



GOVERNMENT OF KARNATAKA

**AN ASSESSMENT OF IMPACTS OF DEMONETISATION
ON SELF HELP GROUPS IN KARNATAKA**



ಕರ್ನಾಟಕ ಮೌಲ್ಯಮಾಪನ ಪ್ರಾಧಿಕಾರ
Karnataka Evaluation Authority

**KARNATAKA EVALUATION AUTHORITY
DEPARTMENT OF PLANNING, PROGRAMME MONITORING AND STATISTICS
GOVERNMENT OF KARNATAKA**

JULY 2019

AN ASSESSMENT OF IMPACTS OF DEMONETISATION ON SELF HELP GROUPS IN KARNATAKA

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GOVERNMENT OF KARNATAKA**



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CONSTITUTION OF INDIA

PREAMBLE

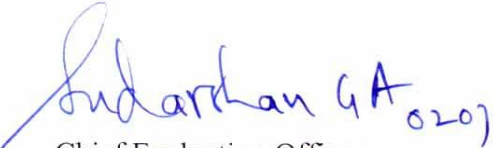
WE, THE PEOPLE OF INDIA,
having solemnly resolved to constitute India into a
SOVEREIGN SOCIALIST
SECULAR DEMOCRATIC REPUBLIC
and to secure to all its citizens:
JUSTICE, social, economic and political;
LIBERTY of thought , expression,
belief, faith and worship;
EQUALITY of status and of opportunity;
and to promote among them all
FRATERNITY assuring the dignity of the
individual and the unity and
integrity of the Nation;
IN OUR CONSTITUENT ASSEMBLY
this twenty-sixth day of November, 1949, do
HEREBY ADOPT, ENACT AND GIVE TO
OURSELVES THIS CONSTITUTION.

FOREWORD

Government of India announced a major change in the monetary policy of the country through demonetization of currency on 8th November 2016 by withdrawing Rs. 500 and Rs. 1000 currency notes from circulation. The major objectives included elimination of fake currency and unaccounted money, control of subversive activities and more particularly promoting cashless economy through the digital payments system. This sudden change had its positive as well as negative impacts on the economy. The transition period was full of adjustments that varied across different categories of people involved in different activities. To understand these implications on women in Self Help Groups, a study on 'An Assessment of Impacts of Demonetisation on Self Help Groups in Karnataka' was initiated by Department of Women and child Development through Karnataka Evaluation Authority (KEA). The study was outsourced by KEA to the Empanelled Consultant Organization Hyderabad Karnataka Centre for Advanced Learning, Kalaburagi.

The findings of the study are based on a stratified random sample of 111 SHGs from two districts of Bangalore Urban and Kalaburagi in Karnataka State. Women members expressed the opinion that demonetization was not good as it paralysed their transactions due to cash crunch. They had to postpone the payments and household purchases. The impact was more felt in rural areas of Kalaburagi than in Bangalore Urban district as the use of cash is very high in transactions in rural areas. However, the results need to be interpreted cautiously due to limited coverage and data limitations of the study. The study has suggested promotion of financial literacy and digital payment systems that may help to control the immediate adverse impacts of such a policy change and may also help to move forward towards a cashless economy.

The study received support and guidance of the Principal Secretary and the Secretary Planning, Programme Monitoring and Statistics Department, Government of Karnataka. The report was approved in 43rd Technical Committee meeting. The review of the draft report by KEA, members of the Technical Committee and an Independent Assessor, has provided useful insights and suggestions to improve the report. I duly acknowledge the assistance rendered by all in successful completion of the study.


Chief Evaluation Officer
Karnataka Evaluation Authority

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President

HKCAL, Kalaburagi

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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.

Chapter I

Introduction

Money assumes an important role in facilitating economic and business activities by acting as a medium of exchange and store of value. Transaction of goods and services has increased over the years necessitating more use of money. 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. Normally money constitutes cash in hand and deposits in banks and post offices. Cash in hand is preferred by individuals and businessmen alike as it provides high liquidity compared to deposits. It is to be noted that the present world economy is moving towards electronic money based on the latest digital technology transactions, but cash in hand is still playing significant part in the economy. As a result, any changes in monetary policy alter money supply, i.e., both cash in hand and deposits. Money supply is an important determinant of prices, investment, income, employment and other socio-economic variables. Hence, changes in monetary policy affect movement of these factors, thus economic and social life of people. In this background an assessment of impacts of demonetization is necessary, where this study has attempted to examine the impacts of demonetization on SHGs in Karnataka.

Money is backbone of modern economies which are based on expanded markets, i.e., producers and consumers with increased volume of transactions. Modern economies are in the process of fast movement towards digital economy, where information technology is paving way for electronic transactions of money. This technological development has been enabling countries to adjust their monetary policies to meet various needs of the economy. In this regard, Indian government also introduced a major change in its monetary policy to attain different objectives.

Government of India announced a major change in monetary policy, demonetization, on 8th November, 2016 by withdrawing Rs. 500 and Rs. 1000 notes from circulation. Subsequently Reserve Bank of India, on the basis of Government of India Gazette, issued a circular stating “In terms of Gazette Notification No 2652 dated November 08, 2016 issued by Government of India, 500 and 1000 denominations of Bank Notes of the existing series issued by Reserve Bank of India (hereinafter referred to as Specified Bank Notes) shall cease to be legal tender with effect from November 09, 2016, to the extent specified in the Notification. Further, it stated that a new series of Bank Notes called Mahatma Gandhi (New) Series having different size and design, highlighting the cultural heritage and scientific achievements of the country, would be issued (RBI 2017).

Major objectives behind this move as specified by the government were:

- (1) Elimination of fake currency – stated that the fake currency of above denomination notes are largely in circulation, identification of fake and genuine bank notes has become difficult and use of fake currency is causing adverse impacts on the economy;
- (2) Elimination of black money – stated that high denomination bank notes have been used for storing unaccounted wealth, which has come to light because of large cash recoveries made by enforcement agencies;
- (3) Control of subversive activities – said that fake currency has been used for financing subversive activities like drug trafficking and terrorism, which is causing damage to economy and security of the nation.

In the background of above objectives Government of India ceased Rs. 500 and Rs. 1000 notes as legal tender with effect from 9th November, 2016. It was stated that high denomination money was used for creating black money

and subversive activities. In this respect the Government aimed at curbing these illegal activities by removing existing high denomination currencies and replacing them with new currencies, a move which could also reduce fake currencies. On the eve of demonetization, in terms of value, as per the Annual Report of Reserve Bank of India (RBI - 31 March 2016) in March 2015 and March 2016 high denomination currencies, i. e, Rs. 500 and Rs. 1000 accounted for over 85 per cent and 86.4 per cent of total currencies in circulation, which indicates that high denomination currency was significantly large in circulation. Keeping this in view, Government of India introduced demonetization, initially stating to control cash transaction and later it was said that demonetization is for reducing cash circulation, encouraging digital payments and making Indian economy less cash dependent.

Demonetization is not new in India as Indian Governments had demonetized currencies earlier also where in January 1946 and January 1978 higher denomination banknotes of Rs. 1000, Rs. 5000 and Rs. 10000 were withdrawn from circulation.

1.1. Definition of Demonetization

Demonetization is a monetary policy where a certain currency unit ceases to be used as a form of legal tender. Further, it is an act of stripping a currency unit of its status as legal tender. Governments take decisions to stop circulation of some denominations or completely replace old currency for various reasons. During demonetization process demonetized currency is withdrawn from circulation and deposited in banks and replaced by currency which is in circulation or with new currency. Demonetization is also referred to as the process of moving people from a cash-based transaction system to a cashless transaction system. Nowadays governments and financial institutions discourage people from keeping hard cash as it helps in evading tax, reducing

deposit base of financial institutions and may increase public debt. In this regard demonetization has been defined as ending something that is no longer legal tender in a country or when a currency notes of a particular denomination ceases to be a legal tender it is called as demonetization (Rebello, J. and Gayatri N. (2016 Nov 29).

Generally, demonetization is implemented for various factors such as combating inflation, removing corruption and criminal activities (counterfeiting, tax evasion), discouraging cash dependent economy, facilitating trade, and controlling circulation of black money and other unaccounted money. Demonetization is a process with multi-dimensional impacts on all groups i.e., households, manufacturing, services, etc. in the economy, covering both formal and informal sectors (V. Basil Hans).

1.2. Demonetization across Countries

Demonetization as a monetary policy has been implemented by many countries from time to time for various reasons and under different circumstances. Ghana (in 1982), Myanmar (in 1985, 1987), Brazil (in 1990, 1993), Soviet Union (in 1991), Russia (in 1993), Iraq (1993), North Korea (in 2009), Cyprus (in 2013), Greece (in 2015), and Venezuela (in 2016) announced demonetization suddenly for reasons like controlling excess liquidity, hyperinflation, fighting black marketing, control organized crime, exchange of old notes, meet financial and fiscal needs (GoI 2017).

While countries like Singapore (1967, 1999 and 2014), Australia (1988 and 2015), Euro (1999), Canada (2011), Denmark (2012), Sweden (2013 – 2016), Zimbabwe (2015), Pakistan (2015), Euro area (2016) introduced demonetization with prior announcement to overcome monetary system failure, prevent counterfeit money, create common currency, mitigate higher value money, improve public confidence in currency, replace banknotes, control

inflation, corruption, black money, terrorism and illicit activities using high denomination currency (GoI 2017).

1.3. Demonetization in India

Central Government announced demonetization in India on November 8, 2016 by withdrawing Rs. 500 and Rs. 1000 notes from circulation. These two category notes accounted for 86 per cent of total circulating cash in the economy. Government provided time till December 31, 2017 to deposit old currencies of Rs. 500 and Rs. 1000, and issued new currencies of Rs. 2000 and Rs. 500. According to the government demonetization was implemented for various reasons, which changed from time to time, like combating underground economy, eradicating counterfeit currency, controlling corruption, controlling tax evasion, eliminating black money (from money laundering, terrorist activities), promoting cashless economy, and controlling individuals and institutions/entities with huge sums of black money obtained from parallel cash systems.

Initial phase of recent demonetization saw lot of confusions as the cash dependent economy unexpectedly starved of cash to carry out economic activities. People had to stand in long and snake like lines outside banks and ATMs to exchange their old currency to new currency. The problem was accentuated by non-adjustment of ATM technology to new currency of Rs, 2000 and Rs. 500, so large number of ATMs turned non-functional to new currency. Further, government had imposed restrictions on withdrawal limit of cash by individuals from banks and ATMs, where majority of banks and ATMs faced shortage of cash.

It was believed that implementation of demonetization would result in improving financial system besides financial behaviour of citizens encouraging them to use less cash and move towards digital transactions. It was also hoped

that the entire exercise would reduce inflation and control black money circulating in the economy. However, according to RBI's Annual Reports share of high denomination currency did not decline significantly, as it was 86.4 per cent in March 2016 and 80.2 per cent March 2018.

Demonetization was expected to promote digital transactions, which paved way for development of alternative methods of payments like Real time gross settlement (RTGS), National electronic funds transfer (NEFT), mobile wallets (Paytm, MobiKwik), prepaid cash cards (Itzcash, Ola Money, Flipkart Wallet) etc. Information presented in Table 1.1 shows payments made through electronic systems in India between November 2016 and January 2018 published by Reserve Bank of India. Payments made through different electronic systems was Rs. 94004 billion in November 2016 and increased to Rs. 131980 billion in January 2018, which indicates rise in use of electronic payment methods. Among the various methods highest proportion of payment is made through RTGS followed by NEFT. Electronic payments across all methods have increased during the above period, as shown by average growth rate, but payment made through mobile banking has declined from November 2017. This issue needs to be studied further to examine factors for decline in the wake of promotion of mobile banking among people.

