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Nifty LIVE

8,648.15 6.70



NSE Gainer-Large Cap >

Axis Bank

384.50 43.10



Precious Metal >

Gold (MCX) (Rs/10g.)

43,380.00 -162.00



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Market Watch

Covid-19 scare: Depositors withdraw Rs 53,000 crore cash in 15 days

BY GAYATHRI NAYAK, ET BUREAU | UPDATED: MAR 27, 2020, 07.27 AM IST

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Mumbai: Indians have been withdrawing cash from banks this month to prepare themselves for likely emergencies, with the Covid-19-induced shutdown in the last week of the month putting the spotlight on access to essential goods for billion-plus consumers.

Cash [withdrawals](#) from banks hit a 16-month high when the public withdrew Rs 53,000 crore during the fortnight ended March 13, according to the data released by the [Reserve Bank of India](#) (RBI). Such huge cash withdrawals are seen only during festivals or elections. The central bank, which supplies currency to the public via banking system, released an equivalent amount of cash over the fortnight. Total currency with the public was at Rs 23 lakh crore as on March 13.

Even though digital transactions have been getting a push, economists say that there tends to be a strong element of caution at times of such emergencies. "The large cash withdrawals are likely to have been precautionary in nature, due to concerns about the difficulty in accessing bank branches and ATMs," said Saugata Bhattacharya, chief economist at Axis Bank.

Even as banks are promoting online transactions, some e-commerce firms such as Flipkart have stopped delivery services. As a result, a lot of buying that cannot be postponed has gone offline, requiring hard cash for transaction.

"Some of the transactions for groceries and produce from online transactions shifted to local, cash-based sources," Bhattacharya said.

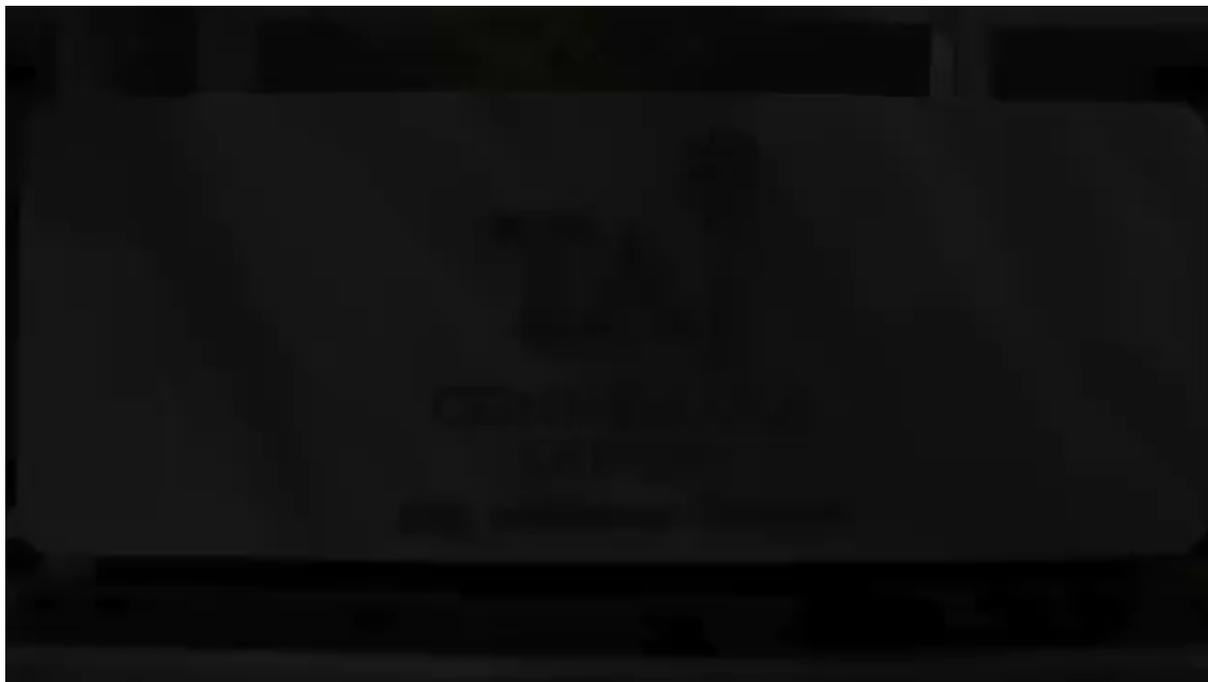
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During a lockdown, most essential purchases tend to be in cash. “An adequate supply of cash notes to banks needs to be ensured that can meet a sudden increase in the demand for liquidity,” said S K Ghosh, group chief economist at [State Bank of India](#), in a recent research note.



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However, an increase in cash withdrawals from banks has an adverse impact on bank deposits. During the times of financial market volatility this could impact liquidity conditions in the market.

But experts say that going ahead the cash withdrawals might slow down. “Overall shutdown will further reduce cash requirements in a meaningful way and RBI has been infusing liquidity ahead of financial year-end,” said Soumyajit Niyogi, associate director, India Ratings and Research.

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