Cash crunch likely to take turn for better, ATM withdrawal limit may be raised from Rs 2,500

By *Sangita Mehta*, ET Bureau | Updated: Nov 21, 2016, 07.11 AM IST

Post a Comment

MUMBAI: As India enters the third week of demonetisation, industry and consumers can expect some good news, as the prime minister said the more than Rs 5 lakh crore that had come to the banks in the past few days would be used to bring down lending rates and revive economic activities. But long queues outside banks are unlikely to disappear, though harried customers may get a chance to withdraw a little more cash from ATMs.

"Over Rs 5 lakh crore deposited with banks (since the announcement of demonetisation on November 8) is not going to be kept idle," PM Narendra Modi said at a BJP rally in Agra. "Banks will have to extend loans for all sorts of economic enterprises... for which they will have to bring down interest rates."

Bankers said the supply of Rs 500 notes would go up, but were unsure whether that would ease the current cash crunch significantly. A senior banker did not rule out the possibility of the government scrapping cash swap in order to encourage people with no access to banks to open accounts to get their old notes exchanged.

A senior banker did not rule out the possibility of the government scrapping cash swap in order to encourage people with no access to banks to open accounts to get their old notes exchanged.

Also Read: PM Modi signals rate cut post-demonetisation

"Next week should be much better. ATMs are replenished regularly and are not running out of cash which should give comfort to customers. The supply of notes (from the central bank) is in plenty but the point is that people should start spending," Arundhati Bhattacharya, chairman of State Bank of India, told ET. "Next week, we should also see good supply of Rs 500 notes which will ease the situation." She said more bank branches will deploy point of sale machines at their branches as it would allow people to swipe their cards and withdraw cash instantly.

Also Read: Will the govt gain monetarily from lost black money?

During the next few weeks, banks are also expected to go on a publicity drive to sensitise customers on digital channels for doing banking transactions, such as using debit card on point of sale machines to withdraw money and mobile banking to pay bills.

This follows a direction from the government to make customers aware of various delivery channels to reduce queues at branches.

Also Read: Why tax radar may detect your cash deposits after Nov 8

Some bankers said ATM cash withdrawal limit could be raised from Rs 2,500 as ATMs are being recalibrated to dispense the new Rs 500 and Rs 2,000 notes.

The Reserve Bank of India, while announcing the decision to scrap Rs 500 and Rs 1,000 notes, had said the caps on the exchange of notes and the withdrawals would be reviewed on November 24.

Also Read: Demonetisation: - Cash-less buyers force brands to offer freebies

But there could still be queues at bank branches since the central government has decided to allow junior staff to withdraw part of their salary in advance to ease the pressure at bank branches in the first week of December. After the government declared war on black money on November 8 by scrapping large-denomination notes, there has been long queues at bank branches and outside ATMs to withdraw cash, leading in some cases to unrest among customers.

While there was no limit on the amount that can be deposited, the RBI set a limit on withdrawals – Rs 24,000 for individual per week, Rs 50,000 from current account for payments of salaries and other dues and Rs 2.5 lakh to spend on weddings.

As people continued to throng branches to exchange old notes, the limit for exchange was reduced to Rs 2,000 from Rs 4,500. Bankers who did not want to be named said the move to lower the limit and apply indelible ink was primarily to ensure that the system was not abused with the same people returning to banks to exchange notes at the behest of someone who had unaccounted money.

"The government may review the Rs 24,000 cap as currency supply will improve next week," said a bank chief. "But at the same time, the government may scrap the facility to exchange notes while directing banks to encourage people wanting to exchange notes to open banks accounts."

Exchange of notes has already come down from an average of Rs 600 crore a day to Rs 200 crore. Of the Rs 5 lakh crore that banks are estimated to have got in deposits in less than two weeks, the State Bank of India group has accounted for Rs 1.5 lakh crore.

Stay on top of business news with The Economic Times App. Download it Now!