Table 1.1: Electronic Payment Systems - Representative Data (Updated as on March 06, 2018)

(Value in Rs. Billion)

Data for the period	RTGS	NEFT	CTS*	IMPS*	NACH*	UPI*	USSD**	Debit and Credit Cards at POS &	PPI #	Mobile Banking	Total
Nov-16	78479.2	8807.8	5419.2	324.8	606.6	0.9	7302.6	352.4	13.2	1244.9	94004.2
Dec-16	84096.5	11537.6	6811.9	431.9	626.8	7.0	103718.4	522.2	21.3	1365.9	104055.3
Jan-17	77486.1	11355.1	6618.4	491.2	541.4	16.6	381760.2	481.2	21.0	1206.7	97011.4
Feb-17	74218.8	10877.9	5993.9	482.2	592.0	19.0	357055.2	391.5	18.7	1080.0	92594.5
Mar-17	123375.8	16294.5	8062.8	564.7	829.4	23.9	337962.4	416.2	21.5	1499.9	149589.1
Apr-17	88512.2	12156.2	6990.6	562.1	905.2	22.0	301650.5	431.4	22.3	1443.8	109602.2
May-17	90170.5	12410.8	6745.9	585.6	692.4	27.7	316723.7	450.8	25.3	1940.7	111109.3
Jun-17	92812.6	12694.2	6409.9	596.5	708.6	30.7	313277.0	468.2	24.1	1584.7	113745.2
Jul-17	87149.3	12011.6	6342.5	604.8	771.7	33.8	302097.8	439.3	25.1	1019.2	107378.4
Aug-17	89163.4	12500.4	6224.3	651.5	752.4	41.3	294239.4	457.1	27.2	1033.0	109817.9
Sep-17	102348.1	14182.1	6271.5	717.6	628.4	52.9	323578.5	478.2	27.6	1121.6	124706.8
Oct-17	92056.1	13851.3	6340.2	750.4	900.5	70.3	299071.8	530.5	32.7	1168.7	114532.2
Nov-17	98410.5	13884.0	6633.9	782.6	724.1	96.4	287309.6	483.3	32.0	848.4	121047.1
Dec-17	100907.8	15779.2	6564.0	871.1	714.0	131.4	299367.3	528.7	35.1	921.5	125531.5
Jan-18	107488.4	15374.1	6792.6	882.1	727.7	155.4	290020.0	521.9	38.3	928.7	131980.8
Avg. Growth Rate (%)	3.9	5.4	2.3	7.7	2.9	76.0	111.6	3.8	8.9	-0.1	3.9

Source: Reserve Bank of India Website

Note:

1. Data is provisional.
2. *: Source is NPCI.
3. **: Figures Negligible, Source is NPCI
4. &: Card transactions of four banks.
5. #: PPI issued by 8 issuers for goods and services transactions only.
6. h: Holiday
7. Mobile Banking figures are taken from 5 banks. The total volume & value of electronic payment systems does not include mobile banking.
8. NACH figures are for approved transactions only

RTGS – Real time gross settlement
NEFT – National electronic funds transfer
CTS – Cheque truncation system
IMPS – Immediate payment service
NACH – National automated clearing house
UPI - Unified Payments Interface
USSD - Unstructured Supplementary Service Data
POS – Point of sale
PPI – Prepaid payment instrument

Demonetization, although was intended to yield favourable results on the economy the initial impacts were not so favourable as it resulted in different types of hardships. During demonetization, as reported in various newspapers and electronic media households struggled to find cash, small businesses were severely affected, daily wage workers suffered. In this regard, examining the impacts of demonetization on vulnerable sections of society like women becomes necessary. In this background the present study has attempted to examine impacts of demonetization on self-help groups (SHGs) in Karnataka. SHGs have been seen as an instrument of women empowerment by educating women on saving and investment related aspects and further by providing financial help to involve in income generating economic activities. As functions of SHGs involve saving and investment related activities there is a need to examine the impacts of demonetization on SHGs.

1.4. Review of Studies on Demonetization

Review of available studies on demonetization and its impacts is presented here.

Phansalkar Sanjiv (2016) observes that demonetization impacts rural poor in five dimensions. In rural area poor people get short term income by selling produce or labour. Among rural producers particularly those who produce milk, vegetables, eggs, etc. are going to be adversely affected by demonetization when rural people transact these for cash. Demonetization was also expected to affect short term expenditures in rural area, particularly for landless and migrant wage earners. Rural women who maintain some savings for contingencies would have lost their wage on the day they spent at bank depositing old notes otherwise might have lost a portion of wage by paying persons who have helped them to deposit or exchange old notes, which means that this would be a significant loss to rural women. There would be adverse impact of demonetization on incomplete capital asset transaction particularly in far away

areas. Powerful men in rural areas would use people like members of self-help groups to deposit old currency, which negatively impacts rural poor.

Nikore Mithali (2016) explains impacts of demonetization on women would be through five channels. First one among them is reduction in their financial independency as women have to credit money available with them to banks. This requires to be happened with help of their male counterparts as large number of women carries out bank or other financial activities with the help of their husband. Second, women in informal activities like domestic help, agricultural labourers, workers in factories, daily-wage earners etc. receive their earnings in cash and these groups of people would be put in disadvantageous condition due to demonetization. Third, exchanging old notes in banks or drawing new currency at ATM by women alone without her male partner is unsafe as opined by the author. Fourth, usually women save money from their home expenditure and keep this in cash normally without informing their family members. This kind of cash is a safety net for women suffering from domestic violence, mental and emotional abuse, etc. Demonetization compels these people to disclose their saving which might put them in difficulty in front of their family members. Finally, physical barriers in terms of access to banks and modern electronic gadgets like smart phones also pose constraints for women during demonetization process along with the above. All these factors indicate demonetization adversely impacts on women.

Dash A (2017) argued that initial impacts of demonetization were seen in social, economic, and health sector, as people faced cash problems during marriages, at hospitals, etc. because of non-availability of cash. Besides, a cash limit of Rs. 2,50,000 was allowed for marriages after producing wedding invitation, but public opined that this amount was insufficient to meet necessary expenditures of marriage. Further, lack of cash in hand led many people to forego their medical treatment. People had to stand in long lines at banks and

ATMs waiting for hours to get cash, which all indicate that people found it difficult to adjust during the initial phase of demonetisation.

Arun Kumar (2017) states that in modern economies money is used for purposes like transactions, precautionary motives, meet contingencies and also as store of value. Hence, money is an asset accumulated over time. The study finds that demonetization reduced cash availability in the economy. This reduction in cash adversely affected the informal sector, which produces 45 per cent of output, because of contraction in transactions. Further, working capital for unorganized sector reduced, particularly impacting on small and cottage industry, shop keepers, etc.

A study (Hariharan S et al. 2018) conducted in Kanchipuram district of Tamil Nadu on socio-economic and health impacts of demonetization revealed that 58.1 per cent of participants used only cash as their payments mode and only about 6.7 per cent of participants reported to have used credit card, debit card and online transactions, which indicates that majority of people use cash as payment mode. Large number of participants (over 60 per cent of sample) had reported to be satisfied with demonetization move as it would help government in curbing black money and fund for terrorism related activities. Further, majority of respondents opined that the government had not made adequate arrangements for implementation of demonetization and hence large number of people under went stress during demonetization process.

Vij Dimpal (2018) analyzes impacts of demonetisation on Indian economy and finds both positive and negative effects. The study states that people converted their black income to white by depositing in banks, as 99 per cent of Rs. 500 and Rs. 1000 i.e. Rs. 15.28 crore of Rs. 15.44 crore has been deposited in banks. Further, 2.24 lakh dubious companies were identified and their bank accounts are frozen. It is observed that Rs. 15497 crores of

unaccounted money had been voluntarily declared which is 38 per cent higher than previous year which indicates positive effect of demonetization. However, on terror funding the study states that in the first six months of 2017 terrorist supported activities like stone pelting in Jammu and Kashmir increased from 71 to 324; controlling fake currency another objective of demonetization was also not achieved as many cases of counterfeit currency had come to light. Demonetization has helped in increasing tax compliance as direct tax collection rose by 15.2 per cent between April and October 2017-18. The study finds that demonetization has helped in changing saving habits of people as gross financial savings increased from 10.9 per cent of gross national disposable income in financial year 2016 to 11.8 per cent in the year 2017. People instead of holding cash invested their money in mutual funds, which saw an increase of 155 per cent. However, the study observes that GDP growth has declined from 8 per cent in 2015-16 to 7.1 per cent 2016-17. Agriculture sector that depends largely on cash based transactions was hit by demonetization and similarly industrial sector also witnessed decline from 8.8 per cent in 2015-16 to 5.6 per cent in 2016-17 as noticed by the study. Demonetization hit hard the real estate sector which saw a negative growth from 4.5 per cent in 2015-16 to 1.7 per cent in 2016-17. It is to be noted that demonetization aimed at increasing digital transactions, but this move has resulted in more number of cyber crimes in the country. As reported by the study cyber crime increased by three folds during this time.

A study on effects demonetization conducted in National Capital Region during January – February 2017 by Beg Sana and Nandita Joshi (2017) revealed that 50 per cent of respondents opined note ban was not a bad move, but majority said that demonetization is not the only way for controlling black money because people hold black money in terms of assets. Over 80 per cent of respondents faced problems of exchanging Rs. 2000 notes. Majority of people

reported that demonetization was not a planned implementation, had several loopholes. It adversely affected routine life of people (65 per cent of respondents). The study observed negative impact of demonetization on real estate sector (as reported by 55 per cent of respondents) and tourism industry (90 per cent of respondents).

Gabriel Chodorow-Reich, Gita Gopinath, Prachi Mishra and Abhinav Narayanan (2018) study the importance of cash in transaction by analysing impacts of demonetization in India. The study assumes that demonetization amounts to a forced conversion of cash into less liquid bank deposits, which in the presence of downward wage rigidity generate a decline in output, employment and borrowing by firms. Households also switch to non-cash forms of payment to attenuate the impact of cash shortage. The study observes that all districts experienced reduction in the receiving new currencies, where the median district received new notes equal to 31 per cent of demonetized notes. After demonetization payments using e-wallet and POS have increased, growth in alternative method of payments. Further, the study finds that in areas experiencing severe demonetization effects bank deposits have increased while credit has been contracted. The authors found that areas experiencing more severe demonetization had sharper declines in ATM withdrawals, reduced economic activity, and faster adoption to alternative payment technologies. The observed the following results “(i) demonetization caused cash shortages, as evidenced by a sharper decline in ATM withdrawals in areas with larger shocks; (ii) economic activity, as measured by employment rates and nightlights, fell in these areas relative to areas which experienced smaller shocks; (iii) these areas adopted alternative forms of payment; and (iv) deposits increased more and credit fell in these areas”.

These impacts of demonetization vary among individuals, across groups, institutions and sections of society. Self Help Groups (SHGs), considered as micro level finance groups, which are active stakeholders in market were also likely to be affected by demonetization. Review of literature presented above showed that sudden announcement and 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. For instance, in Tamil Nadu where more than 50 per cent of respondents use cash payments faced problems during demonetization process. 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 is 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. Majority of the available studies are general in nature in examining the impacts, while few have mentioned any information on data and sample selection. Therefore, the present study attempts to fill this gap by examining the impacts of demonetization on SHGs.

