

Why have white-label ATMs been shut?

Radhika Merwin

Non-availability of cash has left these ATMs, run by non-bank entities, high and dry



BL Research Bureau:

Over the past three weeks, since the demonetisation move, the never-ending lines outside ATMs have left many anxious and flustered.

But white label ATMs (WLAs) set up by licensed non-bank entities in remote areas of the country, have been completely shut. These ATMs are tied up with various banks for sourcing cash..

But with banks scrounging for currency themselves, they have been unable to provide these ATMs with cash to dispense. With only 40,000-odd ATMs — both bank and white label — in rural areas, access to money in the remotest parts of the country is now a grave challenge.

The main objective of permitting non-banks to operate WLAs was to expand the reach of ATMs in semi-urban and rural areas, where banks were not able to put up ATMs.

Under the RBI's guidelines, a minimum number of WLAs have to be installed in Tier III to VI centres, depending on the scheme opted by each player. That's why almost 41 per cent of WLAs operate in rural areas. In contrast, public sector banks operate only about 20 per cent of their ATMs in rural areas.

As of October 2016, there were 14,427 WLAs. Of the eight players in this market, two players — Tata Communications Payment Solutions (8,941) and BTI Payments (4,087) — account for 90 per cent of the total WLAs.

Cash-crunched

“Almost 90 per cent of our ATMs are in tier-III and below towns/villages. Most customers in rural areas travel 5-10 km to access an ATM and it does not help if these ATMs are shut for over three weeks.

“Almost 50 per cent of our ATMs are in areas where there are no other bank branches or bank ATMs,” says K Srinivas, MD and CEO, BTI Payments.

To be fair, the RBI has laid down a stringent regulation that sourcing of currency should be done only from banks, possibly to prevent fake notes entering the system. But given the need to reach out faster to the rural areas, that are more cash dependent, the apex bank could review its norms for the interim.

“We have fully recalibrated all our ATMs. But unfortunately, we are not able to source cash, our principal raw material to run ATMs, from our cash-supplying banks.

“We have represented to the RBI to allow us to draw cash directly from the RBI currency chests and are awaiting a response,” adds Srinivas.

White-label ATMs are tied up with various banks for sourcing cash. But with banks scrounging for currency themselves, they have been unable to provide these ATMs with cash to dispense.

(This article was published in the Business Line print edition dated December 2, 2016)

MORE FROM BUSINESS LINE