

BANKS NEED TO FIND WAYS IMPROVING EFFICIENCY OF ATMs

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Despite an increase in the use of credit cards, debit cards, e-money and electronic fund transfers, cash continues to play a predominant role as a means of payment in Thailand. Last year the ratio of the value of outstanding currency in circulation to GDP was around 8 per cent, and cash use keeps growing in line with GDP.

In line with this, the role of automated teller machines (ATMs) in dispensing cash has increased continuously. The number of ATMs in Thailand has expanded dramatically from 7,885 in 2002 to 25,943 in 2007. In practice customers can make their withdrawal from ATMs owned by either own or other banks. As banks increase their ATMs, more cash is used in payment. According to the banking industry, average customers visit ATMs four times a month. Data from the Bank of Thailand show that ATM withdrawals per card averaged Bt7,018 per month in 2007.

It is globally accepted that ATM withdrawals are more efficient than withdrawals over the counter at bank branches, but the cost of providing ATM withdrawal services are on an upward trend. Although an ATM is a lot cheaper than it used to be, with the average price per machine now Bt300, 000-Bt500,000, banks still have to shoulder the high cost of cash handling, logistics, maintenance and fraud. As a result, banks in several countries have introduced new payment alternatives to reduce the cost of providing cash withdrawal.

For example, banks in Australia have launched PIN debit card, which operate on ATM networks. PIN debit cards are widely accepted in Australia as they enable cardholders to purchase goods and services and withdraw cash at merchant shops. In the Australian case, the banking industry has offered a win-win solution to all related parties. For merchants, banks have set a very low fee as an incentive to accept their cards. For customers, cashless transactions also make life more convenient. For the banks themselves, it lessens the burden of cash withdrawal.

Ensuring an adequate and efficient distribution of ATMs across the country is also problematic. In Thailand, most of the ATMs are located in Bangkok and the big cities. Notably, at several modern shopping complexes there is an excessive number of ATMs at the same spot. One explanation for this market practice is the current ATM interchange fees. This means that one

bank must pay another for every ATM transaction its customers make by using another bank's ATMs. Meanwhile, customers are charged by their banks for using other banks ATMs. Moreover, for most banks, the interchange fee also acts as an incentive to compete in multiplying their ATMs to encourage customers to use their ATMs to encourage customers to use their own bank's ATMs. In light of current practice, the Thai banking industry should explore a more efficient method for cash distribution through ATMs.

Source: The Nation