

THE UPTURN AND WIDESPREAD APPLICATION OF AUTOMATED TELLER MACHINES (ATMS) IN SOME TOP-RANKING BANKS IN NIGERIA

Anikeze Christiana O.

Department of Computer Science
Ebonyi State College of Education Ikwo
get2christyanikeze@gmail.com

Abstract

This paper examines the upturn and widespread application of automated teller machines (ATMs) in some top-ranking banks in Nigeria. It symbolizes the wind of change blowing across the financial services sector (FSS) and allied strategic institutions, with characteristic, acceptability, accessibility and multi-functionality. It is however imperative that inherent technology risks be effectively contained so that sustainable optimal economies could be attained to the utmost satisfaction of concerned stakeholders.

Keywords: Upturn, widespread application, automated teller machine and banks.

Introduction

An ATM (Automated Teller Machine) is an electronic machine used for financial transactions. As the term implies, it is an 'automated' banking platform that does not require any banking representative/teller or a human cashier. The Automated Teller Machine which is a self-service banking outlet which one can withdraw money, check balance, or even transfer funds at an ATM (Kanwal & Zafar, 2007). Different banks provide their ATM services by installing cash machines in different parts of the country. One can withdraw money from any of these machines irrespective of whether or not an account holder in the same bank. ATM transactions are either free or bear a nominal charge depending upon the bank. Banks usually do not charge for the first 3-5 ATM transactions in a month. Once you cross the limit of free transactions, you may have to pay a nominal charge. Also, some banks levy charges if you withdraw money from the ATM of another bank of which you are not an account holder (Kurita *et al.*, 2012). ATM, or automated teller machine, is a machine that lets one get cash from the bank without visiting a teller. ATMs allow a bank customer to make cash withdrawals, make deposits and check their account balances at anytime without a conventional teller (Ozuru and Kalu, 2020). The ATM card is a dedicated payment card issued by a financial institution (i.e a bank) which enables a customer to access their financial accounts via its and other automated teller machines (ATMs) and , in some countries, to make approved point of purchase retail transactions. Many financial institutions and other retail institutions (like petrol filling stations and department stores) now offer customers credit cards in order to turn them into more loyal clients. The experience of some leading banks in the introduction and operations of ATMs are quite revealing in this regard. They are chronicled in the next segment relative to selected top-ranking commercial banks like First Bank of Nigeria (FBN) Plc and Diamond Bank of Nigeria (DBN) Plc.

For several decades, Nigeria as a predominant on consuming society was not disposed to buying goods on credit or with credit cards. The norm has been to operate exclusively with cash. This approach seemed to be more conservative and members tend to think more carefully before spending their money. Today, the tide has changed as many banks now extend credit cards to individual qualified customers, courtesy of automobile functional automated teller machine (ATM) systems. Many financial institutions and other retail institutions (like petrol filling stations and department stores) now offer customers credit cards in order to turn them into more loyal clients (Kurita *et al.*, 2012).

Hardly therefore, would any well meaning individual/institution contest any move that technology is very crucial and strategic to the economic growth and development of nations. Through these technological developments, the market for credit card promises to be as vast as the cell phone phenomenon of the early 2000 era. Thus, there is still incredible high demand for existing/new products and opportunities for huge profits in the market cannot be so shortly explored, exploited and exhausted. The experiences of some leading banks in the introduction and operations of ATMs are quite revealing in this regard. They are chronicled in the next segment relative to selected top-ranking commercial banks like First bank of Nigeria (FBN) Plc. and Diamond bank of Nigeria (DBN) Plc.

Types of Automated Teller Machines (ATMs)

Automated Teller Machines (ATMs) are mainly of two types. One is a simple basic unit that allows an individual to withdraw cash, check balance, change the PIN, get mini statements and receive account updates. The more complex units provide facilities for cash or cheque deposits and line of credit & bill payments (Lasisi & Ajisafe, 2012).

There are also onsite and offsite Automated Teller Machines- the onsite ATMs are within the bank premises, unlike the offsite ones which are present in different nooks and corners of the country to assure that people have basic banking facilities and instant cash withdrawals if they can't go to a bank branch.

