

Study Title

The title of the study is “AN ASSESSMENT OF IMPACTS OF DEMONETISATION ON SHGs IN KARNATAKA”.

Background information and context:

Money, a medium of exchange, has occupied a significant role in modern economies. Economic transactions of goods and services have increased necessitating use of money in its different forms. Money has changed its forms from time to time i.e., from metal coins to paper currency to credit cards and now to electronic money. Money comprises cash in hand and deposits in banks and post offices. Among these two cash in hand is important because of its liquidity. While the present world economy is moving towards electronic money on the latest digital technology, based transactions, cash in hand is still playing a major role. Therefore, any changes in monetary policy of government impacts on money supply, i.e., cash in hand and deposits. It is to be noted that money supply is an important determinant of prices, investment, income, employment and other socio-economic variables. Changes in monetary policy can alter movement of these factors affecting the economy, thus economic and social life of people. This necessitates for studying the impacts of the present demonetization policy in India.

Government of India announced demonetisation of currency on 8th November 2016. This resulted in withdrawal of high denomination currency notes of Rs. 500 and Rs. 1000 as legal tender from money circulation. This withdrawal as pronounced by the government has been implemented to eliminate black money, reduce counterfeit currency from circulation and curb corruption and different types of criminal activities for which high denomination currency was extensively used. According to Reserve Bank of India the total bank notes in circulation was valued at Rs. 16.42 trillion of which Rs. 14.18 trillion were Rs. 500 and Rs. 1000 notes, in March 2016, which indicates the large proportion of high denomination currency in circulation.

Demonetisation is not new to India as in 1946 and 1978 it was implemented, where high denomination currency was withdrawn. But, the economic conditions between 1946,1978 and 2016 are different. At present Indian economy is considered to be the sixth largest economy; and Indian market is second largest emerging market in the world. However, large part of Indian economy is based on agriculture, small scale industries and mainly characterized by

unorganised sector. People in unorganised sectors use more cash for their transactions due to its convenience. As a result 95 percent of transactions are cash based in unorganised sector. It is to be noted that informal sector labourers, rural people receive and pay in cash to a large extent as compared to bank transactions owing to their limitations in time, skills and access to modern money transactions mode. This may affect the poor severely as availability of money in cash is limited in quantity both in rural and urban areas. Hence, it necessitates to assess the impacts of present demonetisation policy in India on different sectors of the economy.

In this respect the present study attempts to assess and analyse the impacts of demonetisation on self help groups (SHGs) in Karnataka. SHGs are considered as an important development strategy in recent years. Involvement of SHGs has brought improved changes in income generation activities, saving and credit attitude, handling financial matters, etc. particularly of poor and unorganised people.

Karnataka has 281615 SHGs as on 2015 according to Rural Development and Panchayat Raj Department, Government of Karnataka. These SHGs help members to involve in various types of development activities which are helping them to overcome or reduce poverty. SHGs are involved in savings and lending functions to members, which is used in asset creation, meeting contingent expenses, starting income generation activities, etc. government has linked SHGs to the formal banking system to facilitate functioning of SHGs.

All this indicates that SHGs are involved in money related activities such as saving and income generation. Demonetisation will have a direct impact on these activities of SHGs. In this context an assessment of impacts of demonetisation on SHGs becomes essential.

Evaluation Objectives and Scope:

Specific objectives of the study are:

- To examine the nature of SHGs in terms their structure and functions
- To analyse the saving patterns of SHGs before and after demonetization
- To examine the impact on economic activities of SHGs before and after demonetization
- To assess the impact of demonetization on women members of SHGs
- To assess the performance of SHGs before and after demonetization

Research Questions:

In the above context the following research questions emerge:

1. What is the nature of SHGs and their functions?
2. How was the performance of SHGS before demonetisation?
3. What is the reaction of SHG members to demonetisation?
4. How is the performance of SHGs after demonetisation?
5. What is the impact on saving pattern of members of SHGs?
6. What is the impact on economic activities?
7. How demonetization has impacted on income of members?
8. What are the coping mechanisms adopted by SHGs to overcome the new situation?

Evaluation Methodology and Sampling Approach:

The main focus of this study is to assess impacts of demonetisation on functioning of SHGs in Karnataka. This is a short term study based on quick analysis to capture the impacts of demonetisation. Hence, methodology of the study is designed to suit this short term study.

In order assess the impacts before and after approach is adopted as this method facilitates for comparative assessment. This study depends on both secondary and primary data. Secondary data will be collected from SHGs and other related published and unpublished sources from the concerned departments like Rural Development and Panchayat Raj at State, district and taluk level. Primary data will be collected from SHGs and members. Structured schedule will be canvassed to collect primary data from respondents. In addition to schedules focussed group discussion (FGD) will be conducted among SHG members to elicit their opinion and experiences on demonetisation and its effects.

