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ABSTRACT

“Is White Label ATM just a step to reform economy or the cost of financial inclusion?”

After realizing the dearth of financial services available to deprived sector of India, the Reserve Bank of India introduced “White Label ATMs”. In the year 2012, they authorized the NBFCs under “Payment and Settlement Act, 2007” to set up and operate these ATMs to foster financial inclusion in the economy. The present paper entails to analyze the baggage of pros and cons associated with the mechanism of white label ATMs. The structural integrity of WLAs have fallen prey to financial dependency, lack of smooth functioning, high competition, security issues, consumer redressal, and lackluster implementation in the functioning of these ATMs. Perhaps, the concerted efforts of the actors of WLA might aid in curbing the inefficient working and stimulate a new horizon to the operational structure of these ATMs. Comparison between White Label ATM established in India with ABMs of Canada., inclusiveness of institutions associated with the ATMs, struggle of white label ATMs in competing with brown label ATMs, private and PSB banks, neglect on the part of NBFC to impart a high security system, unsatisfactory source of income have been meticulously discussed in the present paper. In conclusion, the paper attempts to put forth suggestions for WLAs to pull off the desired outcome by encouraging educatory programs, obtaining anti-ATM skimming, cassette swap systems and EVM chips at subsidized rates.

INTRODUCTION

“Indian economy is like the ‘one eyed’ king in the land of blind”

- RaghuramRajan

With the quest of becoming a developed nation, abridging the gap between rural and the urban world became essential to revamp India. The heart and strength of India lies within its rural members who are deprived of the basic needs. As Amartya Sen, the economist puts it into words that “Poverty Is the Deprivation of the Opportunity”¹⁴¹, the financial inclusion by

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harbingers of the economic facilities can prove to be the stepping stone for rural world to bear the fruits of prosperity and better their lives financially. Reserve Bank of India (RBI) is responsible for executing multifaceted functions in the economy. It being the regulator of commercial bank and non-banking finance companies, realized the exigency of establishing a mechanism for providing financial services at the door step of the deprived sector of our nation. By warranting the attention towards the dearth of facilities available to the needy, RBI decided to introduce “White Label ATMs” (WLAs). These ATMs are owned and operated by non-banking operators or NBFCs who are authorized by the RBI under the Payment & Settlement Systems Act, 2007 to set up WLAs¹⁴². RBI in the process of establishing White Label ATMs for a state of contentment amongst the needy, considered the structural and operational aspect of setting up ‘bank only’ owned ATMs. However, the ATMs wholly owned and operated by banks not only add to their operational costs, but also sedate their hustle to furnish banking amenities. To wither away the burden of banks and let them focus on their core functions, RBI preferred using NBFCs as an alternative for setting up ATMs. Hence WLAs appeared to be an extended arm to provide their customers with convenient banking services.

Within the new parameters of banking sector WLAs turns out to be encouraging for non-banking investing organization or small investors to tie up their resources with established banks. Such tie ups theoretically appear to be perfect in benefitting the social, economic and organizational aspect for both investors and rural consumers, but observational reality and obstructions should also be considered in the practical situations.

EMERGENCE OF WHITE LABEL ATMS

Banks have brought in a new horizon by invigorating ATM adoption and modifications by way of behavioral strategies in the personalized banking domain¹⁴³. Building up of ATMs has been the remarkable growth of our banking sector. But on the flip side urban area had monopoly over on-site and off-site ATMs which resulted in infrastructural backdrops. As the

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¹⁴¹Thomas Wells, Sen’s Capability Approach, Internet Encyclopedia of Philosophy (Aug. 1, 2020, 3:42 PM), <https://www.iep.utm.edu/sen-cap/>.

¹⁴² Reserve Bank of India, ATM/White Label ATM, Reserve Bank of India (Aug.1, 2020, 3:42 PM), <https://www.RBI.org.in/scripts/FAQView.aspx?Id=75>.

¹⁴³ Reserve Bank of India, Deployment of White Label ATMs (WLAs) , Reserve Bank of India(Aug. 1, 2020, 3:47 PM), https://m.RBI.org.in/scripts/bs_viewcontent.aspx?Id=2494.

idea of financial inclusion includes accessibility, WLAs were accustomed to benefit tier III to tier VI centers (classification of areas with respect to population)¹⁴⁴ as notified by the Reserve Bank of India. Hence, RBI considered an extant policy on ATMs and expressed a nod to non-banks to build up, own and employ ATMs in order to accelerate the advancement of ATMs in the country¹⁴⁵.

Conceptual Frame Work: Establishing WLA

1. Operative structure and mandates

Apart from the traditional bank owned and deployed ATMs, Independent Service Organizations (ISOs) and Independent ATM Deployers (IADs) are also engaged in the ATM sphere. Such IADs and ISOs are part of white label ATMs (WLAs), they may appear to be similar in their operation but still have substantial differences¹⁴⁶.

- i. ISOs are usually larger operators than the IADs, they are responsible for owning, deploying ATMs along with its entire related infrastructure. For cash loading and services, they undergo a sponsorship arrangement with the banks. Such contractual relationships with sponsor banks must be in consonance with the local regulatory requirements. The ISO scheme deals either through a singular or multiple sponsors bank models¹⁴⁷.
- ii. Whereas in the IAD scheme, the entities focus on investing in the assets i.e. ATMs. They possess the ATMs and create a tie up with any established network provider to ensure payment infrastructure. This scheme can provide a platform to entities varying from individual or small business owners to large retail outlets or supermarkets. When it comes to cash loading and operations of ATMs, the entities under this model do not have a direct arrangement¹⁴⁸.

¹⁴⁴Reserve Bank of India, Details of tier-wise classification of centers based on population, Reserve Bank of India (Aug. 1, 2020, 3:47 PM), https://rbidocs.rbi.org.in/rdocs/content/pdfs/100MCA0711_5.pdf.

¹⁴⁵Reserve Bank of India, ATM/White Label ATM, Reserve Bank of India (Aug. 1, 2020, 3:47 PM), <https://www.RBI.org.in/scripts/FAQView.aspx?Id=75>

¹⁴⁶Tamilenian D., Contactless Payments Technology: A new wave of Banking, 84 The Journal of Indian Institute of Banking & Finance. 27 (2013).

¹⁴⁷Tamilenian D., Contactless Payments Technology: A new wave of Banking, 84 The Journal of Indian Institute of Banking & Finance. 27 (2013).

¹⁴⁸Tamilenian D., Contactless Payments Technology: A new wave of Banking, 84 The Journal of Indian Institute of Banking & Finance. 27 (2013).

