Demonetisation and Nepal

Why in news?

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India has asked Nepal to lift the ban it has imposed on new Indian currency notes of 500/2,000 to mitigate the problems in Nepal.

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What is the issue?

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- Indian government’s announcement of demonetisation has affected all sections in Nepal.
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- Indian currency used to be freely accepted and often preferred to the Nepalese rupee.
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- One of the main reasons for the widespread acceptance of the Indian currency is that there are many satellite towns on either sides of the border that have a shared or rather inter-dependent economy, a common consumer market, and inter-connected families.
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- Those affected by demonetisation include family members of the large Nepalese workforce in India, Hindu and Buddhist pilgrims from Nepal, the Nepalese patients and students.
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- According to media reports in Nepal, the NRB delegation sought an exchange facility, where Nepal citizens could turn in old notes of up to Rs 25,000.
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- There appears to be little hope for small savers in an economy, which also is largely cash-driven.
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- The percentage of Indian currency in circulation in the Nepal economy may never be known as much of it is largely kept for daily use, sudden trips to India, and trading in Indian markets.
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- Nepal’s central bank, which has declared that it only has around 30 million INR, has stopped transacting or exchanging Indian currency since the ban.
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- Later it banned the exchange of India’s new Rs 500 and Rs 2,000 currency notes.
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- This added to the existing problems.
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- Therefore Indian government wants Nepal to lift the ban to ease the situation.
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