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Demonitisation: Regulations changing faster than notes; banks stumped

By [Saloni Shukla](#) & [Dheeraj Tiwari](#), ET Bureau | Updated: Nov 18, 2016, 08.25 AM IST

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MUMBAI/NEW DELHI: Banks across the country are scrambling to meet demand more than a week after the withdrawal of Rs 500 and Rs 1,000 notes with people in the Capital and elsewhere frustrated by cashiers running out of currency, dispensers that don't work and multiple changes to limits on withdrawals and exchange.

Those flip-flops have left bank branch officials muddled. On Thursday, the government slashed the onetime exchange limit for old notes to Rs 2,000 from Rs 4,500, having raised it from Rs 4,000 before that. The weekly withdrawal limit for savings bank account users had been raised to Rs 24,000 from Rs 20,000 with the limit of Rs 10,000 per day being scrapped. As for ATM withdrawals, the limit has been raised to Rs 2,500 from Rs 2,000 earlier but that's only for those that are recalibrated to take the new Rs 500 and Rs 2,000 notes, a process that's taking time — only 10% of the machines have been reprogrammed.

While the public position of banks is that the situation has eased, anecdotal evidence seems to suggest that this is true in some parts of the country but not others, especially NCR.

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On top of that, bankers told ET that they are struggling to keep pace with the sudden changes in regulations. As there aren't enough notes to go around, banks have had to impose their own curbs.

"The government increased the withdrawal limits recently (but) we have to cater to all our customers. Cash is limited, so we have put up signage outside the branch telling customers we can only disburse Rs 15,000 to savings bank holders and Rs 25,000 to current account holders," said a private bank branch manager. One bank executive in New Delhi's Connaught Place area said it only issues 50 tokens for withdrawals every day because that's all the cash it gets for such disbursements, which means the money usually runs out in an hour or so.

In hindsight, it's clear the massive demand for currency exchange hadn't been expected. It was only when realisation dawned that this route was being employed for largescale money laundering that the window was narrowed to Rs 2,000.

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"In the initial days, there was ambiguity over the Rs 4,000 one-time exchange, which was exploited by people," said the employee of a state-owned bank branch. "Now it has been reduced to Rs 2,000 (but) imagine how we will answer (genuine) customers who come at our branches and question us on these changes."

NOT MUCH RELIEF

The raised withdrawal limits aren't of much relief, even for those who hold current accounts and need to pay employees and vendors. "Axis Bank is giving half the money and Karnataka Bank is just giving a paltry sum," said an entrepreneur from Salem in Tamil Nadu who runs a garment chain. "There is a lot of confusion in our minds because government says we can withdraw Rs 50,000."

Lakshamsinh Gadda, who runs a toy shop in Mumbai's Jogeshwari area, faced the same issue. "I have accounts with two banks. Both told me that I have to wait for some time to get the full amount as they are running out of cash."

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An executive at a public sector lender based in south India said it had got just Rs 1,000 crore for its 100 branches in the south zone. "This amount is too less given we are getting customers of other banks as well to use our ATM facility," he said, adding that the supply of Rs 500 currency notes was severely limited. "Maybe once that improves, we will be able to manage the rush. This also shows the limited currency that the RBI has been able to print despite all announcements it has made."

Bengaluru, according to this official, is not witnessing the kind of rush being seen in the north. "There are long queues but surprisingly

more civility," he said.

A senior Punjab National Bank official said that staff have been instructed to put the new Rs 500 notes mostly in ATMs. "That's another issue because at the branch counter we are mostly dealing with Rs 100 or Rs 2,000 currency notes," he said. While some mobile apps have sprung up purporting to provide information about which ATMs in any given area have cash, people have taken to tracking the vans that transport currency notes.

"The need for money is so huge that we have heard that several people are tailing the cash provider vans of SIS and Brinks Arya so that they get cash immediately once it's loaded in the ATM," said another banker. "ATMs are running out of cash quickly. Once they are recalibrated, Rs 500 and Rs 2,000 notes will be available."

Finance Minister Arun Jaitley said 22,500 ATMs (out of 202,000) had been reprogrammed by Thursday to dispense the new notes, along with the old Rs 100 notes. That leaves 90% of the ATM network yet to be calibrated.

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The government's decision to inject cash into the agricultural markets with higher withdrawal limits for traders and farmers has prompted the main onion market at Lasalgaon, Nashik, to resume operations after about a week. Jaydatta Holkar, chairman of the mandi, said farmers will also be paid through the banking system. Farmers welcomed the move but complained that reaching bank counters or finding functioning ATMs remains a challenge. Elsewhere, things have been getting better, some users said.

Mumbai resident Sangita Pereira said she managed to get Rs 10,000 from her Central Bank of India branch in Vikhroli. "Seeing the queues at branches, I was going to one ATM after another but didn't manage to get any cash. I stood outside my bank branch yesterday, waited for one hour and got the cash, so it's looking much better than what it was two days back."

In Pune, queues outside banks have subsided substantially. "There was more rush from people who had accounts in other branches or banks," said Harish Pai, who had just returned from SBI. "Now that ATMs are calibrated, the rush is expected to subside over the next few days."

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