

Cash withdrawal limit at points of sale may go up

Limit may be raised to Rs. 5,000 soon from Rs. 1,000 currently, a move that will help ease pressure on ATMs

The Reserve Bank of India (RBI) may soon raise the cash withdrawal limit at points of sale (PoS) to Rs.5,000 from Rs.1,000 at present.

“It will happen very soon, maybe in a month or two,” said a finance ministry official who did not want to be named.

At a PoS in a retail store, payments are accepted through a swipe machine. The same machine can be used to register cash withdrawals as well.

Banks, especially State Bank of India (SBI), have been demanding an increase in the limit for a while now as it will ease pressure on automated teller machines (ATMs). ATMs require space, involve cash-handling expenses, expenses on employees (security guards are mandatory in all ATMs) and other expenses such as closed-circuit television cameras.

“I think PoS can be used in areas where ATMs are far away and people need to travel to withdraw cash,” said SBI chairperson Arundhati Bhattacharya. She also added that though SBI had earlier recommended to raise the limit to Rs.5,000 for PoS, it should be allowed to even give cash up to Rs.10,000.

“If micro-ATMs which are used by business correspondents have a limit of Rs.10,000, why can’t PoSs have the same? This distinction does not make sense,” Bhattacharya said. Micro-ATMs are biometric devices used by business correspondents to dispense cash.

The finance ministry official said that the central bank has been advised to increase the withdrawal limit and it is just a matter of time before it happens.

IDBI Bank Ltd executive director R.K Bansal, however, is not sure if RBI will increase the limit soon or by that amount. “I think it will be increased to Rs.2,000-2,500,” he said.

Phone calls and text messages to the RBI spokesperson went unanswered.

Though withdrawing from PoS entails charges in the range of Rs.7.50-10, a part of which is paid to the merchant, customers may find it attractive since now even ATM transactions have charges attached. However, a few banks such as IDBI Bank levy no charges as of now.

Starting 1 November, banks have started charging for more than five transactions a month at their ATMs. Also, only three transactions are free at other banks’ ATMs; the limit was five earlier. The limit is applicable in Mumbai, New Delhi, Chennai, Kolkata, Bengaluru and Hyderabad. Even non-financial transactions such as balance enquiry, cheque book request and mini-statement request through ATMs are counted as transactions. For non-metro users, the number of free transactions at other bank ATMs is still five. The charges vary from bank to bank

but can go up to Rs.20 plus taxes for cash transactions. The transaction limit for most banks at ATMs is Rs.10,000 per usage.

According to the MoF official also, the PoS facility will especially work for customers in rural areas where there are few ATMs. “They will save on time and travel,” he added.

However, increasing the cash withdrawal limit may pose the problem of shortage of cash at PoS, especially given that there is less cash collection there owing to increasing card transactions. “Though the idea is not to encourage cash withdrawals, if too many people start cash withdrawals at PoS, it may be a problem,” said Bansal. For merchants with high cash collection, it may turn out to be beneficial as it will save them from depositing high amounts of cash with banks.

The MoF official said that ways have to be devised to incentivize PoS merchants for handling cash.

Bhattacharya also said the current limit on near field communication-enabled (NFC-enabled) tap-and-pay cards should also have a higher limit for each usage, which currently stands at Rs.2,000. “We need to build an ecosystem so that people can use these cards with convenience. Though a person can use a tap-and-pay card multiple times to pay a bill, the way expenses, such as grocery, of households have gone up, Rs.2,000 is a small limit,” she said, adding that this limit should also go up to Rs.5,000 per usage.

SBI, in its last meeting around two weeks ago with RBI deputy governor H.R. Khan, presented its case to increase the limit on NFC-enabled cards. “Though it is a little difficult to convince them, they may do it in two times rather than at one go,” said Bhattacharya.

(HT Mint)