International Research Journal of Management and Commerce
ISSN: (2348-9766)
Impact Factor- 5.564, Volume 5, Issue 2, February 2018
Website- www.aarf.asia, **Email** : editor@aarf.asia , editoraarf@gmail.com

A COMPARATIVE STUDY ON THE PERFORMANCE OF BROWN LABEL ATMS AND WHITE LABEL ATMS SERVICE IN THE STATE OF KERALA

Dr. Vinod C.
Post-Doctoral Fellow, Department of Commerce
School of Business Management and Legal Studies
Kariavattom, Thiruvananthapuram.

ABSTRACT

The present scenario cost efficiency viewed as an area of crucial significance for industry's (bank) best practices for development. Recently, there is a visible swing in the ATM business of banks in India. There is an urgent opportunity for accessing banking products (ATM) to vulnerable groups living in the country. The Reserve Bank of India (RBI) decided to license Non-Banking Finance Companies (NBFCs) incorporated under the Companies Act 2013 or any previous company law to offer their own ATMs known as WLAs (White Label ATMs). WLAs enables 'a customer is not the customer of one bank, customer is customer of all banks'. Brown Label ATMs (BLAs) are cost effective model of the banks i.e. outsourcing of ATM machines and services. The Brown Label ATMs are owned and operated by the service provider. Currency management and connectivity to banking network is provided by a sponsor bank. The BLAs has come up as an alternative between Banks owned ATMs and White Label ATMs. The present movement of banks is to downsize the ATMs' cost tremendously. The present study is an attempt for analyzing the performance of BLAs and WLAs services in the state of Kerala. The present study also developed a model for improving the performance of these models prevailing in the state.

KEYWORDS:ATMs, BLAs, Tier III, Tier VI, WLAs

INTRODUCTION

It is since more than a decade now, the Government of India taking several reforms and packages for developing the economy. The Government of India is taking certain measures and introduced innovative packages to ease out the financial transactions across the country. ATM is one of the developed innovative transaction facilities in banking after the introduction of new economy policy in India. Automated Teller Machines (ATMs) is a computerized machine which is linked to the accounts and records of banking institutions. It enables the customers of banks to accessing their accounts for dispensing cash and to carry out lot of banking and other related transaction without visiting their banks. The banks investment activities in ATMs have been leveraged for delivery of a wide variety of banking and other value added services to customers across the banking industry.

Access to financial services is one of the important social and economic challenges of modern-day. Keeping the fact in view that banks won't be able to provide their ATM facilities in each and every place, the RBI has granted in-principle approval to Non-banking entities to set up their own ATMs called as White Label ATMs (WLAs). The main object of this was to increase the geographical feast of ATMs, augment the customer service and to access the financial products available in the country to all vulnerable groups in the society.The introduction of WLAs services in India isan aid for achieving the objective of Financial Inclusion. RBI entails NBFC to install machines in the ratio of 3:1. i.e. the WLAs operators must install 3 ATMs in Tier III to Tier VI Center (semi-urban and rural area) and 1 in Tier I to Tier II (Metropolitan and urban). Out of the 3 WLAs installed in Tier III to Tier IV Centres, a minimum of 10% should be installed in Tier V and Tier VI Centres. The Census of India in 2011 had classified the places on the basis of population into Tier I to Tier VI Center. The classification reveals that Tier I Center is Metropolitan and Urban area which consist of population 1 lakhs to 10 lakhs. Tier VI is a rural area which consists of population less than 5000.

There is a visible shift in the way banks look at the ATM business. Brown Label ATMs are little difference from banks owned ATMs. These ATM services are outsourced to a company, who manages, install and look after the ATMs. However, these ATMs have a logo of the Bank in it, that makes ATM is installed by the Bank. In Brown Label ATMs, hardware is owned by service provider. Cash management and network connectivity provided by sponsor bank.

BLAs &WLAs – AN OVERVIEW

In view of the high cost of ATM machine and RBI's guidelines for expansion of ATMs, the concept of Brown Label ATM network is likely to expand at a brisk pace. In September, 2011 it was reported that Hughes Communications India Ltd set up 5000 Brown Label ATMs in India. Hughes, FIS, TSI, TCBIL, Diebold, AGS, Prizm, FSS and Euronet are major ATM vendors in the country.