Both operative structure whether it is IAD or ISO are used in the WLAs subject to the permissions, guidelines and corroboration from the sponsor banks¹⁴⁹. Apart from selecting the operating structure for WLAs there are few mandates that must be fulfilled for the completion of process. Firstly, the White Label ATMs Operators (WLAO) must obtain an authorization by the RBI under the rules laid down under the Payment & Settlement Systems Act, 2007¹⁵⁰. After the authorization, the WLAO must lay out a strategic plan conforming to the criteria for installation of WLAs. Within the strategic plan WLAO are required to have a sponsor bank which will be liable for managing the cash at the White Label ATMs as well as WLAO have to ensure connectivity through authorized ATM Network Operators/ Card Payment Network Operators¹⁵¹. Secondly, they must choose any one of the three available schemes provided by the RBI¹⁵² as well as there is a mandate to establish at least 10% of the latest WLAs under any scheme should be stationed at Tiers V and Tiers VI centers. Such an initiative was enabled to increase the access point of payment services for the migrant population. The 10% mandate criteria will ensure that the migrant population are not only refrained from basic facilities but also included in the formal banking system¹⁵³.

2. *Brown Label ATMS and White Label ATMS: Comparison*

High operational cost, maintenance cost and non-accessibility have led to a paradigm shift in the ATM arena. White Label ATMs and Brown label ATMs have changed the way customers perceived traditional ATMs. Brown label ATMs (BLA) is quite different from WLAs. BLAs bank outsources the operation of ATM to a third party (company) who manages, installs and supplies the cash for ATM¹⁵⁴. The lease and the hardware of BLA belongs to the service provider. However, the cash handling, management and connectivity are the responsibility of the sponsor bank. The ATM has brand and logo of that sponsor bank which has outsourced

¹⁴⁹-Dr.Sujatha Susanna Kumari D and Basavarajappa M.T, White Label ATMs-A Conceptual Framework, INATIONAL CONFERENCE ON RECENT TRENDS IN MANAGEMENT & TECHNOLOG). 5 (2013],

¹⁵⁰The Payment and Settlement Systems Act, 2007 S 7.

¹⁵¹Reserve Bank of India, White Label ATMs (WLAs) in India – Guidelines, Reserve Bank of India (Aug.1, 2020, 3:47 PM), <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7286>.

¹⁵²Reserve Bank of India, White Label ATMs (WLAs) in India – Guidelines, Reserve Bank of India (Aug.1, 2020, 3:47 PM), <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7286>.

¹⁵³D. Muraleedharan, Modern Banking Theory And Practice,358(2 ed.,Prentice Hall India Learning Private Limited2014)

¹⁵⁴ Dr. Vinod C., A COMPARATIVE STUDY ON THE PERFORMANCE OF BROWN LABEL ATMS AND WHITE LABEL ATMS SERVICE IN THE STATE OF KERALA, 5(2) International Research Journal of Management and Commerce. 17 (2018).

the work. Such a model is about the shared network which is appropriate to cut down operational cost¹⁵⁵. Whereas, in WLA, ownership lies with then on-banking entities and there is no outsourced contract from a distinctive bank. The duty of non-banking entity or WLAs operator includes operating the ATM machine, electricity supply, telecom bill, pay rents etc. Managing the cash in a White Label ATM is in the authority of the sponsor bank. When it comes to branding, the White Label ATMs does not have a logo of either non-banking entity that own and operate or sponsor bank.¹⁵⁶In respect of contractual obligations WLAs are based on tie up with the sponsor banks i.e. minimum control whereas there is a contractual obligation on service provider by the sponsor bank i.e. maximum control. Moreover, in respect of interference by RBI, former is directly involved with RBI because WLA operators must get licensed to run such ATMs. Whereas latter is indirectly involved as the outsourcing company in BLA have contractual obligation with their respective bank.

Concept of both alternative ATMs are likely to be expanded briskly. It has been reported that as of September 2011 Hughes Communications India Ltd. had set up 5000 Brown Label ATMs in India¹⁵⁷. Hughes, FIS, TSI, TCBIL, Diebold, AGS, Prizm, FSS and Euronet are major BLA vendors in the country¹⁵⁸. On the other hand, for WLAs Tata Communication Payment Solution Ltd. were the first to WLA named 'INDICASH' since then RBI has given permission to more than fifteen NBFC including Vakrangee, Prizm Payment Services, Srei Infrastructure Finance, BTI Payments, Muthoot Finance, AGS, Riddi Siddhi Bullions Ltd., etc¹⁵⁹.

A. Actors of the WLA Model

¹⁵⁵Hota, Jyotiranjan, Growth of ATM Industry in India, 36(11) CSI Communications. 23-25 (2013).

¹⁵⁶Reserve Bank of India, Deployment of White Label ATMs (WLAs), Reserve Bank of India (Aug. 1, 2020, 9:34 PM), https://m.rbi.org.in/scripts/bs_viewcontent.aspx?Id=2494.

¹⁵⁷Dr. Vinod C., A COMPARATIVE STUDY ON THE PERFORMANCE OF BROWN LABEL ATMS AND WHITE LABEL ATMS SERVICE IN THE STATE OF KERALA, 5(2) International Research Journal of Management and Commerce. 17 (2018).

¹⁵⁸Dr. Vinod C., A COMPARATIVE STUDY ON THE PERFORMANCE OF BROWN LABEL ATMS AND WHITE LABEL ATMS SERVICE IN THE STATE OF KERALA, 5(2) International Research Journal of Management and Commerce. 17 (2018).

¹⁵⁹Dr. Vinod C., A COMPARATIVE STUDY ON THE PERFORMANCE OF BROWN LABEL ATMS AND WHITE LABEL ATMS SERVICE IN THE STATE OF KERALA, 5(2) International Research Journal of Management and Commerce. 17 (2018).

Setting up a WLA requires a distinguished system of operations which involves various functionaries to establish ATMs in rural or semi-rural areas. These various actors or functionaries are involved in the structure with responsibilities such as infrastructure, certification, cash management and card payment network.

1. Non-banking financial companies (NBFC)

A Non-Banking Financial Company (NBFC) is a company registered under the Companies Act, 1956 engaged in the business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities issued by Government or local authority or other marketable securities.¹⁶⁰ The NBFCs differ from banks in terms of the inability to accept deposits, be a participant of the system of Payment and Settlement, draw cheque on itself, deposit insurance facility and Credit Guarantee Corporation.¹⁶¹ The rationale behind opening white label ATMs was predominantly to ensure a wider reach of ATMs enhanced customer service, specifically for semi-urban / rural areas or SURU areas.¹⁶² Hence NBFCs were given the responsibility under the 2012 guidelines by RBI to invest in the infrastructure of WLA¹⁶³. Examples of the organizations that have a notable framework of the white label ATMs established are:

- 1) Muthoot Finance Limited, one of the first few NBFCs to launch WLAs in India. It plans towards expanding the number of ATMs and serve Tier III to Tier VI cities as part of financial inclusion strategy. They strategically have constructed a policy to enable residents of urban, semi-urban to have quick and easy access to cash and help in enhancing financial empowerment.¹⁶⁴
- 2) Hitachi payment services, the provider for new ATMs promote "Hitachi Money Spot ATM", the name of WLA in India. The focus in tier III and tier VI towns aids in expanding the ATMs across all population centered in India and deliver a huge range

¹⁶⁰ Reserve bank of India, All you wanted to know about NBFCs, Reserve Bank of India (Aug. 1, 2020, 4:00 PM), <https://www.RBI.org.in/scripts/FAQView.aspx?Id=92>.