1.5. Need for the Study

SHGs have been considered as catalyst of empowering women by promoting saving and investment habits. As observed in review of literature there is absence of studies on impacts of demonetization on SHGs. Therefore, there is a need to study the impacts of demonetization on SHGs. In the above

background this study attempted to assess and analyse impacts of demonetization on SHGs in Karnataka. SHGs are considered as an important development as well as empowerment 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. VOICE (2008) defines SHGs as development group for poor and marginalized; are recognized by government and does not require any formal registration while the purpose of SHG is to build functional capacity of poor in employment and income generating activities.

Further, SHGs have been described as groups which manage and lend savings and externally provided funds to their members. SHGs help members to involve in different economic activities which are helping them to overcome or reduce poverty. SHGs are involved in savings and lending activities of members, which are used in asset creation, meeting contingent expenses, starting income generating 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 has a direct impact on these activities of SHGs. Therefore, the present study examined the impacts of demonetisation on SHGs in Karnataka.

1.6. Objectives of the Study

Specific objectives of the study are as follows:

1. To examine the nature of SHGs in terms their structure and functions
2. To analyse the saving patterns of SHGs before and after demonetization
3. To examine the impact on economic activities of SHGs before and after demonetization
4. To assess the impact of demonetization on the volume of transactions.
5. To assess the performance of SHGs before and after demonetization.

1.7. Methodology of the study:

Karnataka has 281615 SHGs as on 2015 according to Rural Development and Panchayat Raj Department, Government of Karnataka.

This study aimed at examining impacts of demonetization on self help groups in Karnataka. Impacts of demonetization have been assessed considering three periods i.e., before, during and after demonetization in order to identify phase wise repercussions. The reference time period is April 2016 to May 2017 covering three periods i.e., before, during and after demonetization. This evaluation study focussed on impacts of demonetization on SHGs and its members, particularly their saving and income generation activities. The study used before and after approach to assess impacts of demonetization on SHGs as it facilitates for comparative assessment. This is a short term study aiming to understand impacts of a policy decision from the perspective of SHGs and its members. Hence, simple statistical tools like average, percentage, were applied to analyse data.

The study is mainly based on primary data collected from SHGs and SHG members. Structured schedules were canvassed to collect primary data from respondents, i.e., SHG office bearers and SHG members. SHGs were identified by using purposive sampling method considering representation to urban and rural area as main criteria, where Bangalore urban and Kalaburgi districts were selected respectively. In Bangalore urban district Anekal taluk has been selected as it reports highest number of SHGs compared to other taluks. However, in Anekal taluk SHGs which comes under BBMP area were also considered to give representation to urban area. In Kalaburgi district Chittapur taluk was selected as it showed highest number of SHGs compared to other taluks. Sample design of the study is presented below:

Sample Distribution of the study

Criteria	District	Taluks	Total Number of SHGs	Sample	Economic activity groups	Savings group	Members
Urban	Bangalore	Anekal (including BBMP area)	1459	68	34	34	158
Rural	Kalaburgi	Chittapur	855	43	21	22	84
Total			2314	111	55	56	242

1.8. Data collection tools:

This study has used both primary and secondary data on SHGs in Karnataka. Secondary data have been collected from Government of Karnataka website, like Department of Rural Development and Panchayat Raj, while primary data have been collected through structured schedules from SHGs office bearers and members in the selected area.

1.9. Method of data analysis:

Both primary and secondary of the study have been analysed by applying statistical tools like descriptive statistics and results have been presented in descriptive and tabular form. The primary data have been processed and qualitative data are appropriately coded before analysis.

1.10. Scope and Limitations of the Study:

The present study is an attempt to examine impacts of demonetization on SHGs in terms of problems faced by members, effects on income, savings and contribution to SHGs, etc. The study has used both secondary and primary data to study the impacts. It is to be noted that this is a short term study and hence detailed analysis by collecting extensive data was not possible within the short

term. Therefore, analysis in the study has been oriented to elicit the experience of SHG members during demonetization. Further, the study covered only two districts, representing urban and rural areas. Therefore, while generalizing the results caution is required considering the regional variations of the impacts. In this regard this is an indicative study which throws light on impacts of demonetization.

Chapter II

Self-Help Groups in India and Karnataka

In recent years Self Help Groups (SHGs) have been developed as a strong instrument for empowering women and removing poverty in both rural and urban areas. SHGs with the network support of commercial banks, NABARD, non-governmental organisations, etc. have emerged as powerful instrument to alleviate poverty and for empowering women. These organizations promote savings and income generating economic activities among women thus paving way for women empowerment and poverty eradication.

Self-Help Groups are organisation of women with membership of 20 women, out of which one person elected as a leader. Members of SHGs regularly contribute amount and this amount is circulated to the required member at a low interest rate. This creates a provision for women to get loan at a cheaper rate of interest to meet their immediate needs. Besides, after sustaining SHGs also provide loans for income generating economic activities. SHGs are linked with banks which help them to secure loans for members to carry out economic or entrepreneurial activities.

SHGs exhibit basic features like – creation of common fund by members with regular contribution out of their savings; management of pooled financial resources in a systematic way; weekly disbursement of loans by the group; less paper work, and the loan amount is small and for short duration. This explains that SHGs conduct financial activities in a limited size and the process is easy and manageable by the members themselves (Downloaded from Shodganaga, University of Mysore).

SHGs carry out following activities by conducting group meetings on weekly basis with majority of members attending the meetings. The group

leader maintains accounts of contributions, loan disbursement, minutes of meetings, dealing with banks, etc. while other members support the leader. SHGs provide loans to group members for various purposes like health, education, marriage, etc. which indicates that SHGs are an easy source of fund for meeting immediate needs of members. Deliberations in SHGs encourage women to participate in household decision making process. Linkage between SHG and banks provide micro credit to women for establishing productive activities, which promotes employment creation and income generation. SHGs help in capacity building among women by creating awareness among them on health, education, financial aspects, etc. SHGs cultivate banking habits among women, particularly borrowing loans and repayment, and further develop skills of maintaining books and accounts. Thus SHGs perform different types of activities which are aimed at promoting women empowerment.

2.1. Savings and Loan Disbursement by SHGs in India

An important function of SHGs is to promote savings and investment behaviour among women. The saving habit of women, according to NABARD, resulted in total saving of Rs. 16,114 Crores by 31 March 2017, which increased from Rs. 13261 Crores during 31 March 2016 an increment of about 17.7 per cent. The outstanding savings of SHGs during 31 March 2018 was Rs. 19,592 Crores which increased by 22 per cent compared to the previous year (NABARD Annual Reports). This indicates that the saving habit of women through SHGs has not declined in recent years.

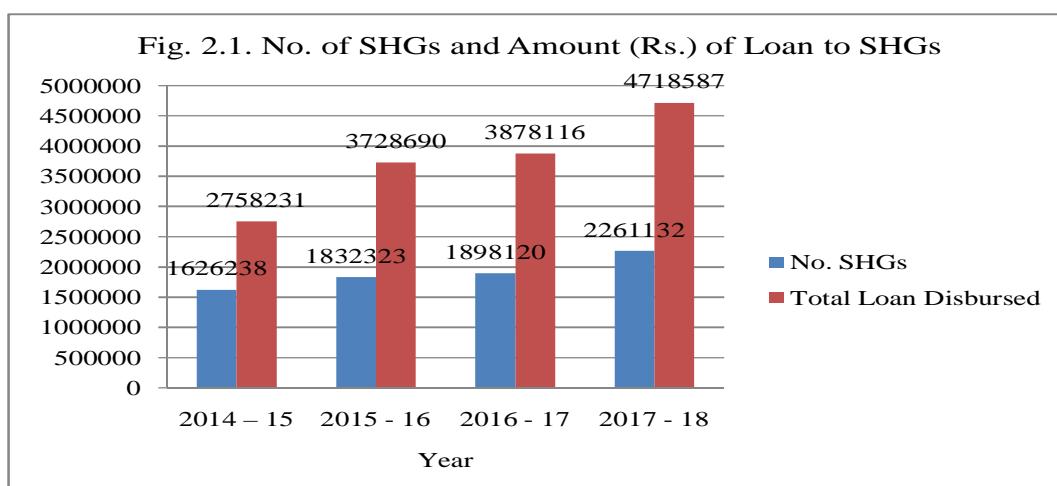
Let us examine number of SHGs and disbursement of bank loan to SHGs as reported by NABARD and presented in Table 2.1. The number of SHGs was 22.61 lakh during 2017-18 which increased from 16.26 lakhs in 2014-15. However, it is to be noted that the percentage change in number of SHGs declined during 2016-17 compared to 2015-16 and again increased during the next year. This indicates due to demonetization large number of women might

not have come forward to form new SHGs, but this trend changed in next year as number of SHGs increased by over 19 per cent as compared to previous year. Total loan amount disbursed by banks to SHGs was over Rs. 47.18 Crore and it was Rs. 27.58 Crore during 2014-15 (Fig. 2.1). Loan amount to SHGs between 2014-15 and 2015-16 increased by 35 per cent, but it increased around 4 per cent between 2015-16 and 2016-17. This shows that banks were not able to disburse loan to SHGs during demonetization period. This observation is also reported by NABARD, where it states that ‘Institutional credit flow to SHGs was reported to be adversely hit by the demonetization of specified bank notes declared on 8 November 2016 and the resultant disruption in the loaning operations by financing institutions’.

Table 2.1: Loan disbursed by banks to SHGs
(Total loan disbursed in Rs. Lakh)

Year	No. SHGs	Percentage change to previous year	Total Loan Disbursed	Percentage change to previous year
2014 – 15	1626238		2758231	
2015 - 16	1832323	12.67	3728690	35.18
2016 - 17	1898120	3.59	3878116	4.01
2017 - 18	2261132	19.12	4718587	21.67

Source: NABARD (2018), Status of Microfinance in India, Various issues, NABARD, Mumbai



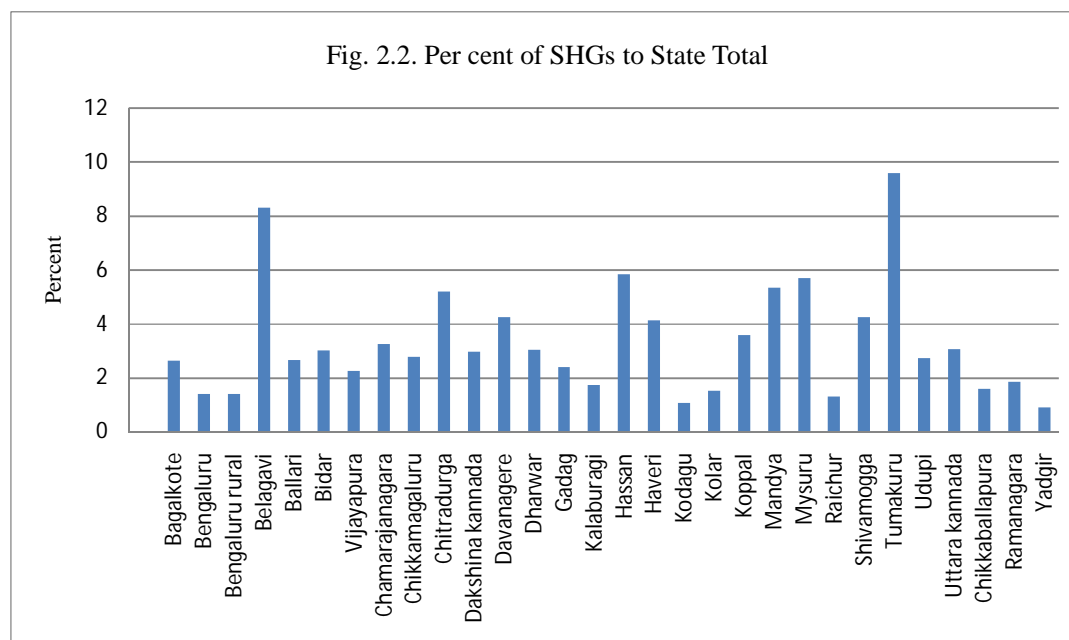
2.2. Number of SHGs and Members in Karnataka

Rural Development and Panchayat Raj Department, Government of Karnataka has published list of SHGs which have entered their details in the Department's website. More than 2.81 lakh SHGs have entered information on the website and this list provides information on number of SHGs by districts. Table 2.2 presents number of SHGs by districts, which indicates that Tumkur district has large number of SHGs (9.59 per cent, fig. 2.2.) followed by Belagavi (8.32 per cent) and Yadgir has less number of SHGs compared to other districts. But, Yadgir is a recently declared district and hence it is to be noted that Kodagu has relatively less number of SHGs. Bangalore Urban and Kalaburgi districts, study areas of the present study selected on urban and rural basis, have respectively 3946 and 4914 SHGs.

