

IMPACT OF DEMONETIZATION ON THE MICROFINANCE SECTOR AND THE FINANCIAL INCLUSION OF POOR

(A Project Report Submitted to Indian Institute of Banking & Finance under the Macro
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"The poor stay poor, not because they are lazy but because they have no access to capital."

(Smith & Thurman, 2007, p.1)

"If Mahatma Gandhi worked to remove social untouchability, if we want to get rid of poverty, then we have to first get rid of financial untouchability. We have to connect every person with the financial system. And for that this PRADHANMANTRI JAN DHAN YOJANA programme has been given impetus. When a bank account is opened, it's a step towards joining economic mainstream."

(Prime Minister Narendra Modi)

"The Period of pain and inconveniences is getting over Economic activity is being restored. The banks toady admittedly has a lot more money available in order to lend for growth."

FM Jaitley

"What is happening in India is an extremely ambitious step in that direction; of a staggering scale that is immediately affecting 1.2 billion people. The short run costs are unfolding, but the long run effects on India may well prove more than worth them, but it is very hard to know for sure at this stage."

Kenneth Rogoff

Former Chief Economist of IMF.

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DECLARATION

I hereby declare that this project report entitle, “Impact of Demonetization on the Microfinance sector and Financial Inclusion of poor”. Is a bonafide and genuine research work carried out by us under the Macro Research Award 2016-17 of Indian Institute of Banking and Finance (IIBF), Mumbai. There is no violation of copy right. Indian Institute of Banking and Finance shall have the right to preserve, use and disseminate this report in print or electronic format for academic research purpose



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	ABBREVATIONS USED
AEPS	Aadhar Enabled Payment System
BCG	Boston Consulting Group
CASA	Current Accounts and Savings Accounts
CMIE	Centre for Monitoring Indian Economy
DCB	District Co-operative Banks
IDRBT	Institute of Development and Research Banking Technology
ICRISAT	The International Crops Research Institute for the Semi Arid-tropic
MCLR	Marginal Cost of Funds Based Lending Rate
MSME	Micro Small Scale Medium Enterprises
MPD	MonitoryPolicy Department
MFI	Micro Finance Institution
MoU	Memorandum of Understanding
MIS	Management Information System
NGO	Non-Governmental Organisation
NABARD	National Bank for Agriculture and Rural Development
NBFC	Non-Banking Financial Company
NPA	Non-Performing Asset
NRLM	National Rural Livelihoods Mission
NULM	National Urban Livelihoods Mission
NCD's	Non- Convertible Debentures
NPCI	National Payment Corporation of India
PDA	Personal Digital Assistant
PAN	Permanent Account Number
PAR	Portfolio At Risk
PSU	Public Sector Units
RBI	Reserve Bank of India
RFI	Rural Financial Institution
RRB	Regional Rural Bank
RFIP	Rural Financial Institutions Programme
SGSY	Swarnajayanti Gram Swarojgar Yojana
SHG	Self Help Group
SHPI	Self Help Groups Promotion Institution
SIDBI	Small Industries Development Bank of India
SROs	Self-Regulatory Organizations
SBNs	Specified Bank Notes
SRLM	State Rural Livelihoods Mission
UIDAI	Unique Identification Authority of India
WSHG	Women Self Help Group

ABSTRACT

The Demonization policy announced by Prime Minister Narendra Modi at midnight on November 8, 2016, the government would no longer recognize the existing 500 notes and the 1,000 notes as valid forms of the currency of legal tender. The Reserve Bank of India reported that between November 4, 2016, and December 23, 2016, "the amount of money in circulation has been reduced by almost half". The lack of liquidity has caused serious economic difficulties. After months of demonetization, cash was still scarce in many places. Withdrawal limits were imposed until February and in many areas, it was informed through local news sources that ATMs still faced supply problems in March 2017. Demonetisation had a significant impact on the microfinance sector and its clients; the cash shortage disrupted the operations of microfinance institutions (MFIs), in the period that immediately followed demonetization, MFIs reported difficulty in collecting payments and disbursing loans to the poorer segments of the population who are the worst hit. This is primarily because the poor use cash and do not use technology for daily chores. The microfinance sector is going through substantial challenges because their customers take loans in cash and repay loans in cash. The RBI, in order to protect the market and clients, has propagated strict regulations, which cover significant portions of the sector. However, as experienced till now, demonetization has posed challenges to both clients and the entire sector. It has provided a strong impetus to resume the upward trend towards greater inclusion and financial participation. This project aims at post-demonetization scenario of loaning activities to MFIs and the challenges faced by Microfinance Institutions, the main objective of this project is to evaluate the impact of demonetization on beneficiaries of SHGs in the selected areas of Telangana and to make a review of progress of PMJDY PradhanMantri Jan DhanYojana and financial inclusion process in providing microfinance during post Demonetization.

INTRODUCTION

CHAPTER I

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1.1	Introduction to Demonetization
1.2	Demonetization effect on micro finance sector
1.3	Need for the study
1.4	Statement of the problem
1.5	Objectives
1.6	Research methodology
1.7	Analytical tools
1.8	Hypotheses
1.9	Chapterisation
1.1	Literature review



1.1 INTRODUCTION TO DEMONETIZATION

The biggest decision by the Prime Minister of India, Mr.NarendraModi on the evening of 8th November, 2016 with the surgical strike on black money by ceasing the 500 & 1000 rupee notes from 9th November, 2016. Demonetization is not new to Indian economy. India had gone through this phase of demonetization twice earlier, in the year 1946 pre-independence period and in 1978 by then ruling Janata Party.

Demonetization is *the act of stripping a currency unit of its status as legal tender*. Whenever the government wants any change in national currency there is no other go except demonetization by RBI. The general meaning of demonetization is nothing but withdrawing a particular currency from circulation by RBI and replacing it with new currency notes having new designs, security features and denomination. The impact of demonetization in the

medium term is how much currency will be replaced at the end and the extent to which currency in circulation is extinguished.

The main objective behind the Demonetization is to eliminate fake currency, disrupting terror and criminal activities, and inflicting losses on those with black money. After Demonetization, new objectives like turning India into a cashless economy and enabling growth in bank credit were tracked. There were few adverse impacts of demonetization, one being scarcity of liquid cash in the market and the worst affected were rural poor and farmers as most of their dealings were in cash. However the situation has improved and stabilised once the new denomination was introduced.

Also, due to lack liquid cash in the market the citizens had to switch to alternate modes of transaction such as electronic banking, mobile banking, credit, debit cards and other online bill payments.

Table 1.1

Rs. 500 & Rs. 1000 currency notes in circulation						
	Volume	Value	Volume	Value	Volume	Value
Denomination	Mar-14		Mar-15		Mar-16	
₹ 500	1141	5.7	1313	6.6	1571	7.9
% Share	14.7	44.4	15.7	45.9	17.4	47.8
₹ 1,000	508	5.1	561	5.6	633	6.3
% Share	6.6	39.6	6.7	39.3	7.0	38.5
500 & 1000 together	1649	10.8	1874	12.2	2204	14.2
% Share	21.3	84.0	22.4	85.2	24.4	86.3
Total of all notes	7733	12.8	8358	14.3	9027	16.4
Source: RBI						

1.2 DEMONETIZATION EFFECT ON MICRO FINANCE SECTOR

Around 85% of the loan disbursements by microfinance institutions and close to 95% repayment or collection of loans have traditionally been in cash. (LiveMint)



Microfinance is one of the strongest tools available to fight poverty and uplift millions of Indians to a better standard of living. Microfinance began its journey by providing credit to the poor. Since 1992, In India, 60% of the population depends on the agricultural sector for their livelihoods and 30 % of the population lives below the poverty line. This population in the rural area required micro-credits for different purposes, such as small one's commercial purpose, agricultural purpose and personal purpose. Microfinance institutions provide micro-credit to poor people and provide these loans in cash. The demonetization has had a great impact in the sectors with the greatest use of liquid cash, the lack of availability of new banknotes has affected the informal high-intensity cash economy of low-income groups served by microfinance in the weeks following the old Rs 500 and Rs 1000 banknotes declared illegal. Microfinance institutions, other than banks had forced their customers to obtain new banknotes or to pay the amounts of their loans in other legal denominations. Because of this, there was a cash crunch in India.

The Governor of the Reserve Bank of India made it clear that the government was fully aware of the consequences of its decision and that it was not at all a badly planned operation, as some have suggested. As often happens, cash is the most powerful tool for financial inclusion. Anyone can access it directly, without depending on financial or technological intermediaries looking for transaction fee/charges. Once you have liquid cash, you can spend

it every time, anywhere and in the quantity you have, without anyone being able to track it. These are the freedoms and fundamental rights we take for granted.

The microfinance industry is cash – intensive, customers take loans in cash and they repay loans in cash. This has become a major challenge for microfinance firms. A sudden limited money supply in the economy has come as a double whammy for microfinance institutions. MFIs temporarily stopped providing loans to their customers and loan repayments have also taken a major hit... Even microfinance institutions, which lend to women and self-help groups of small businesses, have been hit by the sudden withdrawal of cash.

The MFI started to ignore the loan defaults due to demonetization. This led to a temporary increase in the institutions' unproductive activities. It is not just the quality of resources that are affected by this chain reaction, but also the ability to generate income from these institutions is a big threat. Daily bets and low-income people cannot pay their debts on time due to the lack of available money. The mobilization of collections is the biggest challenge for retail customers after the withdrawal of Rs. 500 and Rs. 1000 notes of the Indian economy. The institutions of Micro-Finance are reluctant to lend money to those who do not have bank accounts. This measure is taken by them to ensure the timely collection of payments, but the lack of alternatives is alienating their retail customers.

Although there will not be much impact on MFIs in the long run, the current shock of the economy is affecting MFI service providers and their customers. The main alteration observed in this sector is during the collection cycles. This led to an increase in the quotas and the default values. It is said that the liquidity crisis observed in these MFIs is not structural, but cyclic.

Looking at the sentiment in the microfinance sector, the general trend reflects that of the big economy. Micrometer (Q1 2018), a publication of the Microfinance Institutions Network (MFIN), explains: "Because customer transactions in the microfinance sector are laborious, Demonetization has had a significant impact on the microfinance business in several ways, including the slowdown in growth due to the lack of cash available for several months. "However, the situation has clearly changed since then, and the sector has returned to pre-Demonetization levels, even surpassing in comparison to some indicators. While the level of loans from all microfinance providers in Q12017 was only 0.2% higher than in Q12016, the

outflows of small MFIs increased by 64% those of medium and large MFIs remained more or less the same.

1.3 NEED FOR THE STUDY:

Overnight, more than 86 percent of currency in circulation has been transformed into mere pieces of coloured paper. Microfinance Institutions (MFI's) are non-banking financial institutions involved mainly in service of granting micro-loans which are repaid on a daily, weekly, fortnightly or monthly basis. It is a 60,000 crore industry and almost all the transactions carried out in the microfinance sector are done in cash. In view of Government of India's decision to scrap Old High Denomination (OHD) currency on 8th November 2016, the sector is grappling with a huge drop in collections. On the other hand, MFIs face repayment default or delayed payment in view of the limited supply of tenderable currency in our economy this has led to an increase in loans classified as impaired assets. Small traders, businessmen, and farmers were the hardest hit due to the nature of their work, which has also led defaults in the repayment of the loans. The main purpose of the research is twofold, Firstly to study the impact on collection and disbursement of loans, and how MFI loan repayment has affected after the demonetization period, what are the substantial challenges facing by microfinance sector due to demonetization and measures taken by RBI to protect MFIs. Secondly to study the problems faced by the beneficiaries of SHGs in the selected rural area and urban areas of Telangana during and after the demonetization period. This research also focuses on the impact of demonetization on financial inclusion in India Furthermore; this research will help us to analyze how the need for digitalization of financial transaction has come as a priority after demonetization in rural India and in MFIs.

1.4 STATEMENT OF THE PROBLEM:

Demonetization impact is felt to a greater extent by small retailers and the unorganized segment. Microfinance clients are mainly small businessmen, traders, shopkeepers etc. Out of whom, the majority of them are women. They suffered from temporary liquidity crisis during demonetization. It has a short-term impact on repayment and credit disbursal. As experienced till now, demonetization has posed challenges to both clients and the entire sector.

1.5 OBJECTIVES:

Main Objective:

To study the Impact of Demonetization on Microfinance sector.

- To study the challenges faced by Micro Finance institutions in rendering their loaning activities.
- To study the challenges of SHGs in delivering microfinance after demonetization in Telangana.
- To evaluate the impact of demonetization on beneficiaries of SHGs in the selected areas of Telangana.
- To make a review of the progress of PMJDY PradhanMantri Jan DhanYojanaand financial inclusion process in providing microfinance after demonetization.
- To review the effectiveness, adoption, and ease of transacting in alternate banking channels by illiterate and rural population.

1.6 RESEARCH METHODOLOGY

In order to operationalize the objectives framed, the research methodology was designed to carry out the study in a scientific way so as to examine various aspects in a comprehensive manner. Both quantitative and qualitative methods of research were applied in the study.

Primary data was collected through the survey, in-depth interviews, and field observations. A questionnaire was developed exclusively for the purpose of collecting the primary data particularly to assess the Impact of Demonetization on Microfinance. Questions pertaining to Demonetization, like loan collections and Disbursement problems, Problems faced in rendering services by banks/MFIs, Challenges faced by the of SHGs and beneficiaries in selected areas of Telangana were framed. Adoption of technology and alternate banking channels, the changes in the social and economic status of Beneficiaries were studied, All the selected sample respondents were interviewed personally.

Study Region and Organizations covered in the Study: The study “Impact of demonetization on microfinance” Telangana state was selected because Telangana is well known for developing the best management practices in the implementation of SHG-Bank Linkage programme.

The state of Telangana is located in the south of India. It was formed as a new 29th state of India on June 2, 2014, after separating from the erstwhile combined state of Andhra Pradesh, with the city of Hyderabad as its capital. Hyderabad city is fast growing by merging adjoining rural areas into its territory. The areas of Patancheruv, Quttubulapur, and Kukatpally which are on the outskirts of Hyderabad are selected for study as they have the homogenous concentration of Agri, Micro, and SME Units as well as urban and rural setup.

Patancheruv, also known as Patancheruv, is an industrial area located about 32 km from the city center, on the Hyderabad-Solapur highway and about 18 km from the town of HITEC. Previously, it was the headquarters of the income divisions of Bidar and Gulshanabad. Patancheru is the home of ICRISAT (The International Crops Research Institute for the Semi-Arid Tropics).

Quthbullapur is a suburb of Hyderabad in the district of Medchal, in the Indian state of Telangana. It is the headquarters of the Quthbullapur agent in the Malkajgiri income division. The Mandal was a part of the Ranga Reddy district before the reorganization of districts in the state. It was a municipality before its merger with the Greater Hyderabad Municipal Corporation.

Kukatpally is a suburb of Hyderabad in the Indian state of Telangana. It is the head office of Kukatpally Mandal in the Malkajgiri income division of the Medchal district. It was a municipality prior to its merger with the Greater Hyderabad Municipal Corporation. It has road connectivity and proximity to the Hitech city information technology center.

Multistage stratified random sample method was used for the purpose of the study.

150 SHGs (50 SHGs from each circle) which were situated in rural and urban areas were selected at random in the selected circles. 330 Members of SHGs, who have taken a minimum of one bank link and above were randomly selected from the selected SHGs. There

the random sampling method provided was used in the selection the 330 Members most of them women beneficiaries were interviewed, two respondents of each SHG's selected in proportion to them total SHG members in the three circles. Finally, an example of 330 respondents of SHG members was randomly selected under SHG BLP scheme of the Hyderabad district of Telangana State.

SAMPLING DESIGN:

MULTI-STAGE STRATIFIED RANDOM SAMPLING

Stages	Area	Reason	Sampling method
I Stage	Hyderabad (18) Circles	large number of (SGH-BLPs)	Purposive sampling
II State	Patancheruv, Kukatpally, Quthbullapur (three circles)	Covering 3 districts (rural and urban areas).	Convenient sampling
III State	Selection process of the 150 SHG-BLPs were finalised	Number of groups linkages	Probability proportional to size.
III Stage	Atleast two respondents from each SHG-BLPs and 329 were selected	Researchers are familiar with the areas so we got the co- operation of the officials and also respondents.	Quota sampling

Beneficiaries from SHGs who have received loans from the Banks were selected to study the effect of demonetization for the period 9/11/2016 to 30/04/2017. Any other key factor influencing the impact on the microfinance was also being taken into account.

1.7 ANALYTICAL TOOLS

Statistical tools used for analysis such as Correlation, Chi-square test, ANOVA, Linear Regression, Logistic Regression are used apart from the application of SPSS tool, R Programming, and 'MS Excel 2007'. Documentation was done using 'MS Word 2007'.

1.8 HYPOTHESES

The following hypotheses were framed for the purpose of the study.

- H1: There is no significant relationship between the progress of PMJDY Scheme and Demonetisation.
- H2: There is no significant impact of Demonetization on financial inclusion.

There is no significant impact of Demonetization on Microfinance:

- H3: Small and marginal businessmen have been significantly affected by demonetization.
- H4: Demonetization will not result in a less cash society in rural areas.
- H5: Borrowers have not faced any problems in paying their loans during demonetization.

1.9 CHAPTERISATION:

The present study is divided into six chapters namely

Chapter I: Introduction: This Chapter provides the Introduction - Need for the study- statement of the problem- Objectives of the study - Hypotheses- Research Methodology evolved- scheme of Demonetization. Review of Literature

Chapter II: Impact of demonetization on Micro-finance Sector.

This Chapter deals with the impact on collection and disbursement of loans of Microfinance sector - loan repayment problems after the demonetization period - substantial challenges facing by entire microfinance sector due to demonetization - measures taken by RBI to protect MFIs.

Chapter III: Impact of demonetization on Financial Inclusion.

This Chapter covers Impact of demonetization on financial inclusion -Review of Progress of PradhanMantri Jan DhanYojna (PMJDY) after demonetization.

Chapter IV

This chapter deals with Boom in digitalization after demonetization -The increase in alternate banking channels in rural areas.

Chapter V:

This chapter gives the challenges of SHG-BLP's in delivering microfinance after demonetization in the State of Telangana - the impact Of Demonetization on beneficiaries of SHG's in the selected areas of Telangana - analysis and interpretation of data collected from primary sources relating to Microfinance, Financial Inclusion and Self Help Groups' Bank Linkage Programme in Telangana.

Chapter VI: Summary of Findings and Conclusions:

The sixth and the last chapter give a summary of the findings, conclusions and the recommendations resulted from the study. Further, identified the scope of further research and conclusions were drawn.

1.10 LITERATURE REVIEW

History and Background of demonetization

Demonetization by Akbar:

During the Akbari period, the state got huge profits from the outflow of gold, silver, and copper coins. The state has allowed the option of the discounting system of old coins especially silver coins. All the standard silver coins of the preceding 300 years were demonetized by Akbar's discounting system.

1946 demonetization in India – 1946:

In 1946, the Government of India demonetized Hundred-rupee currency notes. Apart from ₹100 currency notes, ₹1,000 and ₹10,000 currency notes were demonetized. The government allowed for a fixed time for exchange of demonetized notes at Reserve bank of India or its agencies by submitting a genuine declaration by holders. People faced difficulties and adverse results out of this demonetization. The total value of 1,235.93 crores notes,

143.97 crores were demonetized at that time. ₹9crores worth of 100 rupee notes was immobilized and i.e 6.25 percent of the currency was destroyed. Further, Director Taxes Enquiry Committee in its interim report observed that“Demonetization was not successful then, because only a very small portion of total notes in circulation was demonetized in 1946 and its worth was ₹1,235.93 crores.”

1978 Demonetization in India:

On the night of 16 January 1978 government withdrew currency notes ₹1,000, ₹5,000 and ₹10,000 from its legal tender. Banks are asked to submit the statements of all currency notes of 1,000, ₹5,000 and ₹10,000 in their possession. Reserve Bank of India and other Public Sector Banks allowed people to exchange such notes before 19 January 1978 by submitting proper identity. Further, the exchange was accepted till 24 January 1978 by submitting a satisfactory explanation. The total value of 1978 demonetization was estimated at about ₹180 crores. Out of these ₹20 crores were immobilized.1978 demonetization was done by Janata Party. 1978 demonetization was better implemented than in 1946.The 1978 demonetization served some useful and limited purposes.

- One point brought to light that cash circulating in the illegal informal economy.
- The declaration submitted during the exchange helped the tax officials for further investigation.
- This demonetization has given a tuff fight to the political use of unaccounted money at that time.
- But frequent demonetization of currency notes does not help to control black money.

On 16 January 1978, high demonization currency notes were introduced. The total value of high demonetization amounted to ₹146 crores. Total notes tendered to Reserve Bank of India amounted to ₹125 crores.In early 1970s Wanchoo Committee made recommendations to withdraw the bank notes while talking about the black money in the country. But these recommendations were not publicized.

In 1960, India’s per-capita GDP was ₹400, in 1978 it was ₹1,722 and now it is ₹1,03,000. RBI removed pre-2005 notes of all denominations from circulation and the process took nearly one year.In 1978, high denomination notes ₹500, ₹5,000 and ₹10,000 currency notes subsequently ₹500 note was introduced in 1987. ₹1,000 was reintroduced in 2000.

Burma's Demonetization: In 1987, Burmese leader Ne Win demonetized Burma's national currency, the Kyat. The motive of demonetization was to fight against black marketing. Farmers use rice as a substitute for cash since it is an accepted barter system universally. This resulted shortage of rice and food riots broke out all over the country. This demonetization caused to the death of 10,000 protesters.

Australia's Demonetization:

In 1996, Australia, the first country who has replaced all paper-based notes to polymer bank notes. The Reserve bank of Australia for the first time had released long lasting counterfeit-resistant polymer bank notes.

Libya's Demonetization: In 2012, withdraw the old currency to restore the liquidity and found that majority of funds are deposited outside banks.

Pakistan's Demonetization:

Pakistan planned to discontinue all currency notes with old designs. Pakistan tried to bring currency with new designs and security features. Pakistani rupee 10,50,100 and 1000 will be ceased to be legal tender from 1st December 2016. On June 11, 2016, State Bank of Pakistan released a notification that the old notes are exchangeable until 20th November 2016. Further announced that central bank will accept the old notes until 31st December 2021. Pakistan passed a resolution to withdraw from the high denomination of 5,000 currency notes to curb the flow of black money. In Pakistan 3.4 trillion notes were in circulation, and out of these 1.02 trillion notes are 5,000 denominations.

CARE's ratings 2017 According to interaction with few major MFI entities, the collection efficiency is expected to improve in the month of January 2017 due to improved supply of new currency, general improvement in economic activity and important role played by SROs in creating awareness among the borrowers directly or indirectly through bureaucrats and sustained media engagements. While the industry expects collection efficiency to reach to the normal level by June 2017, continued interference of local influential individuals with mala fide intention remains a major risk to the sector in the near-term. However, the collection efficiency is expected to reach to normal levels over the medium-term period due to increased credit discipline among the borrowers as a result of the presence of credit bureaus.

Post demonetization, MFIs are increasingly looking for cashless disbursement and collection through Jan-Dhan accounts and by leveraging technology. With 8 NBFC-MFIs converting into

Small Finance Banks (SFBs) by March 2017, the competitive environment is bound to undergo a major shift within the microfinance industry as a whole. As these entities are expected to remain focused on microfinance, cashless disbursement and collection of loans are bound to increase in the future.

India Ratings and Research associate director Jindal Haria said

As currency flow resumes, the banking habits of MFIs and their borrowers will further improve. He, however, said “it is unlikely that a significant percentage of one-month overdue loans would move to the three-month overdue loan bucket if money flow normalizes by the fourth quarter of the financial year 2016-17,”

“(Post demonetization) we expect MFI borrowers to face cash flow mismatch, thereby reprioritizing their expenses. As a result, MFIs could witness high over dues, indicating lack of diversification in MFIs' borrower profiles,”

“The credit rating agency has warned that if the money supply isn’t balanced by March 2017, these firms could find themselves in jeopardy. They typically deal in small sums of loans, disbursed and repaid in cash”.

“We expect microfinance institutions (MFIs) borrowers to reprioritize their expenses on account of a cash flow mismatch in the next few weeks.”

“This would lead to an increase in one-month over dues of many MFIs. If money flow does not fully normalize by the fourth quarter of 2017, tier 1 capital of few MFIs could near regulatory minimum levels.”

Lokesh Uke (2017): He studied demonetization and its effects in India. He studied the positive and negative impact of demonization in India. The study was based on secondary data available in newspapers, magazines, etc. The main objective of demonetization is to eradicate black money and reduce corruption. He expressed that the Government of India had somehow become a success. The demonetization had a negative impact during a short time in the Indian financial markets. But he said that the real impact will show up in the future.

Rao, Mukherjee, Kumar, Sengupta, Tandon and Nayudu, 2017: The authors studied the impact of demonetization on the basis of the demand for money from various agents of the economy. According to the authors, there are four types of transactions not accounted for (legitimate transactions but not financial transactions paid (corruption, crime, etc.). The informal sector and the transactions recorded, and taking into account the means of exchange

and the deposit of value, The demand for money is determined This demonetization involved all these transactions. The authors studied the effects of demonetization on currency circulation and on deposits made by people in banks.

Parul Mahajan¹, Anju Singla² (2017): This demonetization is much different from the 1978 demonetization which never really affected ordinary people. The 1978 demonetization covered notes of ₹500 and ₹1000 and those denominations were hardly used by the common man. The hundred rupee note was what most people used. However, in comparison to present scenario, the effect has been largely upon the ordinary man than on the ones who are the main contributors to the black money. With the aim of achieving financial inclusion along with making India a cash-less and digital economy, efforts are required to make technology reach the bottom of the pyramid. For this purpose, the young generation should be leveraged upon to educate and support the poor, rural and elderly with digital literacy and transactions.

ManpreetKaur (2017) conducted a study on demonetization and impact on the cashless payment system. He said that the system without cash in the economy has many less profitable benefits, less time, less costs, less paper transactions, etc. And it was expected that the system of future transactions in all sectors would be a cashless transaction system.

Bisen, et al. (2017) To analyse the impact of demonetisation on various stakeholders such as farmers, traders and consumers. They found that, due to demonetisation small and marginal farmers were most affected in contrast to large farmers in case of sowing, purchase of inputs and sale of agricultural commodities. Among commodities, farmers dealing with perishables were more affected than farmers dealing with grains. However, wholesalers were most affected in grain markets and retailers in fruits and vegetable markets. Consumers have used more than one mode of payment to deal with cash crunch situation but, the lower income class people and those who did not use alternative payment methods (e-payment) were the most affected.

Paramahamsa and Eliot, 2017 The authors portrayed an image of the long-term benefits and short-term costs of demonetization. The benefits and the downside of the cashless economy were presented. Furthermore, the document highlighted the effects of demonetization on currency circulation, GDP, black money, corruption and taxes. Few research has been conducted in which the overall impact of demonetization on the economy has been studied together with its short- and long-term effects in many sectors. In addition, a

study was conducted to determine long-term benefits at a short-term cost. No research has been conducted on the impact of demonetization on non-productive banks. Therefore, this document is an attempt to analyse the impact of this recent demonetization (ie, November 2016) on the NPAs of Indian banks.

The staff of Monetary Policy Department (MPD) Macroeconomic Impact of Demonetisation - A Preliminary Assessment (RBI) Overall, demonetisation has had some negative macroeconomic impact, which, however, has been transient as remonetisation has moved at an accelerated pace in last twelve weeks. More importantly, demonetisation is expected to have a positive impact over the medium to long-term. In particular, there is expected to be greater formalisation of the economy with increased use of digital payments. The reduced use of cash will also lead to greater intermediation by the formal financial sector of the economy, which should, inter alia, help improve monetary transmission.

Nithin and Sharmila (2016): Studied demonetization and its impact on the Indian economy. They said that demonetization has a negative impact in the short term in several sectors of the economy and that these impacts are resolved when the new notes are widely distributed in the economy. They also said that the government should clarify all the problems created due to demonetization and help the economy run smoothly.

Dr.Bhupal Singh and Dr.HarendraBehera (2017): Demonetisation also led to a significant increase in financial intermediation, with an increase of 38per cent in deposits in PMJDY accounts, with addition of 27 million accounts post-demonetisation(November 9, 2016 to March 31, 2017). The latest data indicate that 50 million new accounts were opened since demonetisation until October, 2017.

Chand & Singh (2017) :reported that most of the Rabi crops are self-pollinated, farmers do not need to buy fresh seeds every year and because of that the sale of seeds by public institutions has been reported as much sales below normal.

Bharat Kumar Meher (2017):Now the banks are flooded with many funds. Since it was considered that due to the faulty assessment of the projects and the inadequate assessment of the borrowers, the NPAs were supported. This type of situation could increase further in the near future because banks are flooded with a large amount of funds that bankers should use as soon as possible. Therefore, preventive actions are needed to verify these practices. 4. Banks

are under pressure from the higher authorities to reach the loan targets. Such situations lead to loans to any client with the primary objective of achieving the objectives without a prior creditworthiness examination of the borrowers on the market, without an adequate assessment of the project or the purpose for which the loan is taken, etc. This trend increases the NPAs. Therefore, bankers should not be forced to achieve credit goals within a specific time.

Ramesh Chand and Jaspal Singh2017: No effect of demonetization was seen on prices of major crops like paddy, soybean, and maize in the month of November and their wholesale prices in APMC mandis of the country were around 3 percent higher in November as compared to the month of October. However, prices of maize and soybean fell in the month of December but paddy prices ruled higher than previous two months and also as compared to last year. There might be some delays in payment to the farmers due to cash crunch but that is a temporary phenomenon.

Bisen, et al. (2017): The farmers were affected as far as access to the inputs is concerned. The farmers did not use either cheque or any of the digital payment gateways for procurement of inputs.

Virendra B. Shahare (2017): To make rural economy cashless, more and more SHGs must be given the charge of Bank Mitras (friend) who can extend their help to the banks and post offices for the proliferation of digital economy. Rural social infrastructure such as Youth Clubs and MahilaMandal's and Panchayati Raj Institutions should be energized for the propagation of digital rural economy.

Nikita Gajjar (2016): Has approved a study on Black Money in India: current status and future challenges and demonetization. He described the framework, policy options and strategies that the Indian government should adopt to address this problem and the future challenges facing the government. Vijay and Shiva (2016) examined demonetization and its complete financial inclusion. They considered that the benefits of demonetization are very encouraging and demonetization is in the long-term interest of the country. They said that he had given temporary pain, but that he taught financial lessons. It has influenced the banking industries to make significant investments in the digitization of banking services.

Satwik Srikrishnan (2017): A vast majority of the poor are not considered creditworthy because of their ambiguous economic activity. With regard to digital payments, it will be revolutionary in banking the unbanked, while creating micropayment opportunities for the poor, thus incentivizing savings, and in the long run, empowering the rural and urban poor.