ATMs can also be categorized based on the labels assigned to them. Some of these labels are listed below:

- i. Green Label ATMs- Used for agricultural purposes
- ii. Yellow Label ATMs- Used for e-commerce transactions
- iii. Orange Label ATMs- Used for share transactions
- iv. Pink Label ATMs- Specifically for females to help avoid the long queues and waiting time
- v. White Label ATMs – Introduced by the TATA group, white label ATMs are not owned by a particular bank but by entities other than the bank
- vi. Brown Label Banks- Operated by a third party other than a bank

There are also a few biometric Automated Teller Machines that need fingerprints & eye scanners to be operated.

Nigeria banks and ATM wind of change

The ATM system of FBN and DBN date back to 2003 when they proudly announced the launching of local debit card point-of-sale (POS) terminal in collaboration with Chams Nigeria limited and inter-switched Nigerian limited. Under this agreement FBN introduced its first cash cards product designed to be accepted at merchant outlets for the purchase of goods and services. The POS terminal is connected to inter-switch via communications links such as telephone lines, and with that the first ATMs accepted a single use token or voucher that was retained by the machine. Then came the idea of personal identification number (PIN), which is stated on a physical card for necessary security verifications when retrieving money in an ATM system. It is widely held that the first talking ATM with (private audible instructions for the blind) was installed in Canada in 1999, while the United States (US) had it in San Francisco in the same year. By the year 2005, the number has grown to approximately 30,000 in the US alone. With respect to banking instructions, Ozuru and Kalu (2020) identified that ATMs allow a banks customer to make cash withdrawals and check their account balances at anytime without a conventional teller. With a functional ATM at the point-of-purchases, the cardholder is expected to slot the credit card (debit card or bank card) in for contact with the magnetic strip. Consequently, it instantaneously requests for the PIN which provides security and ensures validity. If the cardholder's account is sufficiently funded to absorb the value of the transaction,

it will immediately within 24hours. When the PIN is properly inputted, a list of choices of transactions is displayed to the customer, through which the customer completes the required transaction. If the customer's desire is to withdraw cash, the cash is dispensed through a feeder slot. If deposits are to be made, the customer feeds the deposit envelopes into the deposit slot when cued by the machine. When the transactions are completed, the customer receives the receipt while the ATM retains its own receipt for records of the transactions (Ozuru & Kalu, 2020).

There are limits to the number of items and how much a person can withdraw from his account on daily basis. Drawing from the FBN experience, essentially, the benefits of First Cash Card to holders include the following:

Advantages of Automated Teller Machine (ATM)

- 1) **Cash economy:** The card is very convenient to use because it eliminates the need to carry large amount of cash.
- 2) **Access economy:** the card holder does not need to visit the bank to load the card as the card gives access to the bank account.
- 3) **Safety economy:** since it is PIN protected, it is safe as long as the card holder does not compromise the PIN.
- 4) **Mercantile economy:** cardholders can access cash from ATMs and POS terminals as well as merchant outlets. Furthermore, account balance requests can be done at POS terminals by the cardholders.

The card is accepted not only at first bank ATMs but also at allied counterpart banks. Thus, the cardholder does not need to make a trip to affected banks to withdraw cash or check balance.

Other specific benefits to merchants relate to:

- a) **Multi-functionality:** POS terminals are multi-functional. In other words, various cards such as verve card, master card and visa card which will be accepted in near future, can be processed on a single terminal. Merchants do not have to install more than one terminal in order to handle these transactions.
- b) **Liquidity:** it eliminates most cash carrying problems with their associated costs and risks;
- c) **Acceptability:** the terminal will accept cards from inter-switch member bank which have the inter-switched logo at the back; including those of FBN, United Bank for Africa (UBA), Guarantee Trust Bank (GTB), Zenith Bank, Access Bank, Fidelity Bank etc.
- d) **Opportunity:** the merchant has the opportunity to make more sales as the cardholder's spending is not constrained by the amount of cash he is carrying at the moment. Furthermore, it is gratifying to note that first cash card holder has the opportunity of checking account balances, withdrawing cash anytime, changing funds between linked accounts, changing PIN where and when necessary, obtaining mini statements, purchasing goods/paying for services, carrying out cash bank transactions and collecting cash from merchants.