¹⁶¹ Reserve bank of India, All you wanted to know about NBFCs, Reserve Bank of India (Aug. 1, 2020, 4:00 PM), <https://www.RBI.org.in/scripts/FAQView.aspx?Id=92>.

¹⁶² Reserve Bank of India, ATM/White Label ATM, Reserve Bank of India (Aug.1, 2020, 3:42 PM), <https://www.RBI.org.in/scripts/FAQView.aspx?Id=75>.

¹⁶³ Reserve Bank of India, White Label ATMs (WLAs) in India – Guidelines, Reserve Bank of India (Aug.1, 2020, 3:47 PM), <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7286>.

¹⁶⁴ Muthoot Finance, Muthoot ATM, Muthoot Finance (Aug. 2, 2020, 1:23 AM), [https://www.muthootatm.com/press-release/muthoot-finance-launches-its-first-ever-white-label-atm-landmarkdevelopment#:~:text=New%20Delhi%3A%20In%20a%20landmark,Label%20ATMs%20\(WLAs\)%20in%20the](https://www.muthootatm.com/press-release/muthoot-finance-launches-its-first-ever-white-label-atm-landmarkdevelopment#:~:text=New%20Delhi%3A%20In%20a%20landmark,Label%20ATMs%20(WLAs)%20in%20the).

of banking benefits to customers. Their entity toils towards surging the scope of convenience banking through interactive platforms furnished by authorized and shared ATM Network Operators or Card Payment Network Operators¹⁶⁵.

2. *National payment corporation of India (NPCI)*

National Payments Corporation of India (NPCI) is an umbrella organization for managing Settlement Systems and retail Payments in India. RBI in consultation with Indian Banks' Association (IBA) along the statutory provisions of the Payment and Settlement Systems Act, 2007, established it for establishing a robust Payment & Settlement Infrastructure in India¹⁶⁶. Currently NPCI is the recognized authority to deal with the operations and members of National Financial Switch (NFS) since 2008. Before the NPCI, The Institute for Development and Research in Banking Technology (IDRBT) launched NFS under the authorization of RBI to provide a congenial platform for growth and development of the ATM delivery¹⁶⁷.

NFS is a necessary aspect to be considered while discussing WLAs as NFS is the largest shared network for ATM switch and NFS members. The object of such system is to establish a uniform inter connection between all the existing ATMs to ensure convenient banking¹⁶⁸. Such network will ensure transactional services and settlement of transaction routed through NPCI. All the members (direct or sub-members) of the NFS must be approved by RBI by submitting an application of membership to NPCI¹⁶⁹. Every ATM offers transactional services even WLAs, one of the assistances provided by the ATMs are card payment or payment through debit, credit cards. But only banks or financial institutions can issue plastic cards and these issued cards are used to transact in a WLA which are controlled or supported

¹⁶⁵ Hitachi Payment Services Pvt. Ltd., Hitachi Money Spot ATM, Hitachi Payments (Aug. 2, 2020, 1:24 AM), <https://www.hitachi-payments.com/money-spot.html>.

¹⁶⁶ National Payment Corporation Of India, About Us, NPCI (Aug. 2, 2020, 1:38 AM), <https://www.npci.org.in/about-us-background>

¹⁶⁷ National Payment Corporation Of India, NFS Operating and Settlement Guidelines (NFS-OSG), Ver. 2.2, National Payment Corporation Of India (Aug. 2, 2020, 1:52 AM), https://www.npci.org.in/sites/default/files/NFS%20Operating%20and%20Settlement%20Guidelines_V2.2_FIN_AL.PDF.

¹⁶⁸ National Payment Corporation of India, National Financial Switch Product Overview, National Payment Corporation of India (Aug. 1, 2020, 11:02 AM), <https://www.npci.org.in/product-overview/national-financial-switch-product-overview>.

¹⁶⁹ National Payment Corporation Of India, NFS Operating and Settlement Guidelines (NFS-OSG), Ver. 2.2, National Payment Corporation Of India (Aug. 2, 2020, 1:52 AM), https://www.npci.org.in/sites/default/files/NFS%20Operating%20and%20Settlement%20Guidelines_V2.2_FIN_AL.PDF

by a recognized card payment network. Hence any affiliation with RuPay Cards (debit cards or prepaid cards) issued by banks and co-branded cards issued by NBFCs for WLAs or any other entity approved by the RBI must get authorization from NCPI¹⁷⁰.

After getting authorization, WLA become an indirect member of NFS called a sub-member. As per 2019 seven WLAs are members¹⁷¹. According to NFS operating and settlement guidelines, any Sub-members who are prone to join the NFS network should come via a sponsor bank (Direct member) to the NFS. All the settlement of transactions in respect of sub-members would be registered in the books of the sponsor bank.¹⁷² Therefore the WLA have to be a member through a sponsor banks (direct member) to NFS according to the guidelines of RBI¹⁷³ to ensure a uniform ATM network.

3. Sponsor Bank

A White Label ATM is authorized and directed by the Reserve Bank of India to be a part of the NFS mechanism through the sponsor bank (Direct member), this establishes a tie up relationship between them.¹⁷⁴ Non-banking ATM operators i.e. "White Label ATM Operators" (WLAO) are supposed to have an enabling arrangement with at least one sponsor bank, also serving as a settlement bank for accommodation of every transaction transactions related to the service provided at the White Label ATMs. The sponsor bank is required to have a suitable service legal agreement (SLA)¹⁷⁵, for ensuring and managing the cash inflow-outflow owned by a White Label ATM. The Tri-partite Service Level Agreements (SLAs) which determines the role of each party is agreement among the ATM Network Operators

¹⁷⁰ Reserve Bank of India, Certificates of Authorization issued by the Reserve Bank of India under the Payment and Settlement Systems Act, 2007 for setting up and operating Payment System in India, Reserve Bank of India (Aug. 1, 2020, 11:09 AM), <https://www.rbi.org.in/scripts/publicationsview.aspx?id=12043>.

¹⁷¹ Reserve Bank of India, Report of the Committee to review the ATM Interchange fee structure, Reserve Bank Of India (Aug. 1, 2020, 11:18 AM), <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1000>.

¹⁷² National Payment Corporation Of India, NFS Operating and Settlement Guidelines(NFS-OSG), Ver.2.2, National Payment Corporation Of India (Aug. 2, 2020, 1:52 AM), https://www.ncpi.org.in/sites/default/files/NFS%20Operating%20and%20Settlement%20Guidelines_V2.2_FIN_AL.PDF.

¹⁷³ Reserve Bank of India, White Label ATMs (WLAs) in India - Guidelines, Reserve Bank of India (Aug. 1, 2020, 11:21 AM), <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=7286&Mode=0>.

¹⁷⁴ National Payment Corporation Of India, NFS Operating and Settlement Guidelines(NFS-OSG), Ver.2.2, National Payment Corporation Of India (Aug. 2, 2020, 1:52 AM), https://www.ncpi.org.in/sites/default/files/NFS%20Operating%20and%20Settlement%20Guidelines_V2.2_FIN_AL.PDF.

¹⁷⁵ Reserve Bank of India, White Label ATMs (WLAs) in India – Guidelines, Reserve Bank of India (Aug. 1, 2020, 12:08 PM), <https://www.rbi.org.in/SCRIPTS/NotificationUser.aspx?Id=9389&Mode=0>.