Devendra Kumar Tiwari, Deepika Tiwari (2017): In their paper Effect of Demonetization on Employment Generation in Micro, Small and Medium Enterprises concluded that Small and Medium Enterprises sector has suffered a lot; maybe for a short period of time. The unorganized labours have to lose their jobs and this figure can not be estimated easily. Therefore, it is suggested that the Government should plan for such sectors of economy before going for Demonetization. This will help the unorganized labours to continue in their jobs. It is also suggested that all the sectors that have negative effects on the Demonetization must be identified and action may be taken to protect them before the demonetization is executed.

Rajiv Chopra (2017) : After analyzing this figure, it is clear that during the period from the first quarter of 2013 to the second quarter of 2016, PAR30, PAR90, and PAR180 were less than 1%, which can be considered a desirable risk. However, a huge increase was observed in the PAR30 in the period following demonetization, which was 7.52%. in the same way, PAR90 increased from an average of 0.23% to 0.41% and PAR180 increased from 0.20% to 0.91%. The emanation caused the lack of liquidity in the economy, which played an important role in this increase.

Chatterjee & Banerji, December 2016: The authors have highlighted the demonetization of ₹500 and ₹1000 notes announced by the Prime Minister of India on November 8, 2016 along with various forms for the correct implementation of demonetization as the exchange of old notes for new ₹500 and ₹1000 banknotes in 50 days, KYC requirements to deposit money into bank accounts, limited cash withdrawals, use of old banknotes in specific institutions for a limited period. The authors also discussed the decrease in liquidity in the Indian economy over a short period of time and the increase in bank deposits due to demonetization. The demonetization will also affect the GDP and will cause.

Sweta Singhal (2017): conducted an investigation on demonetization and E-Banking in India. It was a case study to verify the level of awareness of people in rural areas of India with respect to electronic banking structures and how much it has increased since demonetization.

A sample of 100 was used with the ANOVA test to demonstrate that rural populations differ greatly for both urban people in their level of consciousness and for the level of use of electronic banking. It turned out that young urban men have a greater awareness and use of electronic banking.

Bansal, January 2017: According to the author, demonetization can be defined as a surgical attack against black money, terrorism, counterfeit currency, unorganized trade, real estate, stock exchange, etc. Within 3 days after that surprising decision. 35,000 million rupees were deposited in banks and approached ₹1500 million rupees of black money were destroyed. The author has mentioned the various reasons behind demonetization as a false currency, black money, more stability in the economy in the future, to limit the use of black money by political parties, unorganized trade, and less cash economy. The author has studied the impact of demonetization in the three sectors contributing to GDP, ie Agriculture, production, and services. With the help of few data, the author concluded that demonetization negatively affected these three sectors only in the short term, but in the long term can bring many aspects favorable to these sectors.

The paper discussed the short- and medium-term impacts of demonetization in which the authors claimed that demonetization negatively impacted unorganized retail sales such as transportation services, kirana, fruit and vegetables and all other perishable products. the term, insignificant effects on agents operating in non-essential sectors and seriously affecting the real estate market. The document analyzed in detail the effects of demonetization on farms, cars, and buildings.

Sharma, Manoj, AnurodhGiri, and SakshiChadha. (2016): Demonetized notes could only be exchanged for new valid notes at state-regulated financial institutions, including banks and Post Office Banks. Thus, demonetization required virtually all adult Indians to interact with the formal financial system, which was facilitated by the extension of bank accounts to nearly all households through the PradhanMantri Jan-DhanYojana (PMJDY) and related government programs.

InterMedia. (2017, June 6). India Wave 4 Report - FII Tracker Survey: The rate of individual account ownership among India's adult population was little changed between 2015 and 2016 according to the nationally representative surveys implemented annually by

the FII program. The demonetization policy brought a powerful movement and there is an upward trend towards greater financial inclusion.

Geeta Rani (November 2016): Presented the research work to show the effect of demonetization on the sales points. He had done his research work by taking primary data. She had used the questionnaire method. This was occupied by the 50 shopkeepers in the area. As a result, it had been ready with some exits. Similarly, an 80% retailer expressed his opinion that from November 9, 2016, to December 10, 2016, there has been 20% increase in sales due to the acceptance of old banknotes. But after that, the sales had diminished. The shopkeeper started to pay and check the system. The merchants had extended the credit period. Only the best brands like HUL, P & G were interested. 20% reduction in sales due to the brand. Furthermore, based on the study, he had identified the effect of wise demonetization category. Likewise, the sale of salted snacks decreased by 10%, sales of chocolates were reduced by 50%, cookie sales decreased by 20%, sales of fruit/juice juices decreased by 20%, cigarette sales declined by 10%, mobile phone sales fell 70%, sales of gold rose by 70% and sales of durable goods decreased by 70%. He concluded his article by giving the opinion that although demonetization is painful to shorten the term, it will certainly be beneficial in the long run, moreover, most customers are adopting cashless means like Paytm, debit card, checks, etc.

Bisen, et al. (2017): farmers they have been influenced in terms of access to inputs. The farmers did not use any check or any of the digital payment gateways for the acquisition of input. According to the fertilizer monitoring system (FMS) in the fertilizer department under the Ministry of Chemicals, Petrochemicals and fertilizers, the sale of fertilizers during the current Rabi the season was lower than the sale of fertilizers in the corresponding period during 2014-15 and 2015-16 to 7.47 % and 7.0 %. It was also found in the survey that the lack of availability of new naming coins in rural areas, no acceptance of high old denomination currency by private input distributors, distant location of the government agricultural input agencies were some of the obstacles farmers had addressed in the acquisition of input.

Chapter II

	IMPACT OF DEMONETIZATION ON MICROFINANCE SECTOR
2.1	MICRO CREDIT LOAN PROVIDERS IN INDIA
2.2	LOANS TO MFIS BY BANKS/FINANCIAL INSTITUTIONS
2.3	DEMONITIZATION EFFECT ON BANKING SECTOR:
2.4	IMPACT ON THE BANK'S CREDIT
2.5	IMPACT ON BANK DEPOSITS AND INTEREST RATES:
2.6	IMPACT ON NON PERFORMING ASSETS
2.7	IMPACT OF DEMONETIZATION ON MICROFINANCE SECTOR
2.8	IMPACT ON COLLECTIONS:
2.9	IMPACT ON DISBURSEMENTS
2.10	PORTFOLIO AT RISK:
2.11	NON PERFORMING ASSETS OF MICROFINANCE INSTITUTIONS
2.12	NEW RBI REGULATIONS TO MFIS AFTER DEMONETIZATION
2.13	IMPACT OF DEMONETIZATION ON SMALL FINANCIAL BANKS



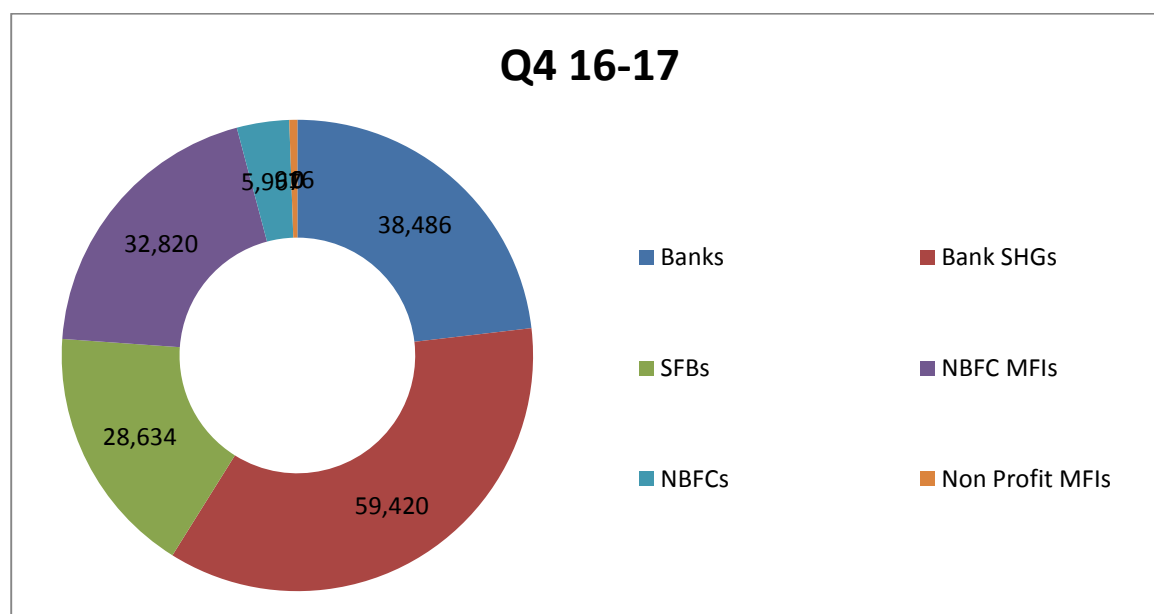
The main objective of this chapter is to study the impact of demonetization on Microfinance Industry in India. Secondary data is used to achieve the objectives of the study which is collected from various published sources like RBI guidelines for MFIs, journals, magazines, newspapers CARE RATING reports, from MFIN publications, Web sites of MFIN, The relevant data were collected for the period from November 2016 to March 2017.

2.1 MICRO CREDIT LOAN PROVIDERS IN INDIA

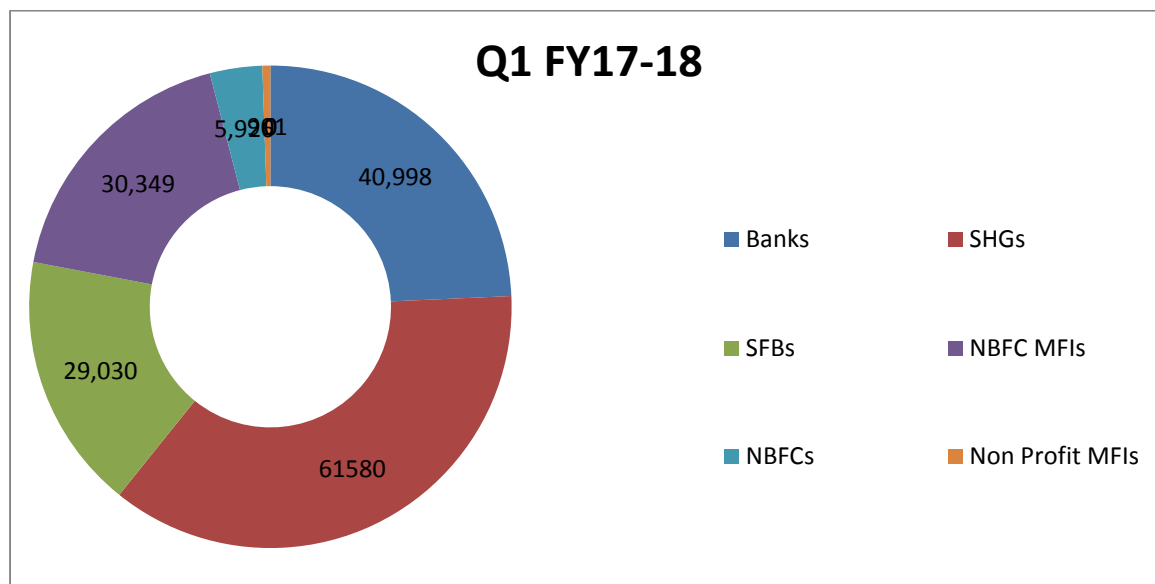
1. Banks
2. Bank Self Help Groups
3. Small Finance Banks
4. Non-Banking Financial Companies – Microfinance Institutions
5. Non-Banking Financial Companies
6. Non-Profit MFIs

As of September 17, banks are the main provider of microcredit with an outstanding loan of ₹38,486 Cr, equivalent to 36% of total microcredit loans. This includes direct and indirect loans through BC associations. It is important to note that Banks have addition microcredit portfolio of ₹61,580 (Mar 17), through SHG program. If SHG lending is also factored the Banks' total loan amount outstanding in microcredit becomes 102,573. The NBF-MFIN as a group is the second largest microcredit provider with the outstanding loan of ₹30,349 Cr (excluding BC's portfolio channelled through NBFC-MFIN), which represent 32% of the sector's total portfolio (for example, loan amount) in being). SFBs have a total outstanding loan of ₹29,030 Cr with a total participation of 25%. NBFCs represent another 6% and non-profit MFIs represent 1% of the unit.

2.1 MICRO CREDIT LOAN AMOUNT OUTSTANDING ACROSS LENDERS



2.2 MICRO CREDIT LOAN AMOUNT OUTSTANDING ACROSS LENDERS (Q1 fy17-18)



Source: MFIN Publication

Table 2.1 MICRO CREDIT LOAN PROVIDERS

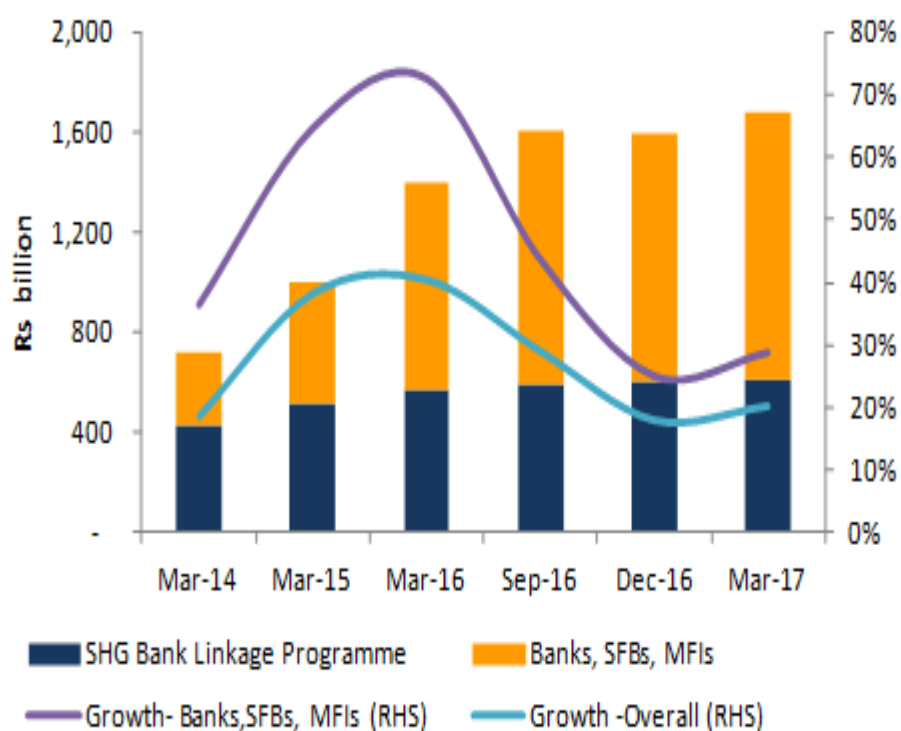
	SHARE IN MICRO LOAN
1. BANKS	36% (1.20 CRORE)
2. BANK SHGS	IN ADDITION 61,580 CRORE DELIVERED UNDER SHG PROGRAMME
3. SFBS	27%
4. NBFC MFIS	31%
5. NBFCs	5%
6. NON PROFIT MFIS	1%

Source: <https://economictimes.indiatimes.com/industry/banking/finance/microfinance-institutions-are-struggling-for-survival-heres-why/articleshow/60931020.cms>.

As customer transactions of the microfinance industry are cash intensive, demonetization severely impacted the microfinance business in multiple ways including

slowing down of growth due to non-availability of cash for few months. The impact is still visible as there has not been any growth in the loan amount outstanding since last quarter..

Figure 2.3 OVERALL GROWTH OF MFIS



Source : RBI Bulletin

2.2 LOANS TO MFIs BY BANKS/FINANCIAL INSTITUTIONS

On 31 March 2016, MFIs have 40 million clients with an outstanding credit of 63,853 crore. There was a growth in the average credit outstanding per client, by 76% from 7481 crores in 2011 to 13162 crore in 2015. (Micro Finance report 2016-17) according to MFIN, as on 31.03.2017, the Micro Finance industry has a total loan of ₹1,06,916 crore. In 2016 major part (94%) of credit given by MFIs is for productive purposes and major part for the income generating activities like Agriculture, Animal husbandry, and small trading are the major income generating activities that account for 79% of the microcredit provided by MFIs in 2016.

The microfinance sector grew by 5% to ₹111,539 crore at the end of September, according to data from MFIN. Banks are the main microcredit provider with an outstanding loan of ₹

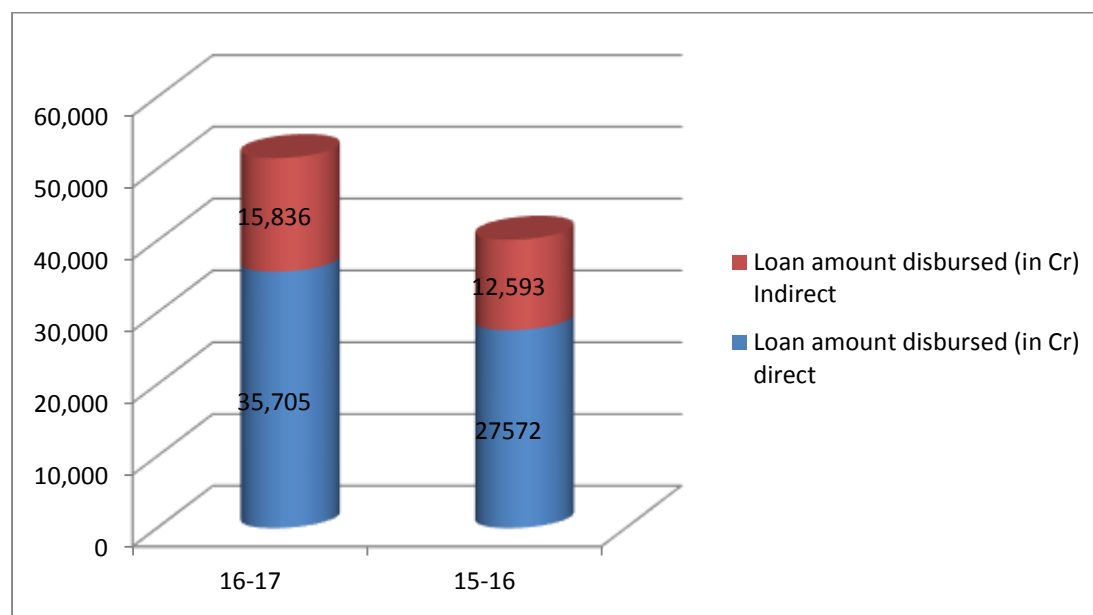
40,076 crores and represent 36% of the total microcredit, excluding loans granted to self-help groups. The NBFC-MFI as a group is the second largest provider representing 32% of the total portfolio of the sector and small financial banks have a 25% share. The NBFC represents another 6% and the non-profit MFIs represent 1% of the loans.

Table 2.2 LOANS TO MFIs BY BANKS/FINANCIAL INSTITUTIONS

Financing agency	Period	Loans disbursed to MFIs during the year		Loans outstanding against MFIs as on 31 March	
		No. of loan accounts	Amount in (Crores)	No. of loan accounts	Amount (Crores)
	2014- 2015	541	13858.64	4445	18720.61
Commercial Banks	2015-	564	19324.14	1561	22682.85
	2016-	1430	17091.33	3328	25089.18
	2014-	15	47.69	131	1186.62
Regional Rural Banks	2015-	31	52.42	344	210.23
	2016-	13	37.83	250	78.75
	2014-	0	0	0	0
Cooperative Banks	2015-	3	6	17	11.76
	2016-	834	207.33	1682	261.54
	2014-	33	1283.8	86	2593.23
SIDBI	2015-	49	1413.01	98	2676
	2016-	37	1967.9	97	3795.98
	2014-	589	15190.13	4662	22500.46
Total by all agencies	2015-	647	20795.57	2020	25580.84
	2016-	2314	19304.38	5357	29225.45
<i>Source: NABARD report 2016-17</i>					

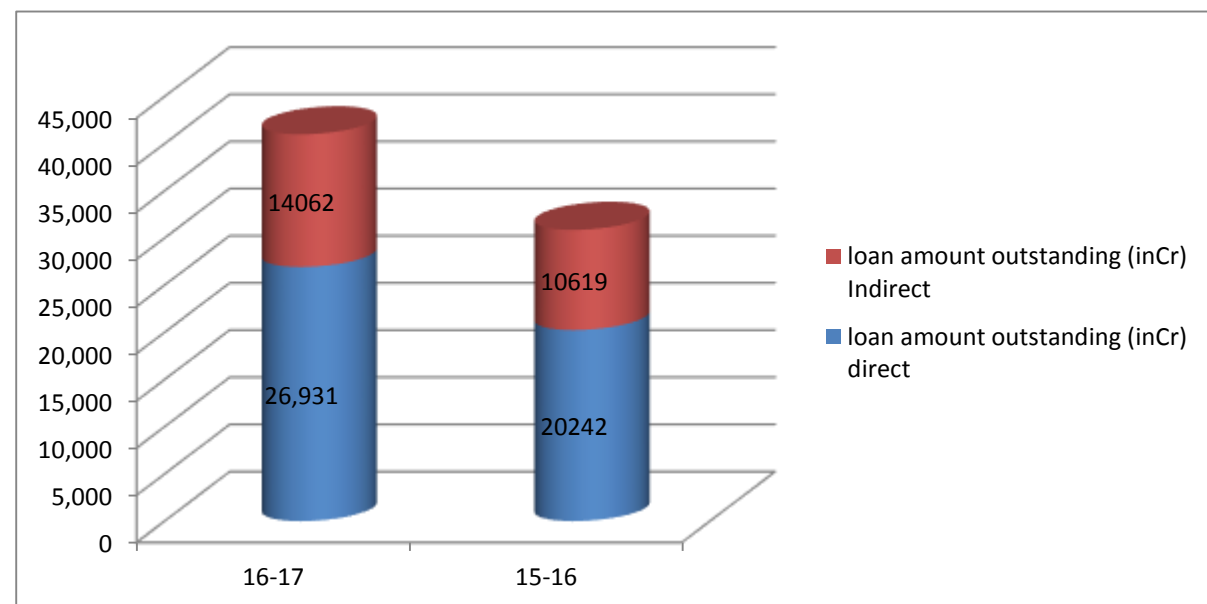
End of FY 16-17, for the Banks, average loan amount outstanding per account is ₹ 40993, Banks on an average disbursed ₹ 51541.

Figure 2.4 LOAN AMOUNT DISBURSED



Source: *NABARD report 2016-17*

Figure2.5 LOAN AMOUNT OUTSTANDING



Source: *NABARD report 2016-17*

In out of total loans disbursed 75% of direct loans and 88% of indirect loan are outstanding in 2016-17.

TABLE 2.3 LOANS TO SHG-BANK LINKAGE HIGHLIGHTS 2016-17

Commercial Banks		RRB's		Cooperative banks		Total	
No of SHGs	Loan disbursed	No of SHGs	Loan amount disbursed	No of SHGs	Loan amount disbursed	No of SHGs	Loan amount disbursed
1116442	2429701	557540	1161300	224138	287113	1898120	3878115
Total loans outstanding							
2670304	3866846	1611842	1911991	566141	379292	4848287	6158130
Non performing against bank							
amount	NPA% to total Loans	amount	NPA% to total Loans	amount	NPA% to total Loans	amount	NPA% to total Loans
264111	9.45	104500	5.47	31607	8.33	400218	6.50

Source: NABARD Micro Finance report 2016

2.3 DEMONITIZATION EFFECT ON BANKING SECTOR:

The decrease in the currency in circulation due to demonetization has led to an increase in bank deposits. The banknotes have been accepted by the bank's accountants until 30 December 2016. Between 28 October 2016 and 6 January 2017 circulation total outstanding decreased by about 86%. This, in turn, was largely reflected in a sharp increase of about 6.720 billion aggregate deposits of the banking system. As part of demonetization, many have become "banking users for the first time". There was a sudden increase in bank deposits on current accounts and savings accounts (CASA). The strong increase of 4.1 percentage points in the participation of CASA deposits in deposits added to 39.3 percent (up to 17 February

2017) led to a reduction in the cost of aggregate deposits. The HOUSE cost of 3.2 percent is significantly lower than the 7.1 percent weighted average deposit rate. Banks have also reduced their forward deposit rates; the medium-term deposit rate decreased by 38 basis points between November 2016 and February 2017.

However, demonetization has a positive impact in terms of financial inclusion. According to Abhishek Pandit, director of corporate services, AISECT, a commercial correspondent of the State Bank of India (OSE), has opened 6.1 million accounts in the last year and the average customer balance has increased by 80% compared to the crore of ₹ 480 previously to the demonetization for crores of ₹884 now. This means that banks have more liquid funds and more money to lend. Many banks have also cut their deposit rates, including SBI, ICICI Bank, HDFC Bank.

Canara Bank, ICICI Bank, and HDFC Bank reduced their fixed deposit rates up to 1%. State Bank of India has reduced interest rates on fixed deposits by 0.15% on selected maturities. HDFC Bank and ICICI Bank have reduced their deposits by 0.25%. United Bank of India reduced rates by 1% only in short-term deposits. The effects of demonetization can be majorly observed are:

Rise in deposits: the de-optimization has increased deposits in banks. The volume of deposits mobilized by the SCB has been implemented in: a reverse repository of different terms with the RBI. Liquidity management invoices (CMB) issued under the market stabilization plan. Loans and advances granted by banks increased by \$ 1.008 billion. The incremental credit deposit index for the period was only 18.2%. Additional deposits mobilized by commercial banks have been used to a large extent in liquid assets.

Decrease in interest rates: liquidity surpluses have helped to facilitate the transmission of monetary policy to market interest rates. After demonetization, several banks have reduced rates on domestic term deposits and loan rates. The medium-term deposit rates of SCBs decreased by 38 basis points between November 2016 and February 2017, while the bank's weighted average rate on deposits decreased by 24 basis points (up to January 2017). Combined with the sharp rise in low-cost CASA deposits, the total cost of loans has declined, allowing banks to reduce their loan rates.

Decline in loans: the growth in bank loans is considerably lower even after demonetization and its impact on growth on the number of public deposits. Banks have tried to lend money to the needy group by reducing their interest rates, but it has been reduced in recent months. Banks have launched excess deposits to the RBI under reverse repurchase options. The PSU banks, in particular, have distributed surplus funds in government bonds. The return on investment in bonds is likely to increase bank profits from 15 to 20 percent.

All banks have benefited. For public sector banks, the advantage is due to market gains due to rising government bond prices and a reduction in their wholesale deposit rates and private sector banks, particularly those that are building their franchise deposits, the gains were due to a sharp rise in CASA, "said Kariwala.

According to Dinesh Khara, Managing Director (Associates and Subsidiaries), anticipating the future potential in the card sector, SBI has decided to increase its participation in the credit card branch, SBI Cards, from 60% to 74%.

Joshi, chief economist at Crisil, the country's leading rating agency, has attributed the decline in credit growth to the interruption caused by demonetization. "Otherwise there no reason for the credit growth to go down, the economy was improving, there was an increase in the payment commissions, there were good rains and some interest rate cuts were transferred to the borrowers, which would have generated more request for credit ", he said.

The second half of the year is when banks anticipate most of their loans. A slowdown at this time will damage growth targets, the economists said.

"Demonetization has damaged activity in all corners of the economy." Purchasing Managers (PMI) data show that both production and services contracted in December.

According to Jefferies India, an investment bank, credit growth could drop to 6% in the fiscal year 2017. "The reduction in the leverage of corporate balance sheets, the interruption of new capital investments and the increase in access the corporate bond market has led to a negative growth of credit by banks to companies.

In the banking world, when deposit rates are reduced, loan rates will also be reduced. Because banks pay lower deposit rates to customers, this allows them to charge less on loans. Once interest rates fall, this would result in a lower IME. The deadline for lowered loan rates may take between 3 months and 6 months. In the past, the Reserve Bank of India noted that when the repo rate rose, banks also quickly changed theirs. But when the RBI reduced the repurchase rate, the banks took unbearably slow to even cut their rates. The RBI then introduced a new MCLR scheme (marginal cost of the loan rate). With this system, banks are obliged to periodically change their interest rates. So, with the new MCLR system, we can expect interest rates to change faster.

The bank credit used in the sector is an important indicator for assessing the health of the economy and the impact on various sectors after demonetization. Typically, industries that have been affected by the cash crisis tend to borrow less from the banking system.

Banks must be willing to commit themselves to interest rates to attract customers for credit purposes and, as part of these banks, such as SBI, PNB, and other banks, they have drastically reduced their home loan rates. In the near future, loan rates are expected to decline for all types of loans. This will make it easier for people to get loans at affordable prices. It is said that banks make profits with the help of demonetization. Regardless of the different sources available for electronic portfolios, the banking sector is still involved in many online transactions. This helps to control the financial transaction and, therefore, the retail payment system is an excellent way to add more sources to the banks.

2.4 IMPACT ON THE BANK'S CREDIT

Under normal conditions, bank credit generally increases in November for agriculture (with the production of Kharif entering the market), the manufacturing and service sectors. 2015, in November, bank credit (excluding services) had increased compared to the previous month. However, with the demonetization announced at the beginning of November 2016, bank credit growth has been affected.

The Bank's gross credit declined in November 2016 compared to October 2016. Almost all the main sectors, excluding housing, recorded a contraction in bank credit in November 2016. The credit sector in services has been negatively impacted, in particular, credit for the retail trade. This is more due to the retroactive effect of lower household consumption due to the lack of money availability that has influenced the purchasing model. The contraction observed in the Services in November 2016 was significantly higher than the reduction observed in the corresponding period of last year (the decline in credit for services last year is mainly due to the NBFCs that sought alternative financing methods).

