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Cashing out? ATMs will work but pain for public to remain for at least next 10 days

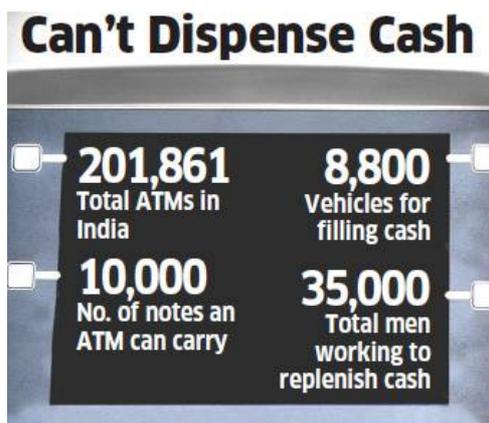
By [Pratik Bhakta](#), ET Bureau | Updated: Nov 10, 2016, 10:57 AM IST

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MUMBAI: Some of India's 202,000 cash machines will start working again on Thursday after having gone offline Wednesday following PM Narendra Modi's shock announcement that Rs 500 and Rs 1000 notes would cease to be legal tender. But expect glitches for a while, said banks and companies that make and manage automated teller machines (ATMs), given that the Rs100 note is the next highest denomination.

"We expect the pain for the public to remain for at least the next 10 days as putting that many Rs 100 denomination notes in such a short period of time is going to be a huge logistical nightmare for the entire banking industry," said Navroze Dastur, managing director for India and South Asia at NCR Corporation, which manufactures automated teller machines.

The enormity of the exercise was not lost on the central bank. On Wednesday, the Reserve Bank of India (RBI) went into a huddle with the National Payments Corporation of India, Cash Logistics Association of India and Confederation of ATM Industries to figure out how the mammoth task of replenishing around Rs 16 lakh crore of currency notes could be executed.



During the two-hour meeting on Wednesday, the stakeholders tried to find out a standard operating procedure for taking out Rs 500 and Rs 1,000 denomination notes from the ATM network and replacing them with the new and lowerdenomination notes.

To be sure, RBI is launching new Rs 500 and Rs 2,000 notes but the government has also drastically curtailed the amount of money that can be withdrawn from ATMs when they reopen. "In the first few days, there will be a limit of Rs 2,000 per day per card. This will be raised to Rs 4,000 later," Modi had said.

That's against a daily cap of as much as Rs 1 lakh per debit card, although this varies by bank. This will mean more frequent visits to the cash dispenser, at least until electronic methods of payment become more of a habit particularly for the poor and the elderly.

Modi's late-evening announcement on Tuesday led to serpentine queues at ATMs as panic-stricken bank customers scurried to withdraw cash. Though late in coming to India, ATMs have proliferated over the years with many account holders preferring the machines because of convenience, leaving them with little reason to ever visit a bank branch.

LOGISTICS COSTS MAY RISE

That dependence promises to make life much more difficult for them as banks and ATM network managers grapple with the logistics of disbursing adequate cash across the country. Logistics costs are also likely to rise as cash replenishments will need to be speeded up, said bankers.

"Usually, an ATM is stacked with cash amounting to Rs 15-20 lakh, but in the revised scheme of things when only Rs 100 denomination notes will be dispensed, the maximum that an ATM can carry is Rs 4 lakh," said Rupinder Anand, chief executive officer at OKI India, which manufactures and runs ATMs in the country. "In such a scenario, ATMs will run out of cash faster than usual and will need to be

replenished multiple times in a day which is going to be extremely difficult." The new higher-denomination notes should be available in a few days, said people aware of the matter.

Cash replenishment companies will need to ensure a steady supply to all the machines and are gearing up for the challenge.

"We will deploy our entire staff strength over the next few days to stuff ATMs with cash. The entire fleet of 8,800 cash replenishing vehicles with 35,000 staff will be on duty for the next few days to achieve the task. They will be working across shifts and all their leaves have been cancelled," said Rituraj Sinha, president of Cash Logistics Association of India, the representative body for all cash transporting organisations in the country.

The logistics companies will also have to remove the now unusable Rs500 and Rs1,000 notes from the system.

"There is already a huge amount of cash that is stashed in the machines," said Dastur of NCR Corporation.

"That will need to be pulled out by the companies which move cash. However, as of now we are not clear as to what will happen to that cash and how will it be reconciled. There is also a possibility of cash crunch because of unavailability of Rs100 denomination notes."

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