



White Label Atm in India

KEYWORDS

WLAs, Non-Bank entities,

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ABSTRACT

The ATM market in India is not yet saturated. Though the concentration of ATMs is greater in metros, the demand is increasing for other cities and even rural areas. . It has only 98 ATMs per million people as against 1,390 in the US, 530 in the UK, and 211 in China There is, therefore, an abundant scope and a felt need to deploy more ATMs, particularly in Tier III to VI areas of the country. As per the RBI rules/regulations only banks were being permitted to set up Automated Teller Machines (ATMs) in India but having realised RBI has reviewed the extant policy on ATMs and it has been decided to permit non-banks to set up, own and operate ATMs to accelerate the growth and penetration of ATMs in the country. Such ATMs will be in the nature of White Label ATMs (WLA) and would provide ATM services to customers of all banks. Present paper highlights the significance of WLAs in current banking scenario in India and present current status of WLAs in India. This paper also analyse the benefits and problems or limitations of WLAs.

INTRODUCTION:

White label ABMs in Canada provide alternative source of cash dispensing vis-à-vis traditional automatic banking machines. (ABMs) from banks in Canada, the major financial institutions have their own branded ABMs located throughout the country. These ABMs prominently display the logo of the banks. "White label" or "no name" ABMs, which are usually located in non-traditional places, display no major bank labels on the actual machine. Before 1997, only banks and other deposit taking financial institutions were allowed to be part of the Interac network. After 1997, independent operators were allowed to operate ABMs, not owned by major financial institutions.

With a network of over 15,000 units, The NRT Technology Corporation is the largest processor of non-bank ABMs in Canada, handling more than 50 million transactions annually.¹

Even though our banks have deployed almost 87,000 ATMs across India since June 2012 and this is growing at 27% year-on-year, India is still a highly under-penetrated ATM market compared with developed nations. Against 80 ATMs per million of population in India, there are 1,390 in US, 700 in UK and 224 in China. India has been adding an average of 16,000 ATMs every year in the last five years, but the growth is largely concentrated only in the urban markets. . Since 2006, some banks have been pressing with RBI to introduce white label ATMs (WLAs) in India too. The RBI's mandate will ensure banking services are made available in areas where it's unviable for banks to operate ATMs.¹ On June 20, 2012 the RBI has issued the guidelines and licence to non-banking entities to own and operate WLAs in India.

White Label ATM or White Label Automated Teller Machines or WLAs in India will be owned and operated by Non Bank entities. From such WLAs customer from any bank will be able to withdraw money, but will need to pay a fee for the services. These white label automated teller machines (ATMs) will not display logo of any particular bank and are likely to be located in non traditional places. These ATMs will aid customers, ir-

respective of the Bank in which they hold an account, to access ATMs and undertake various financial/non-financial transactions. They are intended to serve as an important medium of banking for consumers and a useful addition to the existing banking network, thus addressing the underpenetrated semi-urban and rural market.

PURPOSE OF DEVELOPMENT (WLAs):

1. As per the RBI rules/regulations only banks were being permitted to set up Automated Teller Machines (ATMs) in India. Banks have played a major role in encouraging ATM adoption and modifying behavioral strategies in the domain of personal banking. The banking space has seen considerable growth through the ATMs, (approximately 87000 ATMs upto June 2012) but the same has been restricted principally to the urban/metro areas. Tier III to VI unbanked/under banked areas have not witnessed much ATM presence.
2. Although there has been about 30% year-on-year growth in the number of ATMs deployed in the country since 2008, ATM penetration on a per capita basis continues to be less compared to other countries.. There is, therefore, an abundant scope and a felt need to deploy more ATMs, particularly in Tier III to VI areas of the country
3. In the above context, RBI has reviewed the extant policy on ATMs and it has been decided to permit non-banks to set up, own and operate ATMs to accelerate the growth and penetration of ATMs in the country. Such ATMs will be in the nature of White Label ATMs (WLA) and would provide ATM services to customers of all banks.