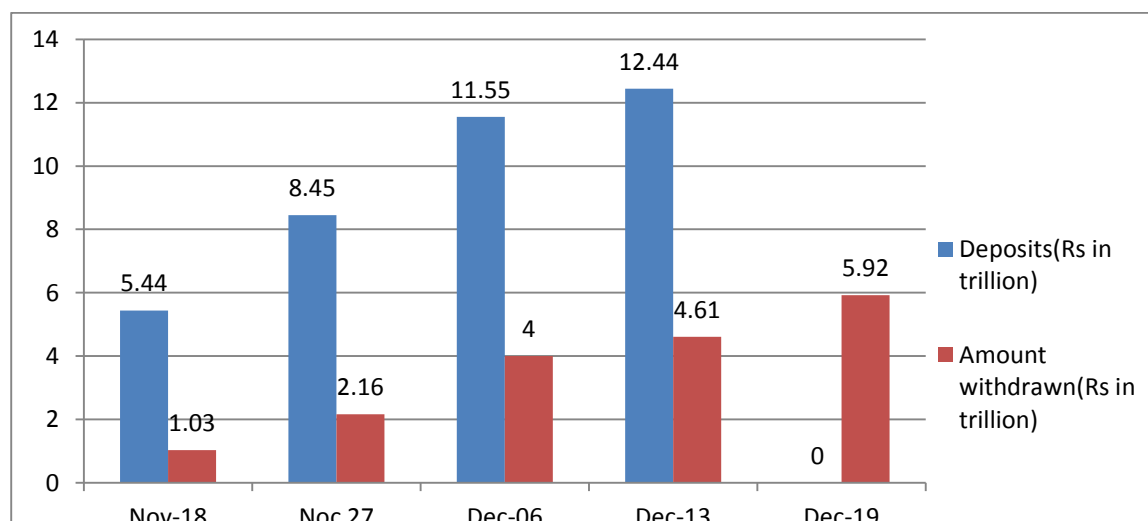
Personal loans, including loans for education, vehicles, etc. they were also affected by the decline in demand in these sectors. Agricultural loans have also been affected by the stagnation of immigration activities.

Table 2.4 MUCH OF THE OLD NOTE STOCK HAS COME BACK INTO BANKS

	Deposits(in trillion)	With drawn (in trillion)
Rural India	5.4	1.03
semi urban	8.45	2.16
Urban	11.55	4
Metropolitan	12.44	4.61
All India	5.92	5.92

Source: RBI Bulletin

**Figure 2.6 LIQUIDITY FLUSH
MUCH OF THE OLD NOTE STOCK HAS COME BACK INTO BANKS**



Source: RBI Bulletin

According to RBI's report, banks received around \$220 billion USD, or 99% of the money.

2.5 IMPACTS ON BANK DEPOSITS AND INTEREST RATES:

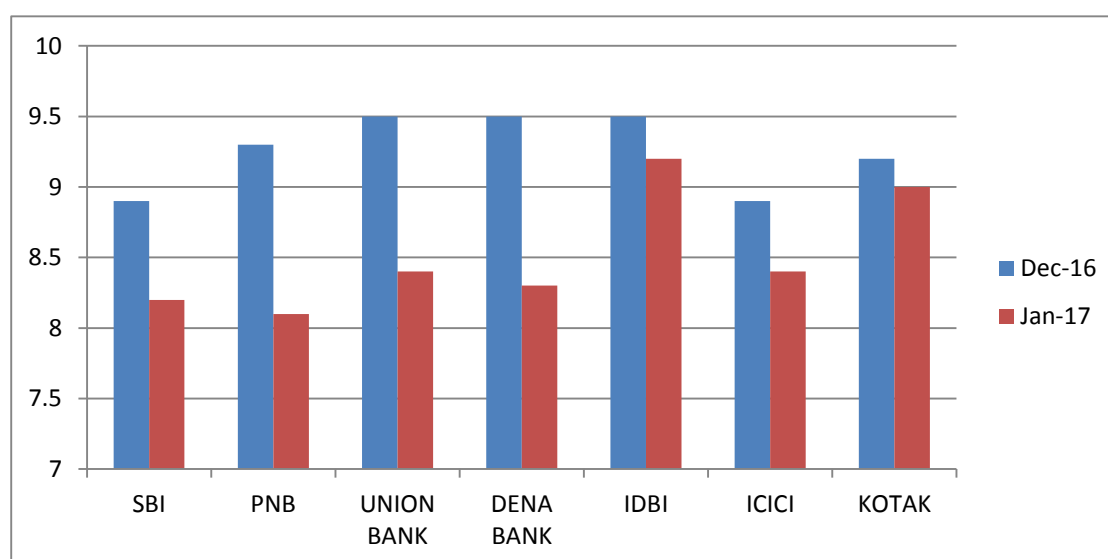
More people are depositing money into the banks because of demonetization. Due to more deposits banks, have more liquid funds and money to lend. Banks paying low interest on deposits to customers, automatically charge lesser interest on loans. Demonetization causes to reduce interest rates for home loans, medical loans, and education loans. With the return of deposits to the banking system, while currency in circulation contracted. RBI felt the necessity of vigorous liquidity management to make certain that the operating target remained aligned to the policy repo rate.

(Increase in Percentage)					
Particulars	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
Bank deposits growth	9.3	15.7	14.9	13.5	12.6
Currency in circulation (CIC)	17.2	-23.6	-39.9	-37.8	-28.2
Bank credit \$	8.4	6.2	4.9	4.7	4.5

Source: Reserve Bank of India

Banks medium term deposit rate decreased by 38 BPS during November 2016-February 2017. The decrease in the cost of funding caused by a decrease in the 1-year medium marginal cost of funds based lending rate (MCLR) by as much as 70 BPS post-demonetization.

Figure2.7 MCLR RATES IN%



Source: RBI Bulletin

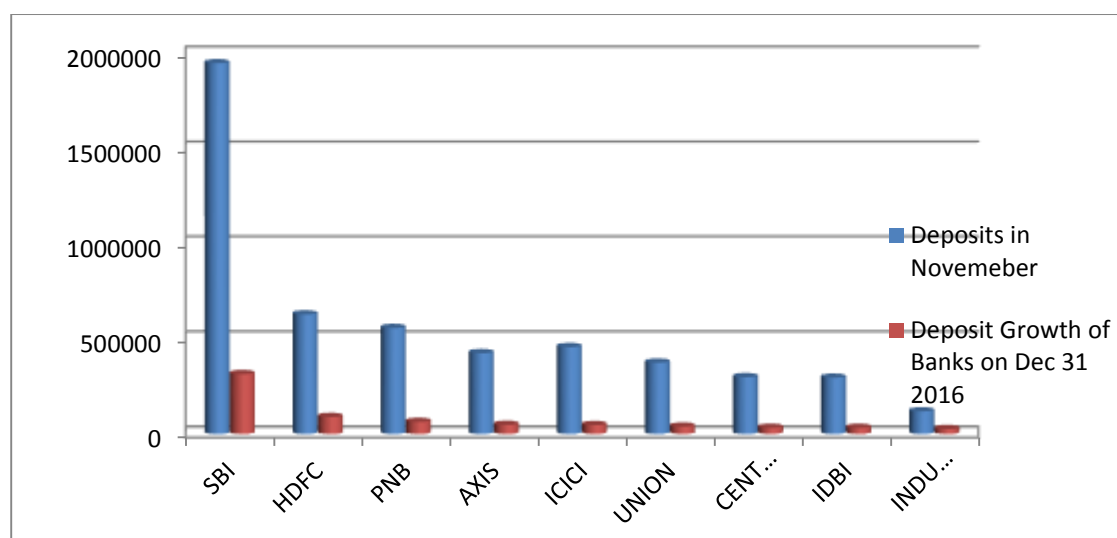
Apart from cutting deposit rates, banks reduced their lending rates. In India, loans sanctioned from April 1 are with reference to the MCLR (Marginal Cost of funds based Lending rate) instead of the Base Rate, which was used earlier. It will translate into lower interest rates on existing floating rate loans expected to stoke lending by tempting consumers to take out loans for purchasing expensive consumer discretionary items like vehicles and houses

Table : 2.5 DEPOSIT GROWTH OF BANKS IN 2016

Banks	Deposits in November	Deposit Growth of Banks on Dec 31 2016
SBI	1951725	315300
HDFC	629109	89402
PNB	557749	63894
AXIS	425625	48317
ICICI	457393	46967
UNION	375422	39336
CENTRAL	298972	32788
IDBI	296338	32483
INDUS IND	119218	26218

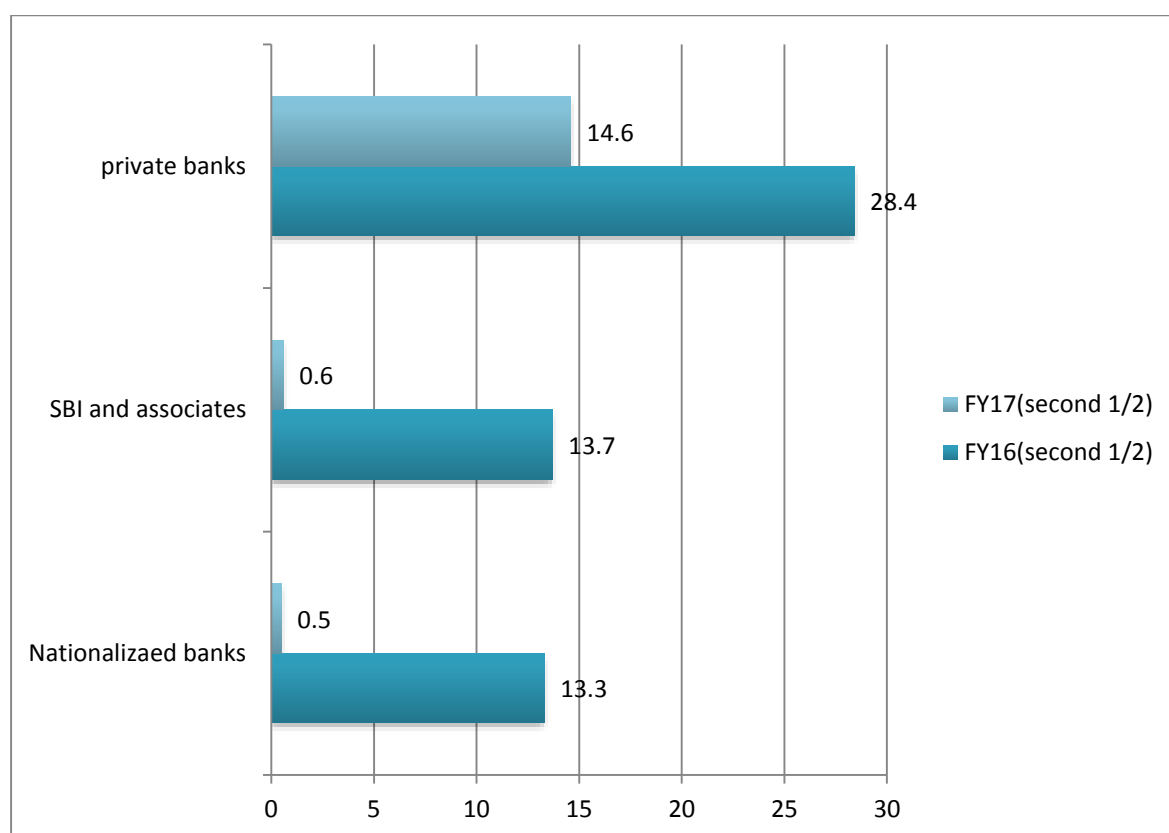
Source: RBI Bulletin

Figure 2.8 DEPOSIT GROWTH OF BANKS IN 2016



Source: Author

Figure2.9 DEMONETIZATION COMPRESSED RURAL BANK LENDING
All categories of banks slowed their lending to Rural areas



Source: Macroeconomic Impact of Demonetisation RBI (March 2017)

Credit growth of nationalized banks was 2.7% in the second half of the 2017 fiscal year, compared to 8.8% of growth in the second half of the 2016 fiscal year. SBI and its associates saw the growth credit down to 7.8% in the second half of the 2017 fiscal year compared to 13.7% in the second half of the previous year. The growth of credit by private banks was 10.1% in the second half of the 2017 fiscal year compared to 18.8% in the same period of the previous year. Clearly, every category of banks has been hit.

The negative impacts are due to regulation, the costs of demonetization, the loss of opportunities and short-term damage to the economy. As banks focused on the exchange of notes, they were unable to provide loans. The 100% cash reserve requirement (CRR) on incremental deposits meant that banks did not earn any interest on ₹ 3 million thousands of deposits for almost two weeks. Exemption of ATM charges would result in banks losing ₹ 20 in each transaction. Exemption of the commercial discount rate on cards would result in banks losing 1% on each card transaction. MSMEs sales fell down by 50%-80% they were

unable to pay installments those loans not be immediately classified as NPA due to a certain relaxation, but if the delay persists, the bank's NPA could get worse.

The demonetization has led to the increase in the use of plastic cards, online banking services, the opening of new accounts, the number of customers in branches and the use of ATMs.

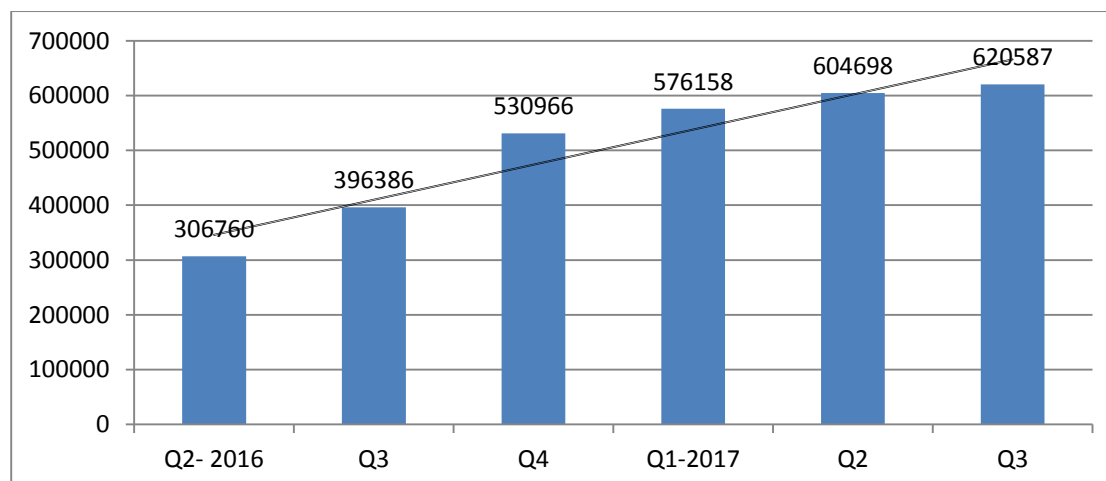
2.6 IMPACT ON NON PERFORMING ASSETS

The non-performing gross assets (NPAs) on November 8th are ₹614,872 crores. Although the Reserve Bank of India (RBI) has announced numerous restructuring programs, non-performing loans have increased from ₹ 261.843 cr by 135% in the last two years. Now they make up 11% of the gross advances of the public sector units (PSU). In total, total NPAs, including public and private sector banks, were ₹ 697.409cr in December 2016. These data were compiled by Care Ratings.

According to the RBI, public sector banks recorded the highest percentage of GNPA. The RBI Financial Stability Report (FSR) said: "In the baseline scenario, the ratio of PSB PSBs can rise to 12.5% in March 2017 and then to 12.9% in March 2018 from 11.8% in September 2016, which could further increase a severe stress scenario. "

State Bank of India (SBI) managed to limit the NPA to ₹1.08 lakh crore for the December quarter with respect to the ₹1.06 lakh crore for the September quarter. However, they recorded a 134% increase in net income for the third quarter. While banks such as the National Bank of Punjab (PNB) and the Bank of Baroda (BoB) reported a decrease in the NPA. Gross Non-Performing Assets of Public sector Banks score to 6.2 lakh crore.

Figure 2.10 GROSS NON PERFORMING ASSETS OF PUBLIC SECTOR BANKS



Source: NABARD report 2016-17

Five banks reported gross NPA rates of over 15%. The default rate of the Bank of India (IOB) is 22.42%, which means that ₹ 22.42 of the ₹100 granted by the bank will be classified as bad debts. the UCO bank recorded a default rate of 17.18%, the United Bank of India (UBI) read 15.98%, the IDBI bank read 15.16% and the Bank of Maharashtra he read 15.08%.

A former president of a nationalized bank said: "The government needs to come up with a plan for these banks. Of course, the plans to deal with the stressed activities have not worked well, many banks will lose the RBI's deadline to clean the balance sheets before March 2017, and demonetization now increases the pressure ".

Banks have made a commendable effort by employing many employees to work more time in November and December after demonetization.

2.7 IMPACT OF DEMONETIZATION ON MICROFINANCE SECTOR

MFIs and their objective of financial inclusion have been very hard hit due to demonetization. They provide financial assistance to low-income rural and semi-urban families. Customers include women, day labourers, farmers, small traders, and retailers.

The desorption of a higher denomination of money has created a liquidity crisis in the short and medium term system. One of the worst is the microfinance sector (MFI) and financial integration. Because transactions with microfinance customers are cash-intensive, demonetization has had a strong impact on the microfinance business in a number of ways, including slowing growth due to a lack of liquidity for several months. However, For the full year, MFIs paid out ₹2.63 crore in loans worth ₹ 50.266 crores. Compared to the previous year, this represents an increase of 13% in both the number of loans disbursed and the amount disbursed. The first 10 MFIs in terms of loans granted represent 78% of the disbursements of the sector for the entire year 2016-17. Another impact of demonetization and the consequent slowing of the economy has been the deceleration of loans. "Throughout 2016-17, MFIs received a total of 24.896 rupees in debt funds from banks and other financial institutions, which represents a marginal decrease compared to the 2015-16 fiscal year, during 2016-17, bank funding is for 55% out of total funding. The rest is non-bank funding, including debt raised in the market through NCDs (Non-convertible Debentures)

Short-term challenges to MFIs during demonetization:

1. MFIs cannot accept repayments of loans on old invoices issued. Therefore, MFIs cannot repay banks, which affect their rating. Because of negative rating banks stopped providing financial support, which led to shutting down of many MFIs. Without MFIs poor people have no other source of finance.
2. The repayment of the loan is carried out in liquid currency. Due to the shortage of currency non-payments of loans by the clients of MFIs led to increasing in NPAs. MFIs and SHGs mainly meet the demands of the poorest and most exploited. Non-compliance / non-payment of loans by the clients reduced the chances of getting more credit in the future.
3. MFIs with a lot of money could survive the situation, but the situation has become very difficult for small players.
4. The provision of new loans after the cash crisis is becoming increasingly difficult, so customers have no choice but to make use of the informal loan. People can go to borrow money from money lenders who give loans at high-interest rates and unfavourable terms.
5. In Tamil Nadu, the suicide of farmers due to debt problems is almost a daily event. There have been a number of cases where farmers have had to borrow from local lenders at higher rates to pay MFIs since MFIs tend to be stricter on their debt collection dates.
6. Financial repayments are compromised because most borrowers do not have bank accounts, which block the flow of credit.
7. The rural economy, which is mainly based on money, is negatively affected as the highest denomination notes are not always practical. MFIs are allowed to act as commercial correspondents for banks, allowing them to accept old banknotes, this would mean more paperwork that would increase labour and time costs.
8. Effective misuse and does not use technology for everyday activities. Global architecture for a cashless economy has not yet been implemented and these people need to be educated to use it. Refunds have been reduced to levels up to 20%.

9. Small politicians are evaluating the situation and diverting the poor and encouraging the poor and the ignorant not to repay the loans.

10. It is also true that demonetization has led to the opening of new bank accounts and to encourage the poor to opt for cashless transactions, thus promoting financial inclusion, but the lack of preparation has weakened the prospects for success.

11. The part of outlays for collections decreased to 30% in the second week of December 2016. The main reason for this major decline in disbursements is due to the approach of MFIs that go from disbursements to collections and also adopted a wait-and-see approach.

Long term (Post demonetization) challenges:

1. MFIs should update and update their business model, through banks, smart phone payments, and e-wallets.
2. The struggle to maintain market share in the current crisis can cause MFI credit standards to weaken.
3. The government's growing focus on digital payments and direct account payments (DTAs) may require a modification of the collection mechanism.
4. People need to know the use of technology and must provide sufficient and secure infrastructure that meets their needs.
5. The additional 60-day window of indulgence provided to postpone recognition of NPAs could be exploited by end consumers to intentionally defer payments that increase cash problems for MFIs.
6. The cash crisis also emerged in some of the rapidly growing irregular MFI industry practices. These include the lack of diversification between the profiles of MFI borrowers, the increase in the individual size of microfinance loans, the concentration of most loans, the increase in the number of multiple loans for the same set of loans.

7. To overcome these challenges after demonetization, MFIs are increasingly seeking cashless outlays and withdrawals through Jan-Dhan accounts and leveraging technology.
8. MFIs hold group meetings to inform borrowers about the impact on their credit profile due to non-payment and the role of credit bureaus. These meetings are also used to educate borrowers to overcome any kind of deceleration in their business activities and encourage banking habits in order to move to a non-cash-based model.

Subjective evidence and media reports from different parts of the country in the first months after demonetization have shown significant problems with the disbursement and repayment of the loan.

SarthakGaurav and PravinMankarsaid : “Micrometer”—a rich source of data on several performance indicators of the country’s microfinance sector. We analysed data from several reports of MFIN, spanning five quarters over the period 1 January 2016 to 31 March 2017. This covers three quarters before demonetisation and two after demonetisation (the quarter ended 31 December 2016 and 31 March 2017). “Our analysis reveals severe negative impacts of demonetisation. The year-on-year growth of number of clients reached out registered a decrease of 2% over the previous quarter (pre-demonetisation period). The loan amount disbursed the three months ended 30 December 2016 decreased by 16% from a year earlier. The total number of loans disbursed fell by 26% in the quarter ended 30 December 2016 from the preceding three months. The average loan amount disbursed per account during the quarter stood at ₹20,981, lower than that in the preceding quarter (₹21,469). In FY16-17, the average loan amount disbursed per account also reduced to ₹17,779 from ₹17,812 in the previous year. These trends suggest that the MFIs registered a decline in the number of clients, total loans disbursed and average loan disbursed per account in the post-demonetisation period compared to three quarters in the pre-demonetisation period”.¹

¹SarthakGaurav and PravinMankar, Assistant professor at SJMSOM, IIT, Bombay, and head of dMatrix Development Foundation, Wardha.

Amit Kumar Bardhan said

“MFIs face repayment default or delayed payment in view of limited supply of tenderable currency in our economy. Microfinance clients are mainly small business men, traders, shopkeepers etc. Out of whom, the majority of them are women. They may suffer from temporary liquidity crisis as a result of sudden fall in demand. This problem may persist in short run but in long run it should correct itself with the flow of newly printed currency into the economy”.²

Mr. Artabandhu Das said:

“We have stopped accepting OHD currencies. As there is a scarcity of hard currency and we are allowing extra time for repayment and postponing two\three EMIs.”

When he was asked about impact of Demonetisation on their business, he said, “It has a short-term impact on repayment and credit disbursal, as the new currencies hits the market over the next few weeks, the situation will be better off.”³

Ms. Sumita Chanda said

“Impact of Demonetisation on SHGs is minimal, as they do not hold much cash with them. However, they face trouble in getting payment from other parties. “During this period, a huge line can be observed at all the banks and banks have set up dedicated counters to deal with demonetisation related work, this has affected the functioning of other financial services offered by banks”.⁴

ICRA study

“Due to sharp decline in disbursements, additional funding requirement for MFIs also reduced. This further took a toll on securitisation volumes, as around 25 per cent of incremental funding requirement of MFIs was being met through the securitisation route.”⁵

Gurugram-based MFIN CEO Ratna Viswanathan said

“A lot of microfinance institutions put disbursement on hold because we need some

²By Amit Kumar Bardhan, Vinod Gupta School of Management, ***IIT Kharagpur***. *

³Mr. Artabandhu Das, B.M, ***G. U. Financial Services Pvt. Ltd.***

⁴Ms. Sumita Chanda, founder of M.M. Nagar Craft Centre, a ***SHPI*** of Medinipur, West Bengal.

⁵ICRA study

clarity and it is currently quite ambiguous. We need clarity whether the institutions can collect Rs.500 or Rs.1000 notes from their borrowers as repayments of loans or not. We are not sure about it,” over a phone call. This is because majority of the microfinance industry is cash-intensive.

MFIN Micrometer, the industry body's annual report said:

"Portfolio at risk has increased to 14% from under 1% in previous quarters. This abnormal increase is due to lower recoveries post-demonetisation; the shortage of cash has had an adverse impact on income and livelihoods of lower-income households."

R BhaskarBabu, CEO, Suryoday Small Finance Bank Ltd said:

"Most MFIs and small finance banks (SFBs) focus on lending 90-100% only to women clients; as their credibility, repayment rate is high. We usually have NPAs below 1%, but we saw non-payment shoot up with demonetisation."

2.8 IMPACT ON COLLECTIONS:

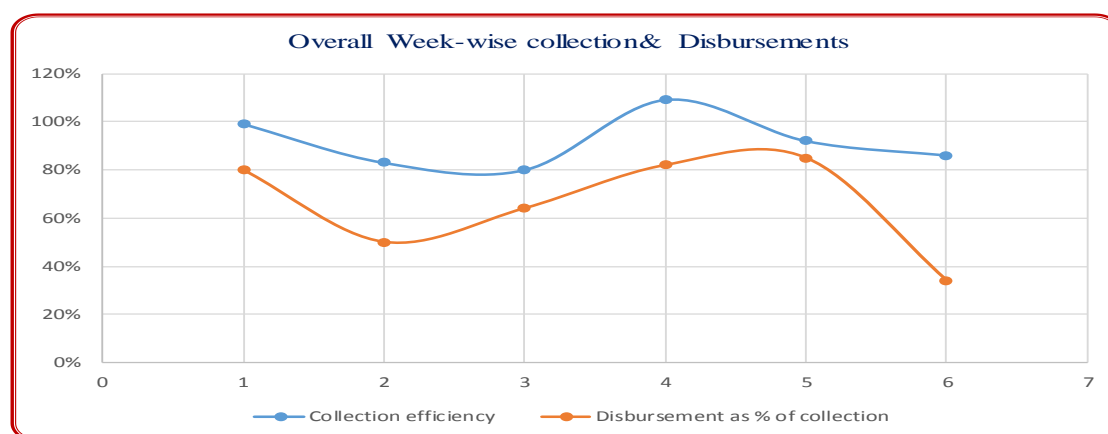
Microfinance entities usually use liquidity in their loan and recovery operations. Microfinance loan instalments have weekly, fortnightly, monthly collections of small denominations. Due to the lack of availability of cash after demonetization, borrowers were unable to repay their loans, which caused delays and lower collection rates and also faced problems in attaining full repayment from clients because of lack of currency, most of the clients fall into the category of farmers and labour and depend on cash transactions. Loans from Micro Finance Companies decreased in November 2016 compared to April-October 2016, which is a more effective activity. MFI collections declined both in November and December compared to April-October 2016, but December data improved compared to November 2016. Turning to digital payments in December 2016 There was an improvement in collections.

TABLE 2.6 OVERALL WEEK-WISE COLLECTION& DISBURSEMENTS

	1Nov to 6Nov	7Nov to 13 Nov	14 Nov to 20 Nov	21 Nov to 27 Nov	28Nov to 4 Nov	5Nov to 11Dec
Collection efficiency	99%	83%	80%	109%	92%	86%
Disbursement as % of collection	80%	50%	64%	82%	85%	34%

(Source: Macroeconomic Impact of DemonetisationA Preliminary Assessment RBI Report. March 2017.

Figure 2.11 OVERALL WEEK-WISE COLLECTION& DISBURSEMENTS



Source: Author

During the year 2016-17, MFIs received a total of 24.896 rupees in debt funds from banks and other financial institutions. This represents a marginal decrease compared to FY15-16. MFI disbursed 2.83 crore rupees in loans valued at ₹50,266 crore. Compared to the previous year, this represents an increase of 13% in both the number of loans disbursed and the amount disbursed. The first 10 MFIs in terms of loans granted represent 78% of the disbursements of the sector for the full year 2016-17.

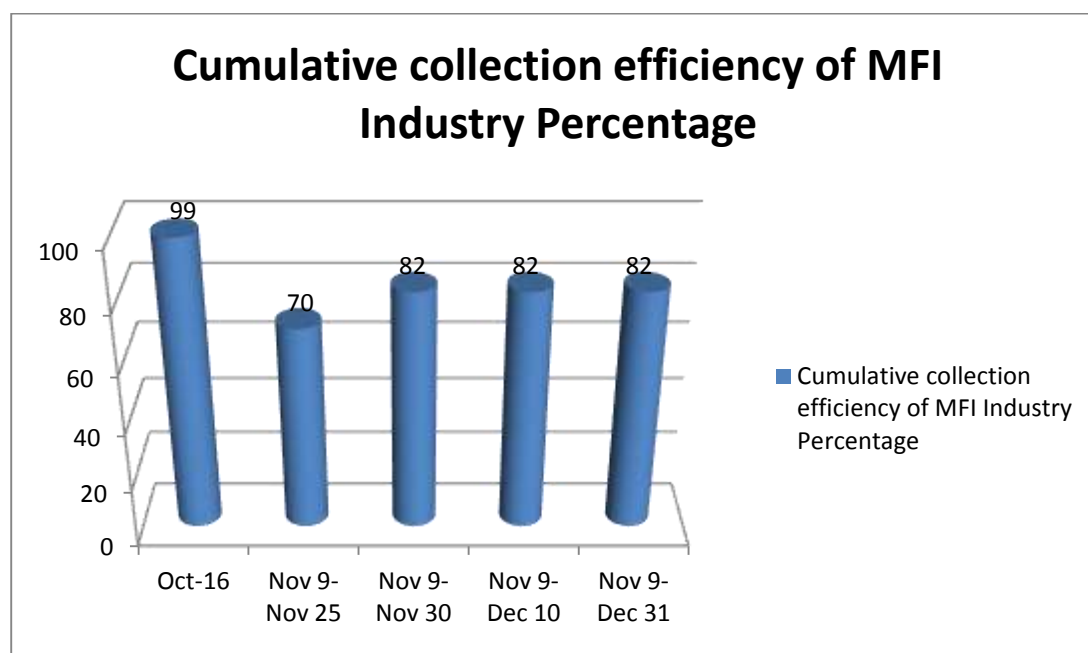
Ratna Vishwanathan, the chief executive officer of MFIN said “The MFIs mutually agreed that post the demonetisation phase, the cut-off date for which is yet to be agreed to, MFIs would not lend to a new customer who is delinquent with any other lender. This disrupts credit discipline and encourages delinquency,”

The decision is made when collection rates have decreased in microfinance institutions (MFIs) and some rating agencies have changed their prospects.

To find out the impact of demonetization on Indian Microfinance industry care ratings has done a survey with 32 MFI and 1 self-regulatory body (i.e. Sa-dhan).

As on September 30, 2016, the gross loan portfolio of NBFC-MFIs stood at ₹55,254 Crores with Portfolio at Risk (PAR 30) being less than 1% (source: MFIN).