Districts	No. of SHGs	% of members	
		APL	BPL
Bagalkote	7464	8.07	91.93
Bengaluru	3946	2.43	97.57
Bengaluru rural	3941	1.44	98.56
Belagavi	23427	9.50	90.50
Ballari	7514	7.82	92.18
Bidar	8491	3.80	96.20
Vijayapura	6385	4.91	95.09
Chamarajanagara	9172	1.08	98.92
Chikkamagaluru	7866	8.30	91.70
Chitradurga	14677	1.81	98.19
Dakshina kannada	8384	23.91	76.09
Davanagere	12020	7.20	92.80
Dharwar	8586	3.42	96.58
Gadag	6766	5.48	94.52
Kalaburagi	4914	2.53	97.47

Hassan	16441	1.43	98.57
Haveri	11697	2.16	97.84
Kodagu	3037	15.33	84.67
Kolar	4297	1.18	98.82
Koppal	10099	3.63	96.37
Mandya	15096	5.20	94.80
Mysuru	16070	2.37	97.63
Raichur	3718	3.40	96.60
Shivamogga	12031	10.05	89.95
Tumakuru	27012	2.98	97.02
Udupi	7684	19.82	80.18
Uttara kannada	8656	7.76	92.24
Chikkaballapura	4491	1.42	98.58
Ramanagara	5211	1.41	98.59
Yadgir	2522	1.01	98.99
Total	281615	5.43	94.57

Source: GoK (2018) Rural Development and Panchayat Raj Department,
website: http://panchatantra.kar.nic.in/stat/shg_cat_stat.aspx - 28-12-2018



To sum up: Self Help Groups have been considered as an important institution to promote empowerment of women, for which various organizations have been working as network to promote SHGs in both rural and urban areas. SHGs collect small savings from women members and distribute the sum as loan to its members for meeting their financial requirements and also to start their own economic activities. Discussion revealed that the saving habit of women has not declined in recent years. Further, total number of SHGs has increased, though with a slight decline in increment during 2016-17, the year of demonetization. The loan amount disbursed by banks to SHGs declined during 2016-17 compared to previous year, which was due to effects of demonetization.

Karnataka has highest number of SHGs and in Karnataka also their number is increasing continuously. Amount of loan disbursed by banks in Karnataka also got reduced during 2016-17 because of demonetization. Among districts in Karnataka more number of SHGs were observed in Tumkur district followed by Belagavi.

Chapter III

Profile of Study Area and Self Help Groups

In order to examine impacts of demonetization on SHGs Bangalore Urban and Kalaburgi districts have been selected as discussed earlier. This chapter provides profile of these districts to understand their socio-economic features and details of SHGs. Table 3.1 depicts information on gross and net district domestic product, per capita income, and other socio-economic indicators of Bangalore Urban and Kalaburgi districts. Gross district domestic product of the state is Rs. 1012804 Crores, while for Bangalore Urban and Kalaburgi districts respectively it Rs. 363562 Crores and Rs. 19506 Crores during the year 2015-16. All the three income indicators are high for Bangalore Urban district and that of Kalaburgi are relatively less, which might be due to growth of industries and other business activities in Bangalore. Urbanization also vary to a large extent across these districts, where Kalaburgi is less urbanized than the state's urbanization level. Population distribution reveals that in Bangalore Urban district over 96.21 lakh people live and in Kalaburgi district it is 25.66 lakh people comprising respectively 15.75 and 4.20 per cent of state's population. Distribution of male and female population is almost equal in both the districts. Development indexes like empowerment index, gender inequality index and human development index among these two districts reveal that Kalaburgi district is far behind Bangalore Urban district in performance of all indexes. The above discussed features show that Kalaburgi district lags in development compared to Bangalore Urban district.

Table 3.1: Socio-economic features of selected districts

Sl. No.	Details	Bangalore Urban	Kalaburgi	Karnataka
1.	Gross District Domestic Product (Rs. Crore, year 2015-16, current prices)	363562	19506	1012804
2.	Net District Domestic Product (Rs. Crore, year 2015-16, current prices)	323891	17662	913367
3.	Per capita income (Rs.)	320346	65493	142267
4.	Urbanisation – 2011 (%)	91	33	39
5.	Population 2011			
	Total	9621551	2566326	61095297
	Male	5022661 (52.20)	1301755 (50.72)	30966657 (50.69)
	Female	4598890 (47.80)	1264571 (49.28)	30128640 (49.31)
6.	Rank in Empowerment Index	2	27	
7.	Rank in Gender Inequality Index	3	26	
8.	Rank in Human Development Index	1	20	

Source:

Sl. No. 1,2, and 3: Government of Karnataka (2018), Economic Survey of Karnataka, Department of Planning, Programme Monitoring and Statistics.

Sl. No. 4 and 5: Government of Karnataka (2015), Karnataka At a Glance 201-15, Directorate of Economics and Statistics.

Sl. 6,7 and 8: Government of Karnataka (2015), Human Development- Performance of Districts, Taluks and Urban Local Bodies in Karnataka – A Snapshot, Human Development Division, Department of Planning, Programme Monitoring and Statistics.

Note: Figures in parenthesis are per cent to total population

3.1. Number of SHGs in the Study Districts

Information presented in Table 3.2 illustrates distribution of SHGs in study districts, as provided by RDPR, GoK. Bangalore Urban district has 3946 SHGs and Kalaburgi district has 4914 SHGs. In Bangalore, Anekal Taluk has more number of SHGs (nearly 37 per cent), followed by Bangalore North Taluk, and while Kalaburgi, Chittapur Taluk reports 17.40 per cent of SHGs in the district and Jevargi has 15.75 per cent of SHGs. It is to be noted that in all taluks of both districts large number (95 to 99 per cent) of BPL families have become members of SHGs. This indicates that SHGs have attracted large number of poor people as SHGs provide an alternative means of savings and source of loan for them to meet their financial needs.

Table 3.2: Distribution SHGs in Study Districts

District and Taluk Name	Total no. of SHG Groups	% to district Total	% of families	
			APL	BPL
Bangalore Urban				
Anekal	1459	36.97	0.94	99.06
Bengaluru North	1369	34.69	3.21	96.79
Bengaluru South	856	21.69	2.92	97.08
Bengaluru East	262	6.64	4.94	95.06
Total	3946	100.00	2.43	97.57
Kalaburgi				
Afzalpur	637	12.96	1.68	98.32
Aland	707	14.39	3.94	96.06
Chincholi	607	12.35	0.78	99.22
Chittapur	855	17.40	3.36	96.64
Kalaburagi	686	13.96	4.41	95.59
Jevargi	774	15.75	1.01	98.99
Sedam	648	13.19	2.28	97.72
Total	4914	100.00	2.53	97.47

Source: Government of Karnataka, Rural Development and Panchayat Raj Department

3.2. Number of SHGs and Women SHGs Covered in the Study

This study covered 111 SHGs from both the study districts where 61 per cent are from Bangalore Urban district while remaining are from Kalaburgi district (Table 3.3). Anekal Taluk in Bangalore Urban has more number SHGs as compared to Chittapur taluk in Kalaburgi, therefore number of SHGs covered in Bangalore Urban are more. Further, it can be observed that all are women SHGs in both the districts, indicating women spread of women SHGs. This observation correlates with official data of government which shows that around 99 per cent are women SHGs.

Table 3.3: District wise number of SHGs

District	Number	Percent	Number of Women SHGs
Bangalore urban	68	61.3	68
Kalaburgi	43	38.7	43
Total	111	100.0	111

Source: Survey Data

3.3. Number of Members in SHGs

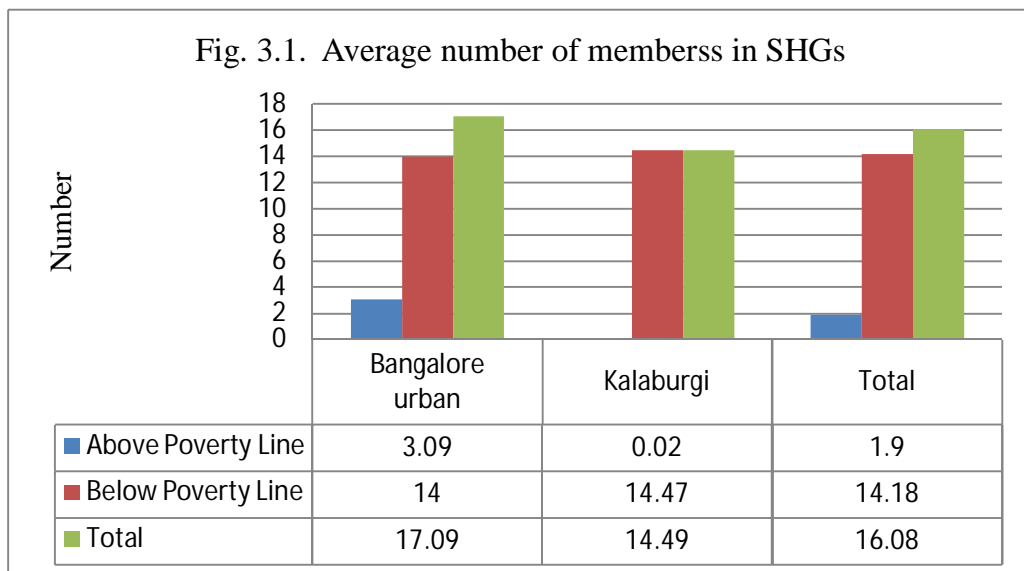
Details about the average and total number of members in SHGs by above poverty line and below poverty line are presented in Table 3.4. Taking both districts on an average 16 members are there in each SHG, in which majority of members belong to below poverty line families. Across the districts average number of members is more in Bangalore Urban district as compared to Kalaburgi district. Total number of members in SHGs covered in the study is 1785 from both the districts, out of which 1574 members are from below poverty line families. SHGs covered in Bangalore Urban district have 1162 members and Kalaburgi has 623 members. It can be noticed that almost all members in Kalaburgi belong to poor families (Fig. 3.1). The above details

show that more number of people become members of SHGs in rural areas, while in urban areas even people from above poverty line also become members. This deviation across rural and urban area might be because non-inclination of women from well to do families in rural areas to become members of SHG.