General Criteria for non-bank entities authorized by RBI to set up and operate WLA²

Non-bank entities proposing to set up WLAs have to make an application to RBI for seeking authorization under the Payment and Settlement Systems Act 2007. Such entities should have a minimum net worth of Rs. 100 crore at the time of making the application and on a continuing basis after issue of the requisite authorization

The authorized non-bank entity (henceforth referred to as

WLA Operator) would have the freedom to choose the location of the WLA. However, it will adhere to annual targets and the ratio of WLA between Tier I & II and Tier III-VI centres that may be stipulated by the Reserve Bank of India.

Only the Cards issued by banks would be permitted to be used at the WLAs to start with.

Acceptance of deposits at the WLA site into the account of the WLA operator or in any other account indicated by it shall not be permitted.

The WLA Operator will be the "acquirer" for all transactions at the WLA and earn his fee accordingly.

The WLA Operator would be permitted to earn extra revenue through advertisement and by offering value added services. The advertisements placed on such ATMs would be subject to Advertising Standards Council of India (ASCI) codes and other regulations.

Being non-bank owned ATMs, the guidelines on five free

transactions in a month for using other bank ATMs would not be applicable for transactions effected on the WLAs. The charges for the transactions should be displayed on the screen before the customer initiates the transaction.

The WLA Operator would not be entitled to any other fee from issuer bank other than the "Interchange" fee payable to "acquirer" bank under the present bank owned ATM scenario. The WLA Operator shall also not be permitted to charge any fee from the customers for the use of the ATM resources.

Regulatory guidelines relating to compensation for failed ATM transactions would apply to transactions at WLAs.

General guidelines governing the operations of the bank operated ATMs would apply mutatis mutandis to WLAs

CURRENT STATUS OF WLAs IN INDIA:

The Reserve Bank of India on May 26,2014 had issued Certificates of Authorisation to the following three non-bank entities for setting up and operating White Label ATMs (WLAs) in India:

S. NO.	NAME OF NON-BANK ENTITY	AUTHORISATION DATE	WLAs BRAND NAME	INITIATIVE LOCATION OF WLAs	Total no. of WLAs
1	Tata Communications Payment Solutions Limited	june,20, 2012	'Indicash	Chandrapada,a village located inVasai-Virar, Maharashtra	over 5,000 ATMs as on Mar'15
2	Mumbai, Prizm Payment Services Pvt. Ltd	june,20, 2012	Money Spot ATM	Chendre village in Alibaug Taluk, Raigad District of Maharashtra	21,000 ATMs
3	Mumbai, Muthoot Finance Limited, Kochi	june,20, 2012	NA	NA	NA
4	Vakrangee Limited, Mumbai	june,20, 2012	NA	NA	NA
5	BTI Payments Private Limited, Bangalore	May 26,2014	india1ATMs		140 WLAs till the end of sep.2014
6	Srei Infrastructure Finance Limited, Kolkata	May 26,2014	NA	NA	NA
7	RiddiSiddhi Bullions Limited, Mumbai	May 26,2014			54 ATMs as of February 2015

.Tata Communications Payment Solutions Limited (TCPSL) is the first company authorized by RBI to open White Label ATMs in the country. TCPSL's first White Labelled ATM was launched under the brand name 'Indicash' on 27th June 2013 in Chandrapada, a village located in Vasai-Virar, Maharashtra. TCPSL will be deploying 15,000 Indicash ATMs in a record time of three years. The company has already rolled out over 5,000 ATMs as on Mar'15. TCPSL is the market leader in the White Label ATMs industry in India, with 66% market share.³

Prizm Payments inaugurated a "Money Spot ATM" on January 28,2014 at Chendre village in Alibaug Taluk, Raigad District of Maharashtra. Chendre is categorised as a Tier V locality with a population of around 8,000. Prizm Payments is currently the leading ATM services company in the country with 21,000 ATMs deployed and managed for various Banks under fixed and variable fee model and processing 1,15,000 POS across the country. The WLA ATMs will be connected to the country's premier shared ATM network in the country called NFS from NPCI.⁴

