Demonetisation: Cash drought persists in metros; banks, ATMs in cities run dry as focus turns to rural India

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Post a Comment

Banks and automated teller machines in Delhi, Mumbai and elsewhere were strapped for cash on Monday as the supply of notes by the Reserve Bank of India continued to fall short of demand, leaving those awaiting the month-end payday filled with trepidation.

While the lack of new Rs 500 notes was especially acute, bankers said currency supplies had improved from last week but not enough to meet customer requirements. Some officials speculated that the central bank may have turned its focus to the villages, where the economy is even more heavily dependent on cash and where distress could be acute since branches and ATMs are more widely dispersed than in urban areas.

Long queues were seen outside ATMs in Mumbai, Delhi and Kolkata while many others were out of cash despite being tweaked to dispense the new, smaller-sized Rs 2,000 and Rs 500 notes.

“The focus may have shifted to rural India, which is heavily dependent on cash,” said a banker. “As a result, metros and cities may be facing a cash crunch.”

Based on information from sources — RBI has not been providing daily data about supply or demand — State Bank of India, ICICI Bank and HDFC Bank are said to have received Rs 20 crore each in Mumbai while Axis Bank received twice that. For Delhi operations, SBI, ICICI Bank and Axis Bank received Rs 21 crore each while HDFC Bank and Oriental Bank of Commerce got `40 crore each.

Governor Urjit Patel told PTI on Sunday that RBI was taking all necessary steps to “ease the genuine pain of citizens”.

The decision to demonetise Rs 500 and Rs 1,000 notes on November 8 as a strike against black money, corruption, fakes and terror financing meant 86% of the currency in use ceased to be legal tender. RBI has been unable to meet demand for new notes, which is having a knock-on effect on businesses dominated by cash such as retail.

Viren Shah, president of the Federation of Retail Traders Welfare Association that represents 100,000 shops in Mumbai, said business has suffered due to the shortage of cash. “Retailers have cancelled orders from manufacturers and wholesalers fearing poor demand,” he said.

He said almost 150 big standalone stores such as Roopam, Roopmilan, Benzer, Asiatic and Metro Shoes are willing to provide cash at point-of-sale (PoS) machines just like Big Bazaar, allowing customers to swipe cards and withdraw Rs 2,000 from their account.

“However, most of us have HDFC Bank PoS machines and there is no response from them. We have written to RBI seeking their intervention in the matter,” he said. HDFC couldn’t be immediately reached for comment.

HOLDING ON TO NOTES

Shah also pointed out that many shopkeepers and large stores are not depositing low-denomination notes with banks. “Our members are depositing Rs 2,000 notes in bank branches but holding back Rs 100 and Rs 50 notes to meet demand from customers,” he said. This has exacerbated existing shortage by keeping low-denomination currency out of circulation.

Some SBI executives said RBI supply was predominantly in the form of Rs 2,000 notes. Other bankers concurred. “There is no improvement in the situation. We are facing shortage of Rs 500 and Rs 100 currency notes,” said a senior executive at a state-run bank in South 24 Parganas, an under-developed district in West Bengal.

Sources said banks with currency chests are better positioned in terms of cash in hand. “We hold more than 50% of the nearly 4,000 currency chests across the country and we are getting currency as per our requirement,” said a senior SBI official. For instance, there are 62 RBI-owned currency chests in Mumbai, of which 19 are managed by SBI, one each by HDFC Bank and ICICI Bank. Similarly, in New Delhi, out of the total 59 currency chests, SBI manages 18, HDFC Bank has one, while ICICI Bank has two currency chests.