



## Cardless Cash Withdrawals at ATMs

**For Prelims:** RBI, UPI, Card Skimming or Card Cloning.

**For Mains:** Unified Payment Interface and its achievements, Digital India.

### Why in News?

Recently, the [Reserve Bank of India \(RBI\)](#) announced cardless cash withdrawals at ATMs across the country which will enable consumers to use [Unified Payment Interface \(UPI\)](#) on their smartphones to withdraw cash from **Automatic Teller Machine (ATMs)**.

### How is this Step Significant?

- **Enhance Security of Cash Withdrawal:**
  - It would **help prevent frauds like card skimming and card cloning**.
- **Enable users to Take Cash from Any ATM:**
  - Currently, **only existing customers of a few banks are allowed to withdraw cash** without cards, and from specific bank's ATM networks.
  - However, the RBI's move to allow interoperability in cardless withdrawals will enable users to take cash from any and all ATMs.
- **Invite More Players into the Payment Ecosystem:**
  - The move **will invite more players into the payment ecosystem** in India to innovate and solve further problems of customers.

### What is Card Skimming or Card Cloning?

- Credit card cloning or skimming is the **illegal act of making unauthorized copies** of credit or debit cards.
- This enables criminals to use them for payments, effectively stealing the cardholder's money and/or putting the cardholder in debt.
- Once the device picks up the data, **it can be used to gain unauthorised access** to the user's banking records.  
The stolen information can be **coded onto a new card, a process called cloning**, and be used to make payments and transact with other bank accounts.

### What are the Challenges in Cardless Cash Withdrawal Feature?

- **Limitation on Cash Withdrawal:**

- Currently, ICICI Bank, Kotak Mahindra Bank, HDFC Bank and SBI allow cardless **cash withdrawals** for their users. But, **accessing the feature is cumbersome as it has certain withdrawal limits**, and the transaction is charged.
- **Scalability of this Feature:**
  - Scalability of this feature might be a challenge as it has to be seen how many banks quickly roll it out to their customers.
- **Security Related Issue:**
  - In cardless withdrawal, the **security vulnerability of a card is minimised**, but the risk will soon transfer to a mobile-enabled feature.
    - The **mobile can now become the epicentre of transactions**, making it the next target for fraudsters.

## What is the Future of Debit Cards?

- Issuing cards will **not be stopped** as they have several other utilities beyond cash withdrawals. They can be used at a restaurant, shop, or for payments in a foreign country.
- A debit card is a **very evolved financial product and has already gone through a lot of iterations** to reach its current perfection.
- Thus, the debit card will **continue to serve some segments of the economy**.

## What is Unified Payment Interface (UPI)?

- It is an **advanced version of Immediate Payment Service (IMPS)**- round-the-clock funds transfer service to make cashless payments faster, easier and smoother.
- UPI is a **system that powers multiple bank accounts into a single mobile application** (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood.
- UPI is **currently the biggest among the [National Payments Corporation of India \(NPCI\) operated systems](#)** including National Automated Clearing House (NACH), Immediate Payment Service (IMPS), Aadhaar
- enabled Payment System (AePS), Bharat Bill Payment System (BBPS), RuPay etc.
- **The top UPI apps today include PhonePe, Paytm, Google Pay, Amazon Pay and BHIM**, the latter being the Government offering.

## UPSC Civil Services Examination, Previous Year Questions (PYQs)

### Q. Consider the following statements: (2017)

1. National Payments Corporation of India (NPCI) helps in promoting financial inclusion in the country.
2. NPCI has launched RuPay, a card payment scheme.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

**Ans:** (c)

- National Payments Corporation of India (NPCI), an umbrella organisation for operating retail payments and settlement systems in India, is an initiative of RBI and the Indian Banks' Association

(IBA) under the provisions of the Payment and Settlement Systems Act, 2007, for creating a robust Payment and Settlement Infrastructure in India.

- The main objective of NPCI is to **consolidate and integrate the multiple systems with varying service levels into nationwide uniform** and standard business process for all retail payment systems. One of the other
- Objectives of NPCI is to facilitate an affordable payment mechanism to benefit the common man across the country and eventually helping in financial inclusion.
- The products launched by NPCI include Immediate Payment Service (IMPS), National Financial Switch (NFS) and Cheque Truncation System (CTS), Unified Payments Interface (UPI), Bharat Bill Payment System (BBPS), RuPay Card, National Common Mobility Card (NCMC) and National Electronic Toll Collection (NETC).

**Q. Which one of the following links all the ATMs in India? (2018)**

- (a) Indian Banks' Association
- (b) National Securities Depository Limited
- (c) National Payments Corporation of India
- (d) Reserve Bank of India

**Ans: (C)**

- National Payments Corporation of India (NPCI) is an umbrella organization for all retail payments in India. It was set up with the guidance and support of the Reserve Bank of India and the Indian Banks Association.
- National Financial Switch (NFS) is India's largest network of shared and interconnected ATMs and is also managed by the NPCI. In return, NPCI charges a fee from banks for processing inter-bank ATM transactions.

**Q. Which of the following is a most likely consequence of implementing the 'Unified Payments Interface (UPI)'? (2017)**

- (a) Mobile wallets will not be necessary for online payments.
- (b) Digital currency will totally replace the physical currency in about two decades.
- (c) FDI inflows will drastically increase.
- (d) Direct transfer of subsidies to poor people will become very effective.

**Ans: (a)**

- UPI or Unified Payments Interface is an **instant realtime payment system** that helps in transferring the funds between the two bank accounts through a mobile platform. It is a concept that allows multiple bank
- accounts to get into a single mobile application.
- UPI was developed by the National Payments Corporation of India and is regulated by the Reserve Bank of India (RBI).
- It offers interoperability between banks and is directly linked to account (no credit/debit card information is shared as bank acts as the primary gateway for payment).
- Also, most banks **enrolled in the UPI system offer almost nil or zero transaction cost, otherwise levied by mobile wallets** which acts as intermediary between banks and the merchant.

[Source: TH](#)

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