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Demonetisation: With RBI ‘rationing’ cash, queues unlikely to shorten quickly

By [Saloni Shukla](#), ET Bureau | Nov 30, 2016, 06:25 AM IST

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MUMBAI: Banks played down expectations of a dramatic improvement in currency availability, raising the prospect of queues lengthening as salaries get paid and people look to withdraw money from their accounts.

While much of India has become habituated to the sight of people lining up at banks and cash dispensers since the November 8 [demonetisation](#) announcement, bank officials said the message from the Reserve Bank of India is that supplies may not get any easier in the near future and that they should push digital transactions.

“We had sought a hearing with RBI as we were not allocated enough cash, but we were told that rationing of cash may continue for some time,” said a banker who was present at one of several meetings with central bank officials.

“Reserve Bank has asked us to push the use of digital channels to all our customers and ensure that we bring down use of cash in the economy,” said a banker.

Bankers have been making several trips to the central bank’s headquarters in Mumbai to get a sense of whether currency availability will improve.

Some automated teller machines haven’t been filled even once since the old Rs 500 and Rs 1,000 notes ceased to be legal tender, they said.

Typically, households pay milkmen, domestic helps, drivers, etc, at the start of the month in cash. The idea is that all these payments should become electronic, using computers or mobiles, said two people familiar with the matter who did not want to be identified.

The RBI spokesperson did not respond to ET’s query.

The central bank has said the banking system has received more than Rs 8 lakh crore in deposits and by way of exchange of the invalid Rs 500 and Rs 1,000 notes. There’s no data on the value of new currency — in Rs 500 and Rs 2,000 notes — printed and distributed across the nation. The Prime Minister’s initiative was aimed at tackling black money, counterfeit notes, corruption and terror financing.

Following the rush to deposit and swap old notes, the government pushed through legislation on Tuesday aimed at giving people with black money yet another chance to come clean on unaccounted wealth.

Meanwhile, anecdotal evidence suggested many retailers are accepting old notes after their business suffered in markets where goods are traded mostly for cash and rarely paid for by card.

In an interview to PTI last week, RBI Governor Urjit Patel said the central bank was monitoring the situation on a daily basis and urged people to start using debit cards and digital wallets. This will make transactions cheaper and easier, helping India reduce the use of cash and bring it on par with developed nations, he said.

Since the old Rs 500 and Rs 1,000 bills ceased to be legal tender, banks have tried to convince customers to use Internet banking, mobile banking, cards, e-wallets and [digital money transfers](#).

Industry estimates suggest that while transactions at point-of-sale devices have gone up 300%, the registrations for mobile and Internet banking have seen a twofold rise. In his monthly customary radio address on the weekend, PM Modi called for a “cashless economy”.

While such a transformation was not possible overnight, he appealed to the people to work toward it by being part of a “less-cash” society as soon as possible.

“Learn how this digital economy works. Learn the different ways you can use your bank accounts and Internet banking. Learn how to effectively use the apps of various banks on your phones. Learn how to run your business without cash,” Modi had said.

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