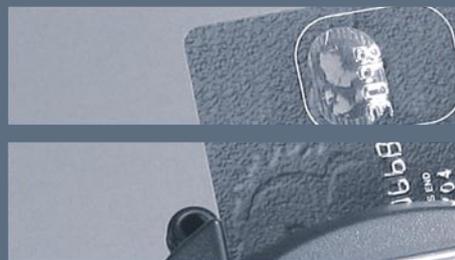


# Banking Automation **BULLETIN**

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## **Assisted self-service a smarter way to engage with customers**

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The impact of AI on the financial services sector

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Digital payments in UK continue to gather pace

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Financial technology still faces some consumer reticence

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Branches: From fairly functional to hopefully holistic

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**Country profile:**  
**Spain**

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## Banking Automation

## BULLETIN



## Are we about to see a second wave of ATM growth in India?

On 6<sup>th</sup> June the Reserve Bank of India (RBI) announced it was setting up a committee to review

ATM charges and fees. The review is in response to what the RBI described as “persistent demands” to increase fees following a dramatic slowdown in growth in the number of ATMs; RBR’s research shows that from 2011 to 2016 the number of ATMs in India increased by an average of 27,000 per year, but this fell to 5,600 in 2017 and just 700 last year.

Some commentators have speculated that the current ATM interchange fees of INR 15 (US\$ 0.22) for cash transactions and INR 5 for non-cash transactions could both rise by INR 2-3. The issue is sensitive, because in a country with 17 billion cash withdrawals annually (not all of which are not-on-us, so they do not all incur interchange fees) even a small change in the interchange fee has substantial cost implications. Initially this financial burden would fall on the banks, but ultimately it would increase costs for customers – which may be why the RBI announcement was only made after the recent Indian parliamentary elections.

ATM operating margins in India are notoriously thin, and a raft of recent RBI/ government security requirements in areas such as anti-skimming, white-listing, operating system upgrades, secure fixing of ATMs and loading and transportation of cash have made the business case for ATM deployment extremely difficult, even for low cost white-label ATM operators.

A bright spot has been recycling ATMs – over 7,000 recycling ATMs were shipped in India last year as deployers turned to recyclers to boost operating margins. The interest in recyclers will continue, with Japanese manufacturer OKI announcing as recently as 26<sup>th</sup> June that it has won a contract to supply 3,500 recycling ATMs to SBI.

The committee is due to report back within two months – given the government and RBI’s ongoing commitment to growing financial inclusion, it seems highly likely that ATM interchange fees will increase. What impact this has on the number of ATMs in the country will be critically dependent on the amount of any changes in interchange fees. To stop the recent stagnation, they will need to more than cover the recent increases in operating costs, but given the vast number of cash withdrawals being made, have the potential to generate a second wave of ATM deployment.

Dominic Hirsch, Editor

### 2 TELLER AUTOMATION

Assisted self-service a smarter way to engage with customers

### 4 UK PAYMENTS FRAUD

Fraud rises even as security measures tighten

### 5 DIEBOLD NIXDORF PERSPECTIVE

Three old-school self-service strategies to ditch

### 6 AUSTRIAN ATMS

Two Austrian bank groups reduce ATM networks

### 7 UK PAYMENTS

Digital payments in UK continues to gather pace

### 9 FINTECH SURVEY

Financial technology still faces some consumer reticence

### 10 EUROPEAN FINTECH

Money20/20 examines the alchemy of fintech

### 12 ARTIFICIAL INTELLIGENCE IN BANKING

The impact of AI on the financial services sector

### 14 BRANCH BANKING

Branches: From fairly functional to hopefully holistic

### 16 NEWS BULLETIN

Banking, ATM and payments news

### 17 COUNTRY PROFILE

ATM and cards intelligence on Spain

### 21 CONFERENCE DIARY

Upcoming industry events from around the world

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