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Market Watch

Debit cards show up more at retail stores, less at ATMs

BY ASHWIN MANIKANDAN, ET BUREAU | UPDATED: JUN 25, 2019, 11.31 AM IST

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MUMBAI: Bank customers are increasingly getting comfortable making payments through [debit cards](#) on swipe machines at kirana stores and local retail outlets. Latest data from the RBI show that over a third of all debit card transactions were made at [point of sale](#) (PoS) terminals in April this year for the first time since demonetisation.

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With about 80-crore withdrawals worth Rs 2.84 lakh crore in April, ATM transactions made for just over 66% of overall debit card transaction volume. PoS machines registered the rest 34% of the transaction volume in this period. The only other time the ATM transaction share fell below the two-thirds mark was in December 2016 — a month after demonetisation — when it was at 60.3% and PoS transactions at 39.7%, owing to the lack of cash in the system.

The transaction share was 68.6% to 31.4% for [ATMs](#) and PoS in March this year while in January, ATMs made up for over 70% of debit card transaction volume share, an analysis of RBI data showed.

The Reserve Bank of India, in its payments vision document published in May 2019, has set an objective of achieving a PoS-based debit card transaction share of 44% by 2021 to push New Delhi's goal of a lesscash digital economy. With increasing number of banks, both public sector and private sector, aggressively deploying swipe machines across small stores in the country, bankers say that cardbased [digital transactions](#) are only set to gain share from here on.

"While absolute cash continues to dominate India's payment landscape, an advancement in technology and better cost-benefit economics make deployment of POS devices a new business avenue for banks," said Surinder Chawla, head retail liabilities and wealth management, RBL Bank. The private sector bank has been one of the leading acquirer banks in terms of PoS deployment with over 7 lakh functional terminals across the country. Currently, there are about 37.5 lakh active PoS terminals deployed by public, private and payment banks. "We see PoS deployment not as profit-making business model, but more as a tool to increase customer engagement on their primary accounts... Historically, these devices have found more traction in tier-1 urban centres but over the past four years, most volume has been coming from tier-2 and tier-3 cities and also from ecommerce sites," Chawla said.

Since 2016, PoS deployment has grown at an annual rate of almost 39% to 37.5 lakh terminals in April 2019. In this period, banks barely added 7000 ATMs to their fleet of 2 lakh such machines. The saturation in ATM growth has largely been due to the high cost of setting up and maintaining these machines, say experts.

"We have seen ATM growth stalling over the past few years. However, they remain the key access infrastructure for most people's cash needs in this country... Low interchange fee, high maintenance costs and high security compliances have held banks back from deploying ATMs especially in rural India," said Radha Rama Dorai, managing director ATM business, FIS and a member of India's ATM industry body CATMi.

India's ATM penetration is amongst the worst for any major economy. While China, the US, Germany, Brazil and South Africa all had a per capita ATM deployment rate of under 2,000, India's ATM deployment rate was at 5,919 in 2017, according to RBI's Benchmarking Payments report.

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