

# ATM upgrade: Banks use cash recyclers, wait for hike in interchange fee

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Cash recyclers are becoming an alternative for banks as they struggle to upgrade ATMs in line with new norms and remain hopeful of an increase in the interchange fee.

“Interchange fee may be hiked by about ₹2 per transaction from the current ₹15. With the General Elections now over, it is expected that the Reserve Bank of India and the Finance Ministry will work on this issue,” said a person familiar with the development, pointing out that with costs are running high and there has been muted growth in the number of ATMs in the last one year.

## Higher operational costs

Interchange fee, which is paid by banks for use of ATMs by their customers at other banks, has been constant since 2012. Banks are keen on a hike in the fee to ₹18 for cash withdrawals and card-to-card fund transfer, and from ₹5 to ₹8 for other non-financial transaction. The National Payments Corporation of India is understood to have been looking into the issue.

“Operating an ATM earlier cost about ₹40,000- ₹50,000 per month (excluding the security guard’s salary). With the new norms, costs have risen by 8-10 per cent,” said a cash management logistics player, adding that the cassette swap provision could lead to at least a ₹1,000 hike per month for each ATM.

## Cash recycling machines





The RBI had directed banks and white-label ATM operators to implement anti-skimming and white-listing solutions by March 2019, and also upgrade all ATMs with supported versions of the operating system by June 2019. Meanwhile, the Ministry of Home Affairs had last year announced new security norms for loading and transportation of cash for ATMs.

Many banks are looking at options such as cash recycler machines, where the costs are much lower. “The interchange fee for recyclers is much lower. Many banks, especially large PSU banks, are replacing ATMs with these as they lead to efficiency in operations as well,” said the cash logistics player.

State Bank of India had issued a request for proposal (RFP) recently for 5,000 such machines.

Radha Rama Dorai, Managing Director-ATM and Allied Services, FIS Payment Solutions and Services, said, “With the deadlines becoming past overdue, industry-wide efforts are on to upgrade the ATMs. Owing to the size of the country, the number of ATMs and the complexity of the upgrades, the activity is taking time and has become a huge operating overhead for banks and service providers.”

She said wherever ATMs are required to be replaced, banks are showing an increasing preference for recyclers as banks can now also re-direct their branch cash deposits to these machines, thus saving on teller costs.

## Muted growth

Significantly, the report of the Nandan Nilekani-led committee on deepening digital payments has also highlighted the muted growth in ATM infrastructure due to high costs. According to the RBI data, the total number of ATMs in the

country as on April 2019 was 2.07 lakh as against 2.08 lakh in March 2017.

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