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Banking Automation BULLETIN

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Could ATM pooling address MEA's underexploited potential?

It was noted in this column last month that the Middle East and Africa was the only region in RBR's latest global ATM research where every market is forecast to expand. It should not come as a surprise, therefore, that with 136 ATMs per million population, it has the lowest ATM density of all the regions covered in the study – Asia-Pacific with 410 is the next lowest, while North America leads the way with 1,402.

All countries in the region have potential to host more ATMs – even those such as Israel, Saudi Arabia, South Africa and UAE that already have densities of over 600 ATMs per million people – so while it is not a surprise that the region's ATM markets are growing, there is an argument that they should be growing even faster. Many of the factors that drive deployment are moving in the right direction – infrastructure is improving, particularly mobile communications which avoid the need for fixed lines, a mix of increasing wealth and government initiatives is boosting banked populations, and with a few notable exceptions, political and economic environments are much more stable.

One of the obstacles to more ATM deployment is high costs due to a lack of scale. The region is both diverse and fragmented – not just because of the combination of the Middle East with Africa, but also within the regions. Iran and Saudi Arabia dominate in terms of size in the former, South Africa, Nigeria and to a lesser extent Egypt, do the same in the latter; these are, however, the only countries in the region with more than 10,000 ATMs, while a further 18 countries have between 1,000 and 10,000 ATMs and as many again have between 200 and 1,000.

One of the hot topics in the ATM industry at present is pooling. Finland, Portugal and most recently Sweden have established various forms of pooling arrangements, while the Netherlands and Switzerland have pooling projects that are well underway. Numerous other countries have either embarked upon or are reviewing the potential for pooling. While such initiatives are most commonly seen in smaller markets, the off-site market in Brazil demonstrates what can be achieved on a much larger scale.

Pools tend to be run nationally, but there is no fundamental reason why this has to be the case, especially if a third-party company owns/operates the machines rather than an organisation which is co-owned by the banks in the system.

If costs can be brought down – and pooling could accomplish this – there is a significant opportunity for greater ATM deployment in the Middle East and Africa.

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