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## Assessment of ATM Banking Charges: Opportunities and Challenges

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### ABSTRACT

This paper intends to look at the assessment of ATM banking charges, opportunities and challenges. The opportunities derived from the bank charges include effective banking services to the customers, relieve banks of financial burden of maintaining the ATMs redress the unhealthy habit of abuse of the use of ATM, help customers to have financial discipline about the way they spend their money and thus to meet the Nigerian Payment Vision 20:2020. The challenges of bank charges constitute policy inconsistency of banking industry long queues outside the banking halls, multiple of charges on ATM card by banks for insurance renewals of the cards, SMS charges and sometimes they charge the money before informing the customers. Finally, summary, conclusions and recommendations are made.

**Keywords:** Assessment, ATM Banking Charges, Opportunities, Challenges

### Introduction

The primary purpose of the banking system is to create and manage financial resource and to intermediate between surplus and deficit economic unit. Thus by carrying out this fundamental role, the banking system provides secondary services which may embrace mobilization of financial resources for investment purposes, assistance in resources allocation promotion payment system and facilitation of international trade. In the past in two decades, how we communicate and transact business changing significantly and rapidly. This is modern a simple change from hard written letters to email and from face to face transaction to business over the internet. The internet technology with it associate innovated services such as internet banking has reduced drudging of transacting business across national boundaries it is the biggest technological reduction to hit the banking industries since the ATM, enabling financial institutions to provide better services to more customers, while cutting operating cost. The critical role of the ATM is to regulate, supervise and monitor the financial system, ensure it's growth and development, prevents financial distress and facilitate effective banking services. The Central Bank of Nigeria on August 20<sup>th</sup> 2014 had directed all banks to revert to charging customers transaction fee whenever they use their ATM cards in achiness of other banks. Whatever

means CBN says the policy summersault, is aimed at preventing abuse by customers. It said that since the introduction of free ATM transaction, the volume of ATM transaction has increased and thus has brought under pressure on the machines.

### **Background of the Study**

Following the removal of ₦100 charge on ATM in 2012, the cash withdrawal on others banks ATM by customers rose by 172.9% to ₦262 billion on 2013, from ₦96 billion in 2012, according to Committee of E-banking Industry Heads ( CeBIN ). In 2012 the number of transaction done on others banks ATM did not go beyond 8.5 million count of transactions, during the peak period it was 13.4 million in September, 2012, but in December when the ₦100 charge was removed transaction grew astronomically starting from January 2013, by December 2013 transaction count was grown to 24.7 million. (kayode ,2014). The banking industry has witnessed in surge in the volume and value of ATM cash withdrawal transactions and this has increased the traced to remote on-us transactions. It could be recalled that in December 2012, CBN in collaboration with the banker's committee, transferred the payment of ₦ 100 fee was split between the acquiring bank, issuing banks and switch companies. But now, the new management of the apex banks has reversed the policy by reintroducing the ATM fees/charges to be paid by the customers. (Udeme Clement,2014)

### **CBN New Banking Charges on the ATM**

The CBN had on 13<sup>th</sup> August, 2014 announced its new monetary policy of reintroduction of withdrawals from other ATMs. According to the apex bank plan, with effect from 1<sup>st</sup> September, 2014, Nigerians will be squired to pay extra charges when they withdraw money from Automated Teller Machines (ATM) other than the bank they have an account. The new fee to be paid is ₦65 , a reduction from the ₦100 that was obtainable before 2012 when ATMs machines was cancelled with the policy, the customers would be charged ₦65 on withdrawal over three (3) times in a month on other banks ATMs (CBN). (Udeme Clement,2014). The reintroduced fee of ₦65 is to ensure that the bank customers take up the responsibility for the cost associated with transactions carried out on other banks' ATMs. This means that banks still bear a cost of ₦194 (₦65x3) per customer per bank. (Udeme Clement,2014).