White Label ATMs (WLAs) are popular in Canada. It aimed at inspiring millions of Indians with the convenience to access their own money with ease. WLAs are regulated under the Payment & Settlement Systems Act 2007 by the Reserve Bank of India. The said Act delivers the regulation and supervision of payments systems held in India and assigns the RBI as the authority for the above purpose. The first WLA was tossed under the brand name 'Indicash' on 27th June 2013. Tata communications Payment Solutions Ltd. is the first and foremost company approved by RBI to open WLAs in the nation. RBI has given license to more than fifteen NBFC which includes Prizm Payment Services, Muthoot Finance, Vakrangee, BTI Payments, Srei Infrastructure Finance, RiddiSiddhi Bullions Ltd., AGS etc.

A customer can transact WLAs services with the help of ATM-cum debit card, Credit cards and open prepaid card issued by any authorized bank. WLAs offers services like account information, mini statement, PIN (Personal Identification Number) Change, request for a cheque book etc. Some of the other important services are still not available in WLAs:

- Acceptance of deposit are not permitted
- Regular bill payments are not permitted
- Purchase of re-load vouchers for mobiles are not permitted

WLAs accept international cards and the facility of Dynamic Currency Conversion (DCC) for the use of international cards. WLAs will be restricted to converting the amount requested by the international cardholder to his home currency using a Base Exchange rate. RBI has enabled delinking of cash supply from sponsor bank. WLAs operators now tie up with other commercial banks for cash supply at WLAs.

REVIEW OF LITERATURE

Some of the pioneer work has been conducted on ATMs services. None of the work has been conducted in this area for developing a new model for developing the performance of

ATMs in the state of Kerala. Some of the recent work has been done on this topic is presented as follows:

A study conducted by **Sapna (2009)** reveals that people mostly preferred using debit cards and ATM cards for withdrawal of money from ATMs. The study also reveals that people did not prefer to go an extra mile for the same banks ATM whose card they possessed, in case the nearby ATM of same bank was dysfunctional.

Siva Rama Prasad (2009) in his study 'Role of Automated Teller Machine (ATM) in Modern Banking' found that the most popular reason for choosing the bank for availing ATM banking service can be taken as location of the bank. The study also found that choosing a bank for the purpose appears to be the quality of services offered by the bank ATM locations.

Alaa and Wael (2011) states that in order to survive, both banks and ATM deployers need to anticipate new customer needs, respond much more rapidly to competitive changes and create new sources of customer value and service differentiation. The ATM optimal Deployment Strategies offer the opportunity to provide greater convenience and to attract more customers by covering the money market with sufficient ATM facilities.

Aijaz and Syed (2012) expressed that effective internal control provide a reasonable assurance to the management on fraud prevention and timely detection. To better detect and prevent e-fraud, multiple tools may be used with proper fraud management practices and systems in place.

OBJECTIVES OF THE STUDY

The present study is designed with the following objectives:

- To analyse the performance of BLAs & WLAs services in the state of Kerala.
- To compare and contrast the various services of BLAs & WLAs.
- To suggest a model for improving the performance of BLAs &WLAs

METHODOLOGY

The study was designed as an empirical and exploratory in nature. It was conducted in four different stages. In the initial part of the study, the present status of WLAs services

identified. In the second stage, a well-structured interview schedule was prepared. The efficacy of the draft interview schedule was pre-tested after interviewing 10 WLAs users and 20 Brown Label ATMs users. In the third stage, the perception and opinion of WLAs and BLAs sponsors, operators and users were collected and analysed. In the last stage, the Researcher developed a model for improving the performance of WLAs and BLAs.

RESULTS AND DISCUSSIONS

The ATM user's opinion about various services of ATM models was presented in the Table 1.01. The mean score of Annual Maintenance Charge (AMC) 3.76 and Quick settlement of customer grievances is 3.60. The mean score of these services are higher than other services performed by various ATMs provider. The result of analysis reveals that there is no significant difference in the services of different ATM model.The present status of various services were analysed by Multivariate statistical techniques. Factor analysis is used to measure the factors that contribute the satisfaction level of ATM card users in relation to different ATM services provider.

