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## Banks refuse FinMin's request to reduce interchange fee

Interchange fee is amount one bank charges another if its consumer uses ATM of non-home bank

Nupur Anand | Mumbai  
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**Banks** have decided to turn a deaf ear to **finance** ministry's request to reduce the interchange fee, the amount one bank charges another if its consumer uses the automated teller machine (ATM) of the non-home bank, to single digits.

"The **finance** ministry had asked to consider reducing the fee to single digits but we looked at the cost dynamics and realised that it is not feasible," said an official involved in the decision-making process.

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He added, instead, there is going to be a status quo on interchange fee. Currently, the fee is Rs 15 per financial transaction. This has been recommended to be revised to Rs 16.50, plus service tax. This is a fee the customer's bank pays to the one that maintains the ATM. **Banks** can decide to pass on the cost to the customer or might take the call of absorbing the charges.

### COST OF USING ATMs

- The fee is Rs 15 per financial transaction. This has been recommended to be revised to Rs 16.50, plus service tax
- RBI had allowed **banks** to charge their own customers for using the home-bank ATMs for more than five transactions a month. Prior to this, lenders were only allowed to charge

customers if they transacted in non-home bank ATMs more than five times in a month

Another person familiar with the development explained that the [finance](#) ministry's rationale was that once the cost comes down for the [banks](#) then it can lead to greater usage among customers. However, [banks](#) believe that even the increase in volumes might not end up in offsetting the loss in income on account of reduced charges.

Banks, mostly from the private sector, have been demanding that the [interchange fee](#) should be hiked whereas mainly the public sector lenders have remained reluctant about doing so. The explanation being that PSBs are generally the issuer ones (which issue the card) and the private [banks](#) in most cases are the acquirer bank (the non-home bank [ATM](#) the consumer uses).

Request for [interchange fee](#) had been made by the lenders a couple of years ago after there was more pressure to increase the security of ATMs. Considering that the increased security will translate into higher costs for the banks, they want the rates to be revised. However, after the [finance](#) ministry circular, it seems clear if not a reduction then there won't also be a hike in the rates any time soon.

From last year, the Reserve Bank of India had allowed [banks](#) to charge their own customers for using the home-bank ATMs for more than five transactions a month. Prior to this, lenders were only allowed to charge customers if they transacted in non-home bank ATMs more than five times in a month.

Several [banks](#) have been a little cautious in growing their [ATM](#) network now and have reduced the pace of growth, as they believe that financial viability is a challenge due to increased operational cost. Moreover, customers change in behaviour on moving towards digital cash has also prompted the change, agree bankers.

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