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West Bengal, North-East States finally forced to go cash-less: UBI chief

Pratim Ranjan Bose

Pawan Bajaj, MD and CEO, United Bank of India Ashoke Chakrabarty

Kolkata, November 25:

Demonetisation is finally pushing India's most cash-based economy in the East and North East towards the cashless mode.

According to Pawan Bajaj, Managing Director and CEO of Kolkata-headquartered United Bank of India, cashless transactions in his bank witnessed a 39 per cent jump in the last two weeks.

The statistics are significant because 60 per cent of UBI's branch and ATM network is in West Bengal and the North East, controlling one-third of the total banking services in the region.

"The region has maximum affinity to cash, recording the highest CASA (current account, savings account) ratio of over 40 per cent as against the national average of 31 per cent," Bajaj told *BusinessLine* .

CASA is the ratio of deposits in low-yielding current and savings accounts to total deposits. Add to this, low incidence of cashless transactions in the region, the nation has little clue to the money trail and the reach of the tax net is impacted.

In West Bengal — which records the lowest tax-to-GSDP ratio of 4 per cent among major States — the entire jute sector was run on cash till this month. While salaries will now go to the cashless mode, raw jute is purchased from farmers in cash.

Currency injection

Over the past two weeks, UBI took a lead role in ensure cash supply in the region with its ATMs at the headquarters running 24X7 offering steady source of new currency to the city. Bajaj said the bank has already recalibrated more than half of the 2,200 ATMs in the country helping dispense new ₹ 100, ₹ 500 and ₹ 2,000 denomination notes in equal tandem. The bank has also launched one mobile ATM. Nearly a dozen more will be launched in the next few weeks, of which nearly four- five will be reserved for rural locations in close proximity of Kolkata and the rest in the cash-starved districts.

"Currently, the rate of withdrawal is very high. So, ATMs are getting dry in four hours on an average. We are focussing on multiple refills," he said.

Profitability to increase

UBI has so far received ₹ 12,000 crore cash deposits post-demonetisation. This is a little over 2 per cent of the ₹ 5,44,571 crore deposited in banks since November 9.

While no one knows what the share of the hoarded currency in the total is, Bajaj expects 50 per cent of the deposits to stay with banks in the longer run, thereby reducing the total volume of notes in circulation.

But shouldn't the banks be flush with deposits at a time when lending is growing at a slow rate, thereby inviting pressure on the bottomline?

Bajaj says his profitability should rise as current deposits are extremely low-cost at an average rate of 3.25 per cent. "Even if there is less demand for advances, we can invest it in other instruments. The yield on reverse repo is 5.75 per cent to 6.25 per cent."

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