Table 1.01

Services of WLAs & BLAs

Services	Mean	Sig.
AMC	3.76	0.308
User friendly	3.58	0.725
Prompt and efficient service	3.55	0.552
Presence of security guard	3.55	0.373
Quick settlement of customer grievances	3.60	0.301
Good conditions of bank and staff	3.46	0.239
Protection from hacking	3.56	0.965
Increase the transaction per day	3.35	0.270

The reliability and validity of factor analysis is done with the help of KMO and Bartlett's test of sphericity. The result on KMO and Bartlett's is presented in the Table 1.02

Table 1.02

KMO and Bartlett's test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.613
Bartlett's Test of Sphericity	Approx. Chi-Square	2586.352
	d.f.	28
	Sig.	0.000

Source: Primary Data

The result indicates that a factor analysis can be applied to a set of given data as the value of KMO statistics is greater than 0.5 and the Bartlett's test of Sphericity is significant. Bartlett's test of sphericity testing for the significance of the correlation matrix of the variables indicates that the correlation coefficient matrix is significant as indicated by the p value corresponding to the chi-square statistics. The p value is 0.000, which is less than 0.05, the assumed level of significant indicating the rejection of the hypothesis that the correlation matrix of the variables is insignificant.

There are two factors with eigen values greater than 1. The percentage of variation explained by the first and second factors is 46.339 and 14.363 percent respectively after varimax rotation is performed. The total variances explained by both the factors are 60.702. This is presented in the Table 1.03

Table 1.03

Total Variance Explained

Component	Initial Eigen values			Extraction Sum of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	%of Variance	Cumulative %
1	3.707	46.339	46.339	3.707	46.339	46.339
2	1.149	14.363	60.702	1.149	14.363	**60.702**
3	.972	12.154	72.856			
4	.739	9.243	82.099			
5	.636	7.946	90.045			
6	.403	5.035	95.080			
7	.375	4.690	99.770			
8	.018	.230	100.000			

Source: Primary Data

The present study was used rotated component matrix that the factor loadings are high on some variables and low on some other variables. The rotated component matrix using 0.6 as a cutoff point is decided. The three variables corresponding to factor 1 having a factor loading above 0.6 are prompt & efficient service, presence of security guard and quick settlement of customer grievances. This factor is named as ADMINISTRATIVE SERVICES. The variable corresponding to factor 2 for which the factor loadings are greater than 0.6 are Annual Maintenance Charges (AMC), User friendly, Protection from hacking and Increase the transaction per day. Therefore, factor 2 is named as OPERATIONAL SERVICES. This shows that most important factor explaining the performance of different ATM models is Administrative services and Operational services. Rotated component matrix is presented in the Table 1.04

Table 1.04

Rotated Component Matrix

Charges	Component	
	1	2
AMC	.414	.717
User friendly	.100	.680
Prompt & efficient service	.687	.311
Presence of security guard	.964	.081
Quick settlement of customer grievances	.932	.199
Good conditions of bank and staff	.496	.234
Protection from hacking	.321	.628
Increase the transaction per day	.088	.692

Sources: Primary Data

Coefficients of all the factors are not significant. The absolute standardized coefficient is highest for the first factor and followed by second. This is clearly presented in the Table 1.05.

Table 1.05

Coefficients of factors

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.890	0.014		134.942	0.00
REGR factor score 1 for analysis 3	-0.019	0.014	-0.061	-1.359	0.175
REGR factor score 2 for analysis 3	0.007	0.014	0.021	0.465	0.642

Sources: Primary Data

Based on the above discussion, the researcher explained the performance of different ATM models presented in the Figure 1.01. The diagram shows that the ATM user's satisfaction can be developed with the help of various Administrative and professional services offered by ATMs promoters.

