

# INDIA'S CASH CRISIS EXPLAINED



## WHAT HAPPENED?



8 November: Prime Minister Modi gave four hours notice that 500 and 1,000 rupee notes would no longer be legal tender



People told to deposit / change old notes in banks until 30 December

## 23 billion notes

of 500 and 1,000 rupee value in circulation



## 80%

of the country's cash instantly rendered worthless



## 90%

of transactions in India are in cash



## WHY DID IT HAPPEN?



To crack down on corruption and illegal cash holdings ("black money" - illicit funds earned from corruption or tax evasion and stashed away in cash)



To help combat fake currency



To counter India's loss of hundreds of billions of dollars in unpaid tax every year (+/- 2% of Indians pay income tax)

## WHAT'S BEEN THE RESULT?

-  Millions of Indians waiting in lines for hours for cash
-  ATMs running out of money 
-  Shortage of new notes and working ATM machines
-  Furious opposition politicians claiming it as a political ploy to impact regional elections in early 2017
-  Individuals lending from own limited stocks of cash - some with a bartering system
-  Varying predictions of the decision helping in the long run or it not changing anything

## WHAT HAPPENS NEXT?

-  ATMs to be refitted to dispense new notes (different size)
-  Government to make several concessions so institutions like hospitals, pharmacies and gas stations can accept old notes until 24 November

Only Indians with a bank account may change their notes at a bank BUT more than

**half**

of India's population does not have bank accounts



More than

**300 million**

do not have government identification, needed to open bank accounts



In a country of

**± 1.3 billion people**

there are only

**± 200,000**

ATM machines   
(equally populous China has approximately 900,000)

Prime Minister Modi has urged the public to give him until the end of the year to get things back on track, saying the cash swap is part of a bigger strategy to modernise India's rapidly growing economy.

In the midst of this, Indian Christians and churches are severely affected. Please pray for them as they try to help their neighbours as best as possible.