Within 10 days, things will be back to normal: Arundhati Bhattacharya, Chairman, SBI

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In a chat with ET Now, Arundhati Bhattacharya, Chairman, SBI, says another few days and the pain will be over and the black money move will be considered a big success. Edited excerpts

SBI has received data regarding the calibration requirements for Rs 500 and that also started by Sunday afternoon, said Bhattacharya.

ET Now: This must be a testing time for bankers but it is quite distressing for the common man as well. Citizens have been thronging ATMs and banks. When can we expect normalcy to return and also what additional measures are you taking to tide over this crisis?

Arundhati Bhattacharya: Regarding measures, we have been working very lat on most of these days. On the first two days, many of our people worked late till even 10:30-11:00 in some of the branches. Even on Saturday, counters closed pretty late at 8:30 though in some of the branches they started closing the shutters by about 7:00 or so depending upon what kind of crowd was there.

We take care to see that we handle as many people as possible. Currently most of the branches are working towards ensuring that the deposit customers are handled properly. so also the people who come in for exchange and withdrawals. However, there was a slight fall in the numbers of people coming into deposits and some increase in the numbers of people who are now withdrawing. Besides, we have created additional lines for senior citizens, for women.

In many of the larger branches where there is space, we have created shelters so that people do not have to stand out in the sun. Also, more and more ATMs are coming up. Today around 46,000 of our ATMs are operational.

From Monday, we will be able to start issuing Rs 2000 notes from the ATMs as well. The calibration for the Rs 500 has also begun, we have received the data regarding the calibration requirements for Rs 500 and that also started by Sunday afternoon. As soon as we receive the full remittances in five-six days, we will start putting those notes into the ATMs also. Even in the initial stages, I had said it would take about 10 days for normalcy to be restored. I will like to tell the people that there is absolutely no need to panic. They can come at their convenience and withdraw money or deposit money. Since old notes can be deposited till 30 December, there is still a lot of time left and people can do it at their convenience.

Though, the ATMs continue to be pain points at this point of time, once the Rs 2000 notes gets calibrated , they will stop running out of money and once the Rs 500 are restored, things should get back to normal very quickly.

ET Now: The Finance Minister said in his press conference that it will take two weeks for ATMs to dispense new currency notes. Are you confident that you will be able to meet that timeline? You have said that new notes are not made for the old ATM machines so how much of a setback is that? Will you now need to overhaul all ATMs and if that is the case, who is going to bear the cost?

Arundhati Bhattacharya: It is not very costly as all it needs is recalibration. The note dimensions are different. So recalibration of the cassette has to be done and that will get done. We have already received some Rs 500 notes. It gives us the dimensions and the other features that need calibration is going to start today afternoon. Two weeks is what the Finance Minister said is perfectly correct because he has been talking about the entire country. We cannot do everything at one point of time. Till now we have been able to bring up 46,000. We will bring up another 10,000. Rs 2000 is available now everywhere. When the new Rs 500 comes, we will be able to send it across quickly. I stand by the 10-day time. We should be able to restore some amount of normalcy by then but for every ATM to start dispensing in the way that it used to do earlier, the FM's timeline is absolutely realistic.

ET Now: Let us talk about the kind of money we have seen in the system. Rs 60,000 crore on last check . How much cash do you expect will come into the system by say the 30th of December. Also we would like to know what is the average amount that people are depositing?

Arundhati Bhattacharya: Till 11:50 Saturday night, our deposits alone are Rs 64,576 crore so I do not think you have the numbers quite right, you have to check on the system numbers of course.

Regarding the average ticket size, this is difficult for me to say. I really do not have the numbers. I will have that worked out.