Figure 2.12 CUMULATIVE COLLECTION EFFICIENCY DURING OF MFIS

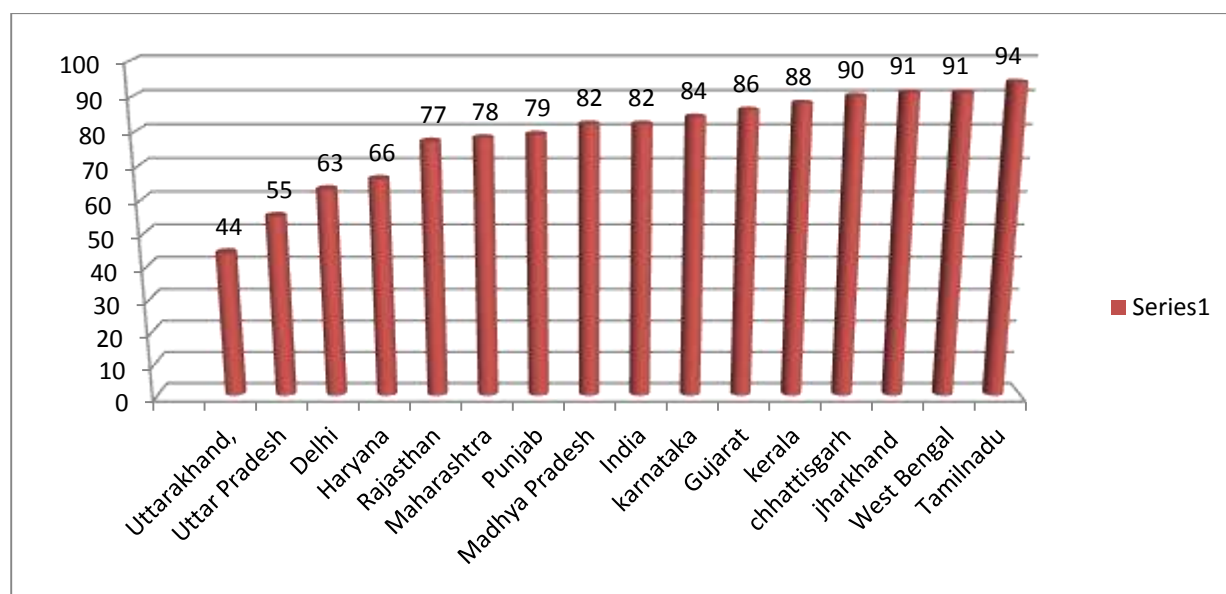


Source : CARE RATING

State-Wise Cum Collection Efficiency During Nov 9-Dec 31

The collection efficiency of the microfinance industry increased from 99% in October 2016 to 70% between November 7 and November 25, 2016. After the third week of November 2016, the efficiency of collection improved more than 80% mainly for Improvement of the offer of the new currency. Constructive measures were taken by industry agents in the form of frequent meetings with delinquent debtors and training of borrowers on the deterioration of the credit profile in the event of non-payment of emission rights.

Figure 2.13 STATE-WISE COLLECTION EFFICIENCY DURING NOV 9-DEC 31



Source MFIN Publications

Based on **CARE Ratings** survey

The majority of the respondents are of the view that the demonetization would have a negative impact on the Indian MFI industry in the **short-term**.

1. Roughly 88% of the respondents expect collection rate to improve to more than 90% by March 2017, which indicates a sharp improvement in collection compared to the level achieved in the past two months (at around 80%).
2. Further, all the participants are of the view that the collection efficiency is expected to reach the level of the pre-demonetization period (i.e. 99%) by June 2017.
3. Roughly 66% of the respondents are of the view that the demonetization would have the structurally positive impact on the Indian MFI industry over the medium-term as most of the entities would gradually shift their business from cash mode to cashless mode.

In the near-term, the profitability of the Indian MFI Industry is expected to be negatively impacted mainly due to

- a) Reversal of income on account of NPA creation.
- b) Increase in the cost-to-income ratio on the back of lower income as a result of expected decline in loan portfolio per employee.

c) Increase in provisioning expense due to deterioration in the asset quality. As a result, the credit profile of the entities with concentrated portfolio (especially in affected states), high leverage and weak asset liability management is expected to remain under pressure over the next 6- 12 month period. Rural loans increased by only 2.5% between October 2016 and April 2017

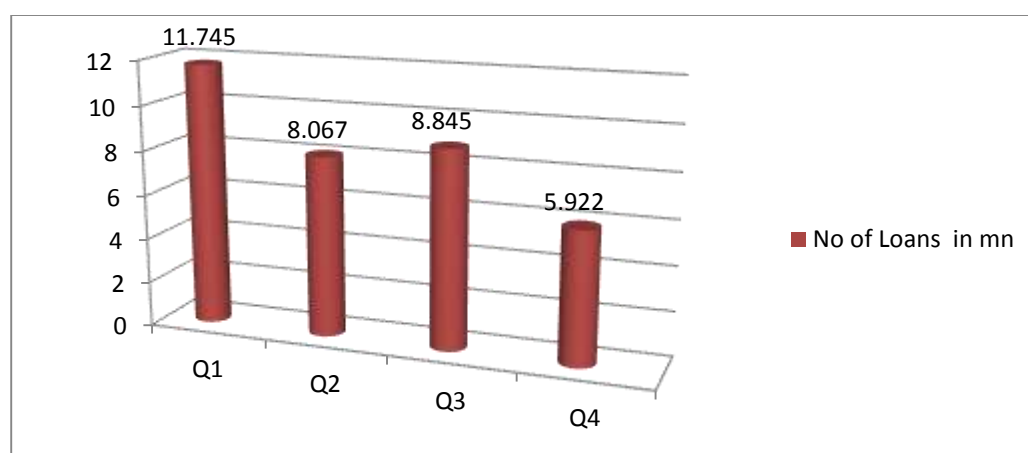
2.9 IMPACT ON DISBURSEMENTS

After demonetization, there has also been a significant slowdown in loan disbursements, the agency stated that this was due to the lack of availability of currency in the initial period as MFIs became more cautious and offered loans incremental, especially in geographical areas where collections are low.

The main reason for this significant decline in disbursements is due to the focus of MFIs that have gone from disbursements to collections and has adopted a wait-and-see approach to understanding the position.

The default values in the first three months after demonetization have increased significantly. According to MFIN, in the January-March 2017 quarter, loans maturing in 30 days or more increased sharply from 0.33% a year ago to 10.8%. In the October-December 2016 quarter, loans with a maturity of 30 days or more increased by 7.52% from 0.27% a year ago. Even after eight months of demonetization, the impact on the default rate remained rather high, with default rates of 7.5% compared to 0.32% a year ago. Default rates have varied from region to region.

Figure: 2.14 NUMBERS OF LOANS DISBURSED 2016



Source MIFN Publication

The ICRA study **stated**. “Due to the sharp decline in disbursements, the need for additional MFI loans was also reduced, which also affected the securitization volumes, as around 25% of the MFIs' incremental financing needs were met through the securitization”.

Furthermore, a significant part of MFI securitization was carried out by entities that are now converted or about to convert to small financial banks (SFB).

Securitization volumes of MFIs had increased by 80 percent to around ₹9,000 million in the fiscal year 2016. Securitization involves the grouping of assets, such as microcredits, and the creation and issuance of securities backed by the cash flows of the underlying assets.

According to ICRA estimates, almost 45% of the total volume of MFI securitization transactions (including bilateral assignments) came from these entities. Most of the investors in securitization transactions were banks, and the main reason they invested in these operations was to achieve the industry's prime lending targets.

TABLE 2.7 LOAN DISBURSALS AND COLLECTIONS BY MICRO FINANCE COMPANIES (17 COMPANIES) S IN INDIA (AMOUNT IN ` BILLION)

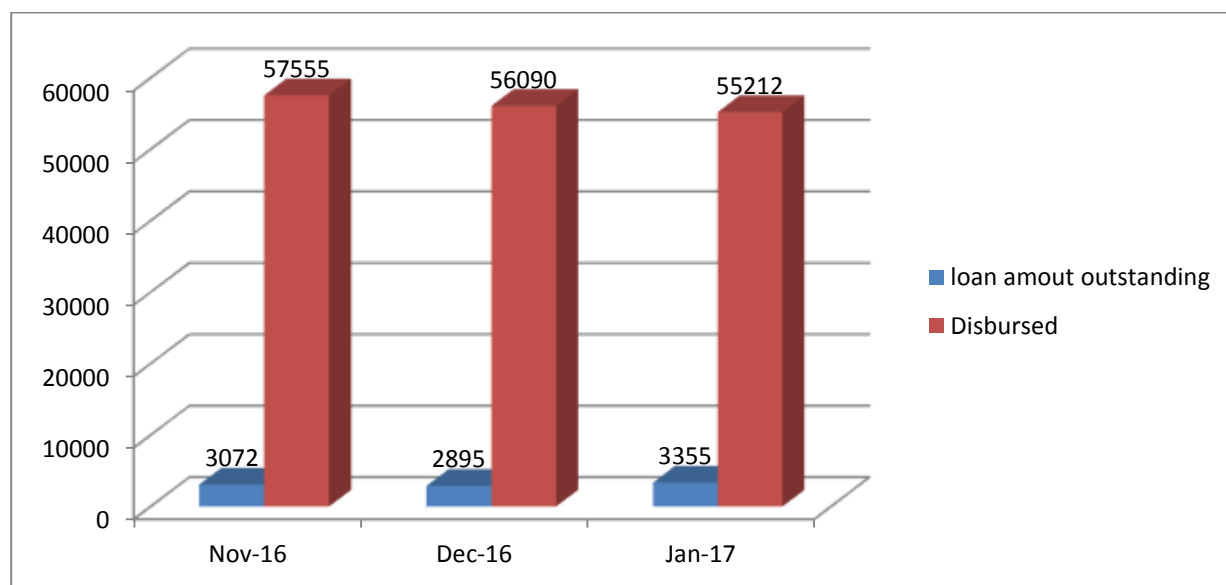
Micro Finance Companies (17 Companies)	April- October	April- October				
	2015	2016	Nov- 15	Dec-15	Nov-16	Dec-16
	1	2	3	4	5	6
Loan disbursements	34.3	51.3	39.0	54.1	29.2	24.6

Change in %						(-52.0)
			(13.5)	(57.6)	(-43.1)	[-15.8]*
Collections	28	46	31.2	34.8	43.7	45.8
Change in %						(-0.4)
			(11.2)	(24.3)	(-5.0)	[4.8]*

*: Percentage change over November 2016. 3 and 4 represent percentage change over The monthly average of April-October 2015-16, 5 and 6 over monthly average of April-October 2016-17.

Source: Reserve Bank of India (RBI)

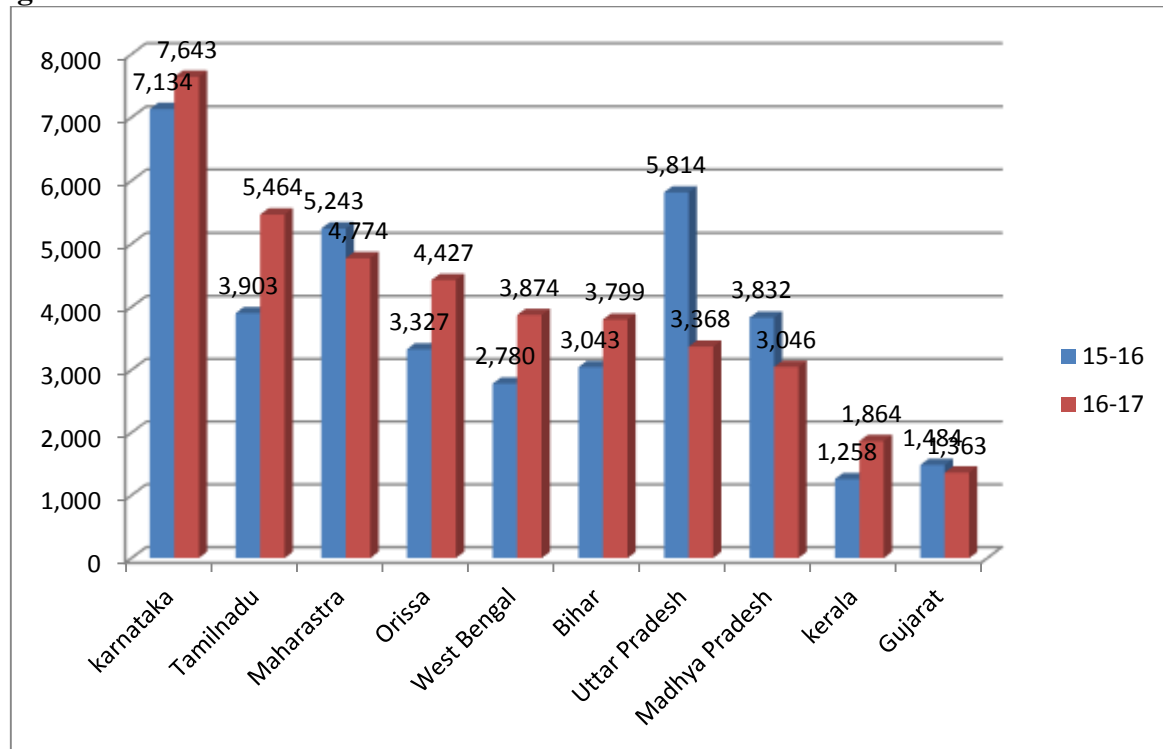
Figure:2.15 COLLECTIONS OF REPAYMENTS DUE BY MFIS (IN CRORES)



Source: Reserve Bank of India (RBI)

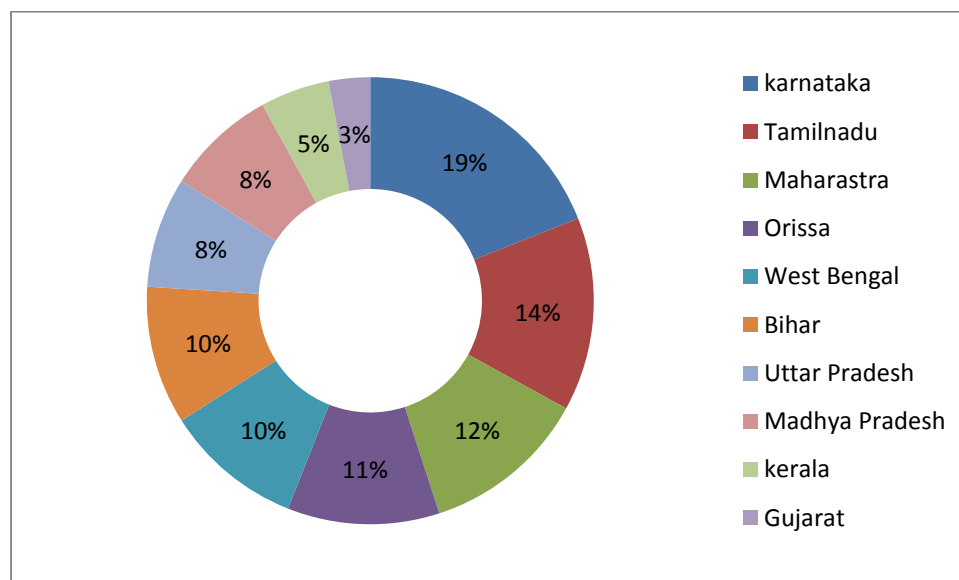
Over half 50% the total disbursement during the quarter, came from 5 state, Karnataka, Tamilnadu, Maharashtra, Orissa, and Bihar

Figure: 2.16 TOP STATES IN TERMS OF LOAN AMOUNT DISBURSED



Source MFIN Publication

Figure: 2.17 STATE WISE DISBURSEMENT OF LOANS IN PERCENTAGE

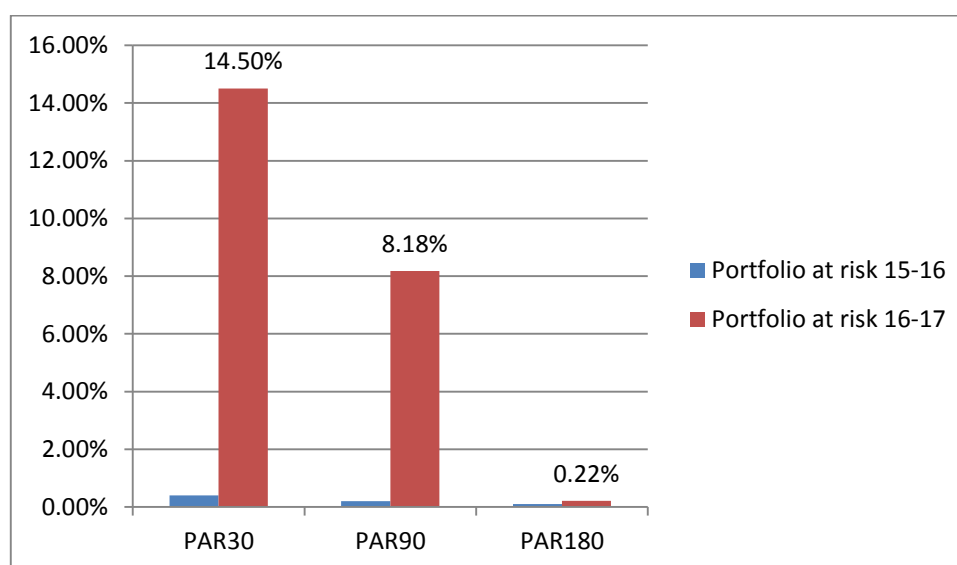


Source MFIN Publication

2.10 PORTFOLIO AT RISK:

There was a sudden deterioration in the quality of the portfolio in the fiscal years 16-17. The risk portfolio (PAR)> 30 increased to 14% from less than 1% in previous quarters. This abnormal increase in PAR is attributed to lower recoveries following the demonetization of 9 November 16, which led to liquidity shortages and the related negative impact on income and livelihood of low-income households. In terms of geographical dispersion, 57% of the portfolio is urban and 43% in the rural area. In terms of purpose, the agricultural accounts of 30% of the glp (gross loan portfolio). Non-farm accounts (trade/services and production) account for 66% and family financing accounts represent 4% of GLP.

Figure: 2.18 PORTFOLIO AT RISK:



Source: MFINs Micrometer Reports

Table 2.8 PORTFOLIO AT RISK IN DIFFERENT SECTORS

Agriculture and allied activities	30%
Agriculture	34%
Allied activities	2%
Non agriculture	66%
Trade and services	63%
Manufacturing	7%
House hold finance	4%
Educatin	1%
Medical	.02%
Housing	1%
Other Household finance	2%

Source: MFINs Micrometer Reports

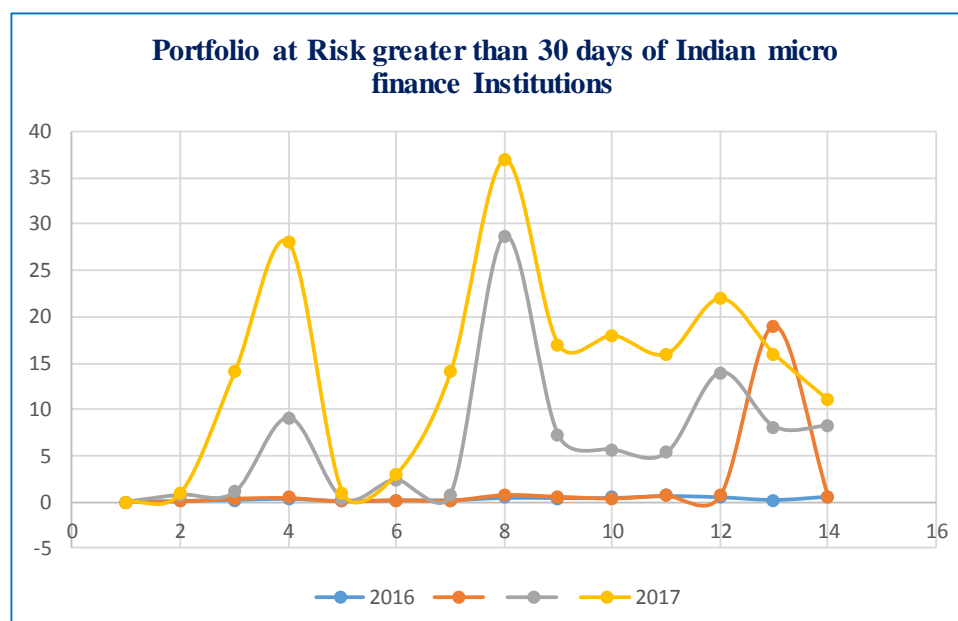
As shown in the above table, PAR> 30 days has increased rapidly in most states. Compared to the values of March 31, 2016, Uttar Pradesh and Maharashtra reported an amazing increase of almost 100 times, March 31, 2017. Like same in Rajasthan, Tamil Nadu, West Bengal, Gujarat, Punjab, Madhya Pradesh and Karnataka with experience increases between 11% and 22% compared to much lower pre-heed levels. As of December 31st, the PAR> 30 days had gone from a minimum of 0.5% in the previous quarters to around 8%. Unlike the figures for the fiscal year 2015-2016, when the PAR figures remained below 1%, high figures suggest that demonetization has dealt a blow to the culture of repaying microcredit loans. Even if we consider the latest discoveries for the quarter ended 30 that have some June data limitations, the risk for microfinance portfolios remains high, despite a small improvement in reimbursement rates. In the results are not reported here, states such as Kerala, Odisha, Assam, Bihar, and Jharkhand have experienced a modest increase in the PAR> 30 days remained below 10%. In terms of PAR> 90 days and PAR> 180 days, there is a similar trend but the order of magnitude is not so high. To make matters worse, it is believed that rumours of loan waivers have exacerbated the deterioration of collections in different regions.

TABLE 2.9 PORTFOLIO AT RISK GREATER THAN 30 DAYS OF INDIAN MICRO FINANCE INSTITUTIONS

		2016			2017
(In%)	Q1	Q2	Q3	Q4	Q1
Kerala	0.1	0.08	0.07	0.75	1
Tamilnadu	0.21	0.21	0.37	1.04	14
Maharastra	0.29	0.32	0.44	9.1	28
Orissa	0.09	0.07	0.08	0.36	1
West Bengal	0.18	0.15	0.21	2.41	3
Bihar	0.22	0.17	0.16	0.74	14
Uttar Pradesh	0.39	0.44	0.76	28.72	37
Madhya Pradesh	0.46	0.42	0.58	7.15	17
Karnataka	0.49	0.44	0.4	5.67	18
Gujarat	0.53	0.66	0.68	5.29	16
Haryana	0.38	0.52	0.7	13.97	22
Punjab	0.19	0.2	19	8.12	16
Rajasthan	0.64	0.59	0.56	8.22	11

Source: Author

Figure: 2.19 PORTFOLIO AT RISK GREATER THAN 30 DAYS OF INDIAN MICRO FINANCE INSTITUTIONS



Source: Author

2.11 NON PERFORMING ASSETS OF MICROFINANCE FINANCE INSTITUTIONS:

In India, the MFI sector has grown extraordinarily during past two decades, Clients of Microfinance Institutions, generally women, labourers, farmers, small traders, and retailers, who are from rural areas and urban areas, mainly operate in cash due to the informal nature of the amounts involved in these transactions. The loan instalments of some of these clients are generally charged weekly and sometimes daily. During demonetization the disbursements of the MFIs has stopped temporarily, the commercial transactions that are carried out daily and, more importantly, caused a domino effect in the employees and in other clients of microfinance institutions. small farmers and unskilled labour who do not have bank accounts have no sufficient means to exchange the existing SBNs in their possession with notes of an acceptable denomination or transfer to cashless means. This, in turn, affected the timely payment of the loans by the borrowers. Many MFIs the non-performing assets (NPA) have risen by 7-10%.

IMFs have started to suffer defaults since demonetization, which may lead to a temporary increase in unproductive activities. This chain reaction could not only have a negative impact on the overall quality of the activities of the MFIs but will eventually reach the banks and other financial institutions and subsequently influence the economy of India as a whole. MFI generally depend on loans from banks to obtain more loans. Because of limited capital, significant customer failures can not only paralyze the MFI business by limiting their liquid assets but also force them to retain any additional loan disbursements to survive.

According to some circulars issued in November 2016, the exchange of SBN at the counter was limited to ₹2.000 / - starting from 18 November 2016 and can be carried out only once per person.

In addition, cash withdrawals from bank accounts at bank counters were limited to a total limit of ₹24.000 / - per week until November 24, 2016. 10 November 2016 RBI clarified that the cash limit above, the levies are not applicable to cash withdrawals from a bank account by (i) a bank of another bank; (b) post offices; (c) money changers operating at international airports; and (iv) white-label ATM operators ("ATMs"), without specifying whether such limits would apply only to savings accounts or any other bank account. Subsequently, a circular dated November 14, 2016, and November 21, 2016, the RBI clarified that a maximum amount of ₹ 50,000 / - per week may be withdrawn from the current / overdraft (excluding personal overdraft accounts) and cash accounts that have been operational in the last 3 months or more. As indicated above, MFI-NBFs generally provide loans to smaller customers through loans to banks. Therefore, if a limit is set for withdrawal by MFIs, they will be severely limited by withdrawing funds from their current accounts to continue lending to their customers.

In addition, RBI stated that all regulated entities may defer the reimbursement of a standard account on November 1, but that it would become NPA for any reason between November and December 90 days after the date of such reimbursement.

The additional 90 days will only be applied to postpone the classification of an existing standard resource as a substandard and not to delay the migration of an account through the NPA sub-categories. The amount payable after January 1, 2017, will be covered by the instructions for the respective entities.

Last month, the RBI had provided another 60 days for the repayment of loans for a crore of ₹ 1. Separately, the central bank issued this special waiver for agricultural loans earlier this week.

Microfinance institutions (MFI) experienced a marked increase in insolvencies in the quarter from October to December, as demonetization hit small businesses and, consequently, had an impact on repayment of loans. MFIs say it is the first time that their NPAs have increased to levels of 7-10%.

The microfinance sector in ₹ 60,000 cash crore has been hit hard since most of them borrowers take cash loans and get paid cash. Even those with bank accounts still work in cash.

"Despite the efforts to increase cashless disbursements, most of the disbursements were still cash based, because of the withdrawal limits imposed on current accounts, MFI could not withdraw cash for expenses and incremental additional disbursements were limited to collections," analyst Samarth Khare said on a CARE report card. "However, the percentage of disbursement charges fell to around 30% in the second week of December 2016. The main reason for this significant decline in disbursements approaching MFI disbursements on the move was due to collections".

MFIs said they saw a sharp increase in bad debts or NPA accounts. "We normally have a 0.9% NPA rate, even for the quarter from June to September, our NPA was less than 1%, which was the first time we saw such a strong peak," he said. R BhaskarRao, CEO, Suryoday Small financial bank

In another major MFI, which has over 1.20 lakh accounts before disassembling, the number of broken accounts is limited to 40-50 accounts.

"After demonetization it has increased to 2,000 accounts. Of course, this does not take into account the additional 90-day window reserving Bank of India. As a microfinance institution, of course, we would like to see our performance without the RBI window - which is an event. external is worrying to see the sharp increase in the size of the book," said the CEO.

Sadaf Sayeed, CEO of Muthoot Microfin Ltd said.

"In February, our 30-day risk portfolio (PAR) is less than 2%." The intention of this new rule is to maintain credit discipline among our debtors."

Rating agency ICRA has lowered its rating for Janalakshmi Financial Services' (JFS') long-term loans and debentures, from 'A+' to 'A', saying there's been a sharp deterioration in asset quality.

The ratings agency said: "The revision in outlook factors in the adverse impact of demonetisation on JFSL's asset quality, where overall collections efficiency is affected by the limited currency supply, disruption in borrower cash flows, and political intervention in certain states, namely, Uttar Pradesh, Maharashtra and Madhya Pradesh. The company's collection efficiency dipped to 78% in January 2017, from about 98% in September 2016. The company's disbursements were also impacted because of the limited availability of currency; thus, the disbursements moderated to about 55% (November 2016), 31% (December 2016) and 60% (January 2017) of its average disbursements for seven months of FY2017,"

It is expected that MFIs with high leverage and low levels of collection efficiency will face deterioration in their credit profile. Although rates are lower, many MFIs organize centre / group meetings to inform borrowers of the impact on their credit profile due to non-payment and the role of the credit bureaus. These meetings are also used to educate borrowers to overcome any kind of deceleration in their business activities and encourage banking habits in order to move to a non-cash-based model. • With 8 MFIs becoming Small Financial Banks (SFB) by March 2017, the competitive environment is subject to a major change in the microfinance sector as a whole. As these entities should continue to focus on microfinance, disbursement, and borrowing will increase in the future.

2.12NEW RBI REGULATIONS TO PROTECT MFIS AFTER DEMONETIZATION:

Microfinance institutions (MFIs), which offer small loans to the poor and the stragglers, seek simpler procurement rules as they struggle to recover loans after demonetization.

The microfinance institute network (MFIN), a self-regulatory body, has turned to the Reserve Bank of India (RBI) to ease lending standards that have become bad after demonetization for three years to meet the requirement of minimum capital adequacy (CAR) of 15%. Capital adequacy is an indicator of financial soundness expressed as the ratio between capital and risk-weighted assets. When an MFI gets an advantage, it returns to the balance sheet, leading to a higher CAR. In the event that there is a loss due to increased supply and the loan portfolio continues to rise, the CAR starts to decline.

**ACCORDING TO THE RBI REGULATIONS:
MFIs must book 50% of a loan maturing between 90 and 180 days to
cover the risk of default. For loans overdue for more than 180 days,
the total amount of the loan must be booked.**

Industry experts said MFIs could incur a credit cost of between 8% and 10% in their total loan portfolio in this fiscal year, which would damage their profit margins.

In the result of the November-December demonetisation exercise, local political leaders misled borrowers in some areas of Maharashtra, Uttar Pradesh, Madhya Pradesh and Kerala that their loans had been waived, leading to a sharp drop in loan recoveries.

According to a report published by India Ratings, total borrowing for the period from November to May ranges between 80% and 98%, depending on the degree of concentration of the loan in the affected states. MFIs of medium and small size may require immediate capital infusions to remain above regulatory minimum levels to mitigate the impact of losses in the first two quarters of the 2017-18 fiscal year.

Jindal Haria, associate director of financial institutions in India Evaluations and research said

"The change in accounting does not change the levels of idiosyncratic and systemic risk that they continue to face in relation to excessive borrowing by borrowers, not the incorporation of new borrowers into microfinance, geographical expansion, etc."

According to him, these institutions need to experiment and develop capacity in individual credit products and can increase up to 15% of their loan portfolios.

2.13 IMPACT OF DEMONETIZATION ON SMALL FINANCIAL BANKS (SFBS)

Small financial banks (SFB) show high-risk signals as asset quality deteriorated after demonetization in November. As a group, small financial banks (SFB) have the worst numbers.

According to data collected by Crif High Credit Credit Information Services, a credit reporting agency, the 30-day risk portfolio (PAR) increased 10.56% at the end of March compared to 2.99% three months ago.

PAR is the proportion of loans due (for a specific number of days) to outstanding loans in general.

Similarly, PAR more than 90 days for microloans stood at 4.45% at the end of March compared to 0.24% at the end of December. The total amount of micro-loans outstanding at the end of March was 0.05 billion rupees, 31% more than a year ago, and a deceleration compared to 42% in the previous year, according to CRIF.