Table 3.4: Details of SHG Members

Districts	Average and Total Members	Above Poverty Line	Below Poverty Line	Total
Bangalore urban	Average	3.09	14	17.09
	Total	210	952	1162
Kalaburgi	Average	0.02	14.47	14.49
	Total	1	622	623
Total	Average	1.9	14.18	16.08
	Total	211	1574	1785

Source: Survey Data



3.4. Educational Level of SHG Members Covered in the Survey

Educational level information presented in Table 3.5 illustrates that more than half of the members (55 per cent) have schooling of primary (28 per cent) and high school (27 per cent) taking both districts together. Number of illiterate members is also high at 26 per cent from both districts. Across districts Kalaburgi shows more number of illiterate members compared to Bangalore Urban district. In Bangalore relatively large number of members has studied up to high school (35 per cent) and in Kalaburgi it is primary school (nearly 30 per cent). Another point to be observed in Bangalore is the membership by college level educated women, which indicates that in urban areas women with higher education are also participating in SHG activities. This shows that even in rural areas also college educated women may be encouraged to involve in SHG activities in order to empower them.

Table 3.5: Level of education of SHG members

Education	Bangalore urban	Kalaburgi	Total
Illiterate	16 (10.1)	48 (57.1)	64 (26.4)
Primary	43 (27.2)	25 (29.8)	68 (28.1)
High School	56 (35.4)	10 (11.9)	66 (27.3)
PUC	23 (14.6)	0 (0.0)	23 (9.5)
Graduate	20 (12.7)	1 (1.2)	21 (8.7)
Total	158 (100.0)	84 (100.0)	242 (100.0)

Source: Survey Data

3.5. Occupational Pattern of SHG Members

As observed above all SHGs covered in the survey are women SHGs, hence examining the nature of work or job these women members involve

would throw light on occupational pattern of members. SHG members are involved in different types of occupations as revealed in Table 3.6. Taking both districts together around 68 per cent of women members participate in activities like agriculture (19 per cent), self employment (18 per cent), wage labour (18 per cent), employee in private sector (6 per cent), government employee (2.5 per cent) and anganawadi staff (3 per cent). Housewives also constitute around 32 per cent of membership. This shows that membership of SHG comprises different sections of women, revealing that SHGs are well received by all sections of women. Across the districts interesting points are observed where in Bangalore Urban district over 42 per cent members are housewives, nearly 29 per cent are self-employed, but in Kalaburgi district members working in agriculture (41 per cent) and as wage labour (44 per cent) is high (85 per cent). It can be said that in rural areas women who depend on agriculture and wage labour for their livelihood are participating more in SHGs.

Table 3.6: Occupation pattern

Occupation	Bangalore urban	Kalaburgi	Total
Agriculture	11 (7.0)	35 (41.7)	46 (19.0)
Self employed	44 (27.8)	0 (0.0)	44 (18.2)
Wage labour	8 (5.1)	37 (44.0)	45 (18.6)
House wife	67 (42.4)	12 (14.3)	79 (32.6)
Private sector employee	15 (9.5)	0 (0.0)	15 (6.2)
Government employee	6 (3.8)	0 (0.0)	6 (2.5)
Anganawadi worker/ Helper	7 (4.4)	0 (0.0)	7 (2.9)
Total	158 (100.0)	84 (100.0)	242 (100.0)

Source: Survey Data

To sum up: This chapter presented important socio-economic features of study area and SHGs selected for analysis. Among the selected districts Bangalore Urban district has high gross district domestic product and per capita income compared to Kalaburgi, urbanisation is also high in Bangalore Urban district and in terms of human development index also Bangalore Urban district show good results, which all indicates that Kalaburgi district is relatively less developed district. Number of SHGs across these two districts also varies where Kalaburgi report more number of SHGs showing SHGs are established in large number in rural areas compared to urban areas. Further, SHGs have more number of members from BPL families. It was observed that all SHGs in the study were women SHGs showing the importance assigned by women to SHGs. Among the members more than 50 per cent had different types of schooling varying from primary school to college education. Occupation pattern of members revealed that more number of women members participated in economic activities such as agriculture, small business or self-employment, etc.

Chapter IV

Impact of Demonetization on SHGs as Perceived by Office Bearers and Members

Impact of demonetization was felt on all sectors of the economy as observed earlier. SHGs being an important organization of development particularly for women empowerment through saving and loan payment were likely to be affected by demonetization. Therefore, this study attempted to examine the impacts of demonetization on SHGs in Karnataka by selecting two districts representing urban and rural areas. This chapter discusses details of impacts of demonetization on SHGs as perceived by office bearers and members in the study area. This exercise would help in understanding the functioning of SHGs before, during and after demonetization. Before examining the impacts let us know the source of information, reaction of members towards demonetization, etc.

4.1. Source of Information on Demonetization

Table 4.1 shows that television is the major source of information on demonetization for SHG members. SHG office bearers reported that over 79 per cent of them came to know about announcement of demonetization in television. Another major source is SHG members (12 per cent). Across the districts in Kalaburgi nearly 98 per cent of members opined television as the source, while it is 67 per cent in Bangalore Urban district. It is to be noted that in Bangalore over 19 per cent of members received information from their co-members. This shows different sources of information to SHG members.

Table 4.1: Source of information to members about demonetization

Source of information	Bangalore urban	Kalaburgi	Total
Television	46 (67.6)	42 (97.7)	88 (79.3)
News papers	9 (13.2)	0 (0.0)	9 (8.1)
SHG members	13 (19.1)	1 (2.3)	14 (12.6)
Total	68 (100.0)	43 (100.0)	111 (100.0)

Source: Survey Data (Figures in brackets are percent total)

This study attempted to examine whether the members are aware about demonetization or not and it was observed that all members were aware about demonetization (Table 4.2). However, their awareness is that Rs. 500 and Rs. 1000 notes have been withdrawn and these notes cannot be used transaction. This shows that SHG members understand changes in policy and its impacts.

Table 4.2: Awareness of SHG members about demonetization

Awareness	Bangalore urban	Kalaburgi	Total
Yes	158 (100.0)	84 (100.0)	242 (100.0)
Total	158 (100.0)	84 (100.0)	242 (100.0)

Source: Survey Data (Figures in brackets are percent total)

Further, the study asked the office bearers about the understanding of members on demonetization and it was reported that all members (Table 4.3) had understood the process of demonetization.

Table 4.3: Understanding of demonetization

Did members understand demonetization	Bangalore urban	Kalaburgi	Total
Yes	68 (100.0)	43 (100.0)	111 (100.0)
Total	68 (100.0)	43 (100.0)	111 (100.0)

Source: Survey Data (Figures in brackets are percent total)

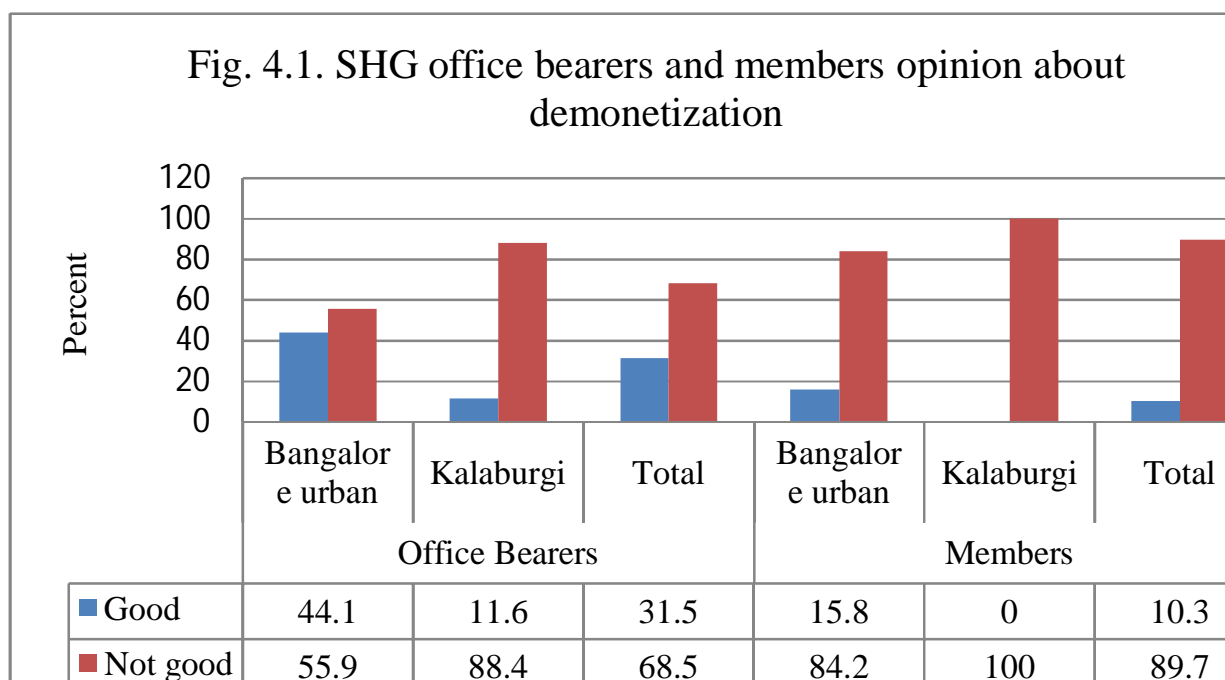
4.2. Opinion of SHG Office Bearers and Members on Demonetization

The above discussion revealed that SHG office bearers and members are aware about demonetization and hence the study tried to elicit their opinion on demonetization. Results (Table 4.4) illustrate that over 68 per cent of office bearers opined demonetization is not good, as people faced difficulties because of non-availability of cash. Across the districts, large number of office bearers (over 88 per cent) in Kalaburgi district expressed that demonetization is not good. Among members nearly 90 per cent (Fig. 4.1) reported demonetization was not good. It is to be noted that in Kalaburgi all members said that demonetization is not good, because their employers postponed paying wage citing non-availability of cash. This forced people particularly those who depending on wage labour to borrow from others or get grocery related items from shops on loan basis. This experience of people reveals the immediate effect of demonetization.

Table 4.4: Reaction of Office bearers and members about demonetization

Reaction	Office Bearers			Members		
	Bangalore urban	Kalaburgi	Total	Bangalore urban	Kalaburgi	Total
Good	30 (44.1)	5 (11.6)	35 (31.5)	25 (15.8)	0 (0.0)	25 (10.3)
Not good	38 (55.9)	38 (88.4)	76 (68.5)	133 (84.2)	84 (100.0)	217 (89.7)
Total	68 (100.0)	43 (100.0)	111 (100.0)	158 (100.0)	84 (100.0)	242 (100.0)

Source: Survey Data (Figures in brackets are percent total)



4.3. Major Issues Discussed during SHG meetings

Let us examine the issues discussed during meetings of SHGs which can reveal the nature of issues considered by SHG members. This information was collected from office bearers on issues like credit related, village development, micro enterprise, demonetization, etc. for three periods i. e., before, during and after demonetization and presented in Table 4.5. As can be seen from the table nearly 74 per cent of office bearers said that before demonetization major issue of discussion of was on credit related. In Bangalore majority office bearers (91 per cent) reported about credit related issues, while it is over 46 per cent in Kalaburgi. Group development issues were also discussed according to nearly 46 per cent of office bearers. But, compared to other issues SHGs were discussing mainly on credit related issues before demonetization.