ET Now: You have lauded the cash clean up but public criticism is rising daily. Do you still think that the cash clean up is going to be an overwhelming success or is it just turning out to be a bankers nightmare as much as it is turning out to be a nightmare for the common man. Do you think that somewhere we were unprepared for this kind of major switch?
Arundhati Bhattacharya: No, I do not think so'. Some of these things have to be done suddenly and to do it suddenly you have to maintain some amount of secrecy about the whole process. Another few days and the pain will be over and it will be considered a big success.
In the first few days, the public were also hoarding whatever currencies they were getting, they were not really going out in the market and shopping. Today just now one of my colleagues told me that his driver had gone in order to buy something and he give a Rs 2000 note it was easily accepted. His bill was Rs 300 and he got back Rs 1700 without any questions asked. So people are beginning to spend. When a wheel gets stopped, you need to put in some amount of grease in order to get it rolling again. Once the rolling start, it becomes easier and easier as they go forward. So it is with this system. For a day or two, it had sort of come to a halt and now people are back in the market.
Despite the hard work, it is all very much worth it.

ET Now: There is also a view that inflation could come down because of this move. How do you see the real impact?
Arundhati Bhattacharya: There are areas with a lot of cash component, where we believe the prices have got to come down. If you have a large inventory of real estate and you are waiting for a black component in order to sell it, today you will have to actually ensure that you are able to sell it in white. Therefore if the demand comes down, than the prices have a tendency of coming down. That is why we believe that this is disinflationary because there will not be unaccounted money chasing goods. It will be accounted for money. So to that extent demand may come down for a little while but it is a good thing.

It will be easier for us bankers to understand people's turnovers and their actual requirements and of course for the tax and revenue authorities also to understand what should be the amount that needs to be taxed. I believe that overall this is a very good step. It it definitely helps on cleaning up the system not.

Let me just give you one example. In the finance minister's meeting, somebody was saying that you know that tea garden workers are paid in cash and now you are saying open accounts. Is it not going to impact their productivity? My answer is that it will impact their productivity for one month because they will have to stand in a queue in order to open their accounts for one day. But subsequently, they will no longer have to be given time off from work in order to draw cash because then they will be to able to draw cash any point of time. So, the overall productivity gains as more and more of these people come into digital rather than remain in the cash area.

We are also seeing a very good pick up in the digital, in the POS transactions at our en. POS transactions in fact have increased 100% by numbers and around 50% by value Our business correspondents are also doing very good work. I believe this is an excellent move and it is pushing us in the right direction.

ET Now: What about some of the far reaching consequences? For example, there have been reports of job losses in Kerala and Tamil Nadu of fishermen, small shops are facing the prospect of going out of business so what about that?
Arundhati Bhattacharya: I do not think there will be job losses. Fishermen were fishing because they had to supply fish to the market and that market had to be visited by shoppers in order to buy the fish. For a little while, shoppers were hoarding whatever currency they were getting because of the uncertainties. Now, with more and more currency coming into the market, people will not stop eating, they are going to go back to the fish markets and buy fish.

ET Now: Let us talk about people with the Indian currency abroad who are facing problem and we have been inundated actually with the lot of queries reports are also suggesting that people have been turned away including from SBI branches in the US mind you where banks have been told not to exchange what are the options before those people, those who live abroad or who are travelling at this point?
Arundhati Bhattacharya: Branches in the US or in any other place are not authorised to accept Indian currency. You are not supposed to be taking Indian currency abroad. Indian currency is not a convertible currency now. Whatever little you have over there, if you want it deposited in your NRE account and you are unable to travel to this place you should send a photocopy of your ID properly attested along with an authorisation letter to the person who will actually deposit for you if that is done then we will take it in the accounts, no question asked. Frankly speaking, abroad we are not authorised to accept Indian currency and they cannot accept it.

ET Now: Let me ask you then what will happen to the foreign exchange business as such, what will this do to the rupee exchange rate at least in the short term?
Arundhati Bhattacharya : I do not think there will be any impact. Why should be there any impact on the rupee exchange rate? Whenever you are exchanging rupee and taking dollars, you are taking it through the proper banking channels and that will not impact the forex rates. In fact, even when the FCNB deposits have gone back and they have been consistently going back, have you seen any impact on the rupee? The exchange rate has been very well maintained by everybody in the system and especially the regulators. I do not see

any problem on the exchange rates at all.