SHGs are the main source of data for this study. While selecting SHGs for data collection representation to urban and rural area is considered as main criteria as the impact of demonetization will be different across these areas because of variation in economic activities and financial literacy. One district each from urban and rural Karnataka are selected. Accordingly Bangalore urban and Kalburgi districts are considered respectively for the study. According to RDPR data Bangalore Urban district has 3946 SHGs while Kalburgi has 4914 SHGs. Among these two districts one taluk with highest number of SHGs is selected to identify sample SHGs. In Kalaburgi district Chittapur (855 SHGs) taluk and in Bangalore Urban district Anekal (1459 SHGs) taluk are chosen. Sample design of the study is shown below:

Sample Selection Framework

Criteria	District	Taluk	Number of SHGs	5% of samples	Economic activity groups	Savings group	Members in sample
Urban	Bangalore	Anekal	1459	72	36	36	216 (3 from each group)
Rural	Kalaburgi	Chittapur	855	42	21	21	126 (3 from each group)
Total			2314	114	57	57	342

Indicators for Assessment:

- In order to assess the impacts of demonetisation on SHGs following indicators will be used:
- Composition of members
- Education and occupation of members
- Type of economic activities of SHGs – before and after
- Pattern of savings and lending of SHGs – before and after

Data Analysis Techniques

Data will be analysed by using statistical techniques like percentages, averages, trends, correlation and regression based on suitability. Gender analysis framework may be used for data analysis.

Deliverables and Time schedule

- Work plan about the study immediately after the acceptance of the inception report.
- Report about data collection and data entry
- First draft report
- Executive Summary and Final report.

Time Schedule

45 days after the approval of the TOR.

- Work plan submission – 15 days after agreement
- Data collection - 15 days from work plan approval
- First draft of the report submission - 15 days after field data collection
- Final Report submission - as agreed after first draft approval

Administrative arrangements

The core team should comprise of the following members (the list is inclusive not exhaustive) should have the minimum technical qualifications/experience as stated below:

Sl No.	Subject experts requirement	Educational Qualifications	Experience in Relevant field (In years)
1	Principal Investigator	A master in Economics	5
2	Member 1	A social scientist , preferably with a Masters in Social Work/Psychology	5
3	Member 2	A data analyst/Statistician	3

Consultant Evaluation Organizations not having these kind of personnel will not be considered as competent for evaluation.

Qualities Expected from the Evaluation Report:

The following are the points, only inclusive and not exhaustive, which need to be mandatorily followed in the preparation of evaluation report:-

1. By the very look of the evaluation report it should be evident that the study is that of the Department of National Urban Livelihood Mission/ Department of Women and Child Development and Karnataka Evaluation Authority (KEA) which has been done by the Consultant. It should not intend to convey that the study was the initiative and work of the Consultant, merely financed by the Department of National Urban Livelihood Mission/ Department of Women and Child Development.
2. Evaluation is a serious professional task and its presentation should exhibit it accordingly.
3. The Terms of Reference (ToR) of the study should form the first Appendix or Addenda of the report.
4. The results should first correspond to the ToR. In the results chapter, each question of the ToR should be answered. It is only after all questions framed in the ToR are answered, that results over and above these can detailed.
5. In the matter of recommendations, the number of recommendations is no measure of the quality of evaluation. Evaluation has to be done with a purpose to be practicable to implement the recommendations

Cost and schedule of budget releases:

- a. The **first installment** of Consultation fee amounting to 30% of the total fee shall be payable as advance to the Consultant after the approval of the inception report, but only on execution of a bank guarantee of a scheduled nationalized bank, valid for a period of at least 12 months from the date of issuance of advance.
- b. The **second installment** of Consultation fee amounting to 50% of the total fee shall be payable to the Consultant after the approval of the Draft report.
- c. The **third and final installment** of Consultation fee amounting to 20% of the total fee shall be payable to the Consultant after the receipt of the hard and soft copies of the final report in such format and number as prescribed in the agreement, along with all original documents containing primary and secondary data, processed data outputs, study report and soft copies of all literature used in the final report.

Taxes will be deducted from each payment, as per rates in force. In addition, the evaluating agency/consultant is expected to pay service tax at their end.

Contact person for further details:

Director Women and Child Development Department, 1st Floor, Entrance Gate, MS Building, Bangalore-560001, Ph: 080-22353776

Smt. Shashikala Shetty, Joint Director, Women and Child Development Department, 1st Floor, Entrance Gate, MS Building, Bangalore-560001, Ph: 080-22386153/080-22353833

The entire process of evaluation shall be subject to and conform to the letter and spirit of the contents of the Government of Karnataka Order no. PD/8/EVN (2)/2011 dated 11th July 2011 and orders made there under.

