

Executive Summary

Money plays an important role in economic activities as a medium of exchange and store of value and has changed its forms over the period. Modern economies are moving towards digital economies on the basis of information technology. Indian Government introduced a major monetary policy change on 8 November 2016, broadly known as demonetization and withdrawing specified currencies of Rs. 500 and Rs. 1000 notes from circulation, to meet objectives of eliminating fake currency, black money, and control of subversive activities. Demonetization means an act of stripping the legal status of a currency unit and various countries have implemented demonetization from time to time in order to overcome problems like excess liquidity, hyperinflation, black money, etc.

Demonetization in India brought several confusions among people because of sudden non-availability of cash and problems like waiting at banks for depositing old notes and getting new notes, non-functioning ATMs, limit imposed on withdrawal of money from banks.

In the above background, this study attempted to examine impacts of demonetization on Self Help Groups, which aim at empowering women. SHGs are micro financial institutions promoting saving and investment practice among women, thereby helping them to overcome poverty and dependency.

Review of studies revealed implementation of demonetization resulted in confusion among people and reduced cash availability and hence people faced problems in meeting necessary expenditures on health needs, family events like marriages, etc. Further, some studies found that impact of demonetization was adverse on informal sector, particularly casual labourers affected severely. Some studies have shown that demonetization was not successful in achieving its objectives like controlling unaccounted money, counterfeit money, but along with increase in digital transactions finance related cyber-crime rate also has

increased. Demonetization created negative impacts on real estate and tourism sectors as evidenced by few studies. Impact of demonetization was observed in all spheres of life and this impact was also expected on SHGs where women are directly involved in saving and investment activities. However, hardly any study has examined the impacts of demonetization on SHGs. This study attempted to fill this gap by examining the impacts of demonetization on SHGs.

Objectives of this study were to examine nature of SHGs, analyse saving patterns before and after demonetization, examine impacts on economic activities of SHGs, assess the impact on transactions of SHGs and to study the performance of SHGs during demonetization. Karnataka state was considered for the study, where Bangalore Urban (Anekal Taluk) and Kalaburgi (Chittapur Taluk) districts were selected for collection of primary data, as these districts respectively represent urban and rural areas. Primary data were collected through structured schedules and respondents were office bearers and members of SHGs. This study covered only two districts and hence there is a limited scope for generalization of results.

Regular savings and contribution to SHG is an important function of members. Results revealed that total savings of women reached Rs. 16,114 Crores during end March 2017 from Rs. 13,261 Crores in March 2016. It further increased to Rs. 19,592 in March 2018. This indicated that the saving habit of women has not decreased even during demonetization process.

According to NABARD number SHGs increased during the above period, with a declined rate in 2016-17, which shows that demonetization reduced the pace of increase in number of SHGs. Further, it was observed that loan disbursement by banks to SHGs during 2016-17 also declined, thus confirming the adverse impacts of demonetization on SHGs.

This study covered 111 SHGs and all these are women SHGs, with 1785 members, out of which 1574 were below poverty line families, and in Kalaburgi district all member families belong to this category. This shows that in rural areas, where more number of poor families live, women become members of SHGs to avail benefits from these micro financial institutions.

Educational level of members showed that 55 per cent of members had schooling, and in Bangalore Urban district college level educated women also had become members, indicating acceptance of SHGs by educated women also.

Analysis of occupational pattern revealed that 68 per cent of women members participated activities like agriculture, self-employment, wage labour, employee in private sector, government employee and anganawadi staff. In Kalaburgi district 85 of members involved in agriculture and wage labour activities, which showed that in rural areas women, still depend on conventional occupations for their livelihood. Therefore, SHGs would provide them way to overcome these traditional barriers to improve their economic condition.

Impacts of demonetization on SHGs as observed in this study are presented below:

Television was the major source of information on demonetization as over 79 per cent of SHG office bearers reported.

Large number of office bearers (68 per cent) opined that demonetization was not good as it affected cash availability. This proportion was high in Kalaburgi.

Among the members nearly 90 per cent expressed that demonetization was not good because it postponed their payment of wage citing non-availability of cash. This forced people particularly those depending on wage labour to borrow from others or get grocery and other items from shops on loan basis. This experience of people reveals the immediate effect of demonetization.

It was found that depositing old notes in banks and non-availability of new currency were the major issues discussed by members. Bank related problems were observed in Bangalore not in Kalaburgi revealing urban women participate in bank related activities, while this might not be much in rural areas.

During demonetization period members were forced to postpone their contribution to SHGs for some time due to non-availability of cash.

The study observed changes in savings pattern of SHG members, as opined by 34 per cent of office bearers. During demonetization members could not pay their contribution, which indicates that the impact of demonetization was more in rural areas due to non-availability of cash.

The study found that demonetization did not stop SHGs functions, but contribution from members during demonetization was delayed, but members paid it later.

It was found that SHG office bearers found difficulties while taking new currency from banks during demonetization period. Further, the amount given by banks was insufficient.

The study observed delay in payments to SHG members from their economic activities, as reported by nearly 60 per cent of members from both districts. This problem was more in Kalaburgi district as over 84 per cent of respondents experienced delayed payments. This may be equated to loss of welfare to people during the delayed period.

Results showed that members (44 per cent) postponed some of their expenditures during demonetization. In Kalaburgi, i.e., rural area, this percentage was high revealing the adverse impact of demonetization on household expenditures.

During focussed group discussion members expressed that demonetization curtailed their financial freedom to some extent as they had to reveal about their small savings to husbands and also depend on them to deposit old currency in banks. Overall, members opined that demonetization reduced purchasing power particularly of women.

Based on the results following suggestions may be made:

Savings from SHGs did not decline even during demonetization; hence this habit needs to be encouraged in both rural and urban areas.

Disbursement of loans by banks declined during demonetization, hence adequate measures need to be initiated to ensure smooth loan issue for SHGs.

In urban areas women with higher education participated in SHG activities. This indicates that even in rural areas also women with higher education may be encouraged to involve in SHG activities to empower them.

In rural areas large number of women depend on conventional occupations like agriculture and wage labour, hence promotion of SHGs among these people would provide impetus to overcome their poverty.

Further, these groups of people need to be insulated from shocks of sudden changes in policies, like demonetization.

Detailed analysis about the immediate effects of any policy changes need to be conducted before implementing policy, otherwise this adversely affects vulnerable sections like wage earners, informal sector workers, etc.

Demonetization resulted in non-availability of cash and hence payment to people was delayed, hence members of SHGs postponed their contribution. This indicated that adequate measures need to be taken to ensure regular payment to people, particularly wage labourers, etc.

Banks need to be educated to cooperate with their customers.

Measures need to be initiated to overcome adverse impacts like reduction in household expenditure which cause welfare loss.