As can be seen from the table nearly 86 per cent of office bearers reported that issues related to demonetization was the major ones, which indicates that demonetization had attracted all sections of society. Across the districts nearly 93 per cent and 75 per cent of office bearers respectively in Bangalore Urban and Kalaburgi said that issues related to demonetization were discussed during demonetization.

It can be observed even after demonetization period also large number of members (53 per cent) continued to discuss on issues of demonetization and this percentage is high (82 per cent) in Bangalore Urban district. But, members in Kalaburgi switched to credit related issues after demonetization. This shows that people in urban areas continued to discuss on demonetization while members in rural areas focussed on other issues. This might be because SHG members get adjusted with new situation and focussing on credit related issues would indicate that they were looking at it as a source of money for their immediate expenditure needs.

Table 4.5: Major issues of SHG meeting

Issues Discussed		Before demonetization			During demonetization			After demonetization		
		Blore urban	Kala-burgi	Total	Blore urban	Kala-burgi	Total	Blore urban	Kala-burgi	Total
Credit related	Yes	62 (91.2)	20 (46.5)	82 (73.9)	6 (8.8)	28 (65.1)	34 (30.6)	11 (16.2)	28 (65.1)	39 (35.1)
	Total	68 (100)	43 (100)	111 (100)	68 (100)	43 (100)	111 (100)	68 (100)	43 (100)	111 (100)
Village development	Yes	7 (10.3)	12 (27.9)	19 (17.1)	0 (0)	15 (34.9)	15 (13.5)	0 (0)	13 (30.2)	13 (11.7)
	Total	68 (100)	43 (100)	111 (100)	68 (100)	43 (100)	111 (100)	68 (100)	43 (100)	111 (100)
Group development	Yes	51 (75)	0 (0)	51 (45.9)	3 (4.4)	1 (2.3)	4 (3.6)	11 (16.2)	1 (2.3)	12 (10.8)
	Total	68 (100)	43 (100)	111 (100)	68 (100)	43 (100)	111 (100)	68 (100)	43 (100)	111 (100)
Micro enterprise	Yes	4 (5.9)	0 (0)	4 (3.6)	0 (0)	1 (2.3)	1 (0.9)	0 (0)	1 (2.3)	1 (0.9)
	Total	68 (100)	43 (100)	111 (100)	68 (100)	43 (100)	111 (100)	68 (100)	43 (100)	111 (100)
Demonetization related	Yes	0 (0)	0 (0)	0 (0)	63 (92.6)	32 (74.4)	95 (85.6)	56 (82.4)	3 (7)	59 (53.2)
	Total	68 (100)	43 (100)	111 (100)	68 (100)	43 (100)	111 (100)	68 (100)	43 (100)	111 (100)

Source: Survey Data (Figures in brackets are percent total)

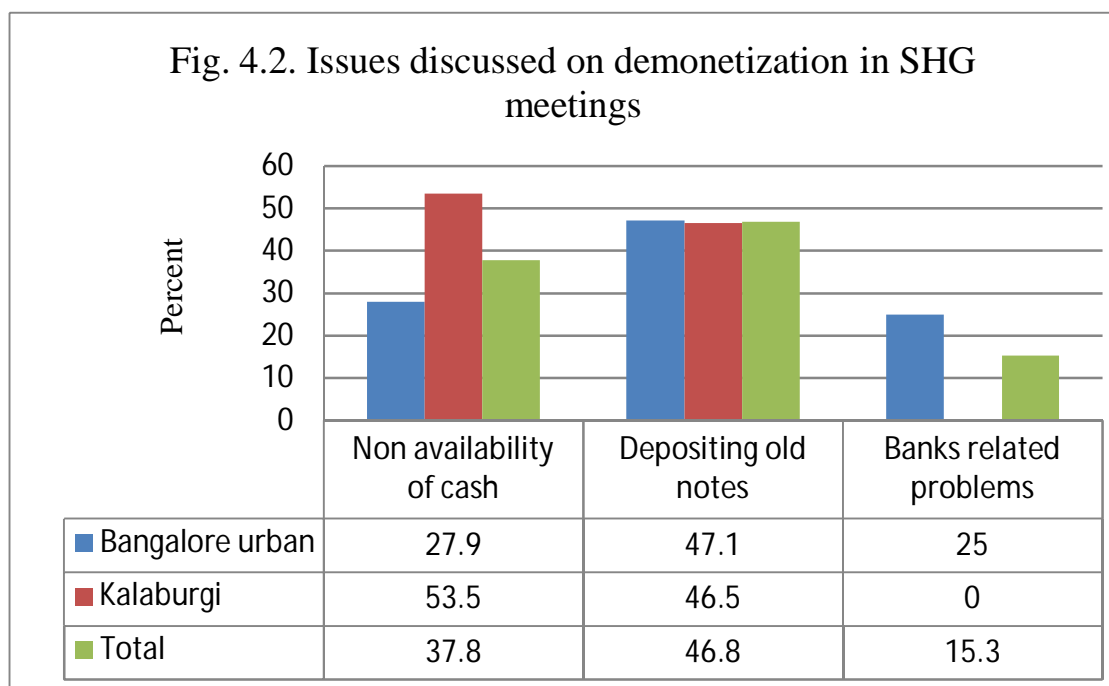
It was observed that during demonetization SHG members discussed issues related to demonetization. Let us examine the nature of demonetization related issues debated, which is presented in Fig. 4.2, which shows that nearly 47 per cent office bearers said that depositing old notes was the major issue followed by non-availability of cash (nearly 38 per cent of office bearers). This shows that during demonetization period depositing old notes and non-availability of new currencies were the major issues discussed by SHG members. Across the districts non-availability of cash was a major issue in Kalaburgi as expressed by 53 per cent of office bearers. It can be seen that bank related problems were discussed in Bangalore Urban district and not in Kalaburgi district. This might indicate that urban women participate and are aware about banking practices, while in Kalaburgi district this might not be the case.

Table 4.6: Issues discussed on demonetization in SHG meetings

Issues discussed	Bangalore urban	Kalaburgi	Total
Non availability of cash	19	23	42
	(27.9)	(53.5)	(37.8)
Depositing old notes	32	20	52
	(47.1)	(46.5)	(46.8)
Banks problems	17	0	17
	(25.0)	(0.0)	(15.3)
Total	68	43	111
	(100.0)	(100.0)	(100.0)

Source: Survey Data

(Figures in brackets are percent total)



4.4. Impact of Demonetization on Contribution of SHG Members

According to office bearers and members of SHGs demonetization has adversely affected them in terms of cash availability and others as seen above. Let us examine the impacts of demonetization on savings and contribution to SHGs by members.

Information presented in Table 4.7 depicts that before demonetization members' contribution was in the range of Rs. 3152 in August 2016 to Rs. 3262 in April 2016. Among the two districts average contribution of members in Bangalore Urban district is much higher (Rs. 4017) compared to that in Kalaburgi district (Rs. 1949) during October 2016.

Further, it can be seen from the table that during demonetization contribution from members did not change much as in November 2016 the contribution was Rs. 3092, a marginal decline compared to previous month. Figure 4.3 This shows that demonetization did not alter the contribution behaviour of SHG members. This might be due to small amount of contribution by members and as reported by office bearers some extra time was given to members for paying

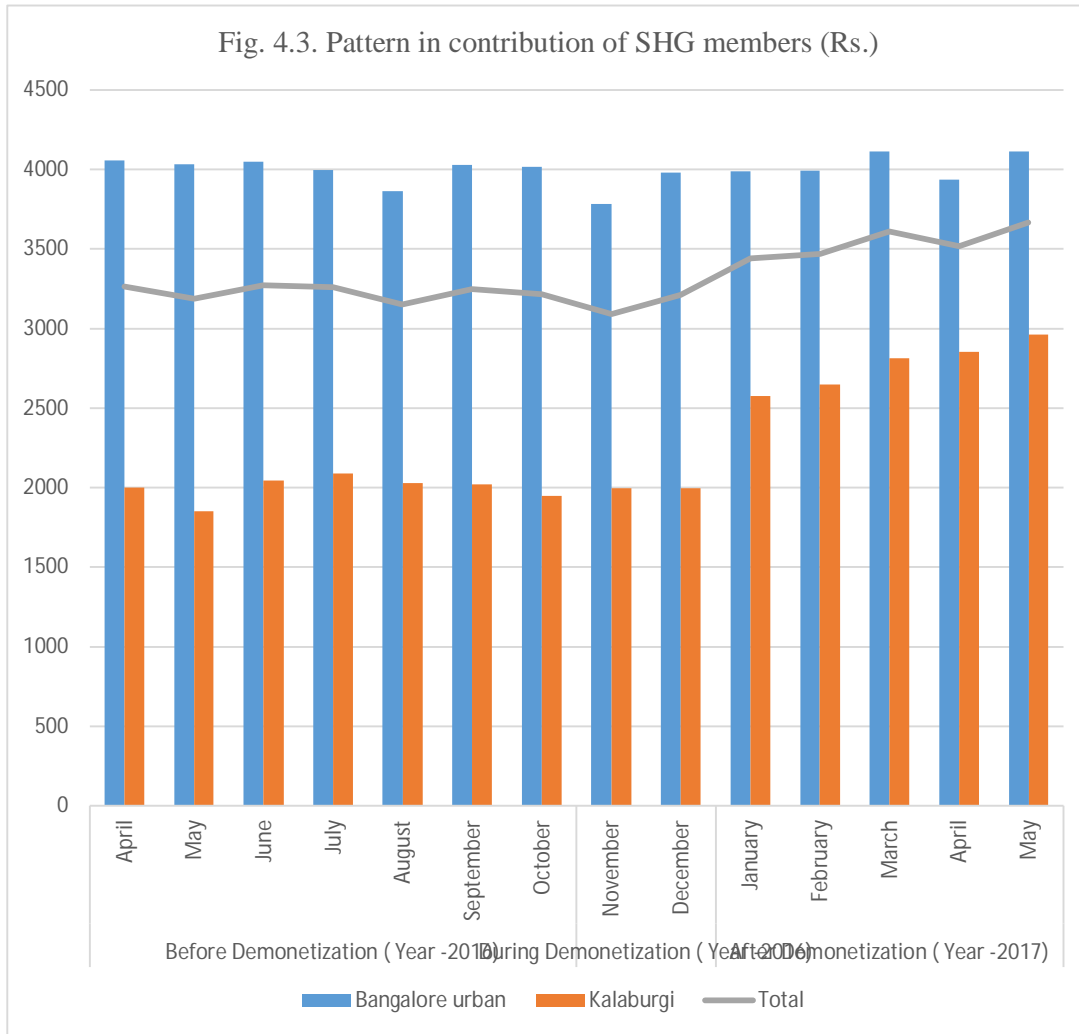
their contribution due to non-availability of new currency after demonetization. The scenario after demonetization illustrates that the average contribution by members slightly increased. Office bearers said that after demonetization members contributed more to SHG instead of keeping cash.

Table 4.7: Average contribution by SHG members (Rs.)