(also known as Card Payment Network Operators), White Label ATM Operator and the Sponsor Bank. It helps in solving the issues pertaining to inter-bank settlements of the transactions at the WLAs and also complaints of the customer relating to failed ATM transactions.¹⁷⁶ All transactional settlement needs to be completed only in the books of the sponsor bank through the ATM Network Operators (Card Payment Network Operators)¹⁷⁷ with whom association has been established by the White Label ATM Operator¹⁷⁸. The responsibility of consumer redressal in respect of WLAs lies with the issuing bank but sponsor bank acts as a connecting link. As sponsor bank will have to ensure that WLAO would provide with adequate information to issuing bank for consumer redressal.¹⁷⁹

B. Schemes and Guidelines

The tier I and tier II centers witness the major deployment of banks. There has always been demand and want to extend ATM services in the tier III to tier VI centers. Keeping this in mind RBI has always come up with imperative guidelines to check the structuring and the working of the WLAs owned by NBFCs. The notable guidelines have been of year 2012 and 2019 for WLA. Historically, RBI regulations prevented non-banking players from entering their banking space and competing with them. They only allowed commercial banks to own and operate ATMs. However, the 2012 guidelines effectively opened “acquiring part” of the process of ATMs to non-banking independent players.¹⁸⁰ As per 2012 guidelines, NBFCs were permitted to set up white label ATMs only after an authorization by the RBI through Payment and Settlement Systems Act, 2007 and having net worth of at least INR 100 crores as per the last audited balance sheet was also essential along with its maintenance. The WLAO's (White Label ATM Operators) were also granted the freedom of choosing the location of their respective WLA. The WLAOs were permitted to have multiple sponsor bank relationship but were also to make sure that no restriction in the sphere of security and

¹⁷⁶Reserve Bank of India, White Label ATMs (WLAs) in India - Guidelines, Reserve Bank of India (Aug. 1, 2020, 11:21 AM), <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=7286&Mode=0>

¹⁷⁷The South Indian Bank, WHITE LABEL ATMs (WLAs), SIB STUDENTS' ECONOMIC FORUM(Aug. 1, 2020, 12:08 PM),<https://www.southindianbank.com/UserFiles/253.pdf>.

¹⁷⁸Reserve Bank of India, White Label ATMs (WLAs) in India - Guidelines, Reserve Bank of India (Aug. 1, 2020, 11:21 AM), <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=7286&Mode=0>.

¹⁷⁹Reserve Bank of India, White Label ATMs (WLAs) in India - Guidelines, Reserve Bank of India (Aug. 1, 2020, 11:21AM), <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=7286&Mode=0>.

¹⁸⁰Harsh Vardhan, White Label ATMs, The Leap Journal (Aug. 1, 2020, 11:21AM),<https://blog.theleapjournal.org/2012/08/white-label-atms.html>.

services given to the customers existed. As per Scheme C, the acceptance of deposits at the WLAs, by the WLAO was not allowed. The permission for displaying the advertisement of financial products conforming to the framework regulated by RBI was granted to the WLAs. However, the WLA Operator was not allowed to receive any fee from the card issuer-bank other than the "Interchange" fee payable to "acquirer" bank under the bank owned ATM scenario.¹⁸¹ The guidelines also acknowledged the fact that in case of any consumer redressal disputes the authority to sort that out vests with the issuing bank. The sponsor bank can help in sorting the situation out by providing support after the WLAO has provided with the necessary information of the same. However, in the year 2019, RBI eased the procedure of transactions by repealing the previous guidelines on WLAOs sourcing cash from the retail banks. The amendments in entirety enhanced the viability of WLAs.¹⁸² The banks have now been allowed to source cash from any of the scheduled banks which include Cooperative and Regional Rural Banks. The relaxation also pertained in when Reserve Bank of India (RBI) allowed the WLA operator to purchase wholesale cash directly from RBI.¹⁸³ RBI in order to relax the norms further allowed to display advertisements within its premises related to non-financial products or services including in the WLA screen, except the main signboard, while giving an assurance that the advertisements displayed on the screen will be vanished after the commencement of transaction by the user. Further, the notification also laid down that Banks can issue co-branded ATM cards in partnership with the authorized WLA Operators and grant advantages of 'on-us' transactions to their WLAs.¹⁸⁴ Hence, the amendments made to the notifications and guidelines of 2012 have enhanced the viability of the White Label ATMs Operator.

I. KEY CHALLENGES

¹⁸¹ Reserve Bank of India, White Label ATMs (WLAs) in India - Guidelines, Reserve Bank of India (Aug. 1, 2020, 11:21 AM), <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=7286&Mode=0>.

¹⁸² Reserve Bank of India, White Label ATMs (WLAs) in India – Review of Guidelines, Reserve Bank of India (Aug.

1, 2020, 5:09 PM), <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11495&Mode=0>.

¹⁸³ Press Trust of India, RBI relaxes norms for White Label ATM Operators, allows to source cash directly from Central Bank, First Post (Aug. 1, 2020, 5:13 PM) <https://www.firstpost.com/business/rbi-relaxes-norms-for-white-label-atm-operators-allows-to-source-cash-directly-from-central-bank-6221331.html>

¹⁸⁴ Press Trust of India, RBI relaxes norms for White Label ATM Operators, allows to source cash directly from Central Bank, First Post (Aug. 1, 2020, 5:13 PM) <https://www.firstpost.com/business/rbi-relaxes-norms-for-white-label-atm-operators-allows-to-source-cash-directly-from-central-bank-6221331.html>

The White Label ATMs carries with it the baggage of both limitations and remarkable facilities to serve its customers. The collation of pros and cons makes it a distinctive ATM to consummate the needs of the needy. Apart from the benefits of accessibility, non-traditional approaches there are some pitfalls that are experienced while analyzing the WLA model.

A. Commercial Viability

WLAs are assembled by non-banking financial entities which run purely for profits¹⁸⁵. Like any vender these entities would only invest to get high returns, which in India WLAs are not in par with. Establishing a working ATM requires a huge investment i.e. ATMs incur immense operation cost. When ATMs are set up they not only require the structure but also require indulging in mandatory security systems prescribed by RBI which add to the operational cost. More operational cost would require more investments and NBFCs would not pool in resources until high returns¹⁸⁶. In June 2019 RBI constituted a Review committee for the ATM Interchange Fee Structure to study and analyze the ATM distribution in the under banked regions. According to the Report submitted by the committee, the extent of ATMs deployed in Semi Urban and rural areas (SURU) by WLAOs and industrial infrastructures are 79% and 47% respectively¹⁸⁷. On analyzing the monthly operational cost of WLA with Private Banks and PSBs (industrial infrastructures) it was concluded by the committee that:

1. The monthly average cost of operating a WLA is ₹ 60,850/- with e-surveillance but it does not include the cost of care taker/security guard. When compared to,
2. The monthly average cost of operating a Private Banks ATMs is about ₹ 106,700/- per ATM. The cost includes security/e-surveillance, but the cost is expected to increase by ₹ 20,500/- per month per ATM on average, if the cassette swap system is implemented as per the recent guidelines. Whereas,
3. The monthly average cost of operating a PSBs (public sector bank) installed ATMs other than SBI is in the average range of ₹ 83,700/- to ₹ 95,000/- per ATM. The cost

¹⁸⁵Deepa Baliyan, DR. R.Kmittal, White Label ATM in India, 5 (11) INDIAN JOURNAL OF APPLIED RESEARCH. 176 (2015).