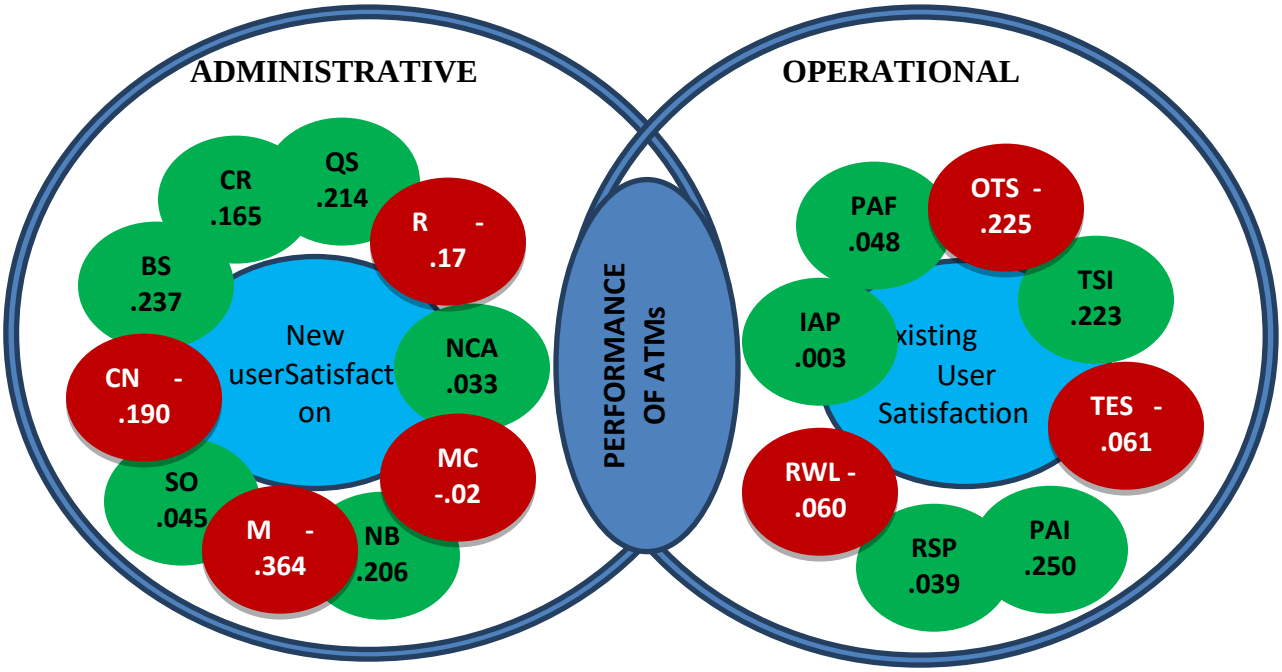

Figure 1.01 Performance of ATM Models

Source: Developed by the Researcher

Preferences/Satisfaction should be increased for Development of ATM service

Preferences/Satisfaction is essential for ATM performance

CONCLUSIONS

The outcome derived from the present study is to develop a model for improving the performance of ATM models. The fruitful development of White Label ATMs and Brown Label ATMs creates customer satisfaction. ATMs business continuously innovate different services to create and deliver greater value to each and every customer. There is a need for proper blending of various values added services at the ATM counter is essential for developing the present reformed models Various value added services releases enormous source of renewable, generative human energy into the WLAs Industry. This is more than anything else, is the secret of their success and existence.

REFERENCES

Thesis

1. Modi, Sapna (2009), ATM's and their impact on Indian Banking Industry (Ph. D. thesis), Department of Management, Tilak Maharashtra University, Pune, December 2009.
2. P. Siva Rama Prasad (2009) Role of Automated Teller Machine (ATM) in Modern Banking – A case study of Automated Teller Machines in Tirupati Region, (Ph. D. thesis), Sri Krishnadevaraya University, Anantapur, March 2009.

Journal Papers

3. Alhaffa, Alaa and Abdulal, Wael (2011), 'A Market-Based Study of Optimal ATM'S Deployment Strategy', *International Journal of Machine Learning and Computing, Vol.1, No. 1, April 2011*, http://www.ijmlc.org/papers/16-L357.pdf (accessed on 01.12.2017)
4. Shaikh, Aijaz Ahmed & Muhammad Shah, Syed Mir, (2012), 'Auto Teller Machine (ATM) Fraud – Case Study of a Commercial Bank in Pakistan', *International Journal of Business and Management, Vol. 7, No. 22; October 2012*, http://www.perpustakaan.kemenkeu.go.id/FOLDERJURNAL/Auto%20Teller%20Machine%20(ATM)%20Fraud.pdf (accessed on 01.12.2017)
5. Saikat Das (2016), What turns Tata Payment bullish on white label ATMs?, The Economic Times, https://economictimes.indiatimes.com/industry/banking/finance/banking/what-turns-tata-payment-bullish-on-white-label-atms/articleshow/52615427.cms (accessed on 01.12.2017)

6. NavaneetDubey, (2017), 6 things to know about white label ATMs, Financial Express, http://www.financialexpress.com/money/bank-6-things-to-know-about-white-label-atms/572644/ (accessed on 01.12.2017)
7. The Hindu Business Line (2016), RBI allows White Label ATM operators to source cash from retail outlets, http://www.thehindubusinessline.com/money-and-banking/rbi-allows-white-label-atm-operators-to-source-cash-from-retail-outlets/article9451417.ece (accessed on 01.12.2017)
8. http://www.indicash.co.in/our-white-label-atm-initiative (accessed on 01.12.2017)
9. https://m.rbi.org.in/Commonman/English/Scripts/FAQs.aspx?Id=497 (accessed on 01.12.2017)
10. https://rbi.org.in/scripts/NotificationUser.aspx?Id=7286 (accessed on 01.06.2017)