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# Demonetisation: Traders hold back on deposits, hurt cash circulation

By *Saloni Shukla*, ET Bureau | Updated: Nov 14, 2016, 01:21 AM IST

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MUMBAI: Taxpaying traders and anxious citizens are worsening the cash shortage at [ATMs](#) and the markets and choking money supply as they hold back their daily purchases and regular payments, several bankers said.

Merchants who would deposit hundreds of crores of their daily collections have stopped depositing cash in [banks](#). Even individuals who would have spent without much worry are holding back currency transactions to hoard low-value notes, aggravating the problem caused by [demonetisation](#) of Rs 500 and Rs 1,000 notes.



"Have you seen the rush at bank branches? How can I possibly go to deposit my cash?" asked Raman Kaushik, a local provision store owner in the Mumbai suburb of Vikhroli. "I used to deposit cash of roughly Rs 15,000-20,000 every day. Now that (the collection) is lying with me. I will go to the bank once the rush is over," Kaushik, who hasn't been to his bank since the government announced withdrawal of the old notes, said. "Also, I need smaller denomination notes now to pay my workers and for daily needs."

Daily deposits by big vendors help banks to keep circulating smaller-denomination notes without having to rely much on [RBI's](#) currency chests. Post demonetisation, big shop owners and traders have been avoiding visiting banks, hurting the circulation.

"We operate current accounts of several small businesses that used to deposit cash daily. That has stopped since the withdrawal of old notes was announced," said a branch manager with a PSU bank who did not want to be identified. "We have spoken to some of our old customers so that we get some rolling cash, but no one wants to come and stand in such long queues."

"Will I do my business or go and stand in the queue to deposit money?" asked Hiralal Solanki, a kirana shop owner. "The government has said we can deposit money till December, so there is no rush. We have dealings with our bank branch and they know we need to deposit money."

Since Prime Minister Narendra Modi abolished Rs 500 and Rs 1,000 notes as legal tender, the ATMs have dried up, leaving many people stranded without currency to conduct daily activities. While the RBI continues to assure there is enough cash, many bank branches and ATMs have been running out of cash in a matter of hours.

"Keeping in mind the need for other denomination notes, which are legal tender (including Rs 2,000), adequate stocks of these notes are kept ready in the currency chests located at more than 4,000 places across the country," an RBI statement said. "Bank branches are linked to them to source their requirements from them. To meet the demand, printing presses are printing the currency notes at full capacity so that adequate quantum of notes is available."

"This issue will normalise in a few days. We are getting cash from RBI. A few big local businesses, who deposit daily cash, have stayed away, aggravating the problem," said another banker.

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