¹⁸⁶Deepa Baliyan, DR. R.Kmittal, White Label ATM in India, 5 (11) INDIAN JOURNAL OF APPLIED RESEARCH. 176 (2015).

¹⁸⁷Reserve Bank of India, Report of the Committee to review the ATM Interchange fee structure, Reserve Bank Of India (Aug. 1, 2020, 11:18 AM), <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1000>

includes care taker / security guard cost. After implementation of the recent ATM security guidelines & control measures the cost in cash management cost may increase by 10% to 15%¹⁸⁸.

Hence the traditional banks even though are less likely to establish an ATM in SURU areas, but investments made by such traditional banks (private and PSBs) towards ATMs are comparably more than that of WLAs. Furthermore, the hugely invested ATMs with high operational cost would yield more attractive features and security; these conditions can result in competition. Therefore, WLAs might fall into being the prey of cannibalism due to high degree of competition. If a WLA wants to make a profit then it is required that it gets 75-125 transactions on a per day basis (i.e. income through interchange cost) which seems unlikely in nature, principally when RBI needs them to operate two-third of the ATMs in semi-urban and rural areas. Even in a populated city like Bangalore, some of the WLAs are getting barely 2-3 customers every day.¹⁸⁹ Hindrance to profits is not only the high operational cost but also transaction cost and low interchange cost. According to the report the average transactional cost incurred in a WLA per day, considering 78 transactions (financial + Non- financial) comes to the cost of about ₹ 20/- per transaction that is pre-compliance but it shall be about ₹ 26/- after complying with recent ATM security guidelines including cassette swap¹⁹⁰. As well as the interchange cost for financial and non-financial cost are Rs.15 and Rs.5 respectively which are lessor than the actual requirement. The transactional cost for WLAOs is much higher as their hits per day, per ATM is low as compared to other traditional bank ATMs¹⁹¹. Concluding on a note that the overall cost (operational+ transactional+ low interchange fees) is higher than profit it may earn, resulting in avoidance of quality equipment by NBFC.

B. Security Cost

¹⁸⁸ Reserve Bank of India, Report of the Committee to review the ATM Interchange fee structure, Reserve Bank Of India (Aug. 1, 2020, 11:18 AM),

<https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1000>

¹⁸⁹ Deepa Baliyan, DR. R.Kmittal, White Label ATM in India, 5 (11) INDIAN JOURNAL OF APPLIED RESEARCH. 176 (2015).

¹⁹⁰ Reserve Bank of India, Report of the Committee to review the ATM Interchange fee structure, Reserve Bank Of India (Aug. 1, 2020, 11:18 AM),

<https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1000>

¹⁹¹ Reserve Bank of India, Report of the Committee to review the ATM Interchange fee structure, Reserve Bank Of India (Aug. 1, 2020, 11:18 AM),

<https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1000>

Convenient banking or e-banking services have incorporated themselves as a part of modern society. As setting up of accessible ATMs have been an integral part for achieving financial inclusion, it is also being gloomed by delinquents. ATMs are under the jurisdiction of cyber penal laws as computer is an integral part of ATM mechanism and based on the information processed and collected by the installed computer in an ATM machine, the mechanical function of the dispensation or deposit of cash is done¹⁹². Concluding to the fact that ATMs are not only vulnerable to physical threats but also cyber threats, especially WLAs which exist in tier III to tier VI centers.

1. Costing impact and cassette swapping system.

To remove the discrepancies, RBI notified in 2019 that all safeguards, guidelines, control measures and standards are applicable to banks relating to currency handling, and cyber-security framework for ATMs is also applicable to the WLA Operators¹⁹³. RBI reconsidered the security mechanism which is employed by ATMs set up by banking and non-banking entities while constituting a Committee on Currency Movement i.e. CCM, chaired by Shri D.K. Mohanty, (executive director of RBI). This committee recommended that:

- a. Digital One Time Combination (OTC) locks should be operated for cash replenishment in the ATMs.
- b. Grouting the ATMs to a structure (wall, pillar, floor, etc.) is made mandatory by 30 September 2019, except for ATMs which are installed in highly secured premises like airports, etc. as such areas tend to have adequate CCTV coverage and are guarded by security personnel.
- c. Banks are required to consider a comprehensive e-surveillance mechanism established at the ATMs to ensure timely alerts and quick response¹⁹⁴.
- d. The mitigating risk involved in the open cash replenishment/ top-up was advised to be upgraded to using lockable cassettes in their ATMs which shall be swapped at the

¹⁹²The High court of Karnataka, Commissioner Of Income Tax-Iii vs M/S NCR Corporation Pvt Ltd, The High court of Karnataka (July 30, 2020, 10:00 A.M.),

<http://judgmenthck.kar.nic.in/judgmentsdsp/bitstream/123456789/333491/1/ITA242-11-16-06-2020.pdf>.

¹⁹³Reserve Bank of India, White Label ATMs (WLAs) in India – Review of Guidelines, Reserve Bank of India (Aug.

1, 2020, 5:09 PM), <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11495&Mode=0>.

¹⁹⁴Reserve Bank of India, Security Measures for ATMs, Reserve Bank of India (Aug. 2, 2020, 7:30 PM), https://www.rbi.org.in/scripts/BS_CircularIndexDisplay.aspx?Id=11592.

time of cash replenishment. This particular advisory is to be implemented till March 31, 2021¹⁹⁵.

These recommendations were implemented by RBI and made compulsory to be followed by the existing ATMs failure to which may incur levying of penalties.

The effect of such boosting policies can take a toll on WLA's resources. The Review committee assumed that if these are considered then there would an increase in overall cost which WLAs would not be able to afford. The report stated the costs of these security upgradations in 2019 are:

- a. The cost of a Digital One Time Combination (OTC) lock would range between ₹ 25,000/- to ₹ 30,000/- with an additional installation cost of about ₹ 2,000/- per ATM. As well as the cost of grouting an ATM would range between ₹ 500/- to ₹ 1,000/- per ATM.
- b. The cost of installing CCTV Cameras and Emergency Alarm equipped with QRT would range between ₹ 3,000/- to ₹ 7,000/- per ATM.

Pointing to the fact that even though only up to 10% of the ATMs remain to be grouted, but the number of ATMs which remain to be fitted with OTC locks are still very high. Along with OTC locks, a lot of ATMs still remains to be installed with E-surveillance¹⁹⁶. Implementing these advanced securities in SURU areas would be not only difficult but expensive for WLA. Moreover, the burden of high costing on security and surveillance of ATMs was raised through the introduction of cassette swapping system (CSS).

