

# The role of ATMs and cash access in the digital banking era



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*By Ben Hickinbotham, vice president, MoneyPass*

In a world being shaped by digital connections and convenience, you would be forgiven for thinking that cash is becoming irrelevant. GPS has rendered the paper map all but obsolete, airplane boarding passes are increasingly being delivered electronically, and when was the last time you handwrote a letter to a far-flung friend or relative?

Yet our old paper money remains steadfast. Even in 2020, that most futuristic sounding of years, legislation has been passed in New York City that obliges brick-and-mortar businesses — in that most global of cities — to accept cash. Other U.S. cities and jurisdictions have enacted similar laws. Although slowly declining, cash remains a preferred payment method in this country. Federal Reserve research shows cash remains one of the most used payment instruments, and — perhaps surprisingly — young adults are embracing cash, with those under the age of 25 using cash for approximately one third of transactions.

With cash firmly rooted in our economy, the ATM, which has been around for more than 50 years, is an important physical touchpoint for financial institutions to stay connected to their customers and members. The challenge is to evolve the fleet of ATMs to meet the growing expectations of cardholders in this digital new normal.

## **“Convenience” Fees are not convenient**

Consumers have seen many useful high-tech changes at the ATM, from image deposit and video teller capability to peer-to-peer money transfers. With these changes, consumers continue to see average ATM transaction fees increase annually, creating a strong demand for fee-free cash. Surcharge-free ATM access continues to be one of the most coveted accountholder perks a financial institution can offer.

According to a 2018 Mercator Advisory Group survey, 77% of U.S. consumers say they do anything they can to avoid paying ATM surcharges, with 65% actively seeking out ATMs that are in surcharge-free networks. The average ATM surcharge (\$3.09) reached a record high for the 15th consecutive year and is 2% higher than it was the year prior, based on an October 2019 report from Bankrate.com.

Most consumers desire convenient access to no-cost ATMs wherever they live, work or travel, spurring the formation of large surcharge-free ATM networks. Such networks allow financial institutions to compete on a national scale by providing surcharge-free access to a wide range of ATM locations, so accountholders can make surcharge-free transactions outside their traditional footprint and whenever they travel. This in turn leads to increased cardholder convenience, satisfaction, retention and acquisition, while increasing interchange income opportunities through higher transaction volume and premium interchange rates.

## **No card? No problem**

Since the ATM was first introduced half a century ago, cash access has remained largely unchanged; operating on the ubiquitous card-and-PIN fundamentals. However, consumers’

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expectations for accessing and managing money are changing, and one of those expectations is for access to cash at the ATM without a physical card.

The technology exists so that consumers can generate an access code from their mobile phone, select the amount of cash they require, find a participating ATM via a mobile locator and withdraw cash at any of the participating ATMs nationwide, using the access code and their regular four-digit pin.

There are many reasons why cardholders may desire cardless cash access — purely for convenience, so that a consumer does not need to carry a wallet. It is valuable in an emergency, if a consumer has lost or forgotten their wallet and needs cash. Also, if a consumer is waiting for a lost, stolen or breached card to be replaced, they still have the ability to withdraw cash in the interim.

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The benefits of offering cardless solutions are numerous for both the financial institution and the cardholder. The transaction is not only faster, but both parties limit their real-time risk exposure — for example, to ATM skimming. Transactions that feature dynamic security protocols, such as tokenized identification, which change with each transaction; limits on transaction value and frequency; and expiration timeframes for access codes — specifically tokens that allow people to access their cash have many more control parameters than a standard daily cash withdrawal limit. Consumers have come to expect intuitive technology solutions that are easy, safe and convenient in all facets of their lives. Financial institutions offering cardless solutions are keeping pace with people’s needs will strengthen customer loyalty.

### **Rethinking the role of the ATM**

Cash is not going to be phased out any time soon, but cash access is evolving to suit people’s “anytime, anywhere” needs. The role of the ATM is evolving for financial institutions and cardholders — new ATM technology can make banking easier and more convenient which plays a critical role in keeping consumers connected to their financial institutions.