

A Study on White Label ATMs in Ernakulam District

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ABSTRACT:

The Automated Teller Machine (ATM) has been hailed as one of the most innovative and revolutionary technological developments in the history of banking. The channel which was initially a medium for disbursement of cash to customers at bank branches, has now developed into a touch-point for delivery of a wide variety of banking services at branches and convenient off-site locations. Though banks initially owned and deployed their own ATMs, over time this has undergone a broad change, with banks now preferring outsourcing all or many of the activities associated with ATM operations starting from deployment, maintenance, cash loading and technology upgrading. This has helped them reduce their operational costs and stay more focused on their core business. This study makes and helps to rectify the problems regarding the perception of the concept of White Label ATMs (WLAs). With the help of this study; we can know the current status of the concept of White Label ATMs (WLAs) in the minds of the customers. The collected data is analysed using appropriate statistical tools like percentage analysis and Chi Square test.

KEYWORDS: ATM, WLA, Technology, Awareness, Difficulties, Customers

INTRODUCTION:

In order to ensure deeper penetration of ATMs in unbanked/under-banked areas, the Reserve Bank of India has permitted White Label ATMs in the country to supplement the existing ATM schemes operated by banks. Under the policy guidelines, Non-banking financial companies (NBFC) or any Non-bank entities incorporated in India under the Companies Act, 1956 that intend setting up, owning and operating ATMs, would be called White Label ATM operators (WLAO) and such ATMs would be called White Label ATMs (WLA). They will provide the banking services to the customers of banks in India, based on the cards (debit/credit/prepaid) issued by banks. This project tries to study the performance of White Label ATMs introduced under the payment and settlement system (PSS) Act, 2007 by the Reserve Bank of India. This study is aimed at "A Study on White Label ATMs in Ernakulam District".

The introduction of the Automated teller machines (ATMs) has changed the way a customer interacts with the bank. In addition, the machine made the withdrawal of cash at any time of the day. Customers no longer have to visit the account holding branch, fill up the withdrawal leaflet and submit the same to take money from the account. The investment in setting up ATMs is part of the strategy that helps the bank to offer a variety of services to customers. Furthermore, the platform offers interoperable access to different ATM Network Operators and Card payment Network Operators.

According to the draft released by the RBI, there are over 90,000+ ATMs across the country. However, majority of the establishments are in urban areas (Tier I & II centres). In view of expanding the devices to other centres, the RBI has come up with the White Label ATMs (WLAs) that allows private players to establish the machines across rural and semi-urban areas (Tier III & IV centres).

Since the introduction of White Label ATMs in India in 2012, only banks were permitted by RBI to set up Automated Teller Machine (ATM) as extended delivery channel. Banks have played a major role in encouraging ATM adoption by customers and modifying behavioural strategies in the domain of personal banking. The investments in ATMs have been leveraged for delivery of a wide variety of banking services to customer across the banking industry and expanded the scope of banking to anytime, anywhere banking through interoperable platforms provided by the authorised shared ATM Network Operators/Card payment Network Operators.

The RBI aims to increase the penetration of ATMs in Tier III & IV centres through the introduction of White Label ATMs. According to RBI guidelines, each scheme has to have a minimum number of ATMs set-ups in semi-urban and rural areas in order to get a license in the urban areas. RBI has decided to permit non-bank entities incorporated in India under the Companies Act, 1956, to set up, own and operate ATMs in India. The approval provides the opportunity for these entities to serve the customers of different banks in India, based on the cards issued by respective banks. The role of the entity is acquisition of transactions of bank customers. White-Label ATMs, being one of the recent trends in management and technology in the field of banking calls for a study on its various operations and performance.