The concept of cassette swapping is a secure method of replenishment and ensures balancing and accounting control since the left-over cash in cassettes is brought from the ATMs and counted in the Branch under camera surveillance¹⁹⁷. Cassettes are secured mechanical case which is used for transiting cash from ATM to the bank branches. The model preferred by RBI is introduced to ensure proper surveillance, but it comes with a cost. If the CSS model is implemented than the cost of investment would be substantially high i.e. it would increase by

¹⁹⁵ Reserve Bank of India, Cassette- Swaps in ATMs, Reserve Bank of India (Aug.2, 2020, 7:41 PM), https://www.rbi.org.in/scripts/FS_Notification.aspx?Id=11256&fn=2753&Mode=0.

¹⁹⁶ Reserve Bank of India, Report of the Committee to Review the ATM Interchange Fee Structure, Reserve Bank of India (Aug. 2, 2020, 7:43 PM), <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1000>.

¹⁹⁷ Jitendar Kumar Mehan, Counterfeit Notes from ATMs, Government of India, Ministry of Finance (Aug. 2, 2020, 7:47 PM), <https://financialservices.gov.in/sites/default/files/F.NO%2011620011.pdf>.

15%¹⁹⁸. The reason for such huge increase is due to the slightly higher depreciation of the cassettes. Focus should be made that the ATM require at least 4 cassettes and Banks (sponsor bank in case of WLA) need spare cassettes such results in more expense¹⁹⁹.

2. *Upgradation of plastic cards: EMV chips*

As well as in 2016 RBI advised that all the working Banks along with the WLAOs by September 30, 2017, have to warrant that all the pre-existing ATMs operated or installed should be accredited with mechanism for processing of EMV Chip and PIN cards²⁰⁰. Such EMV chipped cards were later made mandatory by RBI to ensure that all working cards issued by banks are Pin and EMV Chip based by December 31, 2018. Thus issuing banks were supposed to migrate from magnetic stripe cards, irrespective of the validity or expiry period of the card, with respect to that banks had to take prescient steps to ensure that the deadlines are adhered to without fail²⁰¹. The leap taken by RBI was to protect cybercrimes such as ATM skimming, fraud, counterfeiting of cards in the current banking system including WLAs. These steps from a bird's eye view seem adequate but the factors affecting the ground reality is different.

EMV exemplifies as Europay, MasterCard and Visa, a joint effort for security and global interoperability. It is a global standard for inter-operation of integrated circuit cards (IC cards or "chip cards") for terminals and automated teller machines (ATMs), to authenticate credit and debit transactions²⁰². According to RBI mandating such EMV chips would help in building public confidence as it provides more security than the 'Magstripe only' cards²⁰³. Complying with global standards comes with complications in a country like India where

¹⁹⁸ Reserve Bank of India, Report of the Committee to Review the ATM Interchange Fee Structure, Reserve Bank of India (Aug. 2, 2020, 7:43 PM),

<https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1000>.

¹⁹⁹ Jitendar Kumar Mehan, Counterfeit Notes from ATMs, Government of India, Ministry of Finance (Aug. 2, 2020, 7:47 PM), <https://financialservices.gov.in/sites/default/files/F.NO%20111620011.pdf>.

²⁰⁰ Reserve Bank of India, ATMs – Security and Risk Mitigation Measures for Card Present (CP) Transactions, Reserve Bank of India (Aug. 2, 2020, 7:52 PM),

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/NT413B97BA4A5F4A34CF6A685E5E84D0A9EB3.PDF>.

²⁰¹ Reserve Bank of India, Security and Risk Mitigation Measures for Card Present and Electronic Payment Transactions – Issuance of EMV Chip and PIN Cards, Reserve Bank of India (Aug. 2, 2020, 8:10 PM), <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10003&Mode=0>.

²⁰² Ram Prakash Sharma, Prabhat Dansena, Prasun Chandra Tripathi, Kshitij Tayal, and Survey on Implementation of EMV across the World, 2(1) International Journal of Engineering and Applied Sciences (IJEAS) 53. (2015).

²⁰³ Department of Payment and Settlement Systems, Reserve Bank of India, Benchmarking India's Payment Systems, Reserve Bank of India (Aug. 2, 2020, 8:05 PM),

<https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/BIPS04062019CE3C72E9873244ED8BAAE9C8FC5955A8.PDF>.

resources are minimum. The main objective for introducing EMV chips was security however the actuality is bit different from the hypothesis. A study in UK showed that EMV proposes some contemporary threats and a number of attacks have been recognized. Some type of attacks which takes place are lost, stolen cards and card-not-present, cheque fraud, ID theft, mail non – receipt, counterfeit and phone banking attacks. Customers are therefore the stakeholders with the most to lose in EMV transactions²⁰⁴. Such situation may turn fatal when NBFCs would not indulge in high external security like OTC locks for WLAs due to the risk of losses, even though cards used to transact in WLA are EMV chipped.

All ATMs cannot read EMV chipped cards for that there has to be up gradation in ATMs to make them compatible. Another backdrop is when mandating the EMV mechanism RBI failed to estimate the amount required by the operators for such EMV upgradation of ATMs. According to the report, around 140,000 ATMs only have been upgraded till August 2019. The report further states that WLAOs just started to implement the upgradation and very few have been done. The reasoning behind this is mainly the huge cost incurred by EMV implementation and with present interchange fees it has become unviable for WLAOs²⁰⁵. Along with EMV compatibility mechanism other anti-fraud devices such as anti-skimming devices, time bound access for Admin, white-listing etc. which are in turn very costly²⁰⁶. Therefore, taking huge leaps in security would not ensure implementation of the same due to the high cost and lack of resources in respect of WLAs.

C. Low Interchange Fee

Another aspect which has to be taken into consideration is the interchange Fee. The concept of interchange fee can be summed up as the inter-bank network facilitates that a particular ATM card issued by one bank can be used in other bank's ATMs for basic services such as withdrawal of cash and balance inquiry. Banks owning the ATMs charge a fee for providing the ATM facility to the customers of other banks. This fee referred to as 'interchange fee' is

²⁰⁴ Alqahtani, Mohammed & van Moorsel, Aad, Risk Assessment Methodology for EMV Financial Transaction Systems, 340 Electronic Notes in Theoretical Computer Science 137-150. (2018).

²⁰⁵ Reserve Bank of India, Report of the Committee to Review the ATM Interchange Fee Structure, Reserve Bank of India (Aug. 2, 2020, 7:43 PM), <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1000>.

²⁰⁶ Reserve Bank of India, Report of the Committee to Review the ATM Interchange Fee Structure, Reserve Bank of India (Aug. 2, 2020, 7:43 PM), <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1000>.

recovered by the ATM deploying bank from the card issuing banks²⁰⁷. For some vendors like NBFCs interchange fees is source of profits. Various attempts have been done by banks and WLAO to increase the interchange fees per transaction but there has been no change in the same since 1st Aug 2012. The current interchange fees is ₹ 15/- for financial transactions and ₹ 5/- for non-financial transactions along with additional applicable taxes²⁰⁸. The current prices are not adequate for NBFCs to set up more WLAs. Regarding the issue the representatives of WLAO recommended increase in the interchange fees from ₹ 5/- to ₹ 10/- for Non-Financial transaction and for financial transactions from ₹ 15/- to ₹ 30/-²⁰⁹. The representative of WLAO in the committee suggested the option that, WLAOs should be allowed to levy convenience fees or access fees over and above interchange fees. But no consensus could be reached over the suggested increase cost²¹⁰. According to the representatives there is an urgent need to review the fees as the WLAs would not be able to sustain the requirements imposed by RBI. Hence, it is very unlikely that such fees will enable profitable run for existing WLA.