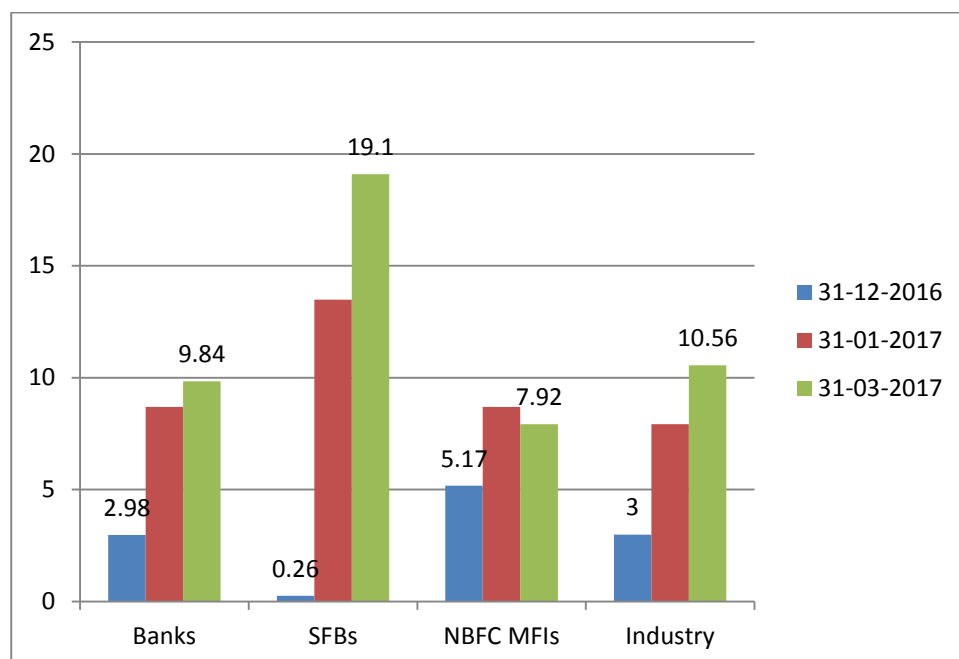
The data for the last year for the industry stood at 0.30% for PAR over 30 days and 0.16% for PAR over 90 days.

This loan portfolio is roughly divided into three equal parts in the hands of small financial banks, microfinance companies, and commercial banks, among others.

RISK FACTOR

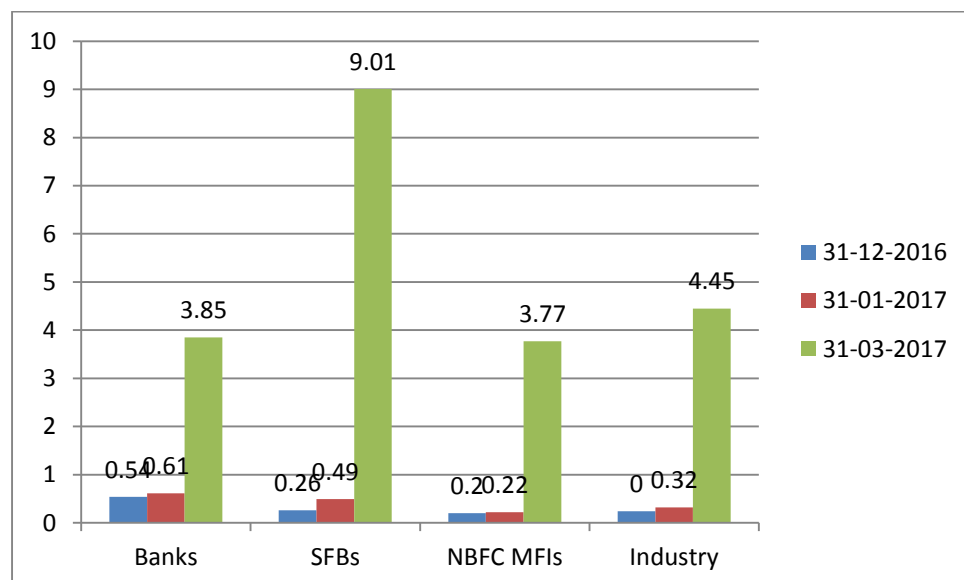
Portfolio at risk (PAR) for small loans

Figure: 2.20 PAR FOR 30 DAYS



Source: Author

Figure: 2.21 PAR FOR 90 DAYS



Source: Author

For SFB, PAR over 30 days and PAR over 90 days it stood at 19.10% and at 9.01% at the end of March. This was an increase compared to the numbers at the end of December, as the chart

shows with the shows. That the quality of microfinance assets falls after demonetization is not surprising, but the magnitude of the fall has surprised analysts.

"Small financial banks have diversified portfolios and those with exposure in Karnataka, Maharashtra and Uttar Pradesh have been severely affected," said Rohit Inamdar, vice president of the rating agency ICRA Ltd.

"The portfolio of small financial banks is distorted due to some of the entities, excluding them will make this portfolio in line with microfinance companies and others," added Inamdar.

"Over the past three years, some institutions have chosen to aggressively capitalize on the favourable political environment for MFIs (microfinance institutions), which has had an impact on the quality of the portfolio." The demonetization was simply the trigger for the problems, "said Alok Prasad, former executive director of the Microfinance Institutions Network (MFIN).

"The current situation of the Janalakshmi should be seen in this irrational exuberance and wider excess customer leverage framework. It is also noteworthy that, in the pursuit of high growth, the classical model of high-touch microfinance diluted," added Prasad. The high touch model refers to the constant commitment with the customer.

"In many regions things are improving, after the first quarter loans of this fiscal year, the sector will slowly return to normal," said Fr. Satish, executive director of Sa-dhan, a self-regulatory organization for microfinance institutions.

Source: Livemint.

The collection rates fell to levels of 40-50% in December in places like Maharashtra, Karnataka and Uttar Pradesh, where some political leaders told people that their loans had been canceled. Janalakshmi Financial Services Ltd, based in Karnataka, has a PAR over 30 days of 31% at the end of March, while its PAR over 90 days stood at 14%, according to two people familiar with the matter. Both numbers are about three times higher than those in the industry. Janalakshmi spokespersons did not respond to requests for comments. The emails sent on Thursday and Monday remain unanswered. Janalakshmi owns 40% of the loan portfolio from the portfolio of small financial banks at the end of March. The three main financial banks: Equitas Small Finance Bank, Ujjivan Small Finance Bank, together with Janalakshmi, hold 78% of the small bank's credit portfolio.

The PAR Ujjivan exceeding 30 days at the end of March remained at 7.51%, while for the Equitas Small Finance Bank, the figures were not immediately available. The PAR of Ujjivan and Equitas over 90 days stood at 3.69% and 2.70%, respectively, at the end of March, according to the presentation of their investors.

However, others see that current high levels of risk decrease once the impact of demonetization is mitigated.

CHAPTER III

	CHALLENGES IN THE WAY OF FINANCIAL INCLUSION
3.1	Progress of PMJDY after Demonetization
3.2	Introduction to Pradhanmantri Jan Dhanyojana
3.3	Digital impact of the banking related PMJDY
3.4	Jan Dhanyojana and its effect on Micro finance:
3.5	Impact of demonetisation on Jan Dhanyojana accounts
3.6	Milestones achieved under PMJDY after demonetization

PROGRESS OF PRADHANMANTRI JAN DHAN YOJANA AFTER DEMONETIZATION



“If Mahatma Gandhi worked to remove social untouchability, if we want to get rid of poverty, then we have to first get rid of financial untouchability. We have to connect every person with the financial system. And for that this PRADHANMANTRI JAN DHAN YOJANA programme has been given impetus. When a bank account is opened, it’s a step towards joining economic mainstream.” **the Prime Minister Narendra Modi**

The main objective of this chapter is to study the impact of demonetization on Financial Inclusion in India. Secondary data is used to achieve the objectives of the study which is collected from various published sources like RBI guidelines for MFIs, journals, magazines, newspapers CARE RATING reports, from MFIN publications, Web sites of MFIN, The relevant data were collected for the period from November 2016 to March 2017.

3.2 . INTRODUCTION TO PRADHANMANTRI JAN DHANYOJANA

The PradhanMantri Jan DhanYojana(**PMJDY**) official website (www.pmjdy.gov.in) defines the PMJDY as a “National Mission for Financial Inclusion to ensure access to financial services, namely, Banking/Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension and financial literacy in an affordable manner”. Financial inclusion or inclusive financing is the delivery of financial products and services to people to whom these are not available at an affordable cost. These people generally belong to the economically and socially weaker sections of the population and have little or no access to the financial system of the country. The scheme was launched in order to facilitate financial inclusion in India. The scope of the scheme can be understood from the fact that out of the **25 crore** households in the country, more than **10 crore** did not have a bank account. 44% households in the rural areas and 33% in the urban areas did not have a bank account. This meant that almost half of the population of the country was not linked to the financial system and were dependent on moneylenders and sahu-kars in order to meet their financial needs.

PradhanMantri Jan DhanYojana (PMJDY) is a nationwide scheme launched by the Indian government in August 2014. The Scheme provides financial services include Banking/ Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension which will be made available to all the citizens in easy and affordable mode. The Government of India launched the PradhanMantri Jan DhanYojana (PMJDY). Under the Jan DhanYojna scheme citizen of Indian above the age of 10 years and does not have a bank account, can open a zero balance account in any bank branch or Bank Mitra(specially designed accounts under this scheme). The scheme also provides the facility of accidental insurance cover up to rupees one lakh without any charge for the account holder. An estimated 1.5 crore bank accounts were opened through a nationwide enrolment drive held at 77,892 locations, which coincided with the launch.

Basic features and importance of the scheme

The PM Jan DhanYojana scheme will provide the background for a cashless economy – another main point of the Prime Minister's I-Day address (Digital India). The PradhanMantri Jan DhanYojana scheme will help eradicate poverty and curb corruption at the grassroots level, the industry said today.

CIIDDirector General Chandrajit Banerjee said

"It is an innovative and much-needed step in the right direction which will address the biggest national challenge i.e. eradication of poverty, through financial inclusion,"

AssochamSecretary General D S Rawat said

"The benefits under government's welfare schemes running into thousands of crores of rupees can be directly transferred to the beneficiaries' accounts. Huge pilferage in the middle will be eliminated,"

Banerjee said.

"The positive spin-off effects of extending financial services to the masses are multifold and would clearly impact the overall development trajectory of the nation,"

Ficci President Sidharth Birla said.

"Linking financial literacy and direct cash transfer with this programme ensures demand inducement and sustainability of this model,"

Ujjivan Financial Services CEO & MD SamitGhosh said "This movement will have back-end and front-end implications". From a cash flow perspective, it's a good step. Now, I can give my debtors ten additional days to pay the loan instalments. It will not damage my accounts and ratings as I have more time to pay the banks. "

PMJDY not only helped increase the number of bank accounts but also reduced account dormancy.

a) Benefits of the PMJDY

Under this scheme, the account holders will be given

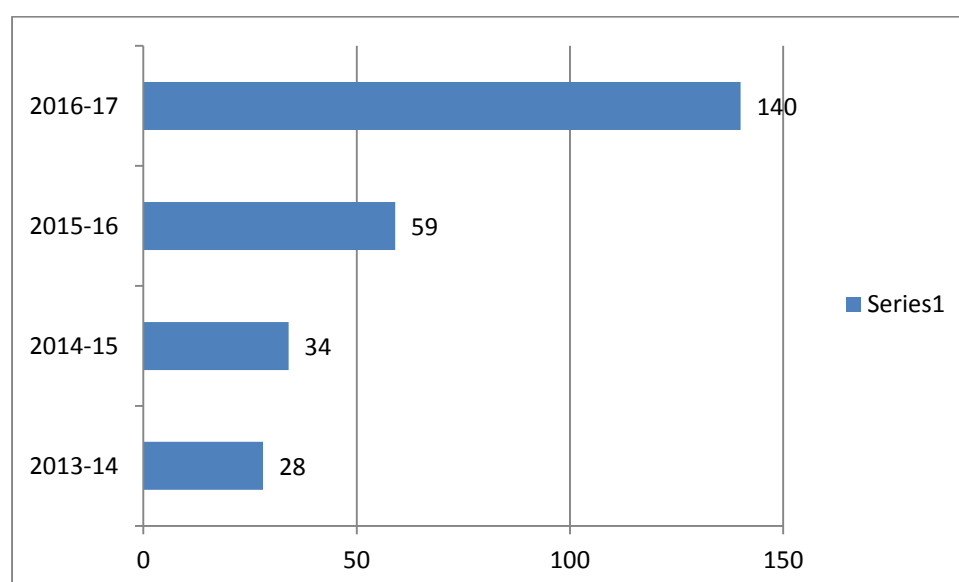
- Zero-balance savings account with a RuPay debit card.
- life insurance cover of ₹30,000 (for accounts opened before January 26, 2015).
- Accidental insurance cover of 1 lakh.
- By 2018, all account holders will have access to an Aadhaar-linked bank account with an overdraft facility of ₹5,000.
- There will be direct money transfer facility into the bank accounts.

The Prime Minister also said that by providing debit cards that can be swiped the scheme shall reduce the dependence on credit cards, thereby promoting savings.

b) Implementation of the scheme

The scheme was implemented in two phases. The first phase is up to August 2015, and the second phase is until 2018. By 2018, about 7.5 crore households (two per household, i.e., 15 crore bank accounts) will have bank accounts. In the second phase, the government will also make pension schemes available to these account holders.

Figure 3.1 SCHEMES LAUNCHED UNDER PMJDY (AS ON MAY 2017)



Source: PM-Jan Dhan Website

What about KYC?

The Reserve Bank of India relaxed its 'know your customer' (KYC) rules. Low-risk customers can provide KYC documents after six months of opening a bank account.

To open these accounts signature or thumbprint and self-attested photograph shall be required.

Limitations of these accounts

- Total deposits should not exceed ₹100000 in a year
- Total withdrawals cannot be over ₹10000 in a month.
- The account balance should not exceed ₹50000 at any point in time.
- According to the RBI, these small accounts are valid for a year. Within this period, if the account holder applies to one of the KYC's acceptable official documents, the account will be allowed to exist for another year. The Prime Minister said that with the launch, the momentum of inclusive financial networking should gain momentum (*Gadiapneaapchalnelagti*).

3.3 DIGITAL IMPACT OF THE BANKING RELATED PRADHAN MANTRI JAN DHAN YOJANA

As part of PMJDY each of the 1.5 crore bank account holders also received a RuPay debit card, ₹1 lakh accident insurance cover, and an additional ₹30,000 life insurance cover. The life insurance cover will be provided to all individuals who open the account before January 26, 2015. Under the PMJDY the Indian government plans to open banks accounts for 15 crore families by January 26, 2017.

National Payment Corporation of India (NPCI) has built a platform that, reportedly, connects all banks and telecom operators in the country. So far 26 public sector banks and 3 private sector banks have joined this platform. It is expected to enable customers of any bank access their accounts through even basic feature phones. They will be able to check account balance, perform money transfers, among others. In case of Bank Mitras, who will act like fixed point-of-contacts or business correspondents of banks, the platform will also provide support for cash deposits and cash withdrawals.

Impact

-RuPay debit cards will allow a vast majority of the country to carry out point-of-sale (PoS) transactions. This is also likely to lead to an increase in online transactions on e-commerce portals. If the financial literacy programme does materialise at the ground-level, it is likely to provide a further fillip to online transactions. While online transactions have been on the rise in India, a large section of the country still remains wary of it.

-The NPCI built platform, if it functions as planned, will provide a huge boost to mobile banking. While there were 18.42 million smartphones shipments in India in Q2 2014, feature phones still account for 71% of the total mobile phone shipments, according to an IDC report. Individual account holders will be able to check account balance and transfer money to this platform on basic feature phones. And Bank Mitra's will be able to deposit and withdraw cash on their behalf. However, there's a catch here. Users will, reportedly, have to pay ₹ 1.50 per transaction to use this platform, as indicated by this The Economic Times report.

a. Smt. Nabisha Begam works as a maid servant. Her Husband is a contract labour and she has two school going children. Her earnings were wasted due to unwanted spending habits in her family before opening a bank account. The PMJDY Account is her First Bank Account opened through Financial Literacy Camp conducted in that area by IDBI Bank. Now she has improved her banking habits doing regular transactions. She is now a part time Flower seller also because of the amount saved through this bank account. Her family is much benefited by this account as she has increased her earnings in dual way- working as servant maid in forenoon and as a flower seller in evening. She has also planned to increase her business by availing OD facility through this account.

b. Shri M. Marivel s/o Mariappa Thevar got his account opened with Central bank of India on 19.09.2014 .First day, deposited Rs.100/- in his bank account. Thereafter he did not turn up to branch. He died due to massive heart attack on 03.01.2015 at the age of 42 years. He was the sole bread earner of his family. Shocked with sudden grief, his family members along with neighbors visited branch and conveyed the death. Branch Manager collected the necessary papers and processed the claim. Within 48 hours information was received by branch that Saving Account of the spouse of the deceased got the credit of Rs.30, 000/- i.e. the

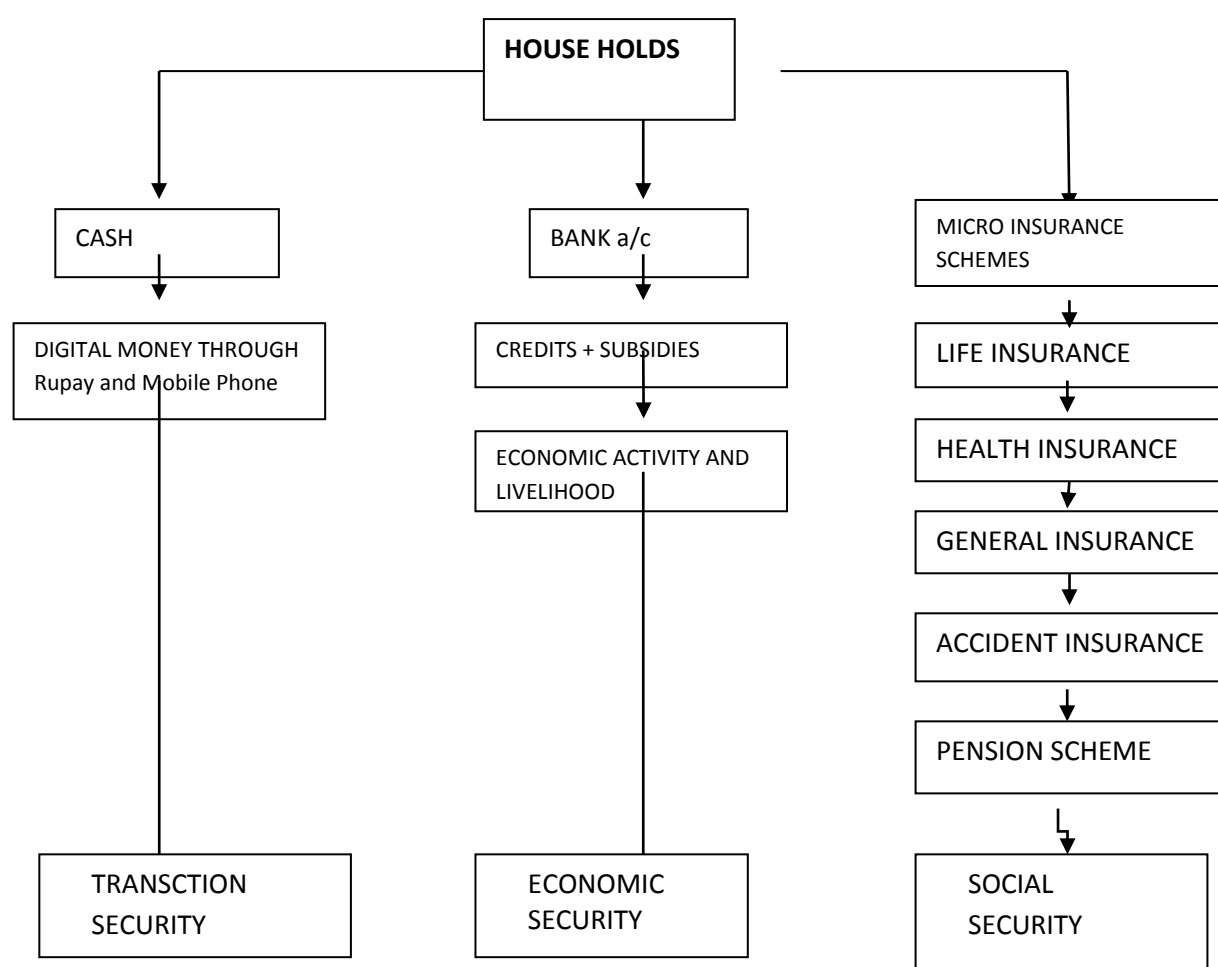
life insurance claim amount under PMJDY. Wife of the deceased thanked profusely to the branch staff and PMJDY Scheme for helping in nick of the time.

3.4 JAN DHANYOJANA AND ITS EFFECT ON MICRO FINANCE:

Impact:

The impact of the scheme and financial inclusion in general can be understood by the below chart:

Figure 3.2 IMPACT OF THE SCHEME AND FINANCIAL INCLUSION



Source: Created by Author

PradhanMantri Jan –DhanYojana(Beneficiaries as on 13.09.2017)

(All figures in Crore)

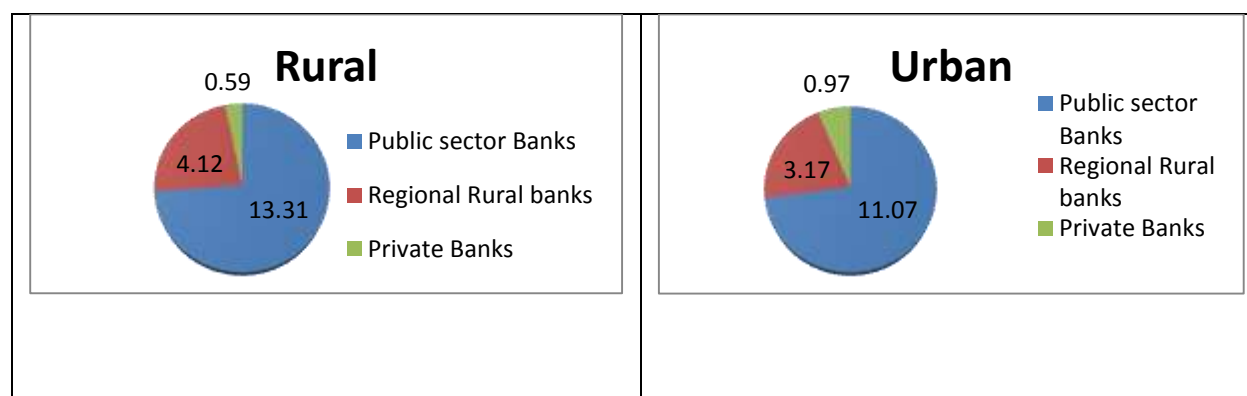
TBALE 3.1 PMJDY ACCOUNTS OPENED AS ON 13.09.2017

Sl.No		No of Accounts			No of Rupay Debit Cards	Balance in Accounts(in rupees)
		Rural	Urban	Total		
1	Public sector Banks	13.31	11.07	24.38	18.30	52748.02
2	Rural regional banks	4.12	0.77	3.17	3.60	11688.11
3	Private Banks	0.59	0.38	0.97	0.90	2029.99
	Total	18.02	12.22	30.24	22.80	66466.12

Source: <http://www.pmjdy.gov.in/account-statistics-country.aspx>

Information is based on the data provided by the different banks/SLBC'S(All figures in crores)

Figure3.3 ACCOUNTS OPENED IN RURAL AND URBAN AREAS



Source: Author

As can be seen from the table above, the unrealized potential of the weaker sections of the Indian society is immense. The scheme targets to utilize this potential for their betterment. It is a perfect example to show the power of collective savings and the potential of the

economically weaker sections of the country. As can be seen from the above table, a total amount of ₹ 66466.12crores was deposited in the bank accounts opened under this scheme which could further be used for credit creation. First public sector banks have been an initiative shown with 80%, share under this scheme followed by regional rural banks with 16-18%. Private sector banks have averaged around 3.2-3.5%.

3.5 IMPACT OF DEMONETISATION ON JAN DHAN ACCOUNTS

According to the Latest Finance Ministry information The deposits of Jan Dhan accounts on December 7th 74,610 but later there was a gradual decrease close to 11 69,027.17 crores in January. First, the average balance kept in these accounts increased and peaked in December 2016. Later there was a net withdrawal of 5,582,83crores since January 2017.

To check misuse of these accounts

The monthly upper withdrawal limit on these accounts 10,000 p.m

The upper limit for deposits in Jan Dhan account is ₹ 50,000.

According to RBI reports prior to the introduction of this scheme, the average size of deposits as of March 2014 shows that in rural areas, it was ₹ 11,080/account, which rose to ₹ 17,251 in semi-urban areas and ₹ 36,056 in metro and urban areas. The average for the country was ₹ 21,156/account.

Figure 3.5 DEPOSIT ACCOUNTS UNDER PMJDY

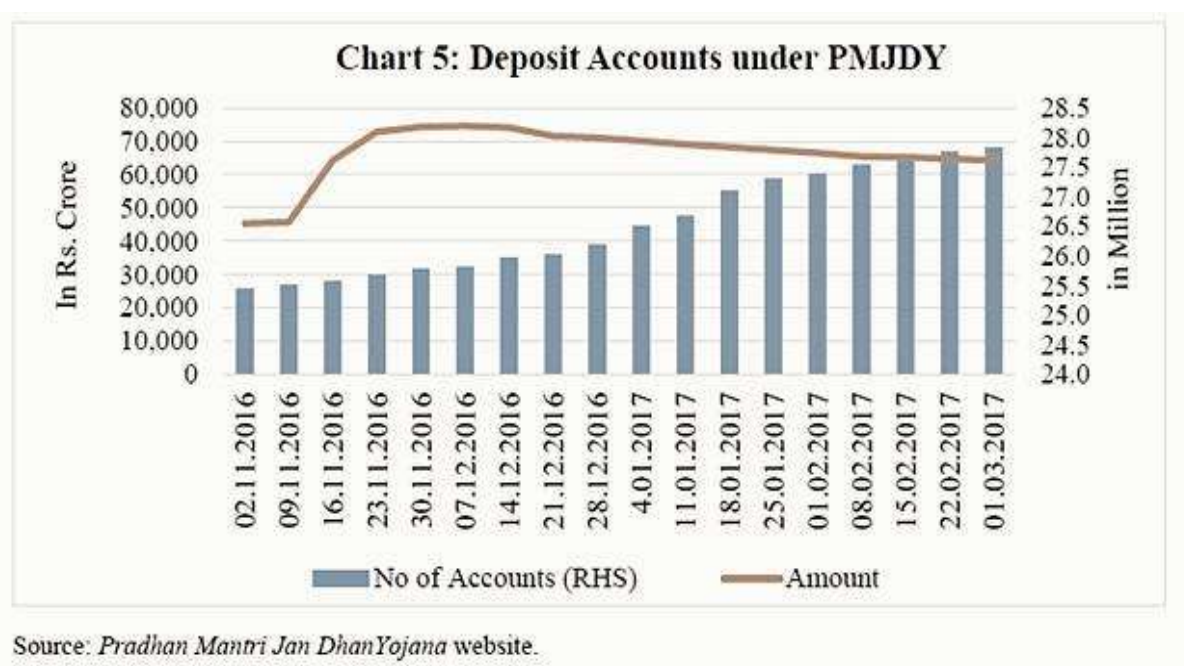


TABLE 3.2 DEPOSITS UNDER PMJDY: NUMBER OF ACCOUNTS

In							Changes(March 1, 2017 over November 9, 2016)		
Bank-Group	As on November 9, 2016			As on March 1, 2017					
	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total
Public Sector Banks	114.3	89.3	203.6	122.1	100.8	222.9	7.8(6.8)	11.5(12.9)	19.3(9.5)
Regional Rural Banks	37.1	6.0	43.1	40.0	6.4	46.4	2.9(7.8)	0.4(6.8)	3.3(7.7)
Private Sector Banks	5.3	3.1	8.4	5.4	3.6	9.0	0.1(1.3)	0.5(16.8)	0.6(7.0)
Scheduled Commercial Banks	156.7	98.4	255.1	167.5	110.9	278.4	10.8(6.9)	12.5(12.7)	23.3(9.1)

Note: Figures in parentheses are percentage variations.

Source: *PradhanMantri Jan DhanYojana* website.

TABLE 3.3 DEPOSITS UNDER PMJDY: AMOUNT MOBILISED

					(billion)
Bank Group	As on November 9, 2016	As on March 1, 2017	Variation(Col. 3 over Col. 2)	Variation in aggregate deposits of scheduled commercial banks(February 17, 2017 over November 2016)	Accretion in PMJDY deposits as percentage of accretion in Aggregate deposits#
1	2	3	4	5	6
Public Sector Banks	364.0	502.5	138.5(38.0)	2733.0(3.9)	5.1
Regional Rural Banks	76.3	118.1	41.8(55.0)	616.0(18.0)	6.8
Private Sector Banks	16.0	22.3	6.3(39.0)	778.0(3.5)	0.8
Scheduled Commercial Banks	456.4	642.9	186.5(41.0)	4098.0(4.1)	4.6

Note: Figures in parentheses are percentage variations.

#: The ratio pertains to *Jan Dhan* deposits as on February 15, 2017, as data on aggregate deposits of SCBs as on March 3, 2017 are not available yet.

Source: *PradhanMantri Jan DhanYojana* website.

In a press release issued on November 18, the government had said,

"There are some reports received that some people are using other persons' bank accounts to convert their black money into new denomination notes."

The government had said such activities could attract the penalty if it was established that the amount deposited in the account did not belong to the account holder. "Also the person who allows his or her account to be misused for this purpose can be prosecuted for abetment under the Income Tax Act," it had said.

3.6 MILESTONES ACHIEVED UNDER PMJDY AFTER DEMONITIZATION

- On the demonetization day, there were 25.5 crore accounts with a deposit of ₹ 45,636.61 crore and total deposits in Jan Dhan accounts surged by around ₹ 28,973 crores in about a month after the announcement of demonetization
- Aadhaar seeded accounts have increased to 15.36 crore in January 11 from 13.68 crores on the demonetisation day
- 30 crore families have got bank accounts. In between December 2014 and December 2016, the number of accounts increased from 104 million to 262 million and further to 288 million by May 2017.
- 99.99% of households now have at least one bank account. It means every family has access to an account.
- Zero balance accounts in PMJDY have decreased from 76.81% to 20% from September 2014 to 19th January 2017
- To ensure universal banking access more than 3 lakhs Bank Mitras have been deployed with online devices capable of e-KYC based account opening and interoperable payment facility.
- The PMJDY scheme is mobile friendly. Account holders can check and transfer balance by using a normal cell phone.
- A total of 2,514 accidental insurance claims received out of which 1,767 claims were settled toward accidental insurance to RuPay Cardholders under the government's flagship financial inclusion programme Pradhan Mantri Jan Dhan Yojana (PMJDY).
- The PMJDY also provides for the life cover of ₹30,000 payable to the account holder. Under this category, 4,165 claims were paid till August 4. The data further said 577 claims were rejected and while 10 were being processed.

