

Banks to go ahead with ATM expansion

May earn more interchange fee despite mandatory charge-free transactions.

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Mumbai, March 29 Beginning April 1, one can walk into the ATM of any bank and withdraw cash or check the balance, at no extra charge.

This is when the Reserve Bank of India's guidelines, allowing free access to ATMs, become effective.

It was feared that the move may prompt banks to go slow on ATM expansion, in view of the fee from customers disappearing. But this does not seem to be the case, as most banks plan to continue with their ATM expansion.

This is because, the interchange fee, which is paid between banks, will continue. So, the RBI move could prove to be advantageous for banks with large ATM networks. They could earn more fee income, as more customers access their ATMs. The interchange fee is broadly between Rs 15 and 20 per transaction.

Mr Sanjeev Patel, Head, Direct Banking Channels, HDFC Bank, said the bank, which has about 3,500 ATMs, is not planning to go slow on ATM expansion. "We are a big acquirer. We have a large distribution network and this will benefit us. It is unlikely that my customer will move out. Other banks' customers will come to us," he said.

Mr Hemant Kaul, Executive Director, Retail Banking, Axis Bank, said that the beneficiaries of the RBI guidelines would be large banks who have invested money in setting up their own ATMs. The number of ATM transactions per debit card would also register an increase, he added.

Axis Bank, which added close to 400 ATMs this quarter, will have a network of around 3,600 by this fiscal.

For both HDFC Bank and Axis Bank, around 15 per cent of ATM transactions are from customers of other banks.

Banks could see some downward pressure on the network charge, due to the disappearance of the Rs 20 fee charged from customers. But as the interchange fee will continue, a small bank with a smaller ATM network will see more impact.

"Banks that tried to save capital cost by going slow on their ATM expansion would now have to pay for it, as from April 1, customers would not think twice before using another bank's ATM and their banks would have to pay for it," said a banking analyst.

Union Bank of India is one of the few banks that already allows its customers to use ATMs of other banks free of cost.

The bank will continue with its own ATM expansion, said Mr M.V. Nair, Chairman and Managing Director.

The bank opened 500 branches and set up 500 ATMs this year. It has set the same target for next year as well.

According to Mr Nair, the decision to expand ATMs will depend on the individual bank. But the RBI move could also give rise to alternative methods of proliferation of ATMs. "I see the distinct possibility of white labelled ATMs, which are present worldwide, catching on in India. The Payment Corporation of India could be the right vehicle to implement this," he said.

YES Bank also offers its customers free access to ATMs of other banks.

The bank had, in a sense, implemented the RBI move four years ago, when it began operations, as it wanted to increase its retail customer base, said Mr Suresh Sethi, President, Transaction Banking Group.

"We don't see any change in our core banking operations as our customers already enjoy free ATM use. ATM expansion is critical to improving the visibility of the bank and building its image. Our expansion strategy will be guided by that," he said.

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