D. Consumer redressal

Foremost recommendation of the committee was to ensure that WLAs have adequate incremental cost to increase viability of the ATM but this also have side effects. The high operational cost and interchange fees would in turn affect the consumer, making ATM transactions expensive. As NBFCs do not set up WLA for charity their intention is earning profit increase interchange cost would be preferable to them. SURU areas where WLA have interchange fees and transactional cap on customers as their primary source of income increasing the cost seems the only option. But all the security changes mandated by RBI would add an increase of about 25%-30% impact of which will affect the customers

²⁰⁷ Reserve Bank of India, ATMs of Banks: Fair Pricing and Enhanced Access- Draft Approach Paper, Reserve Bank of India (Aug.2, 2020, 8:38 PM), https://www.rbi.org.in/Scripts/bs_viewcontent.aspx?Id=1102.

²⁰⁸ Reserve Bank of India, Report of the Committee to Review the ATM Interchange Fee Structure, Reserve Bank of India (Aug.2, 2020, 10:27 PM), <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1000>.

²⁰⁹ Reserve Bank of India, Report of the Committee to Review the ATM Interchange Fee Structure, Reserve Bank of India (Aug.2, 2020, 10:27 PM), <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1000>.

²¹⁰ Reserve Bank of India, Report of the Committee to Review the ATM Interchange Fee Structure, Reserve Bank of India (Aug.2, 2020, 10:27 PM), <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1000>.

immensely²¹¹. Considering the fact that SURU areas may have a lesser average income than urban and metropolitan areas.

Secondly the redressal system for failed transactions with respect to WLA as it is involving 3 separate entities namely issuing bank, sponsor bank and WLA. As customer redressal is the responsibility of the sponsor bank the whole compensation process may take longer time even for small amount. The failed transactional amount has to be re-credited to the customer's bank account within 5 calendar days failure to which Rs. 100/- per day²¹² is compensation but this will not ensure quick implementation by the operators. In case of any penalty charged by the issuing bank attributable by sponsor bank or WLAO, compensation of the same would be the responsibility of sponsor bank²¹³. But as the trio being non – bank entities especially that of WLAO and running purely on profit basis, they may take longer time or avoid payments for those dealing with failed transactions²¹⁴. Apart from expensive usage and slow redressal system WLAs have are yet not much accessible. The numbers of WLAs in rural and semi urban areas are not adequate. According to the Report on Trend and Progress of Banking in India 2018-19 the growth of WLAs in SURU areas have been recorded as negligible raise in the number of ATMs in 2017-18. Further have encountered a decline in 2018-19. The concentration of ATMs still is in urban and metropolitan areas²¹⁵.

II. COMPARISON: WHITE LABEL ABMs IN CANADA

Concept of White Label ATMs is not an ATM evolution akin to India only. Such non branded ATMs are set up across the globe by different sovereign states, one such country is Canada. In Canada White Label or “no name” ABMs (Automatic Banking Machine) are installed. These ATMs are usually located in non-traditional places, display no major bank labels on the actual machine. They are independently owned and operated. Financial

²¹¹Reserve Bank of India, Report of the Committee to Review the ATM Interchange Fee Structure, Reserve Bank of India (Aug.2, 2020, 10:27 PM), <https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1000>.

²¹²Reserve Bank of India, ATM/White Label ATM, Reserve Bank of India (Aug.2, 2020, 10:44 PM), <https://www.rbi.org.in/commonman/English/Scripts/FAQs.aspx?Id=497>.

²¹³Reserve Bank of India, White Label ATMs (WLAs) in India – Guidelines, Reserve Bank of India (Aug.2, 2020, 10:47 PM), <https://www.rbi.org.in/scripts/NotificationUser.aspx?Id=7286&Mode=0>.

²¹⁴Deepa Baliyan, DR. R.K Mittal, White Label ATM in India, 5(11) Indian Journal of Applied Research 53. (2015).

²¹⁵Reserve Bank of India, Report on Trend And Progress of Banking in India,2018-2019,Reserve Bank of India (Aug.2 , 2020 , 11:02PM), <https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/0RTP241219FL760D9F69321B47988DE44D68D9217A7E.PDF>.

institutions such as banks or caisses popularizes (a cooperative, member-owned financial institution which along with providing lending, insurance carries out roles of traditional banks as well) don't own **white label** machines.²¹⁶

The growth of White Label ABMs in Canada has been significant over the period of time. The decision of The Federal Competition Tribunal in 1996 to invite independent operators to be a part of the ATM market was based on increasing competition with the tribunal's aim to encourage fair competition in Canada. These are found in locations where the customer base is high, namely retail outlets, shopping malls etc. The growth in these ATMs is the result of the 'financial incentive'. The operators are granted financial incentives to install white label ABMs in place of bank-owned ATMs. Furthermore, the privately-owned ATM companies compensate the merchants for setting up the "White-Label" ATM at a higher rate than the rate which they receive from financial institution ATMs. This activity has resulted in direct competition between financial institutions and private ATMs. Banks in Canada are now in competition with the operators who function independently to set up ATMs in off-premise (retail) locations.²¹⁷ Even though the tussle has increased competition it still lacks in consumer satisfaction. The frustration of consumers while using White Label ATMs has been revealed as they are forced to pay an increased three level fee along with convenience fee for using these ATMs set up by private contractors. The payment of fees includes regular bank account transaction and the network access fee (also known as the INTERAC fee)²¹⁸. From a recent survey which was conducted, it was found that many Canadians were apprehensive to pay extra service fee for ABMs. The findings indicated that they are unwilling to pay such a hefty amount, to withdraw money in return for the convenience of accessing their money easily. It was concluded that these machines are taking undue advantage of people's immediate need for cash.²¹⁹

²¹⁶Government of Canada, ATM Fee, Government of Canada (Aug.2, 2020, 11:07PM),

<https://www.canada.ca/en/sr/srb.html?charset=UTF-8&q=white+label+atms+&wb-srch-sub=#wb-land>.

