



**THE ROLE OF THE ATM
IN DRIVING FINANCIAL
INCLUSION WORLDWIDE**

**Extending financial services
to the unbanked**

An NCR white paper

INTRODUCTION

The financial services industry is going through an exciting period of innovation and evolution. Changes are underway that could transform the sector. New rules and regulations are boosting competition and choice for consumers, while developments in technology are opening up new business models and methods for financial institutions (FIs).

Amidst all this change and growth, it's crucial for the industry not to forget those who are at risk of being left behind and cut off from financial services—such as people living in remote areas and low-income countries.

According to the [Center for Financial Inclusion](#), just 24 percent of people in low-income countries have a bank account, compared to 89 percent of citizens of high-income nations.

Financial inclusion is a huge challenge, but there are ways to overcome it, and FIs have a vital role to play in this. This white paper will offer a detailed look at the issue of financial inclusion, what efforts are being made to tackle it, and specifically, the role that the ATM could play in extending financial services to the unbanked.

As we will see, the unique characteristics of cash and the ATM channel could be vital to this ongoing global effort to improve financial inclusion.

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WHY CASH AND ATMs ARE SO IMPORTANT

In our existing global financial system, any speculation about whether cash will one day be replaced by digital alternatives is largely irrelevant, since so many communities and economies all over the world remain so heavily dependent on physical currency.

As the PYMNTS Global Cash Index [has shown](#), overall cash use is going up in various markets as a result of economic growth and higher total spending. This is despite the fact that the cash share of the payments mix is declining in many countries, owing to the expanding range of payment options available.

In February 2017, [Retail Banking Research](#) published a report highlighting financial inclusion as a key factor in a recent trend of rising ATM withdrawals. The overall number of cash withdrawals grew by 10 percent in 2015 to 99 billion. There was growth in all regions, but the most notable increases in demand for cash were recorded in Asia-Pacific markets, in the Middle East and in Africa.

In China, growth in ATM usage soared to 23 percent, partly driven by banks' efforts to migrate more transaction activity into the self-service channel. This illustrates one of the most effective features of the ATM as a tool to drive financial inclusion: it offers efficiency and affordability for the FI, while helping consumers to improve their understanding and control of their financial affairs.

For those consumers who don't have the tech literacy, the requisite devices or access to the necessary infrastructure to make the transition to digital banking, physical touchpoints will be extremely important. For banks that can't justify the cost of expanding their branch network, deploying affordable ATMs could be the most efficient way to offer the reassurance and reliability of physical banking.



As far as services are concerned, ATMs can do more than ever before. In addition to cash dispensing, modern-day machines can accept mixed-media deposits, process money transfers and even provide on-screen video connections to remote tellers. Evolution in the self-service channel—including improvements in the physical design and durability of ATMs—has made it more feasible and cost-efficient for FIs to extend many of the traditional functions of the branch into the most remote and challenging environments.

It's also important to remember the distinct tangibility and universal usability of cash. As Navroze Dastur, Managing Director NCR India & South Asia, commented "At a time when an increasing number of processes and assets are being digitized, cash retains a particular advantage and

plays a vital role in bringing the unbanked & underbanked into the banking system, it's worth and authenticity are inextricably linked to its physicality." This special quality is the result of centuries upon centuries of use and an ingrained appreciation for the value of physical currency.

Building on this theme, Mike Lee, CEO of the [ATM Industry Association](#), noted: "Cash is embedded in cultures and monetary systems around the world. People trust cash as a store of value and it remains a means of payment that can be used by absolutely anyone at any time."

Guillaume Lepecq of Agis Consulting, who authored the study 'Access to Cash: The First Step Toward Financial Inclusion' for ATMIA, commented: "A transition away from cash would only serve to isolate the unbanked and the underserved from the rest of the population."



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Navroze Dastur, MD NCR India & South Asia

FINANCIAL INCLUSION—THE GLOBAL PICTURE

According to the World Bank's latest [Global Findex](#) database, published in 2015, there are still an estimated two billion adults who don't have access to a transaction account and are excluded from the formal financial system.

This is despite encouraging progress in recent years, with the proportion of 'banked' individuals rising from 51 percent in 2011 to 62 percent in 2014. That's the equivalent of 700 million people receiving access to an account over the course of three years.

There are a number of reasons why improving financial inclusion is a major challenge, such as the practical and logistical difficulties of delivering banking services in low-income countries and emerging markets. Only 11 percent of people in low-income nations save money with an FI, according to the Center for Financial Inclusion, and 68 percent of the world's population growth over the next decade will be in less developed countries.

Looking to the future, the World Bank has teamed up with public and private sector partners and set a target to achieve [universal financial access](#) by 2020. This would mean all global citizens having access to a transaction account or electronic instrument to store money and handle payments. This is seen as the first step towards broader financial inclusion, which is defined as individuals and businesses being able to rely on a wide range of financial services, such as savings, payments, credit and insurance.

It's clear that the achievement of these goals will rely on widespread collaboration between nations, FIs, regulatory bodies and consumers themselves, along with various other parties and stakeholders.

The drive towards financial inclusion will also depend on a diverse combination of technologies and channels for service delivery—not just the latest and most exciting digital innovations, but tried-and-tested physical platforms, too.



A WORLDWIDE EFFORT

Various initiatives and projects underway in disparate global markets illustrate the scale of the financial inclusion challenge, and how seriously it is being taken, particularly in emerging economies.

In 2014, Indian prime minister Narendra Modi launched a scheme designed to drive financial inclusion that led to **15 million bank accounts** being opened in a single day. The government said ensuring every household has at least one bank account should be a national priority.