BTI Payments Private Limited, Bangalore(Established in Sydney, Australia in 1991, The BANKTECH Group, parent company of BTI Payments, today manages ATM and POS terminals in Australia, India, Hong Kong, New Zealand and United Arab Emirates and has recently established offices in Shanghai, China). have launched White Label ATM Network, under the brand name of india1ATMs. The first india1ATM was launched in Gubbi – a town in Tumkur District in the state of Karnataka on 9th April 2014. BTI Payments Pvt. Limited will be deploying 9,000 india1ATMs in the next 3 years. The company has established 140 WLAs till the end of sep.2014⁵ and plans to roll out more than 1,000 White Label ATMs in the first year.⁶

Srei Infrastructure Finance Ltd, which received RBI authorization in May 2014, has not opened any ATMs yet.

Raha Payment Solutions Pvt. Ltd, (RPSL) an arm of RiddhiSiddhi Bullions Ltd, which received authorization in May 2014 chose the second option that required a minimum of 25,000 WLAs in the first year and at least another 25,000 in the next two years equally spread between rural and urban areas. Abhishek Bafna, director at RPSL, admitted that his firm will not achieve its first year target. RPSL had 54 ATMs as of February 2015 and will increase it to 100 by the end of March

BENEFITS OF WLAs :

The white label automated teller machines are likely to benefit customers as well as banks. With the expansion of ATM network, customers will be able to withdraw funds at more locations which will be convenient and located near to their home or place of work. Banks too support introduction of white label ATMs as such machines are likely to reduce pre-transaction cost for them and will be free from the problems relating to maintaining and running such a payment channel.

In rural areas, the development of the ATM market is a distant dream due to reasons such as poverty, illiteracy and lack of regular income. Banks hesitate in setting up ATMs in rural areas due to high transactions costs. Hence, there is huge scope to set up more ATMs in non-urban and non-metro cities. As the ATM network expands, more and more people will have easy access to cash as customers with an ATM card can access WLAs. With the expansion of the WLA network, customers will gain access to basic banking facilities located closer to their home or place of work.⁷

RBI's norms require these companies to set up machines mostly in small towns and villages which banks have failed to cover. "The government move to open bank accounts under the Prime Minister's Jan Dhan Yojana (PMJDY) will provide a boost to usage in the medium term,

PROBLEMS AND LIMITATIONS Of WLAs:

Bankers are already sounding caution about the pitfalls of white label ATMs. The first and foremost concern for customers will be the inconvenience they may feel in case of failed transactions on WLAs. In such cases the dispute resolution mechanism will involve three entities — the WLA operator, the sponsor bank of the operator, and the customer's bank. The WLA operators being non bank entities and running purely on profit basis may take longer time or avoid payments on account of failed transactions. The second concern for customers will be the high cost they are likely to pay for use of such ATMs.

Some other problems or limitations regarding WLAs are as following⁸:

For a white label ATM company, biggest challenges = office rent + Security guard.

If they want to make profit, every White ATM needs to get at least 75-125 transactions per day= very unlikely, especially when RBI requires them to setup 2/3rd of the ATMs in semi-urban and rural areas.

Even in Bangalore, some of the white-label ATMs are getting barely 2-3 customers every week=loss making business at the moment.

Despite the entry of White Label ATM companies, the regular banks have not slowed down their ATM expansion drive, because branded ATM=passive advertisement and customer loyalty. Result? ATMs everywhere =too much competition= small players will bleed out just like in aviation business.

tion business.

Last year, a lady was brutally attacked in ATM booth in Bangalore. Police have warned all banks to put security guards=input cost increased. Banks themselves admitting "five transactions free every month=loss making" in this scenario.

SBI has the largest ATM network in India (30,000+)= economies of scale= they're supposed to be making profit. But this week, even SBI chairman herself has admitted their ATM business is making losses. So, it is unlikely that White label ATM companies will run profitably for a long period of time.

Customer complaint: failed ATM transactions = matter falls into Issuing Bank (=bank where you have account). Some critiques fear it will lead to *taarikh pe taarikh* because data records are with sponsor bank and machine maintenance is under ATM company's responsibility.

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