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# Demonetisation: Bank branches in Delhi, Mumbai run out of cash as focus turns to rural areas

By [Saloni Shukla](#), ET Bureau | Nov 25, 2016, 06:23 AM IST

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MUMBAI: Banks in Mumbai and Delhi ran out of cash within hours of opening on Thursday with currency supplies having dwindled to a sixth of requirements in some instances as the government battled opposition-led criticism of the manner in which the withdrawal of Rs 500 and Rs 1,000 notes had been handled.

"The way the scheme has been implemented, it's a monumental management failure," former prime minister Manmohan Singh told Parliament, adding that the move may lead to growth slipping by two percentage points or more. A truckers' union said the shortage of cash was making it difficult to keep vehicles operating and may bring the transport of goods by road to a halt.

Executives estimated that banks in Mumbai only got Rs 25 crore of the Rs 150 crore required and those in the National Capital Region got a similar amount of Rs 130 crore they needed. State Bank of India, HDFC Bank and ICICI Bank got the bulk of the currency supplied, they said.

"We are facing shortfall on a daily basis," said an executive at a non-state bank. "Today we were expecting the daily quota but that hasn't come till now."

This comes as the government has called for a shift in focus to rural areas, where the economy is almost entirely cash-based.

This was after the situation appeared to have eased in the country's biggest cities. "Cash supply is restricted," said another banker. "We have to manage the branch, the ATM and now additional rural requirements in this limited amount of cash."

However, top State Bank of India officials said there had been no decline in the supply of notes by Reserve Bank of India since November 8, when Prime Minister Narendra Modi announced the initiative as part of his battle against black money, corruption, counterfeit notes and terror financing. The situation has been exacerbated by people holding on to currency for fear it will run out, the bankers said.

"What we have noticed is that there is a tendency among small businessmen and even individuals to hoard small-denomination notes. As a result, the circulation of notes is not happening," said one of those cited above. "Further, close to Rs 6 lakh crore of invalid notes have been deposited with banks but RBI and government have not printed as many notes. Therefore, some shortage will continue."

Finance Minister Arun Jaitley countered the former prime minister's criticism, saying that "the maximum black money was generated during 2004-14 as well as the period was engulfed in various scams like 2G and coal scam", referring to the term of the government led by Singh. "We are not surprised that they did not like the anti-black money measures the government has taken... Those who did not consider the generation of so much black money and scams during their regime as blunders are now finding the crusade against black money as a blunder."

RBI had said on November 11 that there was enough cash with banks and "all arrangements have been made to reach the currency notes all over the country", reiterating the message two days later. It had assured the public that enough cash in small denominations was available with it and the banks. In the 15 days since the move, RBI has not issued any official data on the quantum of new currency it has so far released into the system. RBI did not respond to an email seeking information on the matter.

An RBI official said that Rs 2,000 notes are being printed by the RBI's printing press at Mysore, while the new Rs 500 notes are being printed at the government's printing presses at Nashik and Dewas, over which the central bank has no control.

The smaller denomination notes are especially in short supply. RBI has said the presses are running at full capacity so that enough notes are available. Some experts have said that the shortfall can only be made up by May next year. RBI had said earlier that notes had been stocked at more than 4,000 currency chests across the country. They are meant to supply bank branches linked to them.

Banks said RBI will have to address the note shortage soon. "Currency supply is a very big issue," said a banker. "There is a genuine problem on the supply itself because they have a capacity problem on production and that will take time undoubtedly."

Some said the currency distribution seems to have been lopsided. “You will see that southern parts of India have excess supply while western and northern parts have faced issues with currency movement,” one banker said. “Some of this will get fixed over the course of the next few weeks.”

Several bank branches in the metros wore a deserted look on Thursday. “We cannot say currency is in abundant supply... last-mile connectivity will always be a problem,” a banker said. “There is a huge movement of currency, it cannot happen in the normal course. Definitely banks are facing some challenges.”

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