REVIEW OF LITERATURE:

James J. McAndrews (1998), evaluated the Pros and Cons of the surcharges entailed both benefits and costs for ATM owners, consumers, banks and ATM networks. The primary benefit of surcharges was the potential to lead to a better match between the supply of ATM locations and customer demand for remote access to their bank accounts. ATM surcharges have imposed direct costs on consumers and might have long-term consequences on transaction volume and banking competition. He has added that surcharges encouraged the deployment of ATMs in areas that are too expensive for interchange fees such as airports, casinos, football stadiums and ski resorts. He has found out that ATM installations have increased since surcharges were permitted in 1996. At the same time, the number of transactions per machine fell rapidly, indicating that the number of ATMs had grown faster than the total number of transactions. Thus, ATM deployers found it profitable to continue to deploy ATMs even though the number of transactions per ATM was lower than in previous years.

Haroldo Jayme and M.F. Cruz (2001) analyse how information technology development has been impacting financial systems. The study explores and identifies the changes which occurred due to technological innovations. The authors observe that information technology has been positive for customers as new products, services and delivery channels, such as internet banking, ATMs, debit and credit cards has contributed to their convenience. The authors further say that electronic revolution has dramatically expanded the access to abundant and accurate information which increases the transparency of the financial systems. The analysis shows that the increasing technological development has produced an extraordinary effect on financial institutions particularly banks as they have been able to use them as powerful tools to improve profits and growth and to reduce risk in their operations by providing efficient management systems.

ATM Network, ATM Machines, Benefits of Owning an ATM: An ATM Buyer's Guide (2008), defined as how the ATMs work, what is the role of the merchant and what is the role of the customer. This guide states that when a person owns an ATM means, guidelines are stated as how an owner of an ATM has to invest money for installing it and how to set the surcharge amount for which the customers have to pay it. Moreover, the advantages of

owning an ATM and various rules and regulations about the usage of ATM Networks and ATMs are also given clearly. If a person wants to own an ATM then, he has to follow the rules and regulations for owning as well as he should be aware of up to date details ATMs and its benefits.

Daily Thanthi (2012), (a daily vernacular newspaper) stated that ATMs are introduced in order to reduce the workload of banks. Missing of ATM cards, theft, sometimes getting caught inside the ATMs was the problems that are faced by the users while using ATMs. In order to overcome these inevitable problems, developments have made at ATMs. It was stated without using the ATM card; by using thumb impression, birth date and password, one can withdraw money from ATMs. These ATMs are designed by Okachi Keyrith banks, in such a way that ATMs reduces the work burden on the bank employees. It is also used where natural disasters are occurring very often like Japan, Indonesia and other countries. This technical development in ATM may be used throughout the world in future. Due to new technological development, the work burden of the banks has reduced a lot.

Karuna A L Kumegan (2004) emphasized the awareness level of smart ATM card users about the multi-function of the card and identified the attributes that has influenced the differences of attitude between the active and inactive smart ATM cardholders from a sample of 300 respondents. He has found out that the awareness level of the multi-function card was low. Moreover, the study also validated that attitude has influenced the usage level as dictated by the multi attitude model. The study suggested that the full utilization of the newly introduced smart ATM card is crucial for the financial institutions to capitalize their investment. The study stated that they could help the financial institutions to segment their target market, retain their customers and strengthen the relationship while capitalizing the new technology towards the profitability of the company. Awareness about the smart cards is necessary so that the public can make use of smart ATM card multi functions to their utmost.

Dharmesh Motwani & Devendra Shrimali (2012), stated that their research study was based on descriptive research design. Questionnaire was made and data was collected from bank customers. The study highlighted that the ATM services mostly preferred by customers as well as the awareness level & satisfaction of customers regarding ATM services. The study concluded that majority of the customers were aware of cash withdrawal service and ranks first while using the ATMs. Balance enquiry service ranked in the second position on

awareness scale. There was no significant difference between the satisfaction level of public & private bank customers towards ATM services. The awareness level of ATM services was affected by demographics of customers. Moreover, the study has found out that most of the people are using their ATMs for withdrawal of cash and to ensure the available balance in their accounts rather than for other purposes.

