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With staff busy in currency operations, corporate credit, home and consumer goods loans take a hit

By [Saloni Shukla](#), ET Bureau | Updated: Nov 15, 2016, 09:51 AM IST

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MUMBAI: The biggest casualty of the [demonetisation](#) drive may be the [banks](#) themselves.

Given the intense pressure on them as they deal with panicking customers, almost all employees are getting roped into the exchange, disbursal and acceptance of currency notes as lines stretch outside the door. This has meant the banks' main business activity — credit — has taken a big hit. Apart from corporate credit, loans for homes, cars, bikes and consumer goods have all come to a halt, forcing many to postpone purchases.

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This has also put a dent into loan recovery at a time banks can ill afford any slack on that front. Earnings have slumped in recent quarters as banks have been forced to make provisions against bad loans. It's too early to put a number to the impact on performance and this will also depend on how long it takes for the situation to normalise, people said.

Employees working in various areas have been deployed across branches to make sure customers are served as best as possible.

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"At least for the next 10-15 days, most of our people will be busy in only doing demonetisation work, so to that extent the regular work that they do may actually take backseat for a little while, which is normal under the current circumstances," said State Bank of India Chairman Arundhati Bhattacharya.

Bank employees across the country have been working through the day, including the weekend, since Prime Minister Narendra Modi announced the withdrawal of Rs500 and Rs1000 notes on November 8. Many banks have deployed central office staff to their branches to tide over the crisis.

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"In Mumbai itself we had deployed nearly 300 people from our central office to our branches," said Rajesh Dahiya, group executive and head, corporate centre, Axis Bank. "Nearly 3,000 people across the country were deployed to our branches from our subsidiaries.

Many of our local regional managers are continuously manning the branches."

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"In every branch, we have offered them three to five people outside of their regular strength to help them manage the crowd," said Shyamal Saxena, head, retail banking, Standard Chartered Bank, India and South Asia.

"Most of us have managed our time well to make sure we are available at branches during customer hours and other decisions that need to be made are done simultaneously."

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Indian banks are saddled with bad debt of nearly Rs 6.7 lakh crore as per the latest estimates. Since the December quarter, more than Rs 3 lakh crore of bad loans have been added to the system.

A CARE Ratings report said the banking sector's non-performing assets almost doubled to 8.5% in the first quarter of this fiscal, driven by surging bad assets of state-run lenders, from 4.6% a year ago. Banks feel loan recovery efforts may take a beating in the third quarter of the current financial year.

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“Demonetisation is a good move but obviously our loan recovery efforts will be hit as we have mobilised most of our corporate office staff to retail branches,” a senior state-run bank executive said on condition of anonymity.

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