### **ATM Banking Charges in other Developed Countries**

Tunde (2014) in conducting his research work on ATM bank charges in other countries of the world gave the following:

**Brazil:** Banks such as Brades Co, Banco do Brasil, Caixa Economica Federal, Itan and Santander operates their own nationwide ATM networks.

These ATMs can be found in many locations such as the bank branch itself kiosks spread throughout a city or even supermarkets, gas station, shopping malls and post offices, making it very convenient for the customers to make withdrawals and check balance without enquiry in any fees. However, fees are assessed if there is excessive usage of the ATM i.e. (one makes more withdrawals than what allowed by their monthly maintenance fees)

**Canada:** most Canadian Financial Institutions are members of Interact Association, a multi-bank ATM network founded by Royal Bank of Canada CIB, Scotia Bank, Toronto-Dominion Bank, and Desjardins' group in 1984. Before the presence of white-level ATMs most Canadian customers were only charged the standard interacts network transaction fee when customers was using an ATM not provided by the bank that held their account (Historically 50-75 card, now 51-50 card). As the interact network was opened up to more independent sales organizations ("ISO-")s and the potentials for additional revenue from service fees were made available, most banks elected to impose the service fee in addition to the revenue that was generated from the interact fees.

**Austria:** cash withdrawals are free for any owner of an Austrian Maestros card (very few, small bank charge an extra fee when one of their own customers uses a different bank ATM)

**Germany:** German banks charge fees withdrawals at another banks ATM. Usual fees avo 4-5 evr. All ATM, are connected to the national Girocord interbank network. The ATM owners do usually join one of the ATM groups that mutually lower or wave fees, so that customers can withdraws free of charge. The most extensive network of ATMs belongs to the savings Banks Associations (SPIRKAEN) with 24,600 ATMs.

### **Automatic Teller Machine (ATM)**

Automatic Teller Machine is an electronic banking outlet, which allows customer to complete basic business financial transactions without the aid of a human bank cashier, clerk or bank teller. The bank customer will be issue an ATM card of his choice (master, visa, verve etc.) depending on the bank. The customer is identified by inserting a plastic ATM card with a magnetic stripe or a plastic smart card with a chip that contains a unique card number and some security information such as expiration date. Authentication is provided by the customer entering a Personal Identification Numbers (PIN).

### **Function of the ATM Machines in the Banks**

- Deposits/withdrawals of cash
- Changing of personal identification of number (PIN)
- Printing of statements of accounts (optional on request)

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- Product information display on the ATM screens
- Balance enquiry of accounts (saving, current, credit accounts) paying routine bills, fees and taxes (utilities, phone bills, PHCN bills, social security, legal fees, school fees etc.)
- Purchasing (airtime recharging on mobile phones, air tickets, lottery tickets, postage stamps etc.)
- Transferring money between linked account (such as transferring current and saving accounts)
- Operating two accounts with a single ATM card (saving and current account) of same bank (set off)
- Intra and inter-bank transfer of money
- Embassy payments, dealer payments on products/services rendered donation to charities organizations account etc

### **Opportunities of Automatic Teller Machine (ATM) to Both the Bank and Customer**

- To ensure customers get better and effective on using the ATM device.
- To increase healthy competition among the banks.
- To meet the financial banking target of Nigerian Payment System of Vision 20:2020.
- To increase in cash transaction which negate the CBN cashless policy.
- To reduce the unhealthy banking habits of customers turning the ATMs into these personal purses and making small frequent withdrawal in a day, thereby exposing the machines to wear and tear increase in maintenance cost. As the charges will cover remuneration switches, ATM monitoring and fit-notes processing. (Udeme Clement,2014)
- To meet up the NDIC Insurance Premiums and AMCON 0.5% levelly of sinking fund thus provides assurance to investors and in turn affects the capital flow positively.
- To recover fund and relive banks from financial burden of maintaining the ATMs devices.
- To make the bank generate more additional income for business expansion and job creation.
- To recover cost and improve profitability.
- To meet the 0.5% of total assets contribution of the asset management.
- To address the uncontrolled usage of ATM card on other bank ATMs to the customers.
- To have better and effective banking services.
- Promote financial discipline about the way spend their money and other financial commitments.
- It is quite affordable for almost banking Nigerians irrespective of level of income.
- Enhancement of satisfactory banking services.
- It reduces long queue frustration that customers face.