	Beneficiaries enrolled(August, 2015)	May 2017
Atal Pension Yojana.	24.83 lakhs	58.08 lakhs
PradhanMantriSurakshaBimaYojana	8.17 crore	10 crore
PradhanMantriJeevanJyotiBimaYojana	2.76 crore	3.11 crore
May 2		

3.4 THE TABLE HERE PROVIDES SOME DATA ON THESE ACCOUNTS, WITH FOCUS ON NON-ZERO BALANCE ACCOUNTS (INFORMATION UP TO FEBRUARY 2017 ONLY).

Particulars	Dec-14	Dec-15	Dec-16	May-17
Total accounts in Million	104.44	198.38	262.01	287.59
No of '0' balance a/cs (mn)	76.5	63.11	63.21	n.a
Total balances (Rs mn)	85534	2,92,255	7,10,366	6,41,632
Avg Balance in a/c (Rs)	819	1473	2711	2231
Avg Balance in non-zero a/c (Rs)	3066	2160	3571	n.a

Source: PM-Jan Dhan Website

He said banks have conducted surveys about how the common man has benefitted from Jan DhanYojna as also from insurance schemes like PradhanMantriJeevanJyotiBimaYojna and PradhanMantriSurakshaBimaYojna, from RuPay Card and PradhanMantri Mudra Yojna and these surveys have thrown up "inspiring stories". Modi said the schemes like PradhanMantriJeevanJyotiBimaYojna and PradhanMantriSurakshaBimaYojna, with a small premium of one rupee or thirty rupees, are giving a new sense of confidence to the poor.

Months	Increase in deposits
July and October 2017	2,554 crore
September to October	724 crore
August to September	722 crore
July to August	1,108 crore
mid-May and mid-July.	400 crore

Source Business line news 23/oct/2017

Digital Banking as on May 2017

Aadhar enrolment	1.15 billion
Digi locker registered users	51,49,840
Uploaded documents	79,96,405

Source: PM-Jan Dhan Website

The total balance in these accounts now stands at ₹67,330 crore.

Key drivers

With the increased focus on Aadhaar and digitisation, new accounts are still being opened in rural areas. The increased use of RuPay cards, which offer many advantages, is also incentivising the rural population to keep balances in their accounts, say bankers.

The National Payment Corporation of India has so far issued about 23 crore RuPay Debit cards to Jan Dhan account holders.

"In a way, this is a saving for the poor, this is his empowerment for the future. And those who opened their accounts under the PradhanMantri Jan DhanYojna, have received the benefit of insurance as well," he said.

Modi said he felt "a great sense of fulfilment that within three years, the last man on the fringes of the society has become a part of the mainstream economy of the country."

Because of the Jan DhanYojna, a poor man's ways have changed as he has started going to the bank and started saving money.

"There is now an air of prudence. He (a poor person) is now beginning to understand that the money can be of use for his children. The money can be used productively in the days to come," Modi said.

Not just this, when a poor person sees a RuPay Card in his pocket, he finds himself to be equal to the privileged people and feels a sense of dignity, he said.

For many families, in times of adversity like the demise of the head of the family, they receive Rs 2 lakh in a matter of days through the one-rupee insurance, He said that under the PradhanMantri Mudra Yojna, millions and millions have been able to get loans from banks without any guarantee.

"They have been able to stand on their own feet and have succeeded in giving employment to one or two other people as well," Modi said.

PMJDY helped more women financially empowered

"Particularly, the government's PMJDY program, which focused on ensuring at least one account per household, appears to have been successful in encouraging women to open bank accounts, 47 per cent women now have a PMJDY bank account", the report said.

"The findings interestingly reveal that more women in India are now financially included than ever before."

"Success of the government's efforts, including the PMJDY, in driving financial inclusion, particularly by bringing women, poor and lower literacy groups into its fold", said Nathaniel Kretchun, Senior Associate Director at Inter Media and Asia Research Lead for the Financial Inclusion Insights Program.

Two conclusions may be drawn here. The first is that the Indian banking system was doing an excellent job in terms of garnering funds from the business perspective and covered households which had savings. The second is that the present performance, even at its peak of ₹ 3,571/account in 2016, is very low compared to the existing average. This raises questions about the savings capabilities in the country.

CHAPTER IV

	IMPACT ON ALTERNATIVE BANKING CHANNELS
4.1	IMPACT ON ALTERNATIVE BANKING CHANNELS
4.2	DIGITAL MICRO FINANCE IN INDIA
4.3	MODEL USED BY MFI DURING THE PRE-DIGITALIZATION PERIOD
4.4	DIGITAL BANKING
4.5	THE INNOVATIVE DIGITAL BANKING SERVICES AND PRODUCTS
4.6	DIGITAL MODES OF PAYMENTS



Demonetization main aim is Digitalisation of India. This chapter main objective is to study the impact of Alternative Banking Channels in Microfinance. Secondary data is used to achieve the objectives of the study which is collected from various published sources like RBI Bulletin for MFIs, journals, magazines, newspapers, from MFIN publications, Web sites of MFIN, The relevant data were collected for the period from November 2016 to March 2017.

4.1 IMPACT ON ALTERNATIVE BANKING CHANNELS

Despite the efforts of all sectors, 2 billion people worldwide are still excluded from formal sources of financial services. Digital financial inclusion has become the new wave with the hope of reaching the last mile consumer in the most convenient and convenient way. In the Indian context, digital financial inclusion is still ongoing. According to the 2015 Insights on Financial Inclusion survey, 49% of adults in India are digitally included, which means they

have digital access to a financial account, only 0.4 % of adults in India use mobile money, mainly due to the key challenges of poor infrastructure and lack of financial skills. However, the use of these digital accounts remains increased after demonetization period. Similarly,

4.2 DIGITAL MICRO FINANCE IN INDIA

Withdrawal of ₹500, ₹1000 currency notes from 9th November 2016, Indians faced a lot of cash crunch. People have no other option except move towards digital transactions.

This is when the MFIs later much deliberation thought of moving to digital. Many MFIs are already transiting from cash to digital. Even before demonetization some MFIs and banks have already started digital transactions. Over 60% of the MFIs adopted cashless outlay models also this ensured that the member has bank accounts. However, there was a big one left barrier without direction; the limitation of a member to withdraw the money from bank accounts and use them immediately. After demonetization it has become necessary for MFIs to adopt the digitization path and to use new models for their activities. At present MFIs are facing new challenges the challenges in front of the industry is digitization of publications.

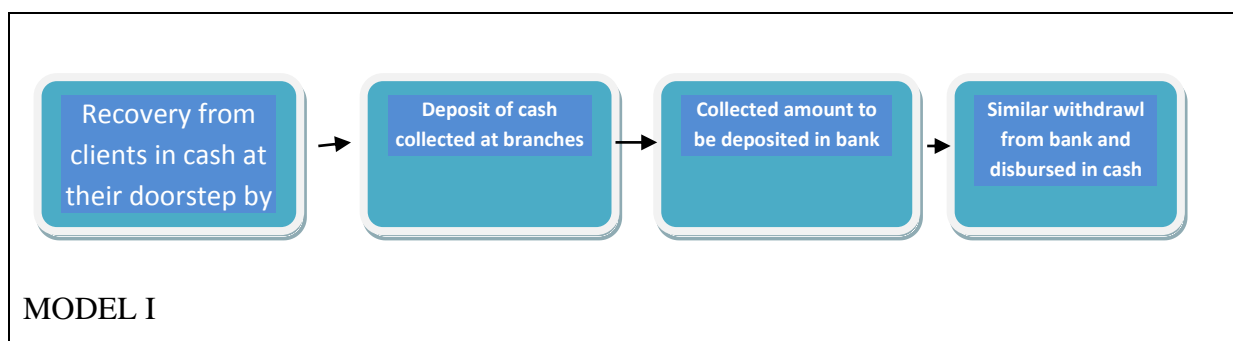
Satin Creditcare Network Limited Chief Financial Officer said: "After starting a cashless outflow program in the first quarter of the current fiscal year, today around 15-20 percent of our cashless outflows are in cashless mode and this proportion it will only increase further. "Even the CEO of MFIN believes that digital transactions will increase despite the initial focus of digitization, as MFIs increasingly use digital arrangements for disbursements and collections to help them reduce logistics problems related to liquidity management.

4.3 . MODEL USED BY MFI DURING THE PRE-DIGITALIZATION PERIOD

This model was based exclusively on the cash system. Field officials made the loan recovery in the morning on the doorsteps. This recovery was brought to the branch and then deposited in the branch of that bank where the IMF keep in mind A similar amount has been withdrawn from the bank from a separate account. This amount was used for the provision of the loan. The remaining money was held overnight by the branch.

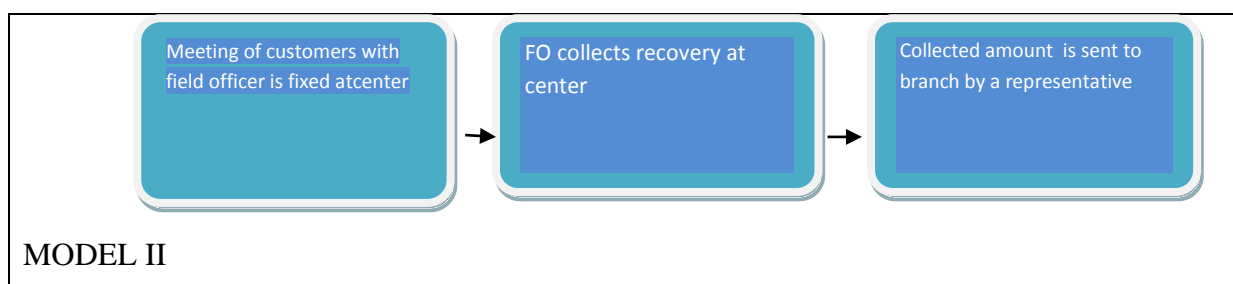
In the second model, the Field Officer did not handle cash while on the field, which reduced money risk for the staff. In general, the branch manager had an idea of the quantity to be redeemed and the amount to be paid in one day. The officer on the field brought recovery 12 noon if the recovery was higher than planned disbursements, the difference was deposited in

4.1 MODEL USED BY MFI (PRE-DIGITALIZATION PERIOD)



Source: (Author)

4.2 MODEL USED BY MFI (POST-DIGITALIZATION PERIOD)



Source: (Author)

Several digital tools can be used by MFI for the fight with the challenges and problems. Some of these tools are as follows:

Mobile device: in India, the use of mobile networks is rapidly increasing. Second to the available data The Indian mobile banking subscriber base has crossed above one billion milestones in January 2017. MFIs can use various mobile devices such as mobile phones operated by Android, pad, tablet, etc. so that its functioning is digital. In the initial phase, the field official can approach your prospect borrower with digital devices. It is possible to create a database of said borrower ready without any error the documents of the said potential customer can be scanned in the said mobile device. This can help MFIs to create a large database even in remote areas. The perspective the client could find it easy to request a loan without documents.

In recent developments, micro-finance organizations are collaborating with leading cell phone manufacturers to offer cheap handsets customized for rural customers.¹⁴ as per the report, Nokia is running a pilot project to sell handsets in the Indian state of Andhra Pradesh through SKS Microfinance, ¹⁵ a non-banking finance company. We emphasize that such initiatives fit very well along the lines of rural commerce we described in the previous section. Nokia is also in the process of launching mobile information services

centred around agriculture, education, weather forecast and entertainment in the rural areas of state Maharashtra, while partnering with a host of content providers. India's largest cellular service provider Bharti Airtel offers schemes such as "Grameena Mobile Kranthi", aimed at making mobile telephony services affordable to rural customers. From the perspective of our work, these developments are an encouragement to provide voice-based solutions to various microfinance operations related to the SHG scenario.

- Micro ATM: the liquidity management by the field officer creates a cash flow risk for MFIs. Even that it is not possible for each commercial bank to open an ATM or a branch in every city. The biometric ATMs integrated with the biometric mode for authentication contribute to the development of microfinance. This system was introduced in 2012 by Unique Identification Authority of India (UIDAI). This "Aadhaar" biometric micro ATM device "Enabled Payment System" (AEPS) helps MFI clients to withdraw money close to their own biometric authentication of identity is necessary before executing transactions such as withdrawing or putting money in their bank accounts

- Personal Digital Assistant (PDA): time interval between the application of the loan and the sanctioning of The loan is very crucial for each MFI. The MFI operating cycle decides. Customer scrutiny loan application and documents is a prerequisite for the loan. The different software can be developed for this purpose. Sc PDA used by SKS microfinance for their operations is a laptop as a platform that runs software programs to standardize loan methodologies and assist in the collection of information. The software leads to a reduction of time through the loan Control and provision of funds.

- Management information system (MIS): multiple loans from the same client from different MFIs cause big losses for this sector and situations like Andhra Crises occur in the economy. To avoid this situation, an effective information system can only be provided through the digital world Automation due to the development of computers and software applications such as MIS has been transformed the way MFIs operate. The information is made easily accessible by MIS. Facilitates loan officers keep track of customer payment plans and balances and monitor progress towards achieving the operational objective. A scoreboard provides a way to evaluate the adaptation of a software solution for your organization. It is impossible to draw up a scoreboard that it will satisfy all MFIs but there are a number of

factors, which every MFI must consider first apply any system. These factors can include software cost, ease of management, security problems, MFI reporting system etc.;

- Social media: Facebook, Youtube, Twitter, and likesin have become the main actors of the social network average. All of these provide a platform where MFIs can link up with their present and future clients. Discussions can be made with potential customers. MFIs can increase their size customer base offering different discounts and products on the Facebook page.

Partnerships with financial services providers: MFI must survive in this digital world create a digital environment both internally and externally. To this end, an agreement with The digital financial service provider is necessary. Choose a suitable digital financial service provider It is a challenge for the MFI.

- Worker training: digitization can only be successful if all MFI workers have adequate requirements. knowledge of digital tools. Every MFI worker at each stage must be able to manage mobile devices such as tablets, mobile applications, software, Internet use, scanners, laptops, etc. Providing the right training to each staff member according to their needs is a big challenge.

- Infrastructure development: configuration of the IT system, software development, purchase of tablets, the creation of mobile applications, the purchase of Internet connection are the big challenges for MFIs In rural areas of India, where MFIs mainly perform their functions, they are late Infrastructures, such as the Internet connection, MFIs will have to work harder.
- Cost of software and budget: the cost of digitization can be high and goes beyond the MFI budget.

However, there is a limit of interest that MFIs can charge to their customers. Therefore MFIs do not have the possibility to shift the cost of digitization for customers. Adoption by customers: it is not easy to convince customers to accept the change in seniority Ways to work In India, people love cash transactions, especially in rural areas. It's the big challenge for MFIs to convince rural customers to become part of the digital world.

- Customer awareness: MFI clients in the rural sector are not well educated. A bit ' uses cell phones but old technology. In simple terms, these customers are not aware of it digital world It is an important challenge for MFIs to know their customers about digitization and Provide them with adequate training and education related to the use of digital divisions.

TABLE 4.1 UTILISATION OF POINT OF SALES BY MFI CLIENTS

	2016	2015	2014	2013	2012
POS (credit cards)	785	615	509	396	319.9
POS (debit cards)	1173.61	808	619	469	327.52
MFI client outreach	40	37	33	27.5	26.8
Total no. of Pos Transaction	1385668	1126735	1065984	854290	660920
MFI client outrech	40	37	33	27.5	26.8

Source: RBI Different Bulletins

The effect of demonetization in 2016, there is a rise in Usage of Debit cards and credit cards.

In January 2017 POS increased to 20,15,847.

To find out the effect of usage of alternate Banking channels in Microfinance Regression Model was applied.

Ho: There is no significant difference between MFI client outreach and usage of alternate banking channels.

H1: There is a significant difference between MFI client outreach and usage of alternate banking channels.

TABLES 4.2 ANALYSIS

<i>Regression Statistics</i>	
Multiple R	0.967
R Square	0.936
Adjusted R Square	0.914
Standard Error	150.1174
Observations	5

Source: (Author)

Correlation is .967 in between the observed and predicted values of dependent variable mean there is a high positive correlation. R square value means it indicates how variation in the dependent variable can be explained by independent variable is .936. This also indicates the high degree of relation and high co-efficiency.

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	980832.45	980832.45	43.52	0.007
Residual	3	67605.75	22535.250		
Total	4	1048438.2			

Source: (Author)

The ANOVA table showing F value is 43.524 This means the test is significant.

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-1616.99	432.95	-3.737	0.033
Client outreach	85.872	13.016	6.595	0.007

Source: (Author)

The linear Regression Model shown that

The test is significant (.007) this value is less than Alpha (.05). Based on above analysis Null Hypothesis is rejected and concluded that clients are using alternate banking channels.

4.4 DIGITAL BANKING:

An important effect of demonetisation is the huge increase in the use of digital Payments

The government is offering incentives to promote digital payment systems. As per government reports 400-1,000% increase in digital transactions since the demonetization.

Digital banking is often a little bit confused with online banking and mobile banking. All these transactions involve digital application in one form or another. Digital banking is the incorporation of new technologies throughout the financial services entity and to provide enhanced customer services experiences, effectively and efficiently.

Digital Banking is the present trend in banking. Now-a-days banking is not merely using the internet based banking, it is much more based on SMAC model.

S	-	Social
M	-	Mobile
A	-	Analytics
C	-	Cloud

SMAC made banking business more comfortable and customer centric which helps to build strong Digital banking.

Institute for Development and Research Banking Technology (IDRBT) planned to launch framework for Digital banking in 2016. The IDRBT research team aimed to meet the emerging requirements of e-commerce sector. Present day advancement in Big Data and Analytics opened new business opportunities for banks.

The Indian economy is suffering from the high rate of interest, because of demonetization deposits come to the banking system and banks start providing loans at cheaper interest rates which is very necessary for growth.

Creation of Credit: Means expansion of bank deposits by sanctioning more loans, advances, investments. It is an established fact that banks are able to multiply loans and investments and therefore it multiplies their deposits. The small volume of cash is base for multiplication of deposits by way of multiplication of loans as well as advances.

The number of Internet users in India is expected to reach 450-465 million in June, 4-8% from 432 million in December 2016, according to a report by the Indian Internet and Mobile Association and the international market research firm IMRB.

The report added that its forecasts do not take into account the impact of demonetization, which has boosted digital and mobile transactions.

The report states that the total penetration of the Internet in India is currently around 31%.

"Urban India with an estimated population of 444 million already has 269 million (60%) of the Internet." Rural India, with an estimated population of 906 million according to the 2011 census, has only 163 million (17%) of Internet users. Therefore, there are still around 750 million users in rural areas of India who have not yet become Internet users, if only they can be contacted correctly. "

There are substantial innovations in the banking industry in the past few decades. After demonetization introduction of new technology in banking sector made customers attract for E-banking and M-banking.

The ease of conducting financial transactions is probably the biggest motivator to go digital. The individuals will no longer need to carry wads of cash, plastic cards, or even queue up for ATM with draws. Its

The number of Internet users in India is expected to reach 450-465 million by June, up 4-8% from 432 million in December 2016, a report from the Internet and Mobile Association of India and market research firm IMRB International said.

The report added its forecast does not factor in the impact of demonetisation, which gave a boost to digital and mobile transactions.

The report said overall Internet penetration in India is currently around 31%.

“Urban India with an estimated population of 444 million already has 269 million (60%) using the Internet. Rural India, with an estimated population of 906 million as per 2011 census, has only 163 million (17%) Internetusers. Thus, there are potential approximately 750 million users still in rural India who are yet to become Internet users; if only they can be reached out properly.”

4.5. SOME OF THE INNOVATIVE DIGITAL BANKING SERVICES AND PRODUCTS

S.No.	Type of Bank	Digital Banking Services and Products
1	Public Sector Banks	ATMs, Point of Sale Terminals, Core Banking, Internet Banking, NEFT, RTGS, Cash deposit Kiosk, SMS Banking, IMPS, e-statement, ECS, Fee Portal, Debit Cards, Credit Cards, Doorstep Banking, Smart Mobile Banking, Customer service points, Buddy-SBI (Anywhere, Anyone, Anytime), SBI quick (Missed Call Banking), SBI Self Service Kiosks (Bank @ Your Service 24X7), e-Smart SME (e-Commerce Loans) , e-auctions and e-CRM, Digital Wallet, Speed Pay, IMPS, Retail ticket booking on website.
2	Private Sector Banks	ATMs, Point of Sale Terminals, Core Banking, Internet Banking, NEFT, RTGS, Cash deposit Kiosk, SMS Banking, IMPS, e-statement, ECS, Fee Portal, Debit Cards, Credit Cards, Doorstep Banking, Smart Mobile Banking, Customer service points, Buddy-SBI (Anywhere, Anyone, Anytime), SBI quick (Missed Call Banking), SBI Self Service Kiosks (Bank @ Your Service 24X7), e-Smart SME (e-Commerce Loans) , e-auctions and e-CRM, Digital Wallet, Speed Pay, IMPS, Retail ticket booking on website, Click2Protect Plus and others.
3	Foreign Banks	ATMs, Point of Sale Terminals, Core Banking, Internet Banking, NEFT, RTGS, Cash deposit Kiosk, SMS Banking, IMPS, e-statement, ECS, Fee Portal, Debit Cards, Credit Cards, Doorstep Banking, Smart Mobile Banking, Customer service points, Buddy-SBI (Anywhere, Anyone, Anytime), SBI quick (Missed Call Banking), SBI Self Service Kiosks (Bank @ Your Service 24X7), e-Smart SME (e-Commerce Loans) , e-auctions and e-CRM, Digital Wallet, Speed Pay, IMPS, Retail ticket booking on website, e-core banking through ATMs.
4	Regional Rural Banks	Internet Banking, (Non-transactional services view only) for weak Bank, Online Transaction services.
5	Cooperative Banks	ATMs, NFS Network, E-payments-VISA, Bill Payment, RTGS,

		NEFT, Go-Recharge, Missed call Service, GOMO-Mobile Banking, Online Trading.
6	Wallet Banking (Oxygen, MobiKwik, Paytm etc.,)	Instant Money Transfers (IMPS), Online Mobile Recharging, Online Bill Payments, Credit and Debit Card Payment, Online Bus Travels, Net Banking, Mobile Wallet, BCCI Payments, Utility Bills, DTH Recharge etc.,

Source: (Aurthor)

Due to the demonetization lack of cash moved towards innovative solutions in electronic payments systems.

New Bank accounts are opened, e-payment services, cash-on-delivery in e-commerce and digitally-focused sectors like online grocery business started. Even the small vegetable vendors, kirana shopkeepers, street vendors, rickshaw and taxi drivers, have opened up Paytm accounts.

The Telangana farmers' markets experimented Aadhar-linked bank accounts through electronic payment system where customers could buy vegetables using tokens via debit cards.

HDFC Bank Chief Aditya Puri

"It is necessary that we all understand that the country is moving towards reduced usage of cash. This will give banks the capacity to lend and also to bring interest rates down in order to spur investment and be competitive".

Deepak Abbot, the senior vice president of Paytm

"The Prime Minister's move to incentivize digital payments will offer a strong support to our ongoing efforts in helping the country leapfrog the cash generation to digital payment solutions,"

For example, the CEO of PayTM said he added 500,000 users per day in the month following demonetization.²⁰

Arpan Nangia, the head of the India desk for HSBC's commercial banking division.

"Yes, our position is that everybody should have a bank account and everybody should be transacting through that, but if a large part of your population doesn't even bank it is going to take some time for you to invest before you can say let's go completely cashless."

However, efforts are being made to implement digitization with little success. As Satin Credit care says, the effect of digitization increases every day. "After starting a liquidity-free pilot test in the first quarter of the current fiscal year, today around 15-20% of our disbursements are made in cashless mode and this percentage will increase only in the future",⁶ says Jugal Kataria, director financial, , Satin Creditcare Network Limited

These are government figures, which show a growth of 58 per cent in digital transactions in last one year compared to the previous year. The idea is to bring down the use of cash in day-to-day life," Union minister Nitin Gadkari at a press conference (Nov 8 2017)

4.6 DIGITAL MODES OF PAYMENTS

According to "Digital Payments 2020", a Boston Consulting Group (BCG) and the Google report published in July 2016, India is on track to become a "digital giant" given the increasing penetration of smartphones and the expansion of Internet access. The report estimates that total payments through digital payment instruments will be in the order of \$ 500 billion by 2020. However, this will not be uniform throughout the country. Indeed, the penetration of smartphones and increased access to the Internet do not necessarily translate into an increase in digital transactions in rural India.

There is a digital divide between city and countryside in terms of Internet access in India. India has 342.65 million Internet subscribers in March 2016, according to India's Regulatory Telecommunications Authority (TRAI). 111.94 million of them are rural subscribers, in short, most of the country's associated people live in urban areas.

⁶<https://www.businesstoday.in/current/economy-politics/demonetisation-mfi-industry-note-ban-anniversary-industry-micro-finance-institutions/story/263524.html>

However, in terms of mobile subscribers, India ranks second in the world with over a billion mobile phone subscribers. This is very much in a country of 1.2 billion.

After the demonetization movement of Modi, India saw an increase in the use of credit and debit cards, but the financial inclusion in India remains low. According to a World Bank study, bank accounts in India increased from 35% to 53% between 2011 and 2014. Between 2014 and 2015, public policies aimed at financial inclusion, such as PradhanMatri, Jan DhanYojana, have opened 25.82 million additional bank accounts. Even so, the vast majority of citizens have no bank accounts and some who have them are inactive accounts, therefore, many can not use cards or mobile banking services.

However, Ramamurti said that in the long run demonetization is expected to lead to better financial inclusion and push India more rapidly towards the digital payments economy.

The mobile banking sector, which recorded a massive increase after demonetization, says it is an opportunity to provide financial transparency to the country. Paytm, a mobile portfolio company recorded a 250% increase in overall transactions. A similar increase in downloads and transactions was reported by other mobile portfolio companies such as PayU India, MobiKwik, and Freecharge.

To ensure a smooth transition to digital payments in rural areas of India, mobile wallet companies should provide services in languages other than English and improve digital literacy among such users. Companies like Paytm and MobiKwik have already started doing so. Very important is to create a reliable infrastructure that will provide guidance to unedited and digitally illiterate people. But the biggest challenge after demonetization will be, how to achieve behavioral change among people: where money has long been king.

TABLE 4.3 GROWTH IN DIGITAL MODES OF PAYMENTS

Digital Payment Mode System												
Digital Payment Mode System in Pre and Post Demonetisation												
	Pre-demonitization						Post-demonitization					
	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
EFT/NEFT	117.5	118.91	113.48	118.55	120.15	133.21	123.05	166.31	164.19	148.21	186.7	143.17
IMPS	27.66	29.68	32.18	33.89	35.93	42.09	36.17	52.78	62.42	59.75	67.41	65.08
NACH	160.59	166.5	189.6	153.33	157.29	169.39	152.51	198.72	158.74	150.45	191.01	222.17
Cards	941.82	927.27	961.25	971.81	945.86	1032.14	906.78	1162.39	1154.21	1039.4	1089.38	1035.38
PPIS	70.95	76.98	77.85	96.28	97.07	126.9	169.03	261.09	295.8	280.02	342.09	352.23
Mobile Banking	60.76	62.52	64.44	70.05	72.63	78.1	85.45	110.64	106.12	95.41	113.65	106.18
Outstanding	702.75	716.68	723.17	738.77	755.05	766.63	771.95	789.44	846.83	869.06	884.72	898.33
No.of ATMs(in Actuals)	214271	215192	216030	216997	218542	219578	220166	219793	220402	221302	222475	221959
No.of Pos (in Actuals)	1415582	1432727	1443899	1496769	1480309	1512068	1589263	1767733	2015847	222497	2529141	2614584

Source Business Standard, New Delhi 24th Jan 2017 P.9

Growth in Digital Modes of Payments

Note: RTGS Real time gross settlement, NEFT National electronic fund transfers, CTS Cheque truncation system, (IMPS) Immediate Payment Service, NACH National automated clearing house, Unified Payment Interface (UPI), Unstructured Supplementary Service Data, (USSD) point of sale, (POS) Prepaid Payment Instrument (PPI).

The above table shows about digital transactions through different modes in volume and value at four different points of time. Based on this digital transitioned enhanced in both volume 43% and value 11% USSD has got highest growth both in volume and value. Mobile banking declined but its value increased NEFT, PPI and debt and credit cards at POS have seen magnificent growth. It can be inferred that demonetization has resulted into positive growth in digitalization of economy.

H0 : There is no significant impact of Demonetization on financial inclusion.

H1 : There is significant impact of Demonetization on financial inclusion.

TABLE 4.4 GROWTH IN DIGITAL MODES OF PAYMENTS ANALYSIS

No. of Pairs	Digital Payment System	Paired differences Mean	Std. Deviation	Std. Error Mean	95% confidence Interval of the Difference		t	Df	Sig.(2-tailed)
					Lower	Upper			
Pair 1	EFT/NEFT	-34.9717	24.161	9.864	-60.327	-9.6162	-3.54549	5	0.0165
Pair 2	IMPS	-23.6967	8.241	3.364	-32.345	-15.0483	-7.04346	5	0.0009
Pair 3	No. of ATMs(in Actuals)	-4247.83	1134.968	463.349	-5438.909	-3056.76	-9.16768	5	0.0003
Pair 4	NACH	-12.8167	31.627	12.912	-46.007	20.37343	-0.99265	5	0.3665
Pair 5	PPIS	-192.372	52.050	21.249	-246.995	-137.749	-9.05307	5	0.0003
Pair 6	Mobile Banking	-34.825	9.999	4.082	-45.319	-24.3314	-8.53098	5	0.0004
Pair 7	No. of Pos (in Actuals)	-660032	374578.025	152920.838	-1053127.36	-266936	-4.31617	5	0.0076

Source: Author

A t-test was performed on a sample of 9 digital payment systems to determine if there was a statistically significant difference in the means between the digital payment system before and after demonetization. Each pair in column 2 includes digital payment systems: NEFT,

IMPS immediate payment system, NACH national automatic clearing house, number of ATMs, and number of outlets, prepaid instruments, PPI and mobile banking services in terms of volume in the pre-demonetization and the subsequent demonetization period. In the NEFT Pair 1 payment system the value of p is 0.0165 which is less than 0.05. This shows that the null hypothesis is rejected, there is a significant impact of demonetization on the digital payment system. Similarly, in pairs 2,3,5,6 and 7, p values are less than 0.05, which shows a significant impact of demonetization in the digital payment system. However, in the case of par 4, is NACH, the value of p is 0.3666 is greater than 0.05, which shows that there was an increase but did not have a significant impact on demonetization.