ET Now: You said so far you have seen deposits of over Rs 64000 crore. At the end of December 30, I am sure banks like yours will be flush with cash. There is talk about how lending rates will then come down but that does not really solve your problem fully because credit demand continues to be sluggish. So, in a sense, aren't you of expanding your liability side?
Arundhati Bhattacharya: That will be temporary problem because obviously credit growth is still sluggish. We need credit growth to pick up probably as this will give us the impetus of trying and bringing down rates a little more. Obviously just bringing down rates is not going to suddenly set off a credit boom. Credit booms happens when demand goes up in the economy and the economy itself is performing very well. But last month's IIP figures were actually quite good. Also luckily, the busy season is here and in the busy season, construction and mining activities resume after being suspended during monsoon.

We are hoping these are the things that will give us certain triggers for the economy to start performing better again. Similarly, we have seen some amount of better demand on the back of the Seventh Pay Commission, on the back of the good monsoons. Harvest has started from the November 1. Thus, money will also be hitting the rural population and there will definitely be more demand in the rural masses.

ET Now: In the short term, retail demand may dry up especially in real estate as well as the auto sector?
Arundhati Bhattacharya: I do not think so. The real estate sector that we address are mainly the salaried classes, the middle income people and the first time buyers nowadays pay mostly in white. It is the repurchases etc. where we understand that there could be some unaccounted elements. So for first time buys and for the class that we are traditionally servicing, I do not think there is going to be any change. Once this worry abates, I think everything will come back and I would repeatedly say that there are no worries about cash, things will come back it is only a temporary kind of a mismatch on account of various logistics issue that could not be addressed ahead and are getting addressed now.

ET Now: What is the outlook at your bank for credit growth this fiscal both from corporate side as well as retail growth?
Arundhati Bhattacharya: The credit growth outlook is between 10% to 12%. We will try and take another call on it at the end of this quarter because I want to see what actually happens during this quarter before giving a more precise number. But at this point of time 10% to 12% and towards the lower rather than the higher end mainly because within the bank itself also we are doing certain recalibrations. We are seeing which are the lines of business that have a good prognosis going forward in the sense of returns as well as peripheral businesses. Those lines that are low on these two parameters are lines that we may not really be focussing on any more. So there are internal changes in that also that we are making, having said that I still believe around 10% to 12% should be feasible and reasonable.

ET Now: Which are the sectors that led to higher slippages of that Rs 10000 crore during the quarter?
Arundhati Bhattacharya: Well the slippages came mainly from the stressed list around 71% came from the stressed list. Another 4 to 5% came from the restructured book. So it was all across -- iron and steel, shipping, a little bit of infra as well a power unit that was on the stressed list.

ET Now: Do you sort of see better days ahead? Do you see lower slippages, better recoveries, what is the outlook on asset quality?
Arundhati Bhattacharya: This will happen only when we are able to get some very good resolutions going. Right now, though we may be spending 24 hours and more on the demonetisation exercise, the resolution piece is what normally takes up much of our time. In another five to seven days we will turn our attention towards that again and I fully expect that some amounts of resolutions should get done in the December quarter. By the end of the December quarter itself and very many of them should happen in the January to March quarter because the formalities that were required to be done in many of them such as the forensic audit, the TV study are already done abd the draft reports are with us. The final reports are on the way as soon as these come in then the rest of the stuff can fall in place. In the meanwhile, the regulator has also allowed us some amount of flexibility by including other sectors by including accounts with smaller credit lines so all of that also will help speed up the resolution pace.

ET Now: Your loan book growth was lower at about 7% despite the fact that deposits grew pretty strongly. What is your outlook for FY17demonetisation drive has made you flush with cash?
Arundhati Bhattacharya: It is very difficult to tell you at this point of time. On the very first day we got Rs 11,000 crore in savings bank as opposed to Rs 8000 crore that we get in the whole month. We also got around 7500 in current accounts. So obviously it is difficult for me to do any projections right now. This is an unusual situation. You cannot make projections on the basis of unusual circumstances. Also people will obviously start drawing it out again. They are waiting for the new Rs 500 note and Rs 2000 notes. May be, by end of this month I can make a better informed projections regarding deposit growth.