²¹⁷PUBLIC INTEREST ADVOCACY CENTRE, FINANCIAL SERVICES, White-label" ATMs: 'taking away' consumers' cash as fast as they're 'giving it out', PUBLIC INTEREST ADVOCACY CENTRE (Aug.2, 2020, 11:11PM)<https://www.piac.ca/our-specialities/white-label-atms/>

²¹⁸PUBLIC INTEREST ADVOCACY CENTRE, FINANCIAL SERVICES, White-label" ATMs: 'taking away' consumers' cash as fast as they're 'giving it out', PUBLIC INTEREST ADVOCACY CENTRE (Aug.2, 2020, 11:11PM)<https://www.piac.ca/our-specialities/white-label-atms/>

²¹⁹Public Interest Advocacy Centre, Financial Services, White-label" ATMs: 'taking away' consumers' cash as fast as they're 'giving it out', PUBLIC INTEREST ADVOCACY CENTRE (Aug.2, 2020, 11:11PM)<https://www.piac.ca/our-specialities/white-label-atms/>

India's performance in the sector of setting up White Label ATMs has not been satisfactory. The deployment and development of white label ATMs in the rural areas seems a distant dream. The banks hesitate to deploy ATMs because of numerous barriers such as illiteracy, poverty, lack of income and the high transaction cost. Whereas in Canada even though the high degree of competition may seem harsh, but it has encouraged setting up of more ATMs. As well as NRT Technology Cooperation stands as one of the largest processors of non-bank ABMs in Canada which handles more than 50 million transactions annually. Payment processing refers to the process of managing credit card transaction by acting as a mediator between the merchant and the financial institutions involved.²²⁰ The NRT offers an enormous networking system for the setup of ABMs. In conclusion, India is still a highly under-penetrated ATM market compared with developed nations.²²¹

CONCLUSION

The banking sector witnessed an apparent change when RBI acceded to the long-standing demands of the economy to structure an ATM in every corner of the globe. Due to the multiplicity of tasks devouring the banks, the NBFCs stepped into their shoes to execute financial inclusion into the rural world. However, these ATMs have fallen prey to the high operational cost which results in loss. The interchange fee which is the sole source of income for WLAs, if not increased then it will be far from earning profit. Even after the concerted efforts of the banking sector, they have failed to set up satisfactory number of WLAs for the customers. The marginal increase in the number of WLA from 15,195 to 19,507 in the year 2018 and 2019 is an issue to worry about.²²²

Ergo, the suggestions which can make the WLAs more viable are:

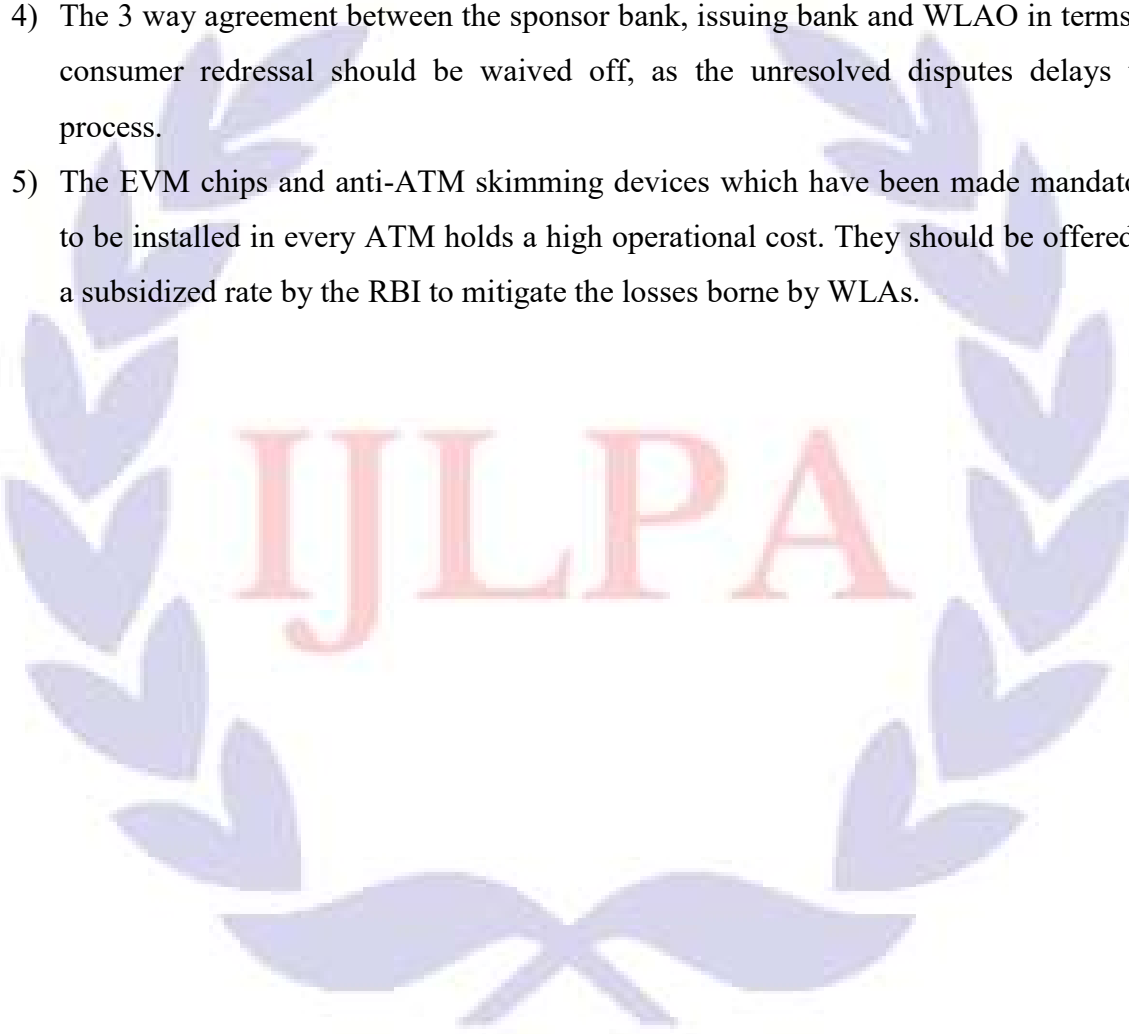
- 1) The ATM educatory programs are need of the hour. The banking sector should focus on giving its customers the requisite knowledge to use White Label ATMs more efficiently.

²²⁰Fidelity Information Services (FIS), what is a Payment Processor, FIS (Aug.2, 2020, 11:50PM), <https://www.fisglobal.com/en/insights/merchant-solutions-worldpay/article/what-is-a-payment-processor-5-important-terms-to-know>.

²²¹Deepa Baliyan, DR. R.K Mittal, White Label ATM in India, 5(11) INDIAN JOURNAL OF APPLIED RESEARCH 53. (2015).

²²²Reserve Bank of India, REPORT ON TREND AND PROGRESS OF BANKING IN INDIA,2018-2019,Reserve Bank of India (Aug.2 , 2020 , 11:02PM), <https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/0RTP241219FL760D9F69321B47988DE44D68D9217A7E.PDF>.

- 2) The White Label ATMs should not be substituted by private or PSB ATMs which possess efficient security system, high tech modernized technology, and higher investment prospects, with low transaction cost at traditional places.
- 3) The banking sector should focus on increasing healthy competition within the market; the better incentives given to them can increase the number of white label ATMs.
- 4) The 3 way agreement between the sponsor bank, issuing bank and WLAO in terms of consumer redressal should be waived off, as the unresolved disputes delays the process.
- 5) The EVM chips and anti-ATM skimming devices which have been made mandatory to be installed in every ATM holds a high operational cost. They should be offered at a subsidized rate by the RBI to mitigate the losses borne by WLAs.



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