CHAPTER V

DEMONETIZATION AND ITS IMPACT ON SHG'S IN DELIVERING MICRO FINANCE IN TELANGANA

5.1	IMPACT ON SHG'S IN DELIVERING MICRO FINANCE IN TELANGANA
5.2	INTRODUCTION
5.3	PROFILE OF TELNANGANA
5.4	CREDIT DISBURSEMENT BY BANKS TO SHG-BLPS
5.5	CREDIT OUTSTANDING
5.6	NPAS IN SHG-BLP
5.7	IMPACT OF DEMONETIZATION ON SHG'S IN TELENGANA
5.8	SELF-HELP GROUPS AND THE NEED FOR DIGITIZATION
5.9	CHALLENGES IN DIGITIZING SHG RECORDS
5.10	CHALLENGES OF SHG BENEFICIARIES
5.11	METHODOLOGY
5.12	STUDY REGION AND ORGANIZATIONS COVERED IN THE STUDY:
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5.15	RESPONDENTS REFLECTIONS: I
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5.19	PRICES OF VEGETABLES
5.2	LESS CASH ECONOMY
5.21	THE REPAYMENT OF MICROCREDIT LOANS
5.22	LOGISTIC REGRESSION



5.2 INTRODUCTION

At present there are two main models of micro finance delivery.

1. The SHG model and
2. The micro financial institution (MFI) model.

There are microfinance institutions in the state of Telangana. are.

1. AsmithaMicrofin Ltd. (NBFC)
2. Aware Macs Ltd. (cooperative)
3. BhartiyaSamruddhi Finance Ltd (Basix) (NBFC)
4. Development organization for the village environment (DOVE) (Society)
5. IndurIntideepam Mac Federation Ltd. (Co)
6. Federation PragathiSevaSamithi Mac (Co)
7. Share Microfin Ltd. (NBFC)
8. SKS Microfinance Ltd. (NBFC)
9. SpandanaSphoorty Financial Ltd. (NBFC)
10. Swaws Credit Corporation India Pvt. Ltd. (NBFC)
11. Trident MicrofinPvt. Ltd. (NBFC)

An initial study of the microfinance sector in Telangana revealed that after the 'microfinance crisis in Andhra Pradesh in 2011' most MFIs have reduced their microfinance activity altogether or have moved into other funding. Only AsmithaMicrofin Ltd. (NBFC) BhartiyaSamruddhi Finance Ltd (Basix) (NBFC), PragathiSevaSamithi Mac Federation (Cooperative), Share Microfin Ltd. (NBFC), SKS Microfinance Ltd. (NBFC), spandaneSphoorty Financial Ltd. (NBFC) are currently in the microfinance business. Role of

NBFCs in providing micro finance is very limited in Telangana. Hence to study impact of demonetization on Micro credit SHG BLP model is taken into consideration.

In Telangana the SHG-BLP model has emerged as the dominant model in terms of the number of borrowers, savings mobilised, and loans outstanding. Telangana state is one of the forerunners in the SHG movement. The state has about 4.35 lakh SHGs. A Center of Excellence for the promotion and reproduction of best practices in the emancipation of women through self-help groups will be established by the Government of the State of Telangana. At present 4.74 million poor rural women were organized in 4.17 lakh SHGs. The state has about 4.35 lakh SHG and many of them repay their loans on time. The Center has classified the 13 undivided districts of categories I and II to extend the interest subsidy to the SHGs on their loans from banks for a sum of Rs 3 lakhs in rural areas.

A huge amount of Rs 68,000 million went out of circulation in Telangana. Normally the state enjoys a total cash circulation of Rs 80,000 crore a month from which it usually earn Rs 4,200 crore as tax revenue. However, according to a government estimate, 85% of the 80,000 million rupees in cash had gone out of circulation since 9 November, which deprived the state government overnight. The Government launched an e-wallet enterprise in collaboration with ICICI bank.

5.2 PROFILE OF TELANGANA

Telangana became the 29th state of India on June 2, 2014. The state is richly endowed with natural and human resources with competitive socio-economic conditions advantages. Its geographical extension of 1, 14.840 Km² makes it the 12th largest State in the country. A projected population of 3.52 Crores according to the 2011 census makes it the 12th most populous state. It consists of the ten north-western districts of Andhra Pradesh with Hyderabad as its capital has an area of 114,840 km² and it is the twelfth largest state in India. Most were part of the princely state of Hyderabad (Medak Warangal Divisions), The wealth of Telangana is mainly driven by agriculture.

5.1 Map of Telangana State:



Source: Telangana State Portal

In the State, 65% of the population depends on agriculture. Over 85% of farmers in the State belong to small and marginal category with an average land holding size of 1.11 hectares per household. 63% of the farmers in the State depend on rain fed agriculture and more than 70% of cropped area is rain fed, resulting in lower yield per unit area.

TABLE 5.1 Details of SHGs in the State of Telangana:

Total No of SHGs :		146320
Total No of SHGs under Linkage:		122821
Total No. SHGs not covered under Linkage :		23499
<u>Target for 2016-17 :</u>		Amount in Lakhs
No of SHGs : 40064	Amount:	110689
<u>Achievement for 2016-17 :</u>		
No of SHGs : 31331	Amount:	112415
<u>VLR Details :</u>		
No of SHGs : 92266	Amount :	29360

Source (SLF –SHGs Telangana)

5.3 CREDIT DISBURSEMENT BY BANKS toSHG-BLPs

During 2016-17, banks granted loans to 18.98lakh SHGs. The number of SHG loans granted during the year was lower compared to the previous year in the southern region. In the southern region, around 30% of the SHG used bank loans in 2016-17. The credit available during the year was 42% in Telangana. It has been reported that the credit flow towards the SHG has been negatively influenced by the demonetization. Notes ban interrupted loan operations by financial institutions. Despite this, the increase in the number of connected SHGs and of quantum credits the loan granted during the year is very positive for SHG-BLP.

5.4 CREDIT OUTSTANDING:

By March 31, 2017, SHGs were receiving 48.48 lakh (56.5%) of outstanding credit of ₹ 61.581 against 46.72 lakh SHGs (59.1%) and of 57.119 crore as of March 31, 2016, with an increase of 8% in the amount of outstanding loans. Out of the major states, percentage of groups having credit linkage was highest in Telangana that is 96%.

5.5 NPAs IN SHG-BLP

NPA under bank loans to SHG in 2016-17 theywere 6.50%, close to the previous year's level 6.45%. However, the absolute quantity of NPA registered an increase of 8.6% during 2016-17, from of ₹3,686 Crore in 2015-16 to of ₹ 4,002crore. The proportion of outstanding loans to loan disbursement in 2016-17 within SHG-BLP was 1.6 for all of India.An exceptional high combined with a low outlay implies a situation where the disbursement rate is low and many of the SHGs are not eligible successive loans due to overdue loans. Telangana state has reported (9.2%)111crore. This NPA amount during the year is lower as compared to the previous year

TABLE 5.2 SHG-Bank Linkage Highlights (in Telangana) 2016-17

	Commercial Banks		RRB's		Cooperative banks		Total	
Telangana State	No of SHGs	Amount	No of SHGs	Amount t	No of SHGs	Amount	No of SHGs	
Savings of SHGs with Banks	355568	122427.34	269940	35640.55	7273	1214.29	632781	159282.18
Bank loans disbursed during the year	111364	351019.87	151739	444519.8	2263	6518.36	265366	111364
Bank Loans	338708	563022.47	259890	628482.5	8845	13756.18	607443	1205261.2

Out standing								
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Source (SLF –SHGs Telangana)

Progress under Microfinance-Non-Performing Assets of Banks against SHGs- Position as on 31 March 2017

SEE ANNEXURE II

1. High NPAs in the sector:

The overall NPAs under the SHG-Bank linkage programme for the year 2016-17 is 8.60% with the maximum NPAs in rural areas. A very small minority of people undertake any new economic activity after taking a loan. Majority of such loans are utilized by the people for consumption purposes. Demonetization factor affected the repayment rates for these loans.

Table 5.3 High NPAs in the sector:

NPA Bank Wise Progress Report Sep and October 2016(Pre Demonetization)						
	Bank top 10 banks	Outstanding SHGs	Outstanding Amount	NPA SHGs	NPA OutStanding Amount	Loan Amount
	Total	93968	1111.501	3433	111.4217	3107.219
	Total	94160	1230.685	3311	103.9631	3155.627

Source (SLF –SHGs Telangana)

There is a negative correlation -1 between outstanding loan amount and NPAs during Pre demonetization,

Table5.4 NPA Bank Wise Progress Report (November and December 2016) During Demonetization						
	Bank top 10 banks	Outstanding SHGs	Outstanding Amount	NPA SHGs	NPA OutStanding Amount	Loan Amount
	Total	94551	1270.046	3605	111.6373	3173.764
	Total	94831	1209.283	3693	120.4668	3192.335

Source (SLF –SHGs Telangana)

There is a negative correlation -1 between outstanding loan amount and NPAs during demonetization,

Table5.5 NPA Bank Wise Progress Report January and February 2018 Post Demonetization						
	Bank top 10 banks	Outstanding SHGs	Outstanding Amount	NPA SHGs	NPA OutStanding Amount	Loan Amount
	Total	95785	1002.835	2965	96.0629	3242.185
	Total	95069	1280.214	3574	119.466	3264.115

Source (SLF –SHGs Telangana)

There is a Positive correlation **1** between outstanding loan amount and NPAs during post demonetization, and there is a positive **1** relationship between loan amount and outstanding.

Ho: There is no significant impact on NPAs of Telengana SHG BLPs during demonetization

Ho: There is a significant impact on NPAs of Telengana SHG BLPs during demonetization

Analysis

t-test for NPA amount pre-demonitization & post demonitization

	Mean	Std Deviation	Std error Mean	Lower	Upper	t	Df	Sig.(2-tailed)
Pair1	-0.275	177.57	32.42	-341.44	-208.83	-8.49	29	0.000

Source: Author

There is an Increase in Non- performing Assets of SHG BLPs in Telengana during pre- demonetization and also post demonetization hence null hypothesis is rejected.

t-test for NPA amount during -demonization& post demonetization

	Mean	Std Deviation	Std error Mean	Lower	Upper	t	Df	Sig.(2-tailed)
Pair1	-276.71	181.47	40.58	-361.63	-191.78	6.82	19	0.000

Source: Author

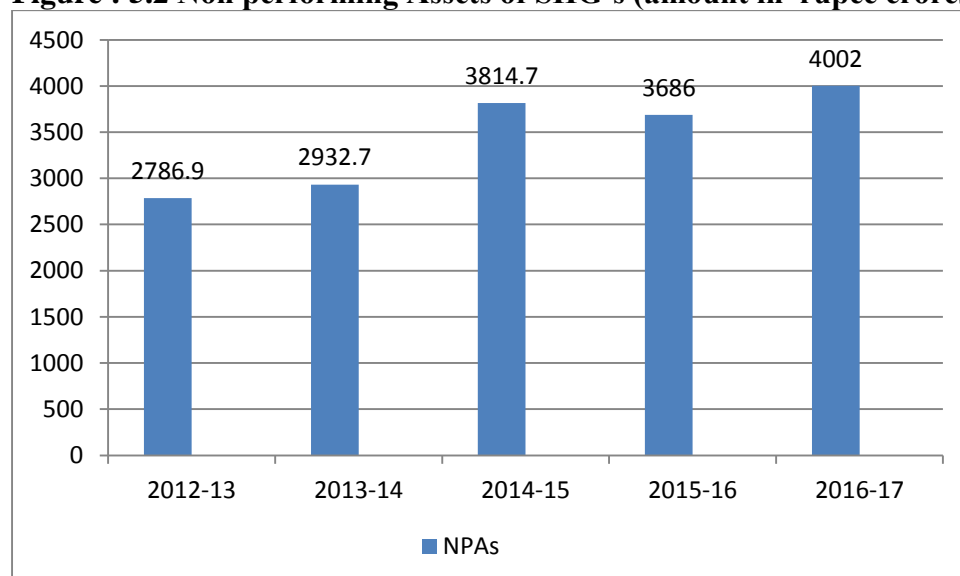
There is an Increase in Non- performing Assets of SHG BLPs in Telangana during demonetization and also post demonetization hence null hypothesis is rejected.

2. TABLE 5.6 NON PERFORMING ASSETS OF SHG'S (AMOUNT IN RUPEE CRORES)

Year	NPA of Loans to all SHGs	
	Amount of Gross NPAs	NPA %
2012-13	2786.90	7.08
2013-14	2932.70	6.83
2014-15	3814.70	7.40
2015-16	3686	6.45
2016-17	4002	8.6

Source: NABARD report 2106-17

Figure : 5.2 Non performing Assets of SHG's (amount in rupee crores



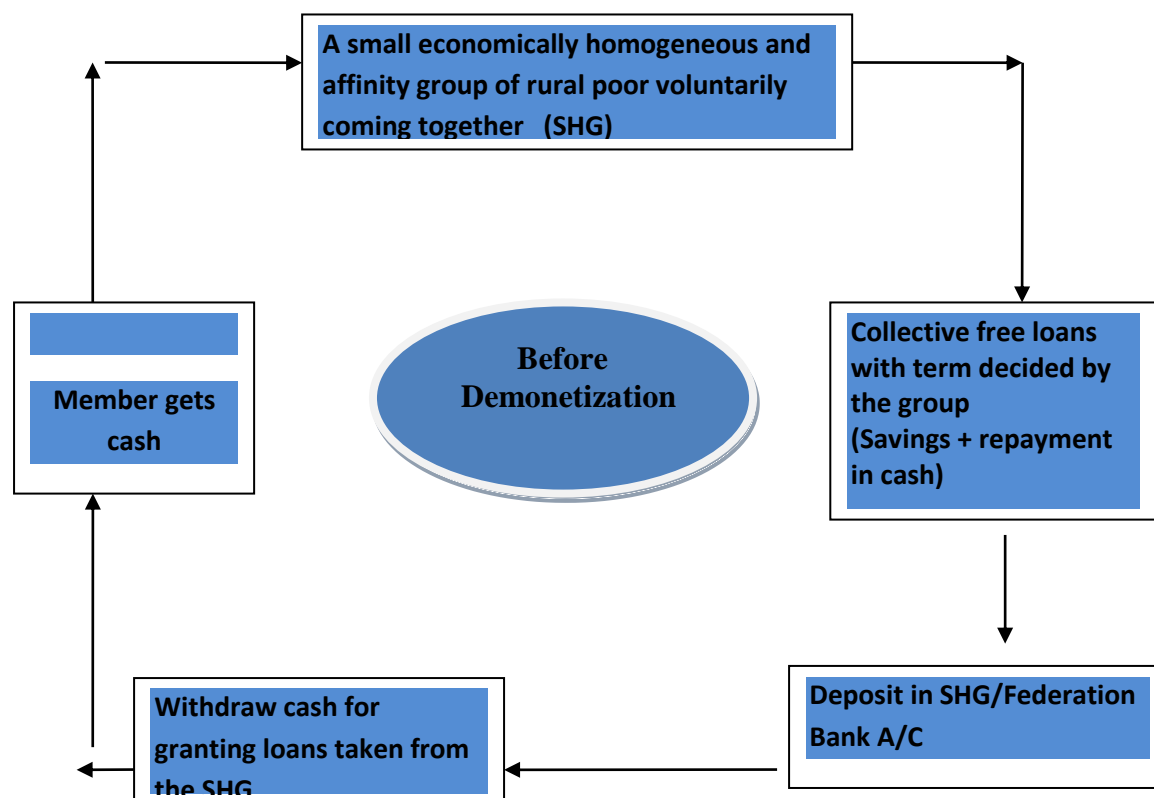
Source: Author

5.6 IMPACT OF DEMONETIZATION ON SHG'S IN TELENGANA

The demonetization process had influenced the daily operations of the SHG. In the immediate period following the announcement of the demonetization, the RBI established the weekly withdrawal limit at ₹24,000 for the savings account (₹ 50,000 for small traders). Cash that could be withdrawn from ATMs was limited to ₹2,500. On December 30th, the RBI increased the ATM withdrawal limit to ₹ 4,500 a day, starting from January 1st. The weekly withdrawal limit has remained unchanged.

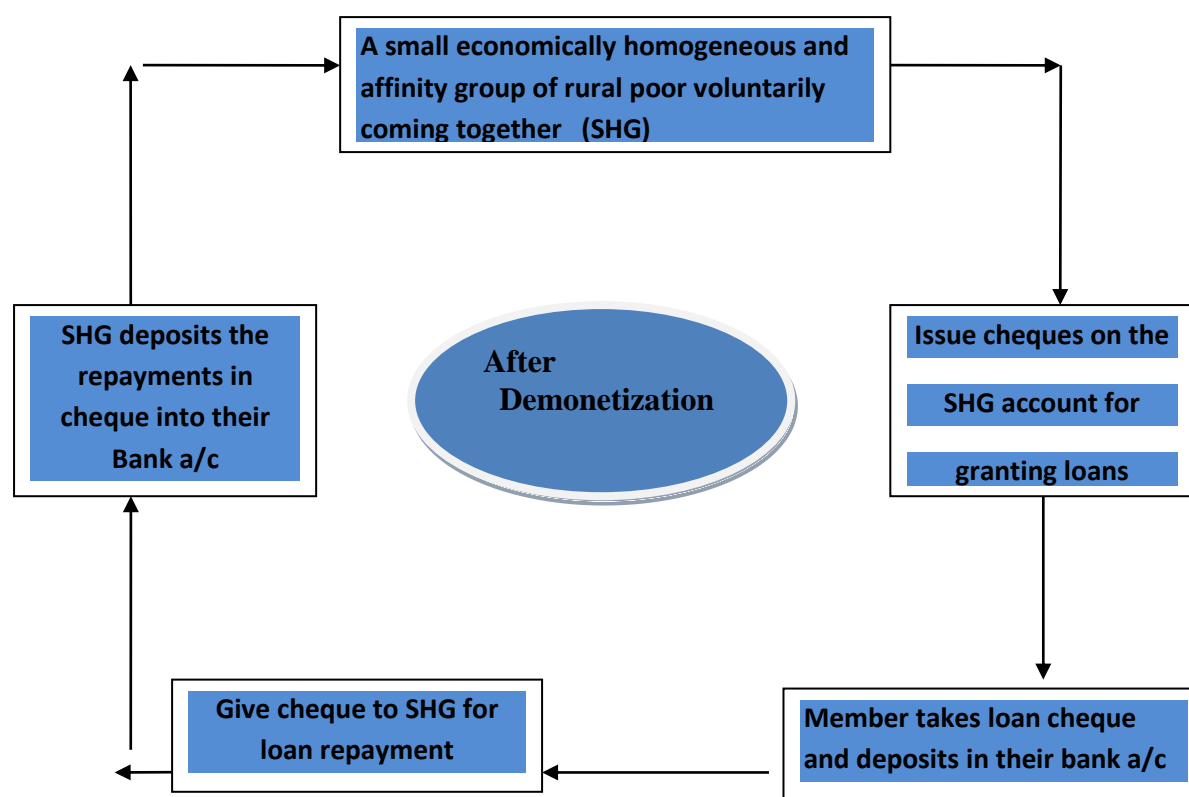
The SHG could deposit funds less than 50,000Rs. according to the declaration, but could not withdraw a sum of over ₹3,000. a day in cash without producing a PAN card for the SHG account. Some members had accounts in PACS and preferred to take the loan amount in cash, as it may take 10 to 21 days for a local allowance to be paid and credited to their bank account. These members are now opening bank accounts at commercial banks. Demonetization has announced on 8 November in the afternoon and cooperative banks in rural areas were able to accept cash until 11 November 2016. This led to a situation in which members had funds in 500 Rs and 1000 notes, but none they were able to deposit all these notes before November 11, 2014, mainly due to the huge rush that followed the announcement. In such cases, they had to be deposited in the bank account of the member at a nationalized bank and a cheque issued in that bank account had to be deposited in the bank account of the SHG. The old currency became obsolete and the new currency was scarce, the funds lent in cash had become practically impossible for the members. Banking services were not available in remote rural areas and people in the villages had to look after themselves. Loans for agriculture, although admitted to the extent of 25,000, were not available after the announcement of demonetization because the operations of the popular banks were practically blocked when the deposit / withdrawal operation was drastically reduced. Although the RBI allowed the use of the old currency, also called RBI as designated currency, compared to the presentation of test documents for the purchase of seeds and fertilizers from centres or units managed and controlled by the government, most of the inhabitants of village claimed to have been negatively affected during the winter season of planting because this was one of two times in a year when large sums of money are required. Furthermore, these requirements were not evenly distributed weekly / monthly. The cooperative banks had no cash, nor had the names required and most of the farmers had their bank accounts in cooperative banks.

5.3BEOFRE DEMONETIZATION Figure:V.1



Source: Author

Figure 5.4AFTER DEMONETIZATION



Source: Author

SHGs are not registered entities, although some federations are registered. In some cases, the SHGs that had high-value transactions were advanced and obtained a PAN card before the demonetization announcement to obtain the PAN card and the SHG President ID to be tested together with the list of charge holders and members. Although the average monthly savings amount is Rs.100, some groups have increased to ₹ 200, 500 and in some exceptional cases ₹ 1000 per month. However, all members, especially older / uneducated women, do not have PAN cards. Furthermore, SHGs are not required to register if they have less than 20 members. Although some members had PAN cards, they did not feel comfortable sharing the details for fear of an IT consultation.

According to the income tax website in India, all taxpayers or individuals who are required to provide a refund of revenue must obtain a permanent account number (PAN), on their own behalf or on behalf of others. It is also required that anyone intending to make economic / financial transactions cites a PAN number. After speaking with established SHGs, there are some practical difficulties that need to be addressed after demonetization. Some SHGs that had a large corpus and transactions had already requested the PAN card before demonetization. However, even in these cases, members who wish to borrow money find it difficult to obtain money, due to the shortage of exchange rates available in banks, especially in rural banks.

The situation regarding demonetization is still evolving the extent of the impact on village-level community institution and the members. The office bearers and bank managers also facing pressure they had to educate and orient the members about demonetization its effects and consequences. Most SHGs were mature; therefore, the data as well as documentation about the members, transactions and loan patterns, are available so as to counsel the groups accordingly. The cohesive nature of the group members and their involvement in performing various operations- tasks pertaining to the group's activities is a huge advantage, given the prevailing confusion in banks and among SHG members. One of the fallouts of demonetization has been the big spurt in the account balances in the PMJDY .

Greater monitoring and reporting requirements from statutory authorities in the wake of demonetization and greater scrutiny by donors and bankers are some of the challenges that are anticipated by the SHG federation in the shorter. The thrust by the government towards a digital banking model, the ecommerce boom in India and the huge.

Post demonetization the RBI unleashed a flurry of directives, some of which were left open to interpretation in case if SHG members are less than 20 members registration not required. During post demonetisation, SHGs were asked to show proof of registration and submit their permanent account Number (PAN). SHG members who wanted to deposit their member savings and take loans were sent back if they did not have a PAN. Members who offered to fill in the Form 60 (Which is the India Income tax document to be filled in case an individual does not have a PAN number) were turned away since there was an ambiguity regarding the application and the implementation of rules by bank officials. This information in most cases was only communicated after SHG members/women had stood in the serpentine queues for hours only to be sent back. Advancing loans over Rs50,000 became a problem as banks refused to accept cheques without PAN card details. Most women affiliated to rural/urban SHGs are not educated, and may not be well versed with banking rules and regulations. Given the chaos that prevailed on the shop floor in banks immediately post the demonetisation announcement, there was no way to get any queries addressed, leave alone get proactive guidance or education. So far the government has not come out with any clear-cut guidelines on this aspect. The only source of support is the leaders and office bearers of the community-based groups who have to try and make several trips to the banks (to sort out matters pertaining to different SHGs). The members in the meanwhile also are on the receiving end: The members in the meanwhile also are on the receiving end: they have to incur costs (travel, lost wages and time) in order to get a resolution to their grievances. The fear of coming under the statutory scanner in case a banking transaction is misclassified and dealing with officials is intimidating for the women/members. However, as far as the SHGs are concerned, the loan repayment collections are still received in cash – microfinance loans by their very nature are small loans typically given to poor women who may find it difficult to access other institutionalised sources of savings and credit.

For the urban poor women, who prefer to keep limited amounts of physical cash and are not familiar with the technology based alternatives, the new rules and service charges based on the number of withdrawals has made life complicated. The assumption here appears to be that the unilateral charge that the bank imposes on its customers means that they have fulfilled their part of the service obligation completely – which may not be the case. Unlike other businesses that are required to provide customers with a bill first and then collect the charges, banks just go ahead and debit the client's accounts. It's an unpleasant situation for India taxpayers and customers as it is their funds that are used by banks

For bailouts termed as government infusion (tax funds)

For making money interest spreads and commissions

Additional funds are sliced away in the form of service charges as is currently the case. On top of that the Indian customer, particularly the poor have to pay for the in-built inefficiencies of the banking system.

Field work Report

The field work for the study entailed frequent visits to a few slum areas in Hyderabad to interview the group's members of various SHGs whose details are covered in Chapter 5. Most of the respondents of the groups either worked or has the small businesses some were engaged as domestic maids earnings a monthly wage of 1500 per job. Others had small business such as selling vegetables and fruit vendors, tea stalls, small street side hotels, and cycle repair shops etc. Most of the respondents are poor women whose situation is compounded due to their physical and economic vulnerability. In the case of the rural context pertaining to this study, movers would typically represent people who migrate to the nearby cities like Hyderabad in search of better income opportunities.

The Self Help Group (Sangam in Chaitanya Nagar colony of Patancheru) poor women in the area rely on SHG for small loans during emergencies. During Demonetization most of the money saved from the weekly savings is deposited on the bank accounts of the SHG. Only a small part of the savings was deposited with the SHG. Therefore, with the demonetization, the SHG model based on money was also hit. Members needed small bills to buy supplies, but the money was not available and had to be withdrawn from the banks, which was not possible due to the large number of people. Sangam officials informed the members of the SHG that they could not issue new loans for a few weeks. However, some of the SHGs that had kept the emergency fund within the smaller cut group could be lent to the members. However, the repayment of loans by the members has been withdrawn. Sangam allowed the repayment of the loan through old banknotes. Members who were previously reluctant to even pay the loans paid to get rid of their previous currency. But the majority of the members who were a bit 'accommodated' resorted to this type of activity and not to poor members.

A head of Siva Joythi MPS SHG debt became impossible for her to handle, and she missed making her interest payments she blamed the situation of the SHG members, for the loan peel-up. The SHG members, in turn, stated that they were unaware of the extent of borrowing because the loans were sourced from various individuals. Moreover, since Jyothi had a good track record, she had been able to get the loans. The efforts paid off soon after the announcement of demonetization was made Jyothi son repaid the partial loan amount in cash on 12 November by using 500 Rs and 1000 notes.

SHG members. One of the fallouts of demonetization has been the big spurt in the account balance in the account balances in the PMJDY.

Most savings groups have been given a refund of 4% discount due to regular repayment of their loans. In the current financial year, 651 beneficiaries have got rebate on 4% interest rate. Currently, 500 rupees and one thousand rupees are not accepted in the bank as the problem of debt repayment of savings groups has become a problem and in spite of having no repayment of time, they will not get a refund, Ghare said in the release.

Ms.Sarvathi is the head of 18 SHGs in Bapu Nagar (Qutubullapur) Said

"These women came from remote villages and did not have much money to exchange, they only had one or two and three 500 rupee notes, so we advised them not to waste time on bank lines and ask them to give them their currency. details of their names, the members, who had already exchanged notes, took old notes of these women and gave them new ones. The old notes were later added to the SHG collection and deposited in the bank. "

"DCB banks give less interest to accounts than nationalized banks and it is difficult to get loans from DCBs, and their officials do not cooperate for transactions, so

almost all of us open accounts with other banks, those who have not been affected by the RBI measure they prevented District Cooperatives (DCBs) from accepting demonetized banknotes, which is why we're helping them, and the women who borrowed money from the SHGs who will pay with old bills (whatever amount they had), "he added. whereas in recent years many members of the groups have opened accounts in nationalized banks.

G Manimma, director of one of the self-help groups released on November 7, said that he distributed the loans to nine of the 12 members of his group, but two members who did not receive their share are asking for their money in the new currency. "I received 4.75 lakhs in cash at the event on November 7. I distributed 43,000 rupees to nine members; two members want me to give them their money in a new currency because the cash is in Rs 500 and Rs 1,000. Money in my bank and withdraw them to give them a new currency. "

MR. Suresh Reddy, member of SHG said his daughter's marriage was planned on December 22nd and could not buy anything because of the financial crisis. "Am I struggling to get proof of advanced payments made to more people, if I spend all the time in the banks trying to get the money required, when will I distribute the wedding invitations and make other purchases?" He complained.

A SHG Group member, who was about to marry on December 8, is worried about the attitude of bankers who denied him cash up to Rs. 2.5 lakh on the excuse that he was not following the guidelines of the RBI. "It's horrible that the banks refuse to give me my hard-earned money for my marriage, even I cannot pay my debts," he said.

Mr. Krishna Mohan SHG Leader said "Recent development in SHG we have started using tablet computers connected to the internet for uploading the details of the monthly cash collections from some of the village locations itself. This had eliminated the need for maintaining paper records reduced chances of frauds, facilitated real time record keeping and enhanced the inputs required to improve the quality of management decisions. The transition stage of the technology shift, coupled with the challenges posed by demonetization, made day to day operations a

challenge. There were issues in getting prompt service from the beneficiaries that was another reason for them to opt for readymade software”.

5.7 SELF-HELP GROUPS AND THE NEED FOR DIGITIZATION AFTER DEMONETIZATION:

The financial inclusion gap is even more evident among poor women. Indian women are 8% less likely to have a formal financial account and 12% less likely to use the digital services offered by these accounts. Digital ways to improve the financial inclusion of women by addressing self-help groups (SHG) could be a potential channel for accelerating and promoting digital financial inclusion in India.

SHGs as a development model can benefit in particular from digitization. A 2014 IFMR LEAD study that examined 200 SHGs in Karnataka, Bihar and Madhya Pradesh found that while the groups were diligent in recording the minutes of the meetings, they found it difficult to regularly update the information on the SHG transaction due to lack of resources and excessive dependence of a few. members literate in groups. It was also discovered that group members did not have equal and complete access to financial information and that information was concentrated among group leaders or secretaries instead of spreading among all. The digitalisation of SHG together with the use of mobile phones has the potential to solve these problems.

