MOVE\*\*](#)