

The real reason why you may not get ATM cash over the next few days

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The Reserve Bank of
India (RBI) may not have



been able to meet the currency demand from banks as it is most likely been grappling with shortage of raw materials like paper and ink.

ATMs around the country, not only in the rural interiors but also suburban townships of large metros, have been facing severe **cash crunch** for more than ten days now, particularly larger denomination notes.

RBI may be facing raw material shortage to meet the rising cash and currency demand. It estimates the demand for currency using an econometric model which factor in, among others, expected real **GDP** growth, rate of inflation and denomination-wise disposal rate of

soiled notes, according to RBI. “There have been issues with the raw materials like ink and paper for some time now which has restricted currency supplies to banks ” said a person familiar with currency supply dynamics in the country.

As a result, 'cash in hand' with banks which comprises cash supplied from RBI and from which they-banks- release the money to ATMs for dispensing cash dipped to around Rs 60,000 crore as of March 30 2016 from a high of Rs 71,000 crore in December 2017.

Currency in circulation has been rising at a higher pace than before since November 2017. While the jury is out on whether the **demonetisation** has led to digitisation of payments and settlements, bankers say that the mandatory e-KYC norms compliance for payment wallets and other digital instruments has slowed down the pace of transactions through these channels. This in turn has forced consumers to move back to cash for settlements.

Besides, historically demand for notes rises during elections and also whenever there is a pick up in rural activity. The quantity and value of currency notes to be printed is determined by the Reserve **Bank of India** based on the demands made by banks which release cash in the system through ATMs and the banking network.

Currency in circulation contracted to almost half by end December'16 to its pre-demonetisation level of Rs 17.9 lakh crore as of November 04'16. Though initially it appeared that there was a shift to digital mode, within thirteen months, the cash levels is back to the pre-domonetisation levels and has crossed Rs 18.4 lakh crore by the first week of April.