In all, First Cash Card can be used at any ATM located at FBN branches nationwide to withdraw cash, as well as POS terminals at selected merchant locations for purchase of goods and services. The customer service staff are equally available at branches with ATMs to assist customers. The POS debit card transaction is the next logical step to electronic payment system (EPS) in Nigeria and aligns the country with global trends. Generally, the fundamental magnetic strip contains a bundle of information such as cardholders PIN, bank account number, driving license number, residential address, date of birth etc. depending on the company.

On the other hand DBN introduced its ATM system which they chose to call anytime money. This is because it enables customers to cash money from their account and to carry out other basic banking activities outside banking premises and beyond banking hours. The DBN ATM

banking transaction includes cash withdrawal, balance inquiry, mini statement access, checkbook request, full statement request and fund transfer (between related accounts). The ATM service is available for subscription to individual/joint account holders who operate chequing, savings and salary account with the bank. The special benefits to cardholders include:

1. **Cash withdrawals possibility:** Customers can withdraw cash from the ATM as many times as possible (wished) subject to daily limit.
2. **Balance accessibility:** the ATM affords the card holder the opportunity to have a display of account balance on the screen and also print it.
3. **Mini statement accessibility:** customers can obtain statements of their last 10 transactions through the ATM which can also be displayed on the screen and printed.
4. **Full statement accessibility:** through the ATM, a three month full bank statement can be requested, which is immediately processed and delivered to the customers mailing address.
5. **Card safety and security possibility:** the customer will be to use his card on the ATM appropriately 24hours after it has been activated in the system.
6. **Cheque book accessibility:** customers can request for Cheque book and it will be processed within 48hours for collection at the customer's home branch.
7. **Fund transfer possibility:** funds can be transferred from one account to another as long as they are cardholder's accounts and are accessible by DBN ATMs up to four of the cardholders personal accounts can be attached to one banking card.
8. **Multiple account possibility:** with one card customers can access up to four of his personal accounts if so desired.
9. **Two card possibility:** one customer can apply for and obtain an additional card for their account. This is specially beneficial where he operates a joint account or wishes his spouse or children above 15years to independently access the account through the ATM. Each of the two cards has daily withdrawal limit of amount to withdraw.

Disadvantages

In every business there are risks associated with operations and corporate ATM systems are not exception. Financial institution thus experience high risks when issuing credit cards to clients. They may lose money when people default on account (not repaying all the money they have spent using the cards). Also, the banks may lose money when customers do not use, this particular financial instrument enough so that the profits generated are sufficient to cover the cost of operation of the whole credit card system. Sauders and cornett (2017) thus contended that credits risks arises because of the possibility that the promised cash flows on financial claims held by financial institutions such as loans and bonds), will not be paid in full. If the principal on all financial claims held by financial institution are paid in full on maturity and interest payment made on their promised payment dates financial institutions should always recover back the originals principal lent plus an interest returns in which case, they would face no credit risk. If a borrowed defaults, however both the principal loaned that the interest payment expected to be received are at risk. In addition to technology risk banks also face operations risk, which generated relate to technology risks but arise mainly from existing technology malfunctions or back office support systems break down. Nigerian banks may be easily susceptible to these risks because they are barely embracing these new technologies with dearth of skilled personnel to manage the facilities. For instance, a commercial banks computer system may fail to register incoming payments (funds borrowed) message on e-naira wire transfer but continues to process out bound(fund lent) message, although these ATM-related risks prevail in Nigerian banks, they are not insurmountable, given the right level of commitment and accorded ideal strategic technology management better for it.

Uses of an Automated Teller Machine

Automated Teller Machines have revolutionized the banking sector by providing easy access to customers and loading off the burden from bank officials. Some of the uses of an ATM are- Most commonly, users can withdraw money and check their account balance at an ATM. Bank account holders can also transfer money or change the PIN (Personal Identification Number) Newer and advanced ATMs also provide options to open/withdraw a Fixed Deposit (FD), or to apply for a personal loan. One can also book railway tickets, pay the insurance premiums, income tax & utility bills, recharge mobile, and deposit cash. Some of these facilities may require to register at the bank branch. Customers can perform direct transactions at their convenience. Banks have installed their ATMs today in public spaces, highways, malls, marketplaces, railway/airport stations, hospitals, etc (Nitin & Rajat, 2009).

