



**Launce Moses**

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## ATMs – Are they Good or Bad for Nigeria?

At the 12th Quarterly General Meeting of the Committee of Chief Inspectors of Banks in Nigeria, the keynote speaker posed a thought provoking question that evoked a mixed reaction from the group: ATMs, are they Good or Bad for Nigeria?

I look back over the years and experiences across different countries and find myself torn between the two sides. When ATMs were first introduced, they looked like complicated machines and not many were willing to use these machines – especially the older generation who still preferred to speak to the teller while conducting their business. Gradually, however, the long waiting at the teller queues drove people to the ATMs and they found it quick and easy to use. The transactions that could be initially done were limited – restricted to Cash Withdrawal and Balance Enquiry. Over time, the transaction capabilities increased to Cheque Deposits, Cash Deposits and mini-statements. In effect, there was little need to go to a bank branch anymore as most of the day to day transactions could be done at the ATM.

Yes, ATMs have given us flexibility – we can do our banking late in the evening after office hours or even on a Saturday or Sunday when traditional bank branches are normally closed. The ATMs have reduced the queues at the teller counter and waiting times have dropped. You don't need to take a token and have to wait to be served!

ATM Cards or Debit Cards can also be used for purchases at many merchants – department stores, hotels and restaurants to name a few. This reduces the need to carry around large amounts of cash. In the western world today almost 97% of transactions are done without physical cash being exchanged and this has greatly reduced corruption and money laundering. In Nigeria today it is the opposite – with the majority of transactions done with cash. If we want to move Nigeria forward, we need to consider reducing the usage of cash.

The growth of ATMs in Nigeria has been explosive over the last 3 years with transaction volumes growing from 1.6 million transactions in 2006 to over 500 million transactions in 2009 (year to date). The number of ATMs has also grown from just over 500 ATMs in 2006 to over 8000 ATMs in 2009.

On the other hand, little has been done in terms of communicating the hazards of using ATM Cards. As they are akin to cash, they should be treated as such and kept secure. The Personal Identification Number (PIN) has replaced the signature that you sign on a withdrawal slip and hence should be treated with care. The literacy levels in Nigeria are not as high as in the western world and hence the need to increase awareness or restrict the issuance of such cards to certain sectors. Over the years, technology has been developed to serve these segments and bio-metrics have been introduced. Instead of using PIN numbers,

identification is through a fingerprint or iris recognition. This is used effectively in India where a large section of the population in the rural areas is still illiterate.

In the developed economies, there are strict regulations governing the storage and usage of personal information. These regulations enforce minimum standards of data protection and transmission. Under these standards, personal data must be kept securely. Even within banks, Switch companies and Merchants, information is available only to a limited number of staff within the company on a need to know basis. Any data being transmitted over a network is also encrypted to prevent information being 'hacked into'. In the Nigerian environment, the requirement to keep personal data secure is not as stringent as in the western world and is an area that regulators must look into.

In summary, ATMs have generally been good for Nigeria; however more needs to be done to educate the common man on the risks of using ATM cards. Industry standards with regard to data protection and information security need to be set for each of the players in the ATM Card industry. As a progressive nation, we need to reduce our dependence on cash transactions. ATM / Debit cards, if used appropriately, will play a key role in this area.

As with any advance in technology and process, there are those who try to take advantage of weaknesses in the system – the ATM fraudsters as we call them today. In my next column, we will delve deeper into some of the common tricks used by these fraudsters.