Ombati and Magutu (2010), observe in their study that technology based self-service has greatly changed the way that service firms and consumers interact. The purpose of the study is to establish the relationship between technology and service quality in the banking industry in Kenya. The research is carried through a cross-sectional survey design which questioned respondents on e-banking services. The population of study is mainly constituted of customers of banks within the Central Business District (CBD), Nairobi. The respondents of the study are customers of banks using e-banking services (internet banking, mobile banking and ATM). The sample in this study consists of 120 respondents who are users of the e-banking services. The findings reveal that, secure services is the most important dimension, followed by convenient location of ATM, efficiency (not need to wait), ability to set up accounts so that the customer can perform transactions immediately, accuracy of records, user friendly, ease of use, complaint satisfaction, accurate transactions and operation in 24 hours.

Objectives:

1. To know the awareness of White Label ATMs (WLAs) among the customers.
2. To know the experience of respondents with respect to White label ATMs.
3. To know the difficulties faced by the customers while using White Label ATMs (WLAs).

Research methodology:

The process used to collect information and data for the purpose of making business decisions. The methodology may include publication research, interviews, surveys and other research techniques, and could include both present and historical information. There are several important aspects to research methodology. This is a summary of the key concepts in scientific research and an attempt to erase some common misconceptions in science.

Methodology is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge. Typically, it encompasses concepts such as paradigm, theoretical model, phases and quantitative or qualitative techniques. The Methodology is the general research strategy that outlines the way in which a research project is to be undertaken and, among other things, identifies the methods to be used in it.

❖ Research design

The study is descriptive in nature because it simply describes something such as demographic characteristics of consumers who used the product.

❖ Hypothesis

The two attributes namely gender wise difference and awareness level about white label ATMs are independent.

❖ Sources of data

The primary data is used for this study which is collected through questionnaire.

❖ Population

The population for this study is the bank customers in Ernakulam district which is not known exactly.

❖ Sample size

The population being large the survey is carried among 50 customers of white label ATMs.

❖ Sampling technique

The samples are collected by convenience method.

❖ Tools for data analysis

The collected data is analysed using appropriate statistical tools like percentage analysis and chi square test.

DATA ANALYSIS AND INTERPRETATION:

Experience of respondents with respect to White label ATMs (with or without having a knowledge).

Table 1

Particulars	Highly Satisfied		Satisfied		Neither Satisfied Nor Dissatisfied		Dissatisfied		Highly Dissatisfied	
	No	%	No	%	No	%	No	%	No	%
Acceptance of all bank cards	30	60	20	40	-	-	-	-	-	-
First five transactions free	20	40	20	40	10	20	-	-	-	-
Pin change facility	20	40	20	40	10	20	-	-	-	-
Balance enquiry & Mini statement	10	20	20	40	20	40	-	-	-	-
Utility bill payment	30	60	20	40	-	-	-	-	-	-
Mobile recharge	10	20	10	20	10	20	10	20	10	20
Cash deposit machine	20	40	20	40	-	-	5	10	5	10
Immediate information to mobile on completion of transactions	20	40	10	20	10	20	10	20	-	-
Instructions for cash withdrawal	10	20	30	60	10	20	-	-	-	-
Appointment of security guard	20	40	20	40	10	20	-	-	-	-
Efficient working - 24x7	20	40	10	20	10	20	10	20	-	-
Located at rural areas	5	10	5	10	20	40	10	20	10	20
Cleanliness of WLA	20	40	10	20	10	20	10	20	-	-
Ensures quicker customer grievance redressal	10	20	5	10	15	30	10	20	10	20
Easy withdrawal of cash from white label ATMs	20	40	30	60	-	-	-	-	-	-
Security of Transactions	20	40	15	30	5	10	10	20	-	-
Privacy while withdrawing cash	10	20	20	40	10	20	10	20	-	-
Availability of all currency denominations	10	20	5	10	5	10	10	20	20	40
Clarification on customer doubts	10	20	5	10	-	-	20	40	15	30

Source: Primary data

Inference:

