

Two and half years on, Nepal still await exchange facility

KATHMANDU : As Indian Prime Minister Narendra Modi begins his third Nepal visit in four years from Friday, Nepalis are still awaiting exchange facility for demonetized Indian banknotes in their possession.

The abrupt decision of the Modi government to scrap banknotes of 1,000 and 500 denominations two and half years ago turned the Indian currency in possession of Nepalis into 'worthless paper' as the southern neighbor remains reluctant to provide exchange facility to Nepal.

Nepalis are legally allowed to carry up to Indian Rupees (IRs) 25,000. Indian Prime Minister Modi himself signed an agreement with his Nepali counterpart during his first state visit to Nepal in 2014, lifting a prohibition on circulation of 500 and 1,000 denominated Indian currency that had been in place since May 2000.

“Lifting of this prohibition will facilitate remittances, movement of people across the border and facilitate tourism,” read the statement issued by the Indian Government at the end of Prime Minister Modi's visit.

Despite allowing circulation of high value Indian banknotes, the Indian government has not yet swapped such banknotes in the aftermath of demonetization.

Following initial assurances from the Indian government to provide exchange facility, authorities of the two countries even held a negotiation toward finding solution to the problem. However, the Indian government is lately shying away from discussing the matter, according to a source at the Ministry of Finance (MoF) of Nepal.

“The Indian side has not responded to the letter that the Nepal Rastra Bank (NRB) sent after the negotiation held with a team of Indian delegates who had agreed to provide exchange facility for up to IRs 4,500 per individual,” said the source.

A team of Reserve Bank of India (RBI) led by one of its executive directors, Dipali Pant Joshi, had come to Nepal on March 26 last year and held talks with Nepali officials on providing exchange facility for Nepali nationals holding demonetized Indian banknotes up to IRs 4,500. Nepali authorities, who were initially demanding exchange facility for up to IRs 25,000, later agreed to

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accept the upper limit set by the Indian side. However, Indian government has not responded to Nepal's request for providing exchange facility for IRs 4,500 as proposed by them.

“There were some fears that Nepal could be used as a clearing house to channel illegally amassed Indian banknotes. But, the Indian team seemed to be convinced that the modality we proposed would not allow such possibility,” a high-level Nepali official, who participated in the discussion held with the Indian team, told Republica.

NRB Executive Director Bhisma Raj Dhungana told Republica that the banking system of Nepal holds IRs 80 million worth of demonetized 1,000 and 500 rupee bills. There is no estimation of the scrapped Indian banknotes in possession of traders and general public.

The issue of demonetized banknotes has been featuring in the agenda of the visit of Nepali Prime Ministers to India. However, the Indian government has not given any concrete response to the request, according to the MoF official.

Source : My Republica, 11th April 2018