

## Effect of Demonetization on Self Help Group: A Study on Odisha

<sup>1</sup> Dr Giridhari Mohanta, <sup>2</sup> Ms. Manisha Seal, <sup>3</sup> Dr Shwetasaibal Samanta Sahoo, <sup>4</sup> Mr. Mukunda B. G

<sup>1</sup>Assistant Professor, FMS, Sri Sri University, Godi Sahi Cuttack, Odisha

<sup>2</sup>Assistant Professor, Dept. of Tourism and Travel Management, Jyoti Nivas College Autonomous, Bangalore

<sup>3</sup>Assistant Professor, FMS, Sri Sri University, Godi Sahi Cuttack, Odisha

<sup>4</sup>Assistant Professor, Dept. of Tourism Studies, Indian Academy degree college - Autonomous, Bangalore.

### Abstract

This paper reports the experiences of SHG (Self Help Group) in Cuttack and Khurda districts of Odisha after the demonetization of Indian currency in November 2016. Initially demonetization faced significant criticism after its implementation with regard to currency notes. In this regard using purposive sampling method, 50 responses from SHGs were collected from the study areas through a structured schedule, over a period of six months and analyzed by using relevant statistical tools like ANOVA, Chi-square test, Correlation etc. The paper reveals attitude of the respondents as well as challenges and benefits with regard to demonetization. Further study depicts that respondents are happy with the change for its diverse benefit like security, portability, time saving in counting, convenience and easy comparability. Finally, study concluded with imperative suggestions for the benefit and development of economy.

**Keywords:** *Demonetization, Self-Help Group (SHG), Attitude, Challenge, Benefit*

### Introduction

The Self-Help Group is a voluntary association of those people who are in need of small funds to establish and promote their small enterprises. The Self-Help Groups have been conceived in the form of savings and credit groups, joint farming groups, social forestry groups, horticulture groups, traders' groups. Self-Help Group is a self-managed institution of 10-20 members, based on common interest and affinity for socio-economic improvement of its members. SHGs are bound by mutual trust, respect and affection and support each other. The main objective of the Self-Help Group is to provide economic opportunities to the economically deprived groups and facilitating in improvement of their entrepreneurial ambitions. It should be clearly understood that the Self-Help Group is a small organization consisting of few people with defined objectives and believes on the principle that small efforts can be translated into bigger power (Manisha, 2016). SHGs are trained by NGOs and that boosts their confidence and play a vital role in social change (Mehta, Mishra & Singh, 2011).

A series of currency will not be acceptable as valid currency after demonetization and on 8th November 2016, Government of India announced for its implementation. As a result, it had created a chaotic situation in the economy and in the minds of SHGs too. However, the main intention behind demonetization in India was to tackle with black money, corruption. Demonetization effect was seen in the economy in the form of money circulation, overall demand-supply in consumer goods, real estate property, gold and luxury goods, automobile industries and other sectors in India (Ajitomghyan, 2018).

### Review of Literature

Demonetization removed smooth money circulation in the market and that resulted very low cash balances in the economy and created much challenges in financial transactions in the market as there is no or not enough medium of exchange available in Indian financial system. Since income and consumption are intrinsically related to transactions in the economy, the above would mean a severe contraction in income and consumption in the economy. This effect would be more severe on individuals who earn income in cash and spend it in cash. To a lesser extent it would also affect individuals who earn income in non-cash

forms but need to withdraw in cash for consumption purposes (Kabita et al., 2016).

Arvind Virmani, a Leading economist; Former India's representative at IMF; Former Chief Economic Adviser, GOI has agreed that it would have a negative impact on the small businesses. How it requires a deeper study, but the first thing one should know that when you demonetized such a large proportion of currency, the immediate effect is a collapse of retail trade in goods and services. He further mentioned adding to this effects that how quickly you replace the transaction demand. He said the currency needed for everyday transactions have to be replaced quickly. The longer that is delayed, the more the negative effect (Radhika Iyengar, 2016).

This one decision that has ensured that a lot of money has come into the banking system, a lot of informal savings have become formal now, and therefore, the tendency to invest these more formal savings in instruments that you keep an eye on is also increasing. In recent time our confidence itself in managing the Indian economy has been increasing. The entire system has been trying to encourage ordinary citizens to channelize their savings into the market which indirectly would then contribute to the process of national development rather than be blocked only in dead assets (Dhoot, 2016).

The economic turmoil has been compounded by the fact that the government didn't print a sufficient amount of the new bills, lest word leak out as to what was about to take place. The new bills are also a different size than the old ones, creating a huge problem with ATMs. Even though India is a high-tech powerhouse, hundreds of millions of its people live in dire poverty. Many workers are leaving the cities to go back to their villages because so many businesses are closing. Countless companies are having difficulty meeting payroll, as they can't get the cash to do so. The real estate market has crashed. India's economy is based mostly on cash. Moreover, much of it operates informally because of excessive rules and taxes. The government bureaucracy is notorious for its red tape, lethargy and corruption, forcing people to get by on their wits (Forbes, 2016).

