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Market Watch

Micro ATMs a big hit in rural India, transactions in May touch 33.5 million

BY ASHWIN MANIKANDAN, ET BUREAU | JUN 28, 2019, 09:00 AM IST

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Mumbai: More than a million Indians are scanning their fingerprints and withdrawing cash at local kirana stores every day through biometric-abled payment channel from their bank accounts linked with Aadhar to fulfil their cash needs.

With an annual growth rate of 150% since 2016, the Aadhar-Enabled Payments Channel (AEPS), which falls under the broader category of micro-ATMs, has emerged as one of the fastest growing payments systems in the country, second only to the Unified Payment Interface (UPI) system in terms of annual volume growth.

As per latest National Payments Corporation of India (NPCI) data, 33.5 million transactions worth Rs 9,000 crore happened over micro ATMs in May.

In the first five months of the calendar, nearly 145 million transactions have taken place through this channel as against an overall transaction volume of 200 million in the entire 2018.

"While UPI addresses just top 80 million customers, AEPS caters to 800 million customers who are neglected by banks," a senior private sector banker said. "With increased impetus by government on Direct Benefit Transfers (DBT) for transferring the government schemes to the citizens, such access infrastructure can go a long way in fulfilling financial inclusion mandate of the government," the person said, requesting anonymity.

The payment channel developed by NPCI in 2015 works as cash points for rural bank customers where they can withdraw cash from their Aadhar linked bank accounts simply by scanning their fingerprints at biometric compatible point of sale (POS) devices.

Additionally, these points can also function as 'cash in, cash out' (CICO) centres where customers can withdraw up to Rs 10,000 using their debit cards and make deposits. There are only about 220,000 ATMs across more than 720 districts in the country, and out of these only 40,000 odd ATMs are in rural areas where 62% of the Indian population resi-des, said the person cited earlier.

"That is why there is a need for micro-ATM penetration in all villages in the country as most of these areas are high-cash economy."

An analysis of Reserve Bank of India's data on ATM deployment by banks shows that only 19% ATMs were deployed in rural geographies. While public sector banks are deploying one out of every five ATMs in these geographies, for private sector banks the deployment rate is less that one for every 10 ATMs.

Major private sector banks with sizeable ATM fleets and rural customers such as [ICICI Bank](#), [HDFC Bank](#), [IndusInd Bank](#) and [Axis Bank](#) have dismal rural deployment ratios at 5%, 7%, 3% and 12%, respectively.

The largest public-sector bank, State Bank of India has about 18% of its total 58,000 ATMs in rural areas.

In this context, bankers say that micro-ATMs, which are cheap to set up and operate, may go a long way in improving banking access for the underbanked.

"Another big advantage is that this model provides additional income for merchants," said Ashish Ahuja, chief business officer at Fino Payments Bank. "Almost 70% to 80% of all merchants that we have onboarded have a primary revenue streams such as local grocery

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stores, chemists, mobile stores and even petrol pumps."

Fino Payments Bank, which started in 2017, has nearly 60,000 micro-ATMs setup across the country.

Among banks setting up micro-ATM points are private sector lenders such as [IDFC Bank](#), Yes Bank, [RBL Bank](#) and [Andhra Bank](#). Experts have pegged the number of these ATMs at between 200,000 and 250,000 across the country with heavy concentration in Madhya Pradesh, Uttar Pradesh, Rajasthan, Bihar, West Bengal and Odisha.

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