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Nifty LIVE
11,320.35 6.35

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Market Watch

SBI, Bank of Baroda squeeze micro-ATM transactions of other banks

BY PRATIK BHAKTA, ET BUREAU | OCT 03, 2019, 07.44 AM IST

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BENGALURU: Public sector lenders State Bank of India (SBI) and Bank of Baroda (BoB) have limited the cash withdrawals of customers using micro-ATMs of other banks to just four times a month, in what could cause transactions undertaken through the Aadhaar-enabled Payment System (AePS) route to fall significantly.

While BoB is allowing customers to do four transactions a day, SBI has limited it to just one. SBI account holders who are not part of the government's direct benefit transfer scheme are allowed to do five transactions a month, three industry sources told ET. These limits only apply in case the customer uses the micro-ATM terminal of another bank.

SBI did not respond to queries.

"As per NPCI advisory, BoB has fixed issuer side limit of four transaction per month by a customer. This has been implemented to protect the interest of financial inclusion customers, the reason behind the move is acquirer banks' agents indulging in split transactions and as per advisory from NPCI," said a BoB spokesperson.

In perhaps some early signs of a drop in transactions, AePS recorded 201 million transactions in September, a nearly 9% reduction from the 220 million in July, as per data by the National Payments Corporation of India, which manages the payment network.

Through AePS, depositors use biometric credentials to withdraw cash from retail agents, instead of swiping their debit cards at ATMs.

Banks provide the service through micro-ATM terminals in areas where ATMs are not viable. Many customers use the service to access the cash subsidy they receive from the government into their 'direct benefit transfer' accounts.

"We found that many of our customers were splitting one big cash-out into multiple small ones," said a senior banker in the know of the matter. "While the customer does not get any benefit through such acts, retailers make extra money since their commissions are based on the number of transactions."

For instance, instead of taking out Rs 10,000 in one go, a customer was doing five transactions of Rs 2,000 each. For every such transaction, the customer's bank bears the cost. If, for example, a BoB customer uses a Yes Bank micro-ATM, then BoB pays 0.5% of the transaction amount, or Rs 15, whichever is lower, to Yes Bank. These are the interchange rates decided by the industry. Retailers or agents get a share of this amount.

"While fraudulent transactions are happening, I think banks should bar such agents from the network, rather than stopping every customer from accessing the service beyond once; this move will cause challenges for rural poor who might need cash urgently," said a top executive of a digital payments company.

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