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IDFC Bank using micro-ATMs to make inroads into un-banked areas

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Versatile, handy and less expensive, these devices help the bank gain market share

Mumbai, October 31:

As a recent entrant to the world of universal banking, IDFC Bank is trying to change the vocabulary that one associates with the physical reach of the banking industry.

Given the advantages that incumbent players have in terms of branch network, it knows that replicating that will take time and cost money. So, if it has to reach the top, IDFC Bank cannot get there by doing more of the same but has to find a new way to drive its costs lower while expanding its distribution and acquiring more customers.

Rajiv Lall, the bank's founder MD and CEO, says that the bank's customer acquisition and servicing strategy has to be branch agnostic. He says it is not the number of branches that matter but the points of presence that matter, and these can be anything — a *kirana* store with a micro-ATM, a business correspondent outlet or a branch.

Eventually, of course, these points of presence may not be necessary as customers become more sophisticated and connect digitally — through internet or an app on the smartphone. IDFC Bank knows that in rural areas, that would take a little longer. For now, the emphasis is on getting rural customers to come on board.

A key tool

The key tool in the IDFC Bank strategy to target lower-income customers in non-urban or rural areas is a small device — a micro-ATM.

At a glance, it looks like a large tablet. It has an attached biometric scanner and thermal printer and is Aadhaar-enabled and interoperable. It can do everything a regular ATM can — and more.

Using multiple identifiers — whether it is your mobile number, Aadhaar number, debit card number or bank account number, one can perform all basic banking transactions.

So, you can do an account opening, deposit cash into any bank account, withdraw money from your account, undertake balance enquiry, get your statements, make funds transfers, remittances, etc. And customers of other banks can also transact on these instruments.

Importantly, these micro-ATMs come at a fraction of the cost of regular ATMs — estimates put them at about one-tenth the cost. So, that would be ₹50,000-60,000 per micro-ATM.

These micro-ATMs are handy and can be placed anywhere — in every village with connectivity; perhaps at a grocer, a chemist or panchayat office — and, of course, they can easily be disconnected and taken home by business correspondents.

In rural areas, where going to an ATM after nightfall may be difficult, this facility is helping improve financial access significantly, IDFC Bank officials say.

"You don't need to go 10 km to reach an ATM or a branch now. Many farmers are now able to withdraw their fertiliser subsidy through this facility," a bank official said.

The bank is also actively using the micro-ATM model to enable all government payments and direct benefit transfers, including pensions and scholarships, through interoperable Aadhaar-enabled payment services (AEPS) in Krishna district of Andhra Pradesh.

The bank will soon implement this model for the public distribution system (PDS) in partnership with the AP government. This will make PDS payments cashless and help take digital banking to the next level in rural areas.

The bank has made significant strides in AEPS through micro-ATMs and has been among the top two banks in this area during the first half of this fiscal.

Market share

Careful placement of these micro-ATMs (where there are no other ATMs or branches) and the interoperability feature — through which the device can be used either through a phone number, card or Aadhaar number — has helped the bank gain market share.

After its success in making a dent in un-banked areas, IDFC Bank is also deploying these devices in metros such as Delhi and Mumbai to facilitate remittance of money from labourers and daily wage earners to the hinterlands. The bank has deployed about 820 micro-ATMs so far. It plans to double this number in the next six months.

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