Before Demonetization (Year -2016)							
District	April	May	June	July	August	September	October
Bangalore urban	4058	4032	4047	3998	3863	4029	4017
Increase or Decrease		-26	15	-49	-135	166	-12
Kalaburgi	2002	1851	2047	2088	2028	2020	1949
Increase or Decrease		-151	196	41	-60	-8	-71
Total	3262	3187	3272	3258	3152	3250	3216
Increase or Decrease		-75	85	-14	-106	98	-34
During Demonetization (Year -2016)							
District	November			December			
Bangalore urban	3785			3979			
Increase or Decrease	-232			194			
Kalaburgi	1998			1998			
Increase or Decrease	49			0			
Total	3092			3212			
Increase or Decrease	-124			120			
After Demonetization (Year -2017)							
District	January	February	March	April	May		
Bangalore urban	3989	3991	4112	3937	4113		
Increase or Decrease		2	121	-175	176		
Kalaburgi	2577	2649	2814	2856	2963		
Increase or Decrease		72	165	42	107		
Total	3442	3471	3609	3518	3667		
Increase or Decrease		29	138	-91	149		

Note: Increase or decrease refers to change in current month over previous month

Source: Survey Data



SHG office bearers were asked to report on any changes in savings of SHGs during demonetization, where nearly 34 per cent (Table 4.8) of them opined changes in savings during the period of demonetization (November and December 2016). They said that members delayed their contribution and paid it later. The point to be noted is that during demonetization members could not pay their contribution and later they paid. Across the district changes in savings during demonetization is high (around 49 per cent) in Kalaburgi as compared to that in Bangalore Urban district. Again, this indicates that the impact of demonetization was more in rural areas due to non-availability of cash.

Table 4.8: Changes in savings of SHG during demonetization

Changes in savings	Bangalore urban	Kalaburgi	Total
Yes	17 (25.0)	21 (48.8)	38 (34.2)
No	51 (75.0)	22 (51.2)	73 (65.8)
Total	68 (100.0)	43 (100.0)	111 (100.0)

Source: Survey Data (Figures in brackets are percent total)

The study enquired all those office bearers about the reason for change in savings and contribution by members during demonetization and it was reported that shortage of money was the main reason (Table 4.9) for changes in savings. Shortage of money might be due to postponement or delay in wage payment to workers by the employers, which shows violation of The Payment of Wages Act, 1936. The Act states that “.... In case of establishment in which less than 1000 persons are employed the wages shall be paid before 7th of the succeeding month. In other cases, before 10th of succeeding month. The total deductions in any wage period shall not exceed 75% of wages in case of deduction made to payment to co-operative societies and in all other cases 50%....” (GoK, <http://labour.kar.nic.in/labour/paymentwages-1936.htm>, Downloaded). The above discussion clearly reveals that demonetization created problems to SHG members.

Table 4.9: Reason for change in savings of SHG

Reasons	Bangalore urban	Kalaburgi	Total
Shortage of money	17 (100.0)	21 (100.0)	38 (100.0)
Total	17 (100.0)	21 (100.0)	38 (100.0)

Source: Survey Data (Figures in brackets are percent total)

During demonetization period people were given with an opportunity to deposit their old currencies and people used this opportunity to repay their loans and

other dues. Considering this behaviour of people, the present study attempted to examine whether SHG members also repaid their loans or other dues. Information presented in Table 4.10 shows around 21 per cent of office bearers having said that some members repaid their loan amount. But, over 79 per cent of office bearers reported that members did not repay their loan during demonetization. Across the districts relatively large number of office bearers in Kalaburgi compared to Bangalore Urban district said that members returned their loan amount. SHG members in Kalaburgi district might have deposited their old currency notes with SHG than depositing in banks, as this seems to be easier for them.

Table 4.10: Repayment of loan during demonetization by members

Repayment	Bangalore urban	Kalaburgi	Total
Yes	6 (8.8)	17 (39.5)	23 (20.7)
No	62 (91.2)	26 (60.5)	88 (79.3)
Total	68 (100.0)	43 (100.0)	111 (100.0)

Source: Survey Data (Figures in brackets are percent total)

The study attempted to know whether demonetization disrupted the functioning of SHGs. According to Table 4.11 office bearers of all SHGs reported that there was no disruption of functioning of SHGs during demonetization. This is because SHG members cooperated well by contributing to SHG even after some delay. Therefore, SHGs continued to function after demonetization also.

Table 4.11: SHG stopped functioning during demonetization

Functioning	Bangalore urban	Kalaburgi	Total
No	68 (100.0)	43 (100.0)	111 (100.0)
Total	68 (100.0)	43 (100.0)	111 (100.0)

Source: Survey Data (Figures in brackets are percent total)

4.5. Interaction between SHGs and Banks during demonetization

Generally, SHGs keep good interaction with banks and hence this study tried to check the impacts of demonetization on the relation between SHGs and banks. Table 4.12 provides information on these aspects where only 84 office bearers gave their response and others declined to share their response. Therefore, the table contains responses of 84 SHG office bearers, which shows over 58 per cent of them taking both districts together faced difficulty while taking money from banks and the percentage is more in Kalaburgi (68 per cent) followed by Bangalore Urban district (nearly 49 per cent). Further, in Kalaburgi nearly 20 per cent of respondents said that money given by banks was insufficient and hence none of the office bearers in Kalaburgi reported to the question of providing money to members without difficulty. All this shows that during demonetization SHG office bearers and members faced problems.

Table 4.12: Difficulties faced during demonetization to withdraw deposits

Problems	Bangalore urban	Kalaburgi	Total
Faced difficulty while taking money from banks	21 (48.8)	28 (68.3)	49 (58.3)
Could take money without difficulty	5 (11.6)	5 (12.2)	10 (11.9)
Money given by bank was insufficient	0 (0.0)	8 (19.5)	8 (9.5)
Could provide money to members without difficult	7 (16.3)	0 (0.0)	7 (8.3)
Bank officials cooperated with SHG	10 (23.3)	0 (0.0)	10 (11.9)
Total	43 (100.0)	41 (100.0)	84 (100.0)

Source: Survey Data (Figures in brackets are percent total)

4.6. Impact of Demonetization on Income from Economic Activity

It was observed that some of the SHG members were involved in economic activities like tailoring, beauty parlour, petty business (grocery shops, etc.), dairying, while others participated in agriculture activities or worked as wage

labourers. Therefore, this study tried to elicit information on impact of demonetization on income from these activities. Details presented in Table 4.13 reveal that nearly 60 per cent of SHG members taking both districts together experienced delay or postponement in payment to them. The proportion is high, over 84 per cent, in Kalaburgi district than that in Bangalore Urban district. Members reported that they did not stop their economic activities, but had to wait for payment, because of non-availability of cash. This shows that demonetization caused delay or postponement of income to members, particularly in rural areas, which is in a way loss of welfare until receiving the income, which is due to demonetization.

Table 4.13: Effect of demonetization on income

Income Effect	Bangalore urban	Kalaburgi	Total
Payment postponed	74 (46.8)	71 (84.5)	145 (59.9)
No change	84 (53.2)	13 (15.5)	97 (40.1)
Total	158 (100)	84 (100)	242 (100)

Source: Survey Data (Figures in brackets are percent total)

4.7. Efforts to overcome changes in income

SHG members adopted different measures like borrowing loan, postponing expenditure, etc. to overcome changes in income during demonetization as shown in Table 4.14. Taking both districts together over 44 per cent of members reported to have postponed expenditures during demonetization and nearly 18 per cent of them managed with old savings. It is to be noted that over 28 per cent of the members did not resort to any measure, instead they continued with the new situation. Across the districts large number of respondents (over 95 per cent) in Kalaburgi reported postponement in expenditure. This behaviour of people would have incurred some welfare loss on them, which is a result of demonetization.

Table 4.14: Efforts to overcome changes in income during demonetization

Efforts	Bangalore urban	Kalaburgi	Total
Adjusted with savings	39 (24.7)	4 (4.8)	43 (17.8)
Borrowed loan	23 (14.6)	0 (0.0)	23 (9.5)
Postponed expenditures	27 (17.1)	80 (95.2)	107 (44.2)
No measures	69 (43.7)	0 (0.0)	69 (28.5)
Total	158 (100.0)	84 (100.0)	242 (100.0)

Source: Survey Data (Figures in brackets are percent total)

4.8. Problem of cash shortage during demonetization

Let us examine whether SHG members faced any problem regarding cash availability during demonetization. Table 4.15 reveals that 81 per cent of SHG members from both districts together faced cash shortage problem. In Kalaburgi district all respondents expressed cash shortage problem during demonetization while it is around 71 per cent in Bangalore Urban district, which indicates that cash shortage problem was more in rural areas compared to urban areas.

Table 4.15: Problem of cash shortage during monetization

Faced problem	Bangalore urban	Kalaburgi	Total
Yes	112 (70.9)	84 (100.0)	196 (81.0)
No	46 (29.1)	0 (0.0)	46 (19.0)
Total	158 (100.0)	84 (100.0)	242 (100.0)

Source: Survey Data (Figures in brackets are percent total)

Cash shortage problem put members in difficult situation as opined by them, and they tried to overcome it through by using old currency in circulation or adjusting with shop owners (Table 4.16). Large number of members (over 48

per cent) from both the districts reported that they adjusted the cash shortage problem with friends or shop owners by promising them to pay later. This percentage of members is high in Kalaburgi district followed by Bangalore Urban district. Members who used new currency to overcome the cash shortage problem is over 28 per cent putting both districts together and the share is high Bangalore. However, the point to be noted is that cash inadequacy compelled members to adjust with friends and shop owners to obtain their daily needs.

Table 4.16: Overcoming problem of cash shortage

Methods	Bangalore urban	Kalaburgi	Total
Used old currency (Rs. 100, Rs 50)	36 (22.8)	20 (23.8)	56 (23.1)
Used new currency	51 (32.3)	18 (21.4)	69 (28.5)
Adjusted with friends/ shop owners	71 (44.9)	46 (54.8)	117 (48.3)
Total	158 (100)	84 (100)	242 (100)

Source: Survey Data (Figures in brackets are percent total)

4.9. Overall impact of demonetization on households of SHG members

The above discussion revealed that during demonetization process SHG members faced problems of cash non-availability, changes in income, etc. which all put them in difficult situation. Hence, this study asked the respondents on the overall impact of demonetization on households. Information presented in Table 4.17 shows that nearly 64 per cent of the members from both districts reported to have cut down their family expenditure. Number of members who had to reduce expenditure is large (nearly 99 per cent) in Kalaburgi district and in Bangalore also the percentage is high at 45 per cent. It indicates that during demonetization people had to cut down their family expenditures. It was informed by respondents that expenditure on food, rent, loan repayment, travels, etc. was reduced during demonetization, while few members reported that

functions like marriages also got postponed by few months. Illustrations presented above depict that during demonetization period SHG members faced problems.

Table 4.17: Cut down household expenditure during demonetization

Cut down family expenditure	Bangalore urban	Kalaburgi	Total
Yes	71 (44.9)	83 (98.8)	154 (63.6)
No	87 (55.1)	1 (1.2)	88 (36.4)
Total	158 (100.0)	84 (100.0)	242 (100.0)

Source: Survey Data (Figures in brackets are percent total)

4.10. Case Studies on Impact of Demonetization

Demonetization created varied impacts on people, particularly those working in informal sectors. This study tried to elicit some of these impacts through case studies in the study area.

Case study 1: Mrs. Susheela (name changed), a labourer in Anekal Taluk, went to a shop near her home to purchase domestic needs on the morning of 9th November 2016. She purchased grocery items of worth Rs.350 and tendered Rs. 500 note to the shop keeper. But, the shop keeper did not accept the note, stating that it cannot be used for transaction due to demonetization. Since, she was not having currencies of other denominations she was ready to go without the materials. However, the shop owner gave her the grocery materials on loan with the condition to pay later. She questioned that all of a sudden if the money in hand becomes invalid how does poor people like us can live? Her experience illustrates that poor people like wage labourers, informal sector workers suffered more during demonetization as these people were unaware about the changes.

