

Micro ATM usage closing gap with POS transactions as cash rules hinterland

By: [Shritama Bose](#)

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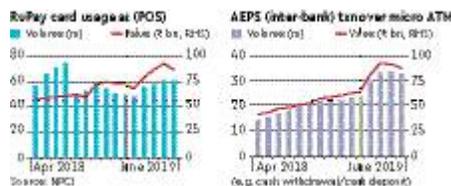
In its India Digital Payments Report for the first quarter of 2019, Worldline said the number of POS terminals actually increased by 18.6% between the first quarter of 2018 and Q1 of 2019, while the number of ATMs remained constant at 0.2 million.



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Cash usage in the hinterland continues to trump digital modes of payments, as evidenced by the rising value of transactions made through micro ATMs. In June, the value of cash withdrawn and deposited through micro ATMs overtook that of those made using RuPay cards at point of sale (POS) terminals. While micro ATMs recorded 33 million transactions worth `8,774 crore during the month, RuPay cards were used at POS terminals for making 61 million transactions worth Rs 8,723 crore.

Micro ATMs resemble refashioned POS machines, offering both a card-swipe facility and a fingerprint reader. They can be used to deposit and withdraw cash and are often operated by small merchants in semi-urban and rural locations. The use of micro ATMs has soared in recent months, rising 135% between April 2018 and June 2019. Micro ATMs have been steadily closing the gap with RuPay card payments at POS, whose volumes have moved only about 6% over the April, 2018-June, 2019 period.



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“The above information is of particular interest... (and) indicat[es] that despite the push from the government to raise awareness about digital payments along with the sustained effort by banks to enrol merchants to join the digital payments platform, cash is still king,” Worldline noted in the report.

Industry executives say the surge in micro ATM usage is being driven by a combination of factors, including a slowdown in ATM deployment, a large number of Aadhaar-enrolled individuals and a favourable cost-benefit dynamic for merchants operating micro ATMs.

Ashish Ahuja, chief business officer, Fino Payments Bank, said the widespread opening of bank accounts under the Jan Dhan Yojana and the debit/ATM cards that were distributed with them have also ended up pushing micro ATM usage. “There are various logistical reasons for slower ATM deployment. In the case of a micro ATM, the customer comes with their ATM-enabled card or uses the biometric route at the merchant’s shop and makes the transaction,” Ahuja said, adding, “For the merchant also, it works well because he would earlier either have to take the cash to the bank or it would lie idle with him. With a micro ATM, that cash is getting used and he is earning something on a per-transaction basis.”

It will still be some time before digital transactions are adopted in a big way in the hinterland. Payment-industry players expect that once the ecosystem comes up to a level where electronic payments form a large part of it, Unified Payments Interface (UPI) would be the preferred mode of payments in the rural segment. An expansion by large internet companies, especially [WhatsApp](#), in the UPI space would aid the push. "With the upcoming WhatsApp Pay, the UPI platform is bound to break its transaction records in the coming months. UPI has the potential to transform the payments ecosystem in India and we've only seen the tip of the iceberg," Worldline said.

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