- It makes the customers to have more confidence in banking system.

### **Challenges of the ATM Banking Charges**

- Long queues have return to some ATM points, as customers dump the uses of other ATM in a bid to escape the banking charge. (Udeme Clement,2014).
- Clashes of policies; the recent cashless policy which is yet to be accepted and familiarize and yet reintroduction of the bank charges which have already been abolished.(Ugwanyi,2014)
- Anti-people: CBN is losing focus on what the Nigerians banking community and entrepreneurs really want; reduction of interest rate and creation of employment opportunities not policy.( numile,2014)
- The reintroduction of ATM charge constitutes policy inconsistency in the banking industry because the former CBN openly abolished the same policy while his successor is bring it back thus politically motivated. (Kayode, 2014).
- Multiple charges on the ATM card. Bank charges too much money for issuance of cards. Sometimes they charge the money before Informing or not even informing the customers. (Udeme Clement,2014)
- Error cases of the ATM machines giving out the money without debiting the account or debiting the account without giving the money among others related errors due the bank failure to update their internet network.
- Problems of network and power supply failure frustrated the customers from going to the bank.
- About 70% of Nigerians are not transacting business with bank to cultural or religious background is a treat to the banking industry.
- Security challenges in the Northern part of Nigeria prevent some bank to open their banks and put money in the ATMs devices even if they open only operated between 9:00am to 1:00pm, some banks are closed and others refused to put enough money on the ATM machines.
- ATM skimming/cloning: ATM thieves or rather yahoo boys have been known to hack a part or modify portions of the ATMs; removing the microchip inside or relating it with their own battery-operated card reader.
- Hacking/Swallowing of the ATM card from the ATM device. Sometimes the ATM card gets stuck in the ATM device thus this causes a great discomfort/dissatisfaction to the customer losing confidence from the banking industry.
- Protest from the people: August 2014 in Lagos, some activist protest the reintroduction of ATM bank charges condemning the CBN for such charges/policy.

## Summary

An Automated Teller Machine which is an electronic telecommunication device or system, which the banks install inside and out their premises to enable customers of banks to perform business or financial transaction without the need for a human bank cashier, clerk or teller. Monetary Authority enact policy that allows the bank to charge their customers on using the ATM devices. This will go a long way in assessing the banks to give more better and effective services, arrest the abuse of ATMs devices create confidence in the banking industry and enhance financial discipline on banking customers. However, they are challenges that affect the bank charges policy to both the bank and the customers.

## Conclusion

Despite the divergent views expressed by economic experts and the bank customers and the wide outcry against the reintroduction of the bank charges by the Monetary Authority. The benefits of its reintroduction outweigh its abolishment in the long-run as such charges will help banks meet certain financial expenses incurred in producing such banking services. And also save the banking industry from distress thereby affecting the economic growth and development.

## Recommendations

- CBN should study the environment carefully understand what the people want before formulating any economic or monetary policy.
- Call centers should be created where aggrieved customers can easily lodge their complaints for prompt and proper redress.
- Bank must make sure that their ATM machines are properly serviced and well stocked with enough cash so that customers are not left standard/frustrated with the policy.
- CBN should ensure an effective and efficient monitoring of the process, so that it is not hijacked by banks with dubious minds.
- Banks should improve their internet network and power supply service, in order to make the policy effective thus addresses the cases of debit reversal issues otherwise.
- Counter measures should be provided for card cloning/skimming by the banking industry particularly, issuing smart cards which cannot be easily copied or spoofed by unauthenticated devices.
- A talking ATMs devices should be provided that will have audible instructions so that people (illiterate) who cannot read ATM screen can independently use machine, therefore, effectively eliminating the need for assistance from external sources.
- The charges should be reducing to #35 or #50 which is more affordable to all and sundry compare to other part of the world.

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