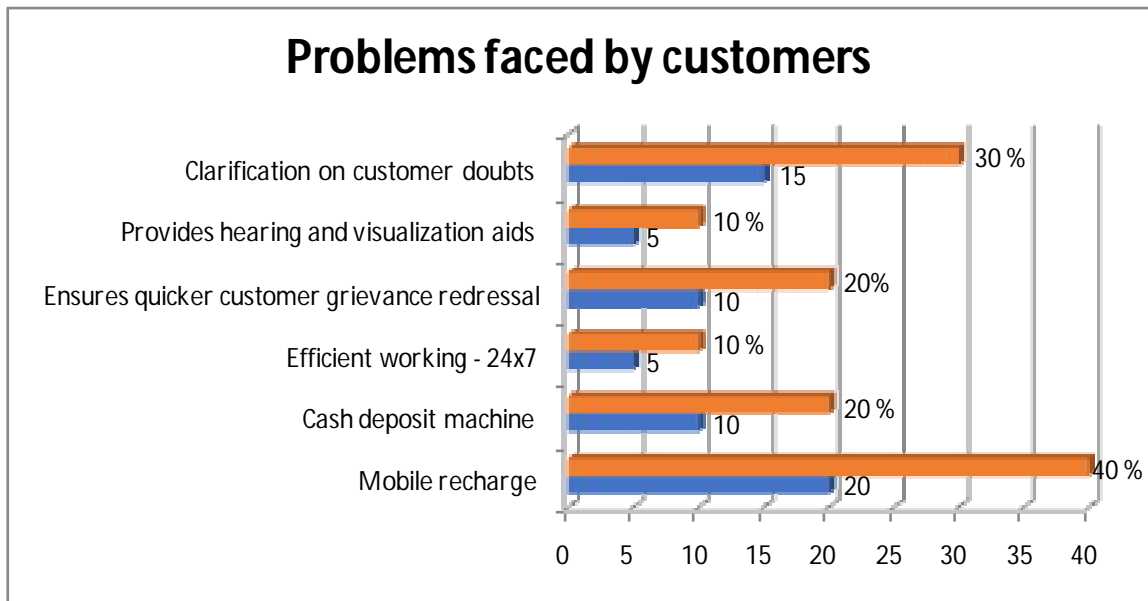
From the above analysis it is clear that most of the customers are highly satisfied while using White label ATMs. Some customers are not satisfied with balance enquiry, immediate information to mobile on completion of transactions, instructions for cash withdrawal, efficient working - 24x7, ensures quicker customer grievance redressal system and clarification on customer doubts. 70 percent are not satisfied with due to improper clarification of customer doubts. Nearly 70 percent have problems related to unavailability of all currency denominations. 40 percent have problems immediate information to mobile on completion of transactions. 20 percent of customers are not satisfied with mobile recharging facilities. 10 percent have no satisfaction related to unavailability of cash deposit machine. 70 percent are not highly satisfied due to improper customer grievance redressal system. WLAs operators have to start their operations in rural areas. Because most of the customers (nearly 80 percent) are not satisfied with the operations of WLAs in rural areas so they have to implement and set up WLAs in rural areas for proper financial inclusion. Thus, White label ATMs should provide more bank related services efficiently and effectively then WLAs can attain more success in future and more customer base.

Statement showing the problems faced by the customers with or without having a knowledge of White label ATMs.

Table 2

Particulars	No. of respondents	Percentage
Mobile recharge	20	40
Cash deposit machine	10	20
Efficient working - 24x7	5	10
Cleanliness of WLA	2	4
Ensures quicker customer grievance redressal	10	20
Provides hearing and visualization aids	5	10
Immediate SMS	2	4
Clarification on customer doubts	15	30

Source: Primary data



Inference:

From the above analysis it is cleared that customers find difficulties in areas like mobile recharging, insufficient cash deposit machines and difficulties in clarification of customer doubts. Sometimes 20 percent of customers don't get enough money due to insufficient cash deposit machines. Due to improper customer grievance redressal system, 20 percent of customers felt difficulties and 30 percent of customers find difficulties in improper clarification of customer's doubts. Only 4 percent customers' felt difficulties in getting immediate SMS. 10 percent of customers have problems relating to facilities like efficient working - 24x7 and hearing and visualization aids respectively. 40 percent of customers felt that they have faced problems while mobile recharging. So White Labels ATMs must ensure more facilities to solve such problems. They have to implement more strategies to implement more innovations in such fields to increase their customer base.