This study concentrates on the challenges and the benefits with the introduction of the new 2000 rupee in November 2016. The study looks at the challenges after the introduction of the new 2000 rupee and the prospects thereafter. The targeted population for the study is the SSG woman of Cuttack and Khurda district of Odisha. This category of the public was chosen because their economic activities are commerce based exposing them to regular use of money and they form a fairly significant bulk of the semi-illiterate and illiterate populace with whom the very introduction of the new currency is a source of worry. Even though the new 2000 rupee was perceived to be beneficial to most citizens, this study attempts to evaluate the challenges and the prospects of the introduction of the new 2000 rupee as used by the ordinary woman in rural areas.

### **Objectives of Study**

The main objective of the study is to find out the challenges and the opportunities that SHGs confronted with the introduction of new currencies. And, the other objective is to identify the problems and benefits that SHGs met due to demonetization.

### **Research Questions**

The research aimed at answering the following questions:

1. Are there any challenges on the usage of the new 2000 rupee note?
2. What are the benefits of the new 2000 rupee note to the urban market women?

### **Methodology**

Primary data were collected from SHGs members through scheduled method and for this a structured questionnaire was designed consisting of ten questions. The questionnaire was divided into two parts: the first part includes close-ended questions on five demographic variables (living locality, age, education, income and occupation) and the second parts consisted of five questions relating to demonetization and its effect on the economy. Further, secondary data were collected from various published research journals, articles, books, reports and relevant websites for better understanding of the subject. Using purposive sampling method 50 responses were recorded over a period of six months from February 2017 to July 2017.

**Statistical Tools and Techniques Used:** In order to make better analysis both descriptive and inferential statistical tools like chi-square test, ANOVA, correlation, mean, average are used to measure the demonetisation effect and their reaction towards it.

### Result Discussion

The following table-1 shows the cross tabulation between age and education. It is found that the qualifications of majority SHG women are Higher Secondary and they are capable of providing information regarding demonetization.

		Table 1: Cross tabulation between Age and Education					
		Secondary	Higher Secondary	Intermediate	Degree	Postgraduate	Total
Age	20-29	1	1	1	0	0	3
	30-39	9	8	4	0	0	21
	40-49	5	14	1	0	0	20
	50-59	1	2	0	1	1	5
	60 and Above	1	0	0	0	0	1
	Total	17	25	6	1	1	50

Source: Own

Table-2 shows the cross tabulation between Marital status and the place where they keep the new currency notes. It is observed that majority of the SHGs women keep note in purse and 50% of married women are more interested in keeping new notes in their purse rather than keeping in any other places.

		Table-2: Cross tabulation between marital status and place holding money			
		Purse	Bag	Other	Total
Status	Unmarried	12	2	0	14
	Married	25	10	1	36
Total		37	12	1	50

Source: Own

From table-3 it is seen that majorities of respondent who are in the age group of 30-39 and 40-49 believe that with the introduction of 500, 100 and 1000 rupees note could solve liquidity problem relating to currency notes and would smoothen the currency circulation in the economy.

		Table-3 Cross tabulation between Age and Introduction of New Note			
		Rs. 100	Rs. 500	Rs. 1000	Total
Age	20-29	2	1	0	3
	30-39	3	15	3	21
	40-49	2	13	5	20
	50-59	2	3	0	5
	60 and Above	0	1	0	1
Total		9	33	8	50

Source: Own

### Testing of Hypotheses:

**H<sub>0</sub>:** All age groups are in equal opinion towards new notes.

**H1:** All age groups are not in equal opinion towards new notes.

**Table-4: ANOVA (Respondent Opinion and Perception)**

		Sum of Squares	df	Mean Square	F	Sig.
Perception & Product	Between Groups	3.454	4	.863	.637	.639
	Within Groups	61.026	45	1.356		
	Total	64.480	49			
Perception & Use	Between Groups	1.168	4	.292	.716	.586
	Within Groups	18.352	45	.408		
	Total	19.520	49			
Perception and Influence Business	Between Groups	.894	4	.223	.540	.707
	Within Groups	18.626	45	.414		
	Total	19.520	49			

Source: Own

Table -4 shows the analysed output with regard to introduction of new notes and observed no significant difference in opinion as p-value is more than 0.05, which implies equality in opinion between the means of the groups. Further rural women feel proud for the new rupees note and in the same time they opined that due to these new notes they face a lot of problems in money circulation due to its illiquidity feature in the early stages. Similarly, they have pointed out some practical issues relating to the 2000-rupee new note in the early stages like difficult to find out counterfeit notes which brought illiquidity problem in their day-to-day transaction. They also faced difficulties in converting their existing old notes into new notes.