Automated Teller Machines provide 24×7 access anywhere and at any time.

ATMs help to avoid the hassle of standing in long queues at the bank even for simpler transactions like withdrawing money. It has also helped in reducing the workload of the bank officials.

Other uses include:

- i. To avail of the facility of Automated Teller Machines, one need to have a bank account and an ATM card against the account for the same. Most of the times, banks issue a debit card that one can use not only at ATMs but also at online payment gateways or card swipe payments.

Every Automated Teller Machine has some common basic parts, even if they may differ in size and design. These are:

Input Devices

1. Card Reader – Every Automated Teller Machine has a space to insert the debit or the ATM card. The ATM card generally has a magnetic strip on the back, and in a few cases, a chip on the front, that contains the account details. Card Reader recognizes these details and passes them on to the user server.
2. Keypad – All ATMs have a keypad where you can insert numbers, clear them, or cancel any transaction. You can use it to enter the PIN and the amount you wish to withdraw. These keypads can either be physical buttons on the ATM or virtual keypads on the touchscreen.

Output Devices

1. Display Screen – There is a display screen in every ATM, usually LCD or CRT that displays the transaction information like steps to do the transaction or balance after withdrawal. Therefore, it acts as a guide to performing a transaction. It displays options of PIN change, quick cash withdrawal, balance check, etc.
2. Cash Dispenser – Cash is safely stocked into the Automated Teller Machine by bank officials. There is a cash dispenser from where you can collect cash after withdrawing a certain amount from the ATM.
3. Receipt Printer – After completing a transaction, the receipt printer in the ATM records the type of transaction, amount withdrawn, and the remaining balance. In an ongoing transaction, ATMs generally display the question if the customers want the receipt or not. So, if requested, you get the receipt from the receipt printer.
4. Speaker – There is a speaker in most of the ATMs which gives the audio instructions for accessing the machine & doing transactions. Therefore, it further enables the users to perform the transaction smoothly.

The step-by-step guide on how to operate an ATM:

- i. Approach the ATM: Walk up to the ATM and ensure that the surrounding area is safe and well-lit. Be cautious of anyone behaving suspiciously nearby.
- ii. Insert your card: Locate the card slot on the ATM and insert the debit or credit card with the card's magnetic strip facing down or the chip facing up, depending on the type of card and ATM. Follow the on-screen instructions if any.
- iii. Enter your PIN: Once the card is inserted, the ATM will prompt you to enter your Personal Identification Number (PIN). Carefully enter your PIN using the keypad provided. Ensure that you shield the keypad with your hand or body to prevent others from seeing your PIN.
- iv. Select your transaction: After entering your PIN, the ATM will display a menu of transaction options on the screen. Common options include withdrawals, deposits, balance inquiries, and fund transfers. Select the transaction you want to perform by pressing the corresponding button on the keypad.
- v. Follow on-screen instructions: The ATM will provide step-by-step instructions for each transaction. Read the instructions carefully and follow them accordingly.
- vi. Withdrawal: If you choose to withdraw cash, enter the amount you wish to withdraw and confirm the transaction. The ATM will dispense the requested amount in cash.
- vii. Deposits: If you want to deposit cash or checks, the ATM will guide you on the specific procedure. Some ATMs require you to insert checks or cash directly into designated slots, while others may provide envelopes for you to place your deposits.
- viii. Transaction completion: Once you have completed your transaction, the ATM will display a summary of the transaction details on the screen. Take note of any important information or receipts provided.
- ix. Collect your card and cash: After completing your transaction, the ATM will return your card. Remember to take your card back from the machine. If you made a cash withdrawal, collect the dispensed cash as well.
- x. Confirm your transaction: Take a moment to confirm that you have collected your card and cash before leaving the ATM area. If there are any issues or discrepancies, contact your bank immediately.

It's essential to always be cautious and aware of your surroundings when operating an ATM. Shield your PIN entry, avoid sharing your PIN with others, and keep your transaction receipts for future reference (James & MCAndrews, 2003).

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