

ATMs Across India Are Running Out of Cash

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Over the last few days there have been a spate of media reports about cash not coming out of ATMs. "Bengalureans were greeted with 'No Cash' boards at most ATMs on Monday [April 10,2017]," [reports the Deccan Chronicle](#).

"The arid days of [demonetisation](#) are back to haunt Mumbaikars. Ten days after the banking sector's yearly closing on March 31, ATMs continue to run dry across the city," [reports The Times of India](#).

[The New Indian Express](#) reports that the cash crunch has made a comeback to the city of Visakhapatnam, with majority of the ATMs running out of cash.

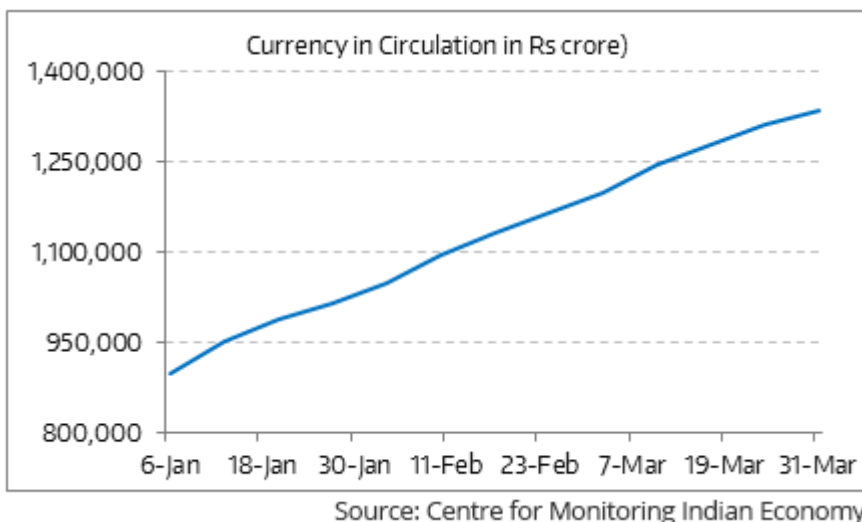
"Although the new financial year is in its second week, a majority of ATM kiosks in Pune continue to run dry while citizens run from one kiosk to another to withdraw cash," [reports The Indian Express](#).

[The Hindu reports that](#) "cashless ATMs and serpentine queues outside banks have once again become the norm," in Hyderabad.

I guess I will stop here. This is enough to establish that there really is a problem and currency at ATMs is in short-supply.

So, what is happening here? The explanation that has been offered is that this cash shortage has been because of the March 31st, year-end for banks. While that clearly might be a reason, there are other reasons at work here as well. Allow me to explain.

Since January 2017, the currency in circulation has been increasing every week. This has been happening with the printing presses of the Reserve Bank of India and the government, printing and pumping money into the financial system through banks. Take a look at Figure 1.



As can be seen form Figure 1, the currency under circulation has been going up from January 6, 2017, as the RBI and the government have printed and pumped money into the financial system.

But is that enough? What we also need to take a look at is the rate at which the currency in circulation has risen week on week since January 6, 2017. How is this obtained? The currency in circulation as on January 6, 2017, was at Rs 8,98,017 crore. This increased to Rs 9,50,803 crore as on January 13, 2017. This meant a jump of Rs 52,786 crore or around 5.9 per cent (Rs 52,786 crore divided by Rs 8,98,017 crore). A similar calculation is carried out for the remaining weeks as well.

Take a look at Figure 2. It plots the rate at which currency circulation has been increasing week on week since January 6, 2017.

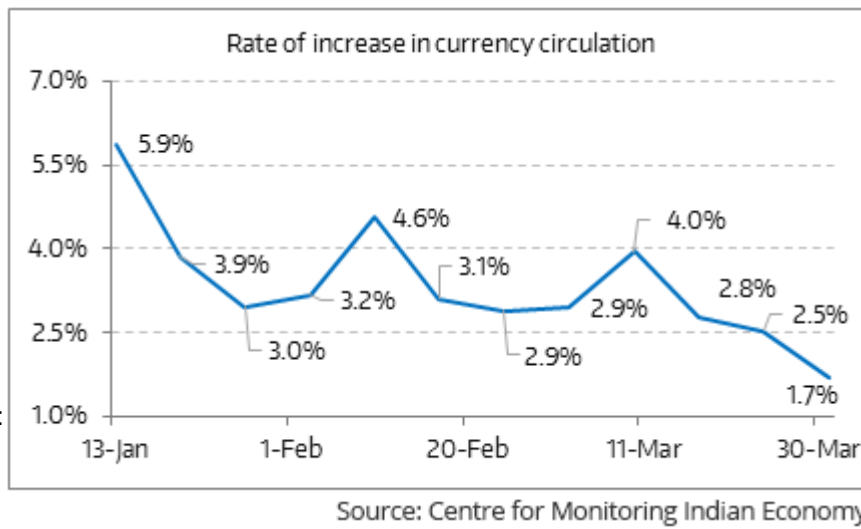


Figure 2:

Figure 2 makes for a very interesting reading. The highest increase in the rate of increase in currency circulation came in the period of one week ending January 13, 2017, at 5.9 per cent. Since then the overall trend has been down, with jumps in between. Having said that, the rate of increase in currency circulation has seen a downward trend between March 10 and March 31, 2017.

The rate of increase in currency in circulation for the week ending March 31, 2017, was at the lowest level since January 2017, at 1.7 per cent. What does this mean? It means that the RBI is not releasing currency to the banks at the same pace as it was in the past. The rate of currency release at RBI's level has come down. And that basically means banks don't have enough currency/cash to load into ATMs as they had in the past.

This explains why there has been [shortage of currency at ATMs](#). It could also mean that the RBI and the government printing presses are not printing as much currency as they were doing in the past. Why is this happening is something only the central bank and the government can explain.

If this is being done knowingly to bring down the total amount of currency in the system, then it's a rather stupid move. Any economy needs a certain amount of currency to function. The Indian economy as of now does not have an adequate amount of it. The total currency in circulation as on March 31, 2017, was at 74.3 per cent of the level of the pre-demonetisation level. Unless we get back to a similar level, some currency shortage is likely to continue.

If the government decides not to print and pump in as much currency as there was in the pre-demonetisation era, it will have an impact on the total number of economic transactions carried out in the economy. And that possibly is not a good thing.

Further, the fact that ATMs are running out of cash tells us that the demand for currency continues to be high. This basically means that the [digital medium of payments hasn't really caught on](#) despite [the best efforts of the government](#).

To conclude, as the old jungle saying goes, *when you don't know where you are going, the journey is the reward*.