It should be noted that India—the world’s **seventh-largest** economy and a key market for financial services—presents some specific challenges, particularly where cash and ATMs are concerned. In November 2016, the Indian government launched a major demonetization initiative. It removed 86 percent of existing currency from circulation, as part of what was seen as a wider drive towards a **cashless economy**.

Other challenges in India, and elsewhere in the Asia-Pacific region, include guaranteeing reliable access to grid power to run ATMs and handle high transaction volumes.

In Africa, First Bank of Nigeria has made a commitment to financial inclusion by setting itself a target of more than doubling its customer accounts over the coming years. One of the strongest factors in the bank’s favor is that it has more ATMs than any other FI in the country, as well as the largest customer base and the nation’s most extensive branch network, comprising more than 750 sites.

Speaking to **World Finance**, Dr Adesola Adeduntan, managing director and CEO of First Bank of Nigeria, said: “As we move into the execution phase of our current business strategy, it’s about financial inclusion, it’s about leveraging technology to pull more people into the banking segment. So, we do have this very ambitious plan to grow the number of customer accounts from where it is today—about 14.5 million customer accounts—we plan to grow that to about 30 million customer accounts in the course of three to four years.”

The global, all-encompassing nature of the financial inclusion mission is emphasized by the fact that developed as well as emerging economies are giving it plenty of attention. The UK Department for Digital, Culture, Media and Sport has asked digital industry group Tech City UK to run a **competition** challenging the fintech sector to come up with the most effective products and services to promote financial inclusion.

It’s estimated that at least 1.5 million people in the UK don’t have a bank account or have less than £500 in savings.

The economic secretary to the Treasury, Stephen Barclay, said: “This competition is about using a thriving and innovative sector to create services that can help people budget, save for the unexpected and access appropriate credit.”

As this initiative shows, technology will have an important part to play in the journey towards universal financial access and inclusion. However, it would be a mistake to assume that digital and mobile technologies will come to define the future of banking services at the expense of more traditional, physical channels.



CONCLUSION

Achieving universal financial access and, eventually, complete financial inclusion is an ambitious goal, but it can be achieved with the right collaboration and the most effective use of solutions and technologies.

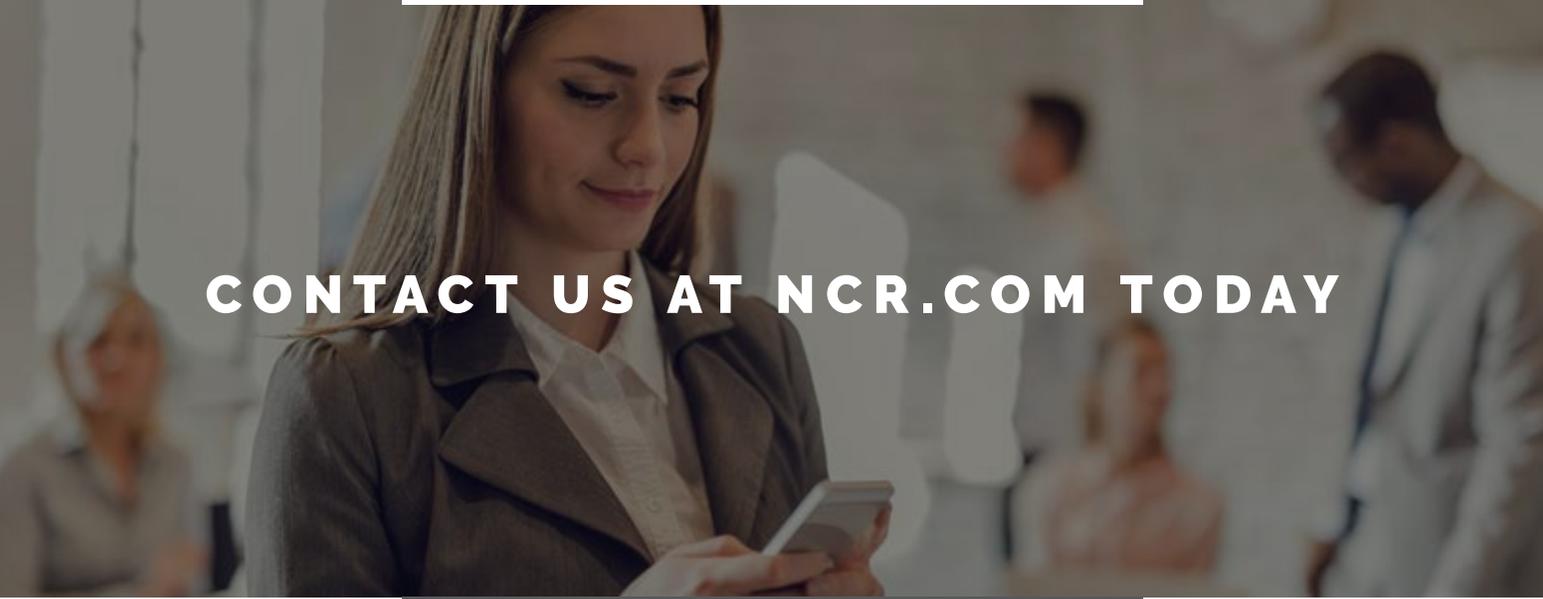
All delivery channels will have an important role to play in this mission, not only to guarantee maximum reach and accessibility of services, but to give consumers the broadest possible choice in how they bank.

The impact digital and mobile technologies have had on the banking industry is undeniable, but innovation in self-service and the unique characteristics of cash will prove just as significant in the quest for greater financial inclusion.

In the future, we will see a payments industry defined by diversity and choice. Cash will co-exist with cards, online transactions, mobile and whatever exciting technologies might be around the corner.

This expansion of choice is already a reality, but it will become ever more important as economies all over the world seek the best route to universal financial inclusion.





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