Case Study 2: Mrs. Dakshayini (name changed) of Chittapur taluk, who is an agricultural labourer had different type of experience because of demonetization. She had to visit hospital for a treatment, which was postponed for long, on 11th November 2016, by arranging money. However, her neighbours told her that the old money of Rs. 500 and Rs. 1000 is not in circulation, which need to be deposited in banks to get new notes. She could not deposit the money in bank because of heavy rush and could not get new notes also. It was learnt that she was not aware that hospitals accept old notes for treatment. Therefore, she had to postpone her treatment again because of demonetization.

Case study 3: Mrs. Rajeshwari in Chittapur taluk revealed that because of demonetization she lost her small savings. She had a saving of Rs. 6800 to meet emergency expenditure of her household, without informing her husband. She gave that money to her husband for depositing in bank and getting new notes from bank. But, at the end her husband did not give that money to Rajeshwari, who felt that because of demonetization she lost her savings.

These kinds of cases reveal that demonetization had adversely impacted on poor people, who are less financial illiterates.

4.11. Impact of Demonetization: Views Emerged in Focused Group Discussion with SHG Members

In order to get an overall view of members and office bearers on impact of demonetization the study conducted focussed group discussion in study area. Participants in the discussion expressed that they came to know about the announcement of demonetization through media, family members and also friends in their group. Members discussed about demonetization with their neighbours and friends at SHG. Majority of them said that they did not know much about demonetization, but after discussion understood that it was implemented for controlling black money. Immediately after announcement of

demonetization they started facing the problem of shortage of cash as people stopped accepting old currencies of Rs. 500 and Rs. 1000 saying it is cancelled by the government in transactions. Demonetization compelled them gave their savings to husbands for depositing in banks, while some of them used old currency to clear off their hand or personal loans. It was observed during FGD that some of the members were not having bank accounts and this forced them to part their money with their husbands and they felt that this is not good as they had to reveal about their small savings to husbands. Few members reported that their husbands spent the amount and finally these members did not get anything. Hence, demonetization curtailed their financial freedom as opined by majority of members. All these facts delayed their contribution to SHG, but they paid later without fail.

Some of the members revealed that they had to borrow small amount to meet their household spending or they requested the shop owner to give items on loan basis. Members also said that new notes were not available for them for which they had to depend on their husbands. Members who involved in economic activities expressed that there was delay in payments from customers. Further, as opined by few members, banks delayed issue of loans stating demonetization. Members in Kalaburgi reported that payment of wage was delayed by their employers; hence they had to obtain goods on loan basis. Few members reported that they had postpone their hospital visit for treatment as they were not having enough cash and also because of confusion created during demonetization. Overall they felt that demonetization reduced the amount of cash availability with people which reduced their purchasing power.

4.12. Analysis of Problems Faced by Women and Impacts on Quality of Life Due to Demonetization

The above discussion revealed impacts of demonetization on SHGs, which are groups formed by women. Experience of SHG members point to impacts of demonetization on women. In this background an analysis of problems faced by women and impacts on quality of life due to demonetization has been presented here. During demonetization period employers delayed or postponed wage payment to labourers citing non-availability of cash, and this problem was more in rural areas compared to urban areas. This forced labourers to postpone their expenditures or borrow from others, which adversely affected quality of life of people. People, particularly women faced problems in depositing their old currency and to get new currency, which was more in rural areas. SHG members i.e., women's contribution to SHGs was delayed, because of non-availability of cash. This impact was more in rural areas indicating the severity of impacts of demonetization on rural women. During demonetization payments from economic activities were also delayed from customers, which again indicates the negative impacts of demonetization on women. Delay in payment of wages, and return from economic activities resulted in postponing household expenditures. In majority of cases people adjusted to this situation either by borrowing or adjusting with shop owners with promise of paying later. These problems adversely affected the quality of life of people as family expenditure on food, rent, loan repayment, travels, etc. was declined or got postponed during demonetization. It is to be noted that these impacts were more on women and that to in rural areas.

To sum up: This chapter analysed impacts of demonetization on SHGs considering three phases i. e. before, during and after demonetization. Findings in the chapter revealed that majority of SHG members came to know about demonetization through electronic media and also from their co-members. All

the members were aware about demonetization, but their understanding of demonetization is limited. Large number of office bearers and members opined that demonetization is not good as it reduced cash availability and their payments were delayed. During demonetization period members discussed in meetings about the problems like cash shortage, which were results of demonetization.

The study found that contribution from SHG members was delayed, but paid after some time. Contribution to SHG from members did not change much during demonetization. Some of the members cleared off their loans using old currency but their percentage is less. Demonetization did not disrupt the functioning of SHGs as observed by the study. SHGs faced problems while interacting with banks for depositing old notes and taking new currency.

Large number of SHG members said that income from their economic activities was delayed and hence faced problems in their dealings also. Effect of these changes in income resulted in members postponing their expenditures, payments, etc. Demonetization reduced cash availability and hence members were forced to adjust their payments with friends or short term loan from shops, or else cut down household expenditures.

Focussed Group Discussion revealed that people faced problems in transactions, and obtaining new currency. 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.

Chapter V

Summary and Suggestions

5.1. Introduction

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, which is enabling countries to adjust monetary policies. In this regard, Indian Government introduced a major monetary policy change on 8 November 2016, which is broadly known as demonetization and withdrawing specified currencies of Rs. 500 and Rs. 1000 notes from circulation. Government introduced demonetization with the 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. Various countries have implemented demonetization from time to time in order to overcome problems like excess liquidity, hyperinflation, black money, etc. Indian Government also stripped off the legal status of Rs. 500 and Rs. 1000 notes, specified notes, in November 2016 for reasons mentioned above.

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

The government expected to bring down cash usage by encouraging people to adopt to new electronic methods of payments, but reports of RBI states that the share of high denomination currency was at 82 per cent in March 2018, which was just below than the level before demonetization. However,

electronic payments have increased during this period indicating scope for promoting this system of payment.

At the time of implementation, demonetization was expected to yield favourable results, but reports from media and other sources showed hardships faced by people during demonetization. Particularly, people from small businesses, daily wage earners, suffered more due to demonetization. In this background, the 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.

5.2. Summary of Literature Review

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. For instance, in Tamil Nadu where more than 50 per cent of respondents use cash payments faced problems during demonetization process. 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 is 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. Majority of the available studies are general in nature in examining the impacts, while few have

mentioned any information on data and sample selection. Therefore, the present study attempts to fill this gap by examining the impacts of demonetization on SHGs.

5.3. Objectives and Approach

Considering the above points, 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. In order to study the objectives Karnataka state was considered. Bangalore Urban and Kalaburgi districts were selected for collection of primary data, as these districts respectively represent urban and rural areas. Anekal Taluk in Bangalore Urban district and Chittapur Taluk in Kalaburgi district were selected to canvass schedule among SHGs to assess the impacts of demonetization. Respondents of the study were office bearers and members of SHGs in the study area. This study covered only two districts and hence there is a limited scope for generalization of results.

SHGs have been developed as an instrument for empowering women in the country. They promote savings and income generating economic activities among women. Features of SHGs like – creation of common fund with regular contribution out of their savings; management of pooled financial resources; disbursement of loans, etc. show that SHGs conduct financial activities in a limited size.

Regular savings and contribution to SHG is an important function of members. Data examined in the study revealed that the 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 reports from 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.

5.4. Profile of the Study Region

Profile of the study area depicted that indicator like gross district product, per capita income was high in Bangalore Urban district as compared to Kalaburgi district. For example, per capita income in Bangalore was Rs. 3.20 lakh while it was Rs. 0.65 lakh in Kalaburgi during 2015-16. Among the districts variation in urbanization was also observed, which truly represents respectively the urban and rural setting for the study. Number of SHGs in the districts was 3946 in Bangalore Urban and 4914 in Kalaburgi. This study considered Anekal Taluk in Bangalore Urban and Chittapur Taluk in Kalaburgi district and collected primary data by canvassing structured schedules. It was observed that large number of SHG members belong to below poverty line families in these two districts.

This study covered 111 SHGs (68 from Bangalore Urban and 43 from Kalaburgi) and all these are women SHGs. They have 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, with 28 per cent primary and 27 per cent high school level of education. In Bangalore Urban district college level educated women also had become members of SHG, which indicated the 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.

5.5. Findings of the Study

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. The study found that all members were aware about demonetization that it was about withdrawal of Rs. 500 and Rs. 1000 from circulation. Knowledge about demonetization was from television and co-members of SHG. This indicates that details of policy changes can be reached people through media and institutions like SHGs.

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 who depending on wage labour to borrow from others or get grocery related items from shops on loan basis. This experience of people reveals the immediate effect of demonetization.

The study observed that issues of demonetization were discussed by members during demonetization period according to 86 per cent of office bearers. Across districts also large number of respondents expressed the same

opinion. But, after January 2017 onwards members in Kalaburgi switched to issues credit related from demonetization and this indicates that they were looking SHG as a source of money for their immediate expenditure needs.

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.

The analysis depicted that 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 and later they paid. Across the district changes in savings during demonetization was high (around 49 per cent) in Kalaburgi as compared to that in Bangalore Urban district. Again, this 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. Over 58 per cent of respondents expressed difficulties and the per cent is high in Kalaburgi (68 per cent) as compared Bangalore. Further, the amount given by banks was insufficient. This shows that office bearers and members of SHGs faced problems in their interaction with banks during demonetization period.

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 from the study 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.

The study observed, during focussed group discussion that members learnt about demonetization through television and friends. 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.

5.6. Suggestions

Based on the results following suggestions may be put forward across urban and rural areas to strengthen the capability of SHGs and members:

5.6.1. Urban areas

SHGs have been promoting savings habit among women. during demonetization period savings from SHG members declined marginally. However, SHGs tried to recover the dues from their members after demonetization. It indicates that saving habit among women is increasing and this needs to be encouraged to further women welfare.

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

The study found that in urban areas educated women (12.7 per cent of women members were graduates in Bangalore Urban district) are participating in SHG activities, which needs to be increased to involve more number of women in the empowerment process.

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.

Banks need to be educated to cooperate with their customers, like SHG members, who are less financial literates, particularly during critical situations such as demonetization.

Measures need to be initiated to overcome adverse impacts like reduction in household expenditure on food, health, etc. due to demonetization or any other policy shock which cause welfare loss.

5.6.2. Rural Area

SHGs have been promoting savings habit among women. during demonetization period savings from SHG members declined marginally. However, SHGs tried to recover the dues from their members after demonetization. It indicates that saving habit among women is increasing and this needs to be encouraged to further women welfare.

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

The study found that in urban areas women members with higher education are also participating in SHG activities. This indicates that even in

rural areas also women with higher education may be encouraged to involve in SHG activities in order to improve the process of empowerment.

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

The study showed that media and institutions like SHG may be used for reaching people to spread details of policy changes and to educate them.

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 women to protect from loss of or delayed wages.

Banks need to be educated to cooperate with their customers, especially with women and those with low financial literacy.

Non-availability of cash was a major problem in rural areas. Hence, these areas should be given priority in accommodating for shocks of policy changes to reduce hardships to rural people.

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**AN ASSESSMENT OF IMPACTS OF DEMONETISATION ON SELF HELP GROUPS
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