

A Study of the Extent of Usage of ATM Services



Banking

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Dr Mahalaxmi Krishnan

Associate Professor of Commerce, K J Somaiya College of Arts and Commerce, Mumbai
PhD Guide in Management Studies, SNDT University

ABSTRACT

Indian Banks have leveraged technology and introduced innovative banking products and services to attract and retain customers. There are several alternate channels available to customers for banking transactions. The purpose of this research is to study the extent of usage of one of the alternate banking channels viz., ATM by means of field study.

1. Introduction

Today, Indian banks are as technology-savvy as their counterparts in developed countries. On the networking front, branch banking coupled with ATM networks has evolved to place the banking services at the door step of customers. In the last four decades since nationalization of banks in 1969, branch network expanded ten-fold from 8262 branches in 1969 to more than 97,000 branches in 2012. ATM network grew at a faster pace. From the first ATM set up 25 years ago, its footprint has increased to more than 100,000 today bringing banking services closer to the customers.

Technology has greatly helped the banking sector to smoothen their interaction with the customers. With rapid advancements in ICT, alternate channels are made available to customers. ATMs have replaced tellers. This has considerably reduced the transaction cost for the banks and the customer has the choice of withdrawing money anytime, anywhere, whereas previously he was restricted to the business hours of the bank. With the advent of internet, online banking has further simplified transactions. Customers can easily make funds transfer from one account to another and make online purchases. With the advent of wireless mobile telephony, mobile banking as a means of anytime any where banking has come to stay. The services offered in mobile banking are information based, transaction based and relationship based. Banks are also using mobile banking as a marketing medium to promote their products and services.

2. Rationale for the present study

Indian banks after financial sector reforms since 1991 have leveraged technology and have introduced an array of products and services. ATM is an alternate delivery channel for host of banking services. Since April 2009, customers can use the entire ATM network in the country for various banking services. This study examines the extent of use of ATM based services by customers and the emerging issues for making ATMs a single window self service centre for enhancing customer service.

3. Objectives of the Study

Literature reviews highlight the need for reviewing products and services besides marketing them. Against this background, the objectives of this research are as follows:

- Study the range of value added services offered by banks through ATMs
- Examine through field survey the extent of usage by customers of the various ATM based services on offer
- Ascertain the concomitant and emerging issues

4. Research Methodology

Data and information for the study were gathered from primary sources by means of field survey using structured questionnaires covering a cross section of customers in Mumbai city and secondary published sources such as books, journals, newspapers, websites, and research studies. Sample size was 100 customers on random sample basis.

Analysis of data and information collected from primary sources as well as from published sources were made keeping the objectives of the study in mind.

5. Findings of the Study

5.1 Range of ATM Services

Nudged by the RBI, banks migrated to core banking systems and set up a network of off-site and on-site ATMs to provide seamless banking services to customers. This has helped them to provide many value added services to customers.

ATMs are computerized machines that provide bank customers access to their accounts for dispensing cash and for host of other financial and non-financial transactions without the need to visit their bank branch. The various services / facilities available at ATMs are:

cash withdrawal
cash deposit
cheque deposit
cheque book request
balance enquiry
mini account statement
mobile recharge
tax payments
utility payments
donations
passbook printing
movie tickets
credit card payments
insurance premium payments
college fees payments
account information
mutual fund transactions, etc.

5.2 Primary Data Analysis of Field Survey of Bank Customers

5.2.1 ATM Services and Facilities (Table 1)

ATM Services	Respondents	%
Cash withdrawal	94	94
Cash deposit	2	2
Cheque deposit	8	8
Balance enquiry	81	81
Mini statement	58	58
Cheque book request	3	3
Utility payments	8	8
Mobile recharge	5	5
Others	14	14

With the progress in information technology and communication infrastructure, Indian banks offer variety of technology based add-on services in ATMs. For this study we have taken some of these add-on services. From Table 1, it can be seen that customers use ATMs predominantly for cash withdrawals. Balance enquiry (81%) and mini statement (58%) are the other services used by customers in ATMs. Other facilities on offer at the ATMs are seldom used by them. It was found during field interviews that customers have not used other facilities due to lack of knowledge, fear of on-line frauds, and rush in ATM counters, etc. There is thus a big disconnect between the range of add-on services offered at ATMs and consumer preference.

