

Co-operative banks are starved of funds

K Ram Kumar

Public, private sector banks are not providing cash support now



Mumbai, November 18:

Co-operative banks across the country are feeling the ripple effects of demonetisation. These banks seem to be choking as they are not getting adequate cash from the currency chests of public and private sector banks to service their customers, who either want to exchange/deposit demonetised high-denomination ₹ 500 and ₹ 1,000 notes or withdraw money from branches/ATMs.

Underscoring the acute shortage of small-denomination notes being experienced in rural and semi-urban areas, Satish Marathe, Patron, Sahakar Bharati, said cash should be provided on top priority basis to the branches of urban co-operative banks (UCBs), district central co-operative banks (DCCBs) and state co-operative banks (StCBs).

“As supply of cash in all denominations is grossly inadequate, co-operative banks are forced to advise that their ATM services will remain closed till availability of currency notes of ₹ 100 and ₹ 500 denominations.

“Hence, we have requested the Finance Ministry to make special arrangements for providing cash to UCBs, DCCBs, and StCBs,” said Marathe. Sayali Bhoir, Chief Executive and Secretary, The Maharashtra Urban Co-operative Banks’ Federation, observed that prior to the November 8 announcement on demonetisation, public and private sector banks used to provide handsome support to UCBs. However, post-announcement, these banks refused to provide currency support to UCBs on November 10, treating the latter as ‘general customers’ and agreeing to give only ₹ 10,000.

She explained that later on, despite the RBI issuing a circular that this ₹ 10,000 limit is not applicable to cash withdrawals from a bank account by one bank from another bank, public sector banks refused to give cash.

“As a result, our member banks are facing acute problems regarding supply of currency needed to either exchange against the demonetised notes and/or for honouring customer requests for withdrawal of cash from ATMs/cash counters. Our member banks’ efforts to seek supplies from currency chests of public/private banks have been infructuous,” said the Federation chief.

UCBs, according to Bhoir, are facing an embarrassing situation as, on the one hand, there is a huge crowd in the branches of public and private sector bank branches, which are smoothly serving the public by providing new currencies and exchanging the old notes, while, on the other, there is no queue at all in front of UCB branches as they don’t have cash.

“Through electronic and print media, the RBI is assuring the public constantly about sufficient availability of cash in small denomination at the RBI and banks, while UCBs are forced to return their customers empty handed due to paucity/non-availability of funds. This has created great resentment among the general public against UCBs,” said Bhoir.

Marathe noted that since currency chests across the country are full due to the inflow of old notes, large banks are refusing to accept notes from co-operative banks and societies.

Urban cooperative banks are forced to return their customers empty handed due to non-availability of funds

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