Testing of Hypothesis

Hypothesis:

Ho: Two attributes gender wise difference and awareness level of White label ATMs are independent.

Table 4.31

O	E	$(O - E)^2$	$\chi^2 = \sum \frac{(O - E)^2}{E}$
15	14	1	0.072
20	21	1	0.048
5	6	1	0.167
10	9	1	0.111
Total			0.398

Source: Primary data

$$\chi^2 = \sum \frac{(O - E)^2}{E} = 0.398$$

Degree of freedom = (r-1) (c-1) = (2-1) (2-1) = 1

Level of significance = 0.05

Table value is 3.841 for onedegree of freedom at 5% level of significance. The calculated value is less than the table value. So we accept Ho.

The two attributes are independent. There is no association between gender wise difference and awareness level of White label ATMs.

FINDINGS:

Awareness about White label ATMs among people are poor.60% of the respondents are interested in using their bank owned ATMs and do not find any motivation in using White label ATMs. Mostly men are using White Label ATMs.White label ATMs are used as a platform for marketing the various products of the Non-banking financial companies. But only 40 percent of respondents have knowledge about this fact.80 percent of people have recommended White Label ATMs to others. It means that majority of the

respondents find white label ATMs are user friendly. There is no association between the variables gender wise difference and awareness level of White level ATMs. From the testing of hypothesis it is clear that the variable gender has no influence in the usage or awareness of White label ATMs. Customers find difficulties in areas like mobile recharging, insufficient cash deposit machines and difficulties in clarification of customer doubts. Sometimes 20 percent of customers don't get enough money due to insufficient cash deposit machines. Due to improper customer grievance redressal system, 20 percent of customers felt difficulties and 30 percent of customers find difficulties in improper clarification of customer's doubts. Only 4 percent customers' felt difficulties in getting immediate SMS. 10 percent of customers have problems relating to facilities like efficient working - 24x7 and hearing and visualization aids respectively. 40 percent of customers felt that they have faced problems while mobile recharging. Most of the customers are highly satisfied while using White label ATMs. Some customers are not satisfied with balance enquiry, immediate information to mobile on completion of transactions, instructions for cash withdrawal, efficient working - 24x7, ensures quicker customer grievance redressal system and clarification on customer doubts. 70 percent are not satisfied with due to improper clarification of customer doubts. Nearly 70 percent have problems related to unavailability of all currency denominations. 40 percent have problems immediate information to mobile on completion of transactions. 20 percent of customers are not satisfied with mobile recharging facilities. 10 percent have no satisfaction related to unavailability of cash deposit machine. 70 percent are not highly satisfied due to improper customer grievance redressal system. WLAs operators have to start their operations in rural areas. Because most of the customers (nearly 80 percent) are not satisfied with the operations of WLAs in rural areas so they have to implement and set up WLAs in rural areas for proper financial inclusion.

CONCLUSION:

White label ATM was a people centric policy taken by the Reserve Bank of India. The primary objective of RBI behind the introduction of White label ATM was to enhance the spread of ATMs in semi-urban and rural areas (Tier III – Tier VI), where bank owned ATM penetration was not growing. The biggest beneficiaries of this White Label ATMs will be commercial banks themselves, as WLAs will serve as an extended arm of a bank and provide

cash dispensation to their account holders at a nominal cost, without the need to set up a branch or an ATM of their own, thereby considerably saving on cost which can very well be used for their mainline operations.

The outcome derived from the present study is to develop a model for improving the performance of White label ATMs. The fruitful development of White Label ATMs creates customer satisfaction. ATMs business continuously innovate different services to create and deliver greater value to each and every customer.

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