5.2.2 Footfalls in Bank Branches (Table 2)

Visit to Bank Branches	Resps	%
Do not visit the bank	5	5
Cheque deposit	66	66
Depositing cash	36	36
Withdrawing cash	22	22
Cheque book request	30	30
Utility payments	36	36
Updating passbook	56	56

With ATMs providing basic banking services and facilities one would expect the footfalls to fall drastically in bank branches. But the results of the survey are to the contrary. Only 5% of the respondents do not visit branches; rest of them visit branches for one reason or the other. Surprisingly even for mundane tasks like cash withdrawals and cash / cheque deposits which can be done at ATMs, customers prefer to visit branches. This is a case in point for customer awareness and education.

5.2.3 Frequency of Visit to Bank Branches (Table 3)

Frequency of Visit to Bank Branches	Reps	%
Do not visit the bank	5	5
Once	29	29
Twice	40	40
Thrice	14	14
Four times	8	8
More than 4 times	4	4

Table 3 gives the frequency of customer visits to branches. 40% of the respondents visit branches twice a week which indicates that the mindset of people has not changed much.

5.2.4 Frequency of Visit to ATM (Table 4)

It can be observed from Table 4 that on an average people visit ATMs three times in a week. There appears to be a correlation between visit to ATMs and visit to branches. Possibly after doing a transaction in the ATM, customer goes to the branch to update the transaction in the pass book.

Visit to ATM	Resps	%
Once	48	48
Twice	20	20
Thrice	22	22
Four times	8	8
Five times	2	2
More than 5 times	-	-

5.2.5 ATM Breakdown and Restoration Time (Table 5)

Freq of ATM Brkdown in a month	Resp	%	Restoration of ATM Services after breakdown	Resp	%
0 times	28	28	1 hour	38	38

1 time	44	44	1 – 3 hours	36	36
2 times	18	18	2 – 5 hours	6	6
3 times	8	8	1 day	4	4
4 times	2	2	More than a day	16	16
> 4 times	-	-			

72% of the respondents said that at least once the ATM fails during the month. In 20% of the breakdown cases, it takes more than a day to repair the ATM. Banks should examine this aspect and ensure that ATMs work at all times. This can also help reduce customer visits to branches for cash withdrawal, enquiries, and other ATM related transactions.

6. Discussion

Closer examination of the responses of bank customers and filed interviews reveals the following:

- Customers are not using the full range of facilities offered by ATMs.
- Many consumers are apprehensive of using ATM based services such as cash / cheque deposit because of the perceived risks. They do not also use ATMs for utility payments, etc. due to fear / lack of trust on the safety and security of such online payment system. Banks would need to address these issues effectively if they have to remain customer centric.
- Banks must aggressively persuade customers to use ATMs for all their basic banking services so as to reduce footfalls in branches. Apprehensions of customers to ATM frauds should be addressed by educating them not only in the use of these services but also on the steps taken to secure the transactions.
- Banks must realize that giving a hand up to the customers on use of ATMs, rather than handouts will help their business strategy and provide opportunities to optimize the services offered.
- Banks should identify the causes for low usage of ATM based services and strategize to mark up their use.
- Customer footprints in bank branches continue to be fairly high especially in public sector banks despite large ATM network. Customers continue to depend on bank branches for services which can be done at ATMs. It is evident from the study that even in the metropolitan city like Mumbai where customer awareness is high ATMs continue to be sub-optimally used by customers. There is need to sensitize customers and allay their apprehensions through education.

7. Conclusion:

While ATM has become popular among the customers for cash withdrawals, other ATM services like utility payments, etc. are sub-optimally used. Another important factor that has emerged from the study is that merely setting up ATMs as convenience points is not sufficient. Customers have to be persuaded to migrate to ATMs for all their basic banking needs.

While more and more people are moving towards ATMs for their banking needs, it is still largely used as cash dispensers. Large number of customers still do not use other value added services on offer at ATMs. Banks therefore have a task on hand to make ATMs self serving model for customers. This would become imperative with push towards white label ATMs to increase ATM network across the country and to achieve economies of scale.

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