

Banks to raise interchange fees for ATM operators by Rs 1.5 to Rs 2

The ATM industry has been lobbying for an increase of inter-change by Rs 3 to Rs 18

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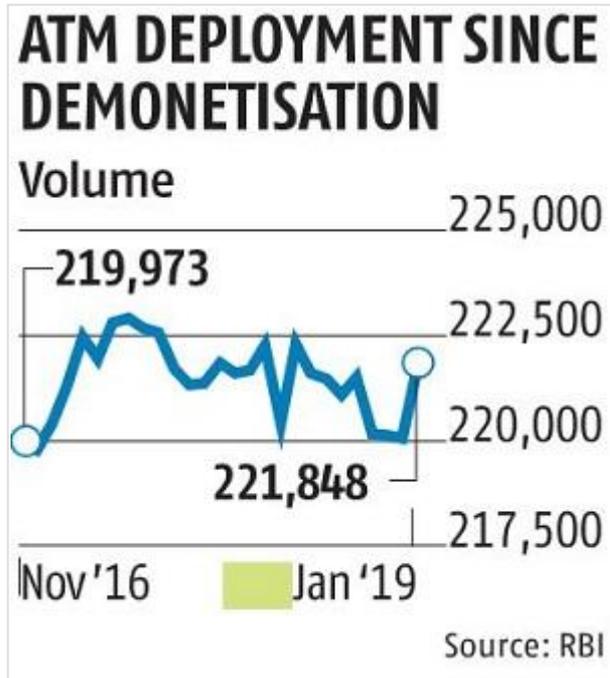
interchange rate, which has been held firm for six years, is set to be raised by Rs 1.5 to Rs 2 from the current rate of Rs 15 with banks and ATM players having arrived at a consensus, said sources. The development is expected to boost ATM deployment in the country, which has been low since demonetisation.

Inter-change, the rate charged by ATM operators for every transaction, is decided by a National Payments Corporation of India (NPCI) steering committee, which primarily comprises banks.

“A compromise has been hammered out. The inter-change hike to be effected is at the mid-way of what we sought. It’s better than nothing and will hopefully aid both vendors, banks and white-label ATM deployers, and give a fillip to further installations,” said a source.

Deployers had also argued that the inter-charge should not be looked at as a “floor for customer-facing pricing”, even when hiked. The plea stated that a distinction be made between wholesale pricing (among institutions) and what customers have to bear. A decision was being held up, given what’s generally perceived as high bank charges on the retail front.

Business Standard had earlier reported that NPCI had recommended that the interchange be increased to Rs 15 to Rs 17. However, the structure of the NPCI committee is highly skewed towards state-run banks, which do not want a rise in interchange, as it would raise their costs, said an executive on condition of anonymity.



The industry lobby group, the Confederation of ATM industries of India (CATMi), held numerous discussions with the Reserve Bank of India (RBI), asking the regulator to increase the inter-change among other demands. CATMi also made a presentation to the payments committee set up by the RBI under Nandan Nilekani, according to a document accessed by the *Business Standard*.

The ATM industry has been lobbying for an increase of inter-change by Rs 3 to Rs 18 on the grounds that it does not cover costs of carrying cash and other operational aspects of the business. K Srinivas, director of CATMi and managing director, BTI Payments, had told *Business Standard* earlier that since the NPCI is not taking a call on interchange, it's necessary for either the RBI or the Ministry of Finance to step in to resolve the issue.

CATMi had warned in November that 100,000 off-site and a little over 15,000 white-label ATMs, or 50 per cent of the installed base of 238,000 units, could face closure due to the low interchange and additional compliance costs. However, banks had stated that they would ensure that customers face no disruption. This was in the background of the cash management industry facing a surge in additional costs due to security guidelines by the RBI and Ministry of Home Affairs (MHA).