**Table-5: ANOVA (Benefit of new note to SHGs)**

		Sum of Squares	df	Mean Square	F	Sig.
Benefit _Security	Between Groups	1.565	4	.391	1.824	.141
	Within Groups	9.655	45	.215		
	Total	11.220	49			
Benefit _Portability	Between Groups	3.798	4	.949	1.392	.252
	Within Groups	30.702	45	.682		
	Total	34.500	49			
Benefit _Comparison	Between Groups	6.842	4	1.710	1.023	.406
	Within Groups	75.238	45	1.672		
	Total	82.080	49			
Benefit _TimeSave	Between Groups	2.368	4	.592	1.150	.345
	Within Groups	23.152	45	.514		
	Total	25.520	49			
Benefit _Convenience	Between Groups	9.204	4	2.301	1.203	.323
	Within Groups	86.076	45	1.913		
	Total	95.280	49			

Source: Own

Table-5 shows the benefits of new notes to respondents and observed no significant difference in opinion as p-value is more than 0.05, which implies equality in opinion with regard to benefit. It gives them diverse

benefit like security, portability, time saving in counting, convenience and easy comparability.

### Conclusion and Recommendations

Whenever any change comes in the economy, a positive and negative effect is observed. In the same way it is also observed for demonetization in India. However, the sole intention of demonetization was to make a better India. Rural and urban SHGs women noted that they faced difficulties in exchanging the new currency note of 2000 rupee in their business transactions. However, this liquidity and exchange problem is resolved with the introduction of other notes. Further they argue that this new note is giving them much benefit like security, portability, time saving in counting, convenience and easy comparability and so on.

Finally, it can be suggested that if proper care and steps can be taken to materialize the sole purpose of this demonetization then only it could bring changes to the economy. As a result, larger mass will get benefit out of it. Further government should see that other currency like 10, 20, 50, 100, 200 notes are also available in the market as per demand and requirement.

The study can be extended by taking more SHGs across the state and a comparative study can be done by taking few other sectors.

### Limitations of the Study

The work is restricted to two districts of Odisha which are not sufficient to draw common conclusion. Further it is seen that most of the respondents were not well aware of about the change as a result researchers failed to get the real information.

### References

1. Manisha .( 2016), Impact of self-help group in socioeconomic development of India. Paper presented at the 4<sup>th</sup> International conference on recent Innovations in Science Engineering and Management.
2. Ajitomghyan (2016) Pros and Cons of Demonetization Rs 500,1000, Retrieved from <https://www.studydhaba.com/demonetization-pdf/>
3. Kavita, Mukherjee, Sengupta, Suranjali and Nayudu,(2016) : Demonetisation: Impact on the Economy ,*National Institute of Public Finance and Policy* , New Delhi.
4. Mehta, Sushil Kumar, Mishra, Govind Hari& Singh, Amrinder (2011). Role of self-help groups in socio-economic change of vulnerable poor of jammu region. Paper presented at 2011 International Conference on Economics and Finance Research. Retrieved from <http://www.ipedr.com/vol4/103-F10147.pdf>
5. Hindu (2016): "Demonetization Could Halve GDP Growth to 3.5% in Current Fiscal," Hindu, 19 November Retrieved from <http://www.epw.in/journal/2016/50/commentary/demonetisation.htm>
6. Radhika Iyengar (2016) *Both sides of the coin: What top economists think about demonetization* Retrieved from <http://indianexpress.com/article/india/india-news-india/both-sides-of-the-coin-what-top-economists-think-about-demonetisation/>
7. Ravi Prakash Kumar. (2016, November 9). What is demonetization and why was it done, Retrieved from <http://economictimes.indiatimes.com/news/economy/policy/what-is-demonetisation-and-why-was-it-done/articleshow/55326862.cms>
8. Sanjiv Shankaran.(2016, November 15). Demonetization in 1946 and 1978: Stories from the past [Blog post]. Retrieved from <http://blogs.timesofindia.indiatimes.com/cash-flow/demonetization-in-1946-and-1978-stories-from-the-past/>
9. Steve Forbes .(2016, December 22) . What India Has Done to Its Money Is Sickening and Immoral. Retrieved from <http://www.forbes.com/sites/steveforbes/2016/12/22/what-india-has-done-to-its-money-is-sickening-and-immoral/#19e0fff41148>
10. Vikas Dhoot.(2016, December 24). Demonetisation is changing nation's conduct: Jaitley Retrieved from <http://www.thehindu.com/business/Demonetisation-is-changing-nation%E2%80%99s-conduct-Jaitley/article16937558.ece>