For SHGs, digital financial inclusion can be focused through two separate but symbiotically enabling central activities: recording financial information and facilitating transactions using paperless digital modes such as mobile money, mobile wallets, debit cards, ATMs and Epos machines. The interdependence between these two is that facilitating digital transactions can be sustainable and effective only if there is a database accessible with financial information on self-help group members and vice versa, digital information can be updated more efficiently by cost-effective and transparent in the long term if the transactions themselves are digitized. So far, the impulse has been mainly in the direction of the recording of digital information SHG.

Digitizing information on self-help group members and their group transactions in the form of internal and external loans has some inherent advantages. Primarily, this has the potential to generate responsibility within self-help groups and promote self-sufficiency in accounting and decision-making at the group level. It offers a cheaper and safer alternative for storing and updating information on paper. It has the distinction of offering more comfort, both for the staff of the self-help promotion institutions (SHPI) and for the SHG members, eliminating the need to travel physically to deliver or collect information. It allows easy access for stakeholders, such as banks, which can then make more timely decisions. In fact, it has the potential to provide detailed and reliable information for banks and credit bureaus on credit histories and SHG operations, so it is easier to accurately describe and provide the necessary and accountable financial services. Finally, digital platform with financial information on SHG and members to expand the scope of government programs such as the National Rural Livelihood Means (NRLM) mission and PradhanMantri Jan-DhanYojana (PMJDY) aimed at improving inclusion financial and livelihoods that use the identities of members connected to Aadhar.

The National Bank of Agriculture and Rural Development (NABARD) has been at the forefront of promoting the digitization of SHG financial information. E-Shakti (which means electronic empowerment), piloted in two districts, Ramgarh in Jharkhand and Dhule in Maharashtra, has so far covered 8,400 groups in 1,110 villages. To date, the results of the pilot project have been promising, with upcoming plans to extend the program to 22 additional districts. An interview with an industry expert and former NABARD official confirmed that following the digitization, it was observed that groups get more money from banks as banks have more access to data that allows them to more accurately qualify for SHG.

Figure 5.5 E-SHAKTHI



Screenshots of the *EShakti* app

5.8 CHALLENGES IN DIGITIZING SHG RECORDS

However, the digitization of self-help groups has had several challenges that threaten to prevent the full update of their benefits.

These are the problems that may occur in rural areas if digital payments system is applied in India.

1. Electricity is not provided to all the villages.
2. Quality electricity to be provided to villages
3. Digital cable is not covered by the whole of India.
4. Villagers may not be able to purchase smartphones or laptops
5. Operations of accounts, conducting transactions through mobiles and to make online payments need training.
6. ATM centers to be provided at least at a distance of 3 kms for easy access.
7. At present, there are 480 accounts for every 1000 adults. This needs rectification and covers the entire adult population.
8. There are only 40000 banks for six lakh villages. At least one bank for every 5000 adults is to be provided.
9. There are 712 million debit cards in circulation. At present these cards are used on an average only 12 times a year in ATM counters and two times a year at the point of sale. It is very low and needs improvement.
10. The above mentioned factors of the provision of quality electricity, providing digital connection, banking facility, education to operate smartphones etc., need the address before implementation of cashless transactions or digital payments system.

Process delays: recording information is a slow and burdensome process, especially at the beginning of the digitization process, given the surprising amount of data that needs to be digitized. Furthermore, this process is often slowed down by a bad connection to the Internet. For SHPIs that work primarily with SHG, customizing the software to adapt to the operation of SHG models has been a major challenge, which has meant a major waste of time and resources.

Data quality: NABARD reports face obstacles in the collection of reliable data, partly due to bad practices in data collection and storage. In general terms, the mechanisms that ensure accurate data entry have not yet been implemented without a protocol to verify data entered into the systems.

Restrictions on resources: in the long term, it is expected that the digitization programs will be supported by the members of SHG that enter information about their functions or smartphones. Training of self-help group members is required during the initial stages, and often beyond the initial stages, volunteers or officials in charge of collecting loans still enter data into tablets in many cases. These tablets, while profitable, are difficult to provide on a large scale, not to mention the resource limitations of relying on volunteers and loan collection officers. The first option is to enter data through smartphones and members of the self-help group, but mobile ownership among women remains low. SHPI is like Hand in Hand, India is overcoming this problem by designing innovative loan products, such as loans to buy mobile phones.

Cooperation with stakeholders: to take full advantage of the benefits of digitization, it must be expansive both "horizontally" and "vertically". Horizontally, it requires the cooperation of all members in all SHGs throughout the country, and vertically, all interested parties (SHPI, banks and credit bureaus) must be on board to take advantage of the benefits of becoming digital. Despite being a challenge, bringing all relevant stakeholders together on a common platform would help make the transition from manual to digital information collection remarkably efficient.

These challenges, while important and deserving of the attention of those responsible for policy formulation and implementers are not impossible. It should be understood that the

digitization of the existing information is an initial fixed cost, after which the update can be arranged at a minimum periodic cost. As mentioned, digitizing records helps address issues of accountability and transparency, and also opens the door to enabling and enabling SHGs to digitize their financial transactions and operate with less cash.

Therefore, the digitization of SHG records and transactions should be seen as interdependent functions instead of being seen in isolation from each other. Organizations like Payse are piloting digital hardware portfolios to digitize records and transactions, where all SHG leaders receive a Payse hardware wallet called PURSE that is used to convert money into electronic money and store.

Technology can play a vital role in facilitating the greater diffusion of financial services for the poor in rural and urban areas and, in particular, for women. While the Indian government has taken positive measures to include self-help groups in the field of digital financial inclusion, there is a considerable lack of research to understand what works and what does not. NABARD worked closely with various implementing agencies to better understand these challenges. However, further pilot and short-term studies to assess the impact of digitization of SHG registers on penetration and use of financial services and other socio-economic indicators would be useful for making an inventory of the types and extent of the externalities that create digitally. It is also necessary to conduct qualitative supply-side evaluations to better understand the limitations faced by financial service providers in making SHG transactions digital.

These exceptional uncertainties are imperative and urgent at a time when NABARD and SHPI seek to expand their digitization efforts nationwide. Timely and quantitatively supported knowledge of what works in the implementation has the potential to solve problems to fully exploit the benefits of digitization for all stakeholders in the self-help group ecosystem.

5.9 CHALLENGES OF SHG BENEFICIARIES



This Chapter is based on Primary Data. Field research has included frequent visits to some rural areas in Hyderabad circle to interview groups of members of various self-help groups. Most respondents in groups have worked or had small businesses; some have been involved as domestic maids earn a monthly salary of 1,500 for work. Others had small eatery businesses, such as fruit and vegetable vendors, tea stalls, small roadside hotels, other small businesses like bicycle repair shops, cobblers etc. Most respondents are poor women whose situation is exacerbated due to their physical and economic vulnerability. In the case of the rural context belonging to this study, promoters usually represent people who migrate to neighbouring cities, such as Hyderabad, in search of better income opportunities.

Hyderabad district with 52680 SHG's is one of the districts which have been making rapid strides in SHG movement. The SHG movement in Hyderabad district is not merely confined to savings and internal lending. The SHG's are fast emerging as instruments of socio-economic changes in rural areas. This has taken a shape of silent revolution and causing social transformation in rural areas. This movement is marching ahead with accelerated speed. The tentative details of demography profile of the district based on census 2001 reveals that there are nearly 6 lakh families of rural poor, of which, families belonging to scheduled castes are 1.25 lakh and those of scheduled tribes are nearly 1.00 lakh.

5.10 METHODOLOGY:

In order to operationalise the objectives framed, the research methodology was designed to carry out the study in a scientific way so as to examine various aspects in a comprehensive manner. Both quantitative and qualitative methods of research were applied in the study.

Primary data was collected through survey and in-depth interviews, site visits, and field observations a questionnaire was developed exclusively for the purpose of collecting the primary data particularly to assess the Impact of Demonetization on Microfinance. Questions pertaining Demonetization collection and Disbursement problems impact of cashless economy, banking new technology, and the changes in the social and economic status of Beneficiaries, socio-economic benefits due to Microfinance loans, Income and expenditure, impact on livelihood, employment and marketing opportunities. All the selected sample respondents were interviewed personally.

5.11 STUDY REGION AND ORGANIZATIONS COVERED IN THE STUDY:

The state of Telangana is located in the south of India. It was formed as a new 29 state of India on June 2, 2014, with the city of Hyderabad as its capital and separated from the state of Andhra Pradesh. A multistage stratified random sample method was used for the purpose of the study.

In the first phase, a district (Hyderabad district) has been selected. In the second stage, three circles were randomly selected from the selected district. All these three circles cover urban and rural area and situated outskirts of Hyderabad. In the second stage, three circles were randomly selected from the selected district.

Patancheruv, also known as PatanCheruv, is an industrial area located about 32 km from the city center, on the Hyderabad-Solapur highway and about 18 km from the town of HITEC. Previously, it was the headquarters of the income divisions of Bidar and Gulshanabad. Patancheruv is the home of ICRISAT and a large number of pharmaceutical manufacturers, which has led local river water to be the largest amount of water contaminated by drugs in the world. Patancheruv is the major industrial hub of Telangana. Industries such as Asian

Paints, AurobindoPharma Paragon Polymer Products Pvt Ltd, Hindware, Fenner, Pennar Kirby Building Systems, Rotec Transmissions and Sandvik (MNC) are located in this area. Patancheruv had a population of 40,332.

Quthbullapur is a suburb of Hyderabad in the district of Medchal, in the Indian state of Telangana. It is the headquarters of the Quthbullapur agent in the Malkajgiri income division. The Mandal was a part of the Ranga Reddy district before the reorganization of districts in the state. It was a municipality before its merger with the Greater Greater Hyderabad Municipal Corporation.

Kukatpally is a suburb of Hyderabad in the Indian state of Telangana. It is the head office of KukatpallyMandal in the Malkajgiri income division of the Medchal district. It was a municipality prior to its merger with the Greater Hyderabad Municipal Corporation. It has road connectivity and proximity to the Hitch city information technology centre.

In the third phase, selection of 150 SHG which were situated in rural and urban areas was selected in at random the selected circles. In the fourth stage, 330 Members of SHG, who have taken a minimum of one bank link and above were randomly selected from the selected SHGs. There the random sampling method provided was used in the selection the 330 Members most of them women beneficiaries were interviewed, two respondents of each SHGs selected in proportion to them total SHG members in the three circles. Finally, an example of 330 respondents of SHG members was randomly selected under SHG BLP scheme of the Hyderabad district of Telangana State.

The study “Impact of demonetization on microfinance” Telangana state was selected because Telangana is well known for developing the best management practices in the implementation of SHG-Bank Linkage programme.

With the suggestions of microfinance promotional agencies, the sample of SHGs/Beneficiaries and SHG members were selected through **a multi-stage stratified random sampling method.**

Sampling Design:

Table- 5.7 MULTI-STAGE STRATIFIED RANDOM SAMPLING

Stages	Area	Reason	Sampling method
I Stage	Hyderabad (18) Circles	large number of (SGH-BLPs)	Purposive sampling
II State	Patancheruv, Kukatpally, Quthbullapur (three circles)	Covering 3 districts (rural and urban areas).	Convenient sampling
III State	Selection process of the 150 SHG-BLPs were finalised	Number of groups linkages	Probability proportional to size.
III Stage	Atleast two respondents from each SHG-BLPs and 329 were selected	Researcher is familiar with the areas and so we got the co-operation of the officials and also respondents.	Quota sampling

Source: Author

Location of Selected Study

Table 5.8 Total Number of SHGs in Sample District

S. No.	ULB	Total SHGs
13	Circle-13 (Patancheruv)	1986
14	Circle-14 (Kukatpally)	4458
15	Circle-15 (Quthbullapur)	3997
		10441

Source: SLF-SHG coverage report

Beneficiaries from SHGs who have received loans from the Banks were selected to study the effect of demonetization Any other key factor influencing the impact on the micro finance was also be taken into account.

“The RBI has relaxed the income recognition norms by 60 days, but a typical MFI customer would not like to default in repaying the debt if she has cash”, ⁷

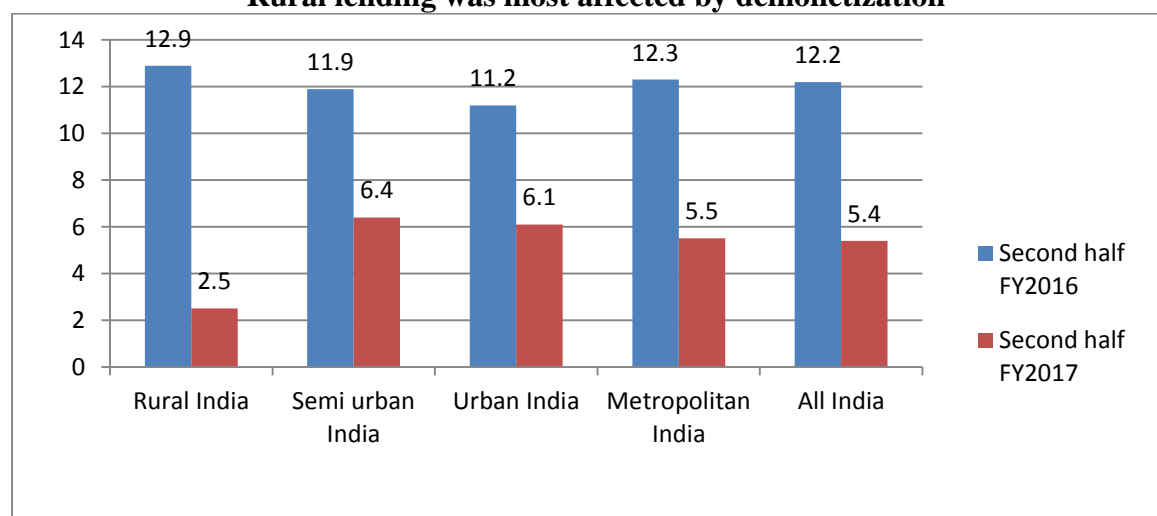
Table :5.9 Demonetization pulls down loan growth
Rural lending was most affected by demonetization

	second half 2016	second half 2017
Rural India	12.9	2.5
semi urban	11.9	6.4
Urban	11.2	6.1
metropolitan	12.3	5.5
All India	12.2	5.4

Source: Economic times

Figure : 5.6 DEMONETIZATION PULLS DOWN LOAN GROWTH

Rural lending was most affected by demonetization



Source: Author

The unprecedented situation caused by the demonetization is people who are not "included financially" and live in remote areas with inadequate banking reach are seriously disadvantaged due to this step. This population in the rural area required micro-credits for different purposes, such as small one's commercial purpose, agricultural purpose and

⁷P.H. Ravikumar, chairman of Bharat Financial Inclusion Ltd,

personal purpose. The formal banking system was not interested in Provide this type of loan since the recovery of such loans becomes difficult.

The impact of demonetization on the beneficiaries of self-help groups in the rural poor population must be seen in five aspects.

- (a) The impact on future short-term revenues.
- (b) The impact on their short-term expenditure.
- (c) The impact on their current money.
- (d) The impact on these transactions of capital goods those are currently incomplete.
- (e) Impacts on their lives due to misinformation and machinations of ruthless people who can take advantage of their contempt.

Short-term income impacts:

The rural poor and others get their short-term income from the sale of the product or labour. There are two types of products: the type of products once in a season, such as cereals, legumes, oilseeds, cotton, etc., and there is a class of products such as milk, eggs, poultry, vegetables, etc., they sell much more frequently. No more than 10% of the 240 million tons of cereals are ready for the market and, in any case, the poor in rural areas produce enough to feed their families on their small farms. So, the impact on them through this route is lower. But perishable goods like milk eggs vegetables there is a high impact.

The impact on income from transactions in milk, vegetables, etc ar. In fact, the impact will be severe in a very small percentage of poor rural producers who depend on their bread for vegetables, like the okra sold that day. The payment cycles for most of the others are a week or more and, presumably, they would get their payments with new invoices. Therefore, there is an impact.

Impacts of short-term spending:

in addition to the class of landless and migrant workers, these impacts will still be small because most of the rural consumption takes place in the form of credit purchases. And the wages of these very poor categories rarely exceed 500 rupees a day, The impact on them is higher.

Impacts resulting from the money they have:

The so-called "realized savings" of the rural population or, more pertinently, the hidden savings of rural women are too small to cross the border where they should worry. Taking into account that the exchange and deposits would be practically possible without limits for their savings, the impact is limited only to the degree of loss of their salary during the period spent in queues in front of the banks. For them, this would be significant, let's say a day's salary.

In all likelihood, this will be resolved through arbitration by a lender or by someone who agrees to be lining up on this would be in the half-day salary order or about 100 rupees per affected family. It is estimated that around 30-40 million households in rural areas could suffer a loss of Rs. 100. The impact would be moderate

Implies in incomplete capital operations:

Large plots of land are bought on a large scale throughout the country for suburban construction, for the construction of industrial buildings, for farms or weekends and, of course, for public purposes. Excluding the latter, the transactions for most of the others are made between private individuals and owners. While it is possible to argue that sellers of rural land would have sufficient experience on the risk of accumulating money, those in remote areas could be more affected.

Impact due to deception and deception by the powerful:

Stories are circulating about how powerful local men lent thousands of dollars to members of self-help groups without interest, asking them in exchange for depositing the sums in their

accounts and then paying those months later. There are also stories of unscrupulous miners and industrialists who distribute large sums of money to loyal employees to deposit in their accounts and return them largely to the bosses. There will be more versions and variations of that ruthless behaviour. It is likely that rumours about extending the expiration date for the exchange of old tickets will leave the innocent with these useless documents on 30th December. This path seems to have the greatest potential for negative impact on the poor in rural areas

Beneficiary response to Demonetization:

The beneficiaries interviewed depend on the agricultural sector and small scale businesses for their livelihoods and 28% of the population lives below the poverty line. Beneficiaries were asked following questions to respond a series of statements regarding demonetization's implementation and its impact on them

5.12 IMPACT OF DEMONETIZATION IS SHORT TERM

Majority of Beneficiaries reported that the impact of demonetization on their daily lives was only for three months after demonization was announced. 20% percent of Beneficiaries said that demonetization was "somewhat troublesome" for six months and 15% reported that it was "very upsetting" because they use only cash in their operations.

The agriculture economy and the small trader's economy which largely is dependent on the cash economy this was the biggest challenge in the demonetization so it is very difficult to bring cash less economy in India because India is the agricultural country and 70% of the people are still living in the rural areas and uneducated. India is still a vastly unbanked country where many among the poor do not have bank accounts. 65% Beneficiaries reported that the impact of demonetization is negative on microfinance only on a **short term**.

During the period of demonetization on account of less cash, they were not in a position to repay their loans because of that reason there was a drop in collections. But this was only for three months

The collection efficiency improved to more than 80% because of

- Increase in supply of new currency

- Proper measures were taken by the Banks, FIs, and SHGs, by conduction meeting frequently with defaulting borrowers and educating the borrowers regarding NPA's
- SHGs also started cashless disbursement and collection through Jan-Dhan accounts and by technology.

Going by the estimate of Sa-Dhan, an industry body, in the first week of the ban on old notes, disbursements dropped to 50-60%. In the second week, it rose by 12-15 % over the first week and in the third week; it further rose by 30-35 % over the second week. Similarly, the collection of debt instalments dropped to 30-40% in the first week, but there has been a gradual rise since then.⁸

A loan turns bad when a borrower does not pay for 90 days, but the RBI has extended this period to 150 days for loans to be repaid in November and December.

5.13 THE IMPACT OF DEMONETIZATION ON BUSINESS:

The move of demonetization, common man had faced inconvenience. The Small/marginal retail and self-employed sector worsened due to cash shortages. Demonetization made the common man daily struggle because these entities operate in cash.

Beneficiaries SHG-BLPs from merchant component were selected through quota sampling. A sample size of 329 was obtained. They are key decision-makers on small independent activities in the following areas: kirana shops, small restaurants owners, small merchants of electronic and mobile products, clothing (ready-made) or services (for example, crafts, tailoring, etc.) village artisans. The beneficiaries reported the following general perceptions of demonetization:

Over 85% of small traders accepted cash only during demonetization. Sixty-five percent of these small traders reported that their businesses suffered from liquidity shortages. Of the traders who reported having only accepted cash during demonetization, less than half

⁸Where do microfinance firms go from here? The industry is limping back to normalcy, but the aggressive push to a cash-less economy will force the MFIs to change their business model if they want to survive <http://www.livemint.com/Opinion/TPvHg3sSflZ7X4THUzRsAK/Where-do-MFIs-go-from-here.html>
Mon, Dec 05 2016. 10 16 AM IST

reported that accepting cashless payments would help their businesses. Small traders have reported that less than 3% of their customers use cashless payments, and one of the main reasons for not accepting cashless payments was the lack of perceived customer demand. Some merchants accepted older notes on the condition that they had to buy products worth 500 rupees. So even if the need is Rs.200, these poor people have been forced to buy a fund worth Rs.500.

Farmers are permitted to withdraw up to 25,000 Rs perweek in cash from their deposit or loan accounts including draw on the kisan credit card limit).

Table : 5.10 Small Traders/Prof and self-employed:

SI No	Respondents	Kukatpally	Qutubullahpur	Patancheruv	Total
1	Kirana and other retails	38	32	38	108
	Vegetable and fruit vendors	30	29	26	86
	Street Side food stalls and small restaurants	31	30	31	93
	Cobblers, Blacksmiths and Cycle repair shops	11	17	16	43
Total		110	94	94	330

(Source: Primary Data)

1st set of Hypothesis:

H0: Small and marginal businessmen have not been effected significantly by demonetisation

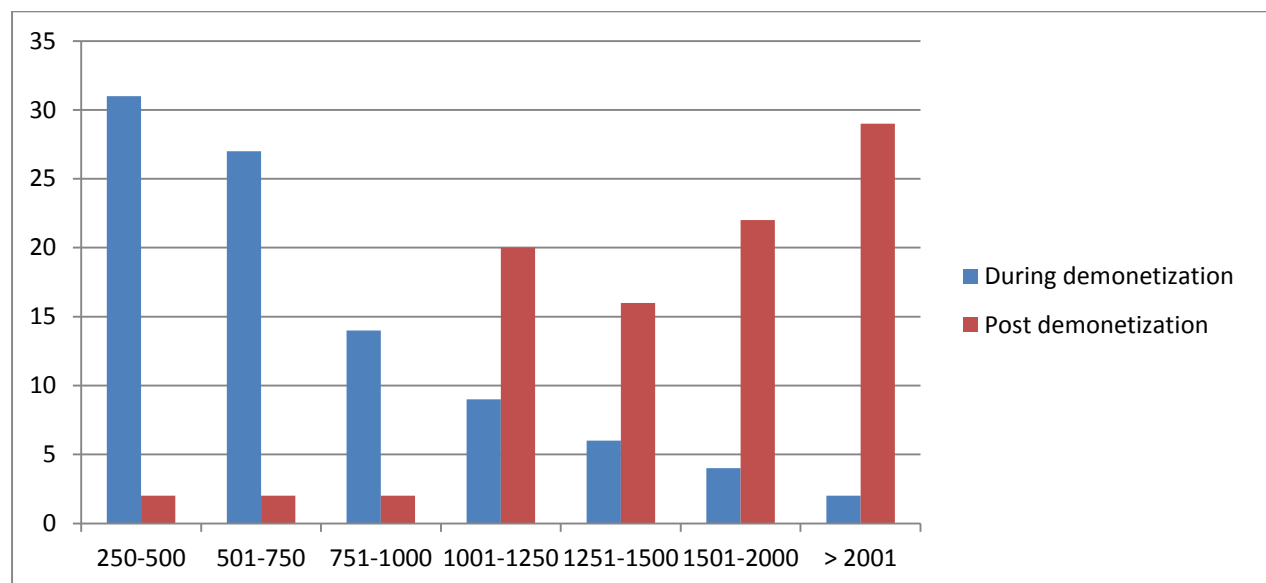
H1: Small and marginal businessmen have been significantly affected by demonetisation

Table: 5.11 ANALYSIS

(Impact of Demonetization Street Side food stalls and small restaurants)

(Income per day)Street Side food	250-500	501-750	751-1000	1001-1250	1251-1500	1501-2000	> 2001	
During demonetization	31	27	14	9	6	4	2	93
percentage	33%	29%	15%	10%	6%	4%	2%	
Post demonetization	2	2	2	20	16	22	29	93
percentage	2%	2%	2%	22%	17%	24%	31%	

(Source: Primary Data)

Figure :5.7 Impact of Demonetization Street Side food stalls and small restaurants

Source: Author

5.11 Analysis (Street Side food stalls and small restaurants)

	Mean	Std Deviation	Std error Mean	Lower	Upper	t	Df	Sig.(2-tailed)
Pair1	0.00	21.92	8.29	-20.28	20.28	0.00	6	1.000

Source: Author

The street food vendors are the lifeline of students and many working men. They also saw a sharp decline in the amount of Income during demonetization people are eating but fewer objects. The above table shows that the number of people who they were spending higher amounts has reduced their shopping carts and sellers of street food stalls and small restaurants earn less for the day.

Due to the sudden movement of demonetization, most people had financial difficulties and, therefore, could not buy fruit and vegetables. All these perishable items had to be sold at disposable prices and sellers suffered a lot because of this. The fish market also suffered a lot because of this movement sales have collapsed for almost all stores.

5.14 Respondents Reflections:

Wahed a Fruit seller said, during the period of demonetisation he had hardly done any business and for the month of November he was able to sell only Rs 1250/- which he does in a single day during the normal period. "I have hardly done any business. I got only one or two customers per day during the period. For three months he could repay the instalment for the loan he has taken.

Parvathi runs a small eatery near Patancherubusstand and sells Dosa and Idly during daytime and fried snacks in the evening time. Due to demonetisation time, her sales have come down drastically and sometimes she had to throw away the food prepared as it has got stale. Her average daily turnover during normal days was Rs 5000/- which she could achieve in ten days during the demonetisation period. She is a member of RenukaMahilaPodupuSangam an SHG operating from Patancheru Village which has extended a loan to setup the business. The SHG has given a repayment holiday during the months of Nov and Dec 2016. Though the sales were low during the demonetisation it has normalized in the month of February.

Lakhiya who owns a small Chinese eatery in Santhi Nagar of Quthubullapur said he did not have the facility to accept card payment it has led to a huge decline in his business.



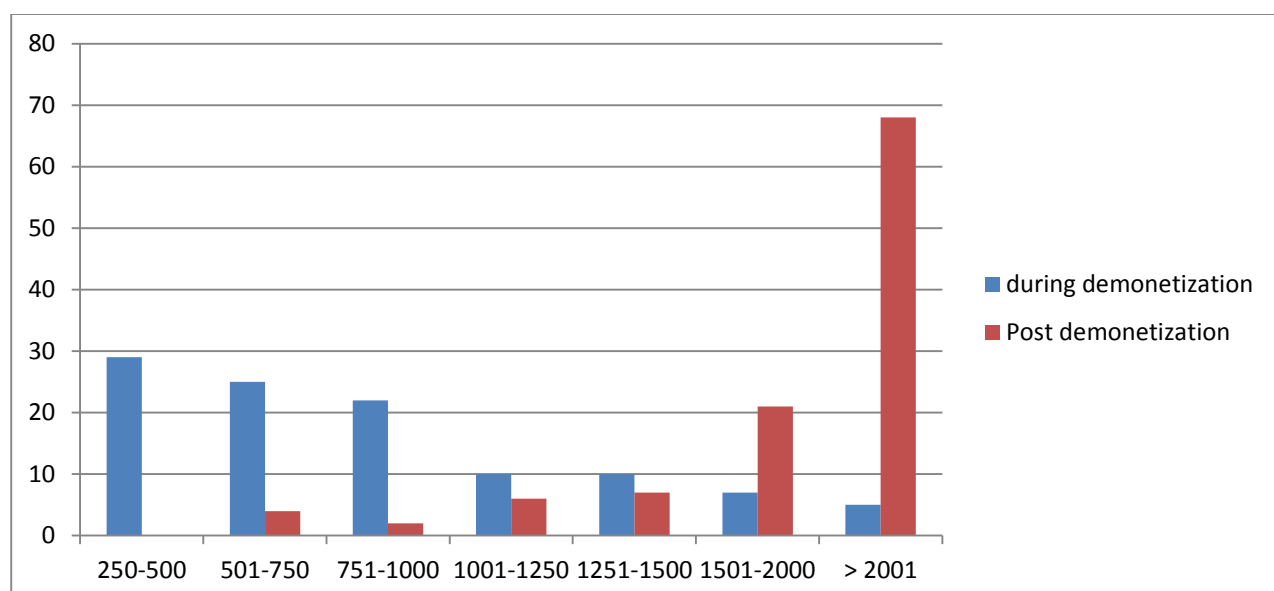
Table: 5.12 ANALYSIS

(Impact of Demonetization Kirana and other Retails)

(Income per day) Kirana and other	250-500	501-750	751-1000	1001-1250	1251-1500	1501-2000	> 2001	
During demonetization	29	25	22	10	10	7	5	108
Percentage	27	23	20	9	9	6	5	
Post demonetization	0	4	2	6	7	21	68	108
Percentage	0	4	2	6	6	19	63	

(Source: Primary Data)

Figure :5.8 Impact of Demonetization Kirana and other Retails



Source: Author

Table 5. 13- Analysis

Kirana and other retails

	Mean	Std Deviation	Std error Mean	Lower	Upper	t	Df	Sig.(2- tailed)
Pair1	-0.14	28.77	10.87	-26.75	26.46	-0.01	6	0.990

Source: Author

Kirana items are very essential at home. But the lack of changes has influenced the purchase behavior of these items also. Above table shows that people are buying small quantities and larger quantities are in progress avoided. During the demonetization Income of Kirana and other Retail stores, members are very less and it has increase post demonetization period.

5.15 Respondents Reflections:

Suresh, owner of a shop in kirana "Some people buy items for 100 rupees and give 2 lakhs, we have to return 1,900 rupees, which consume many coins of small value, which are already scarce".

A cigarette seller in KukatpallyArunReddy, has found a temporary solution to the lack of money from his customers. buy on credit and sell on credit in the hope that the situation will be relieved very soon. But it has a risk and maybe even a price. He said, "If I do not get back in a couple of days, I'm afraid I'll have to close my shop

Mr Kirtilal a Kirana Merchant at Patancheru said through his sales were not affected by demonetisation as he was accepting old notes from customers and extends credit to his loyal customers the old notes were deposited into his current account on a subsequent day. Except for change problems (people were tendering Rs.2000 note for small purchases also) and the sales have come down slightly there was no much change in his business.



Table: 5.14 ANALYSIS

(Impact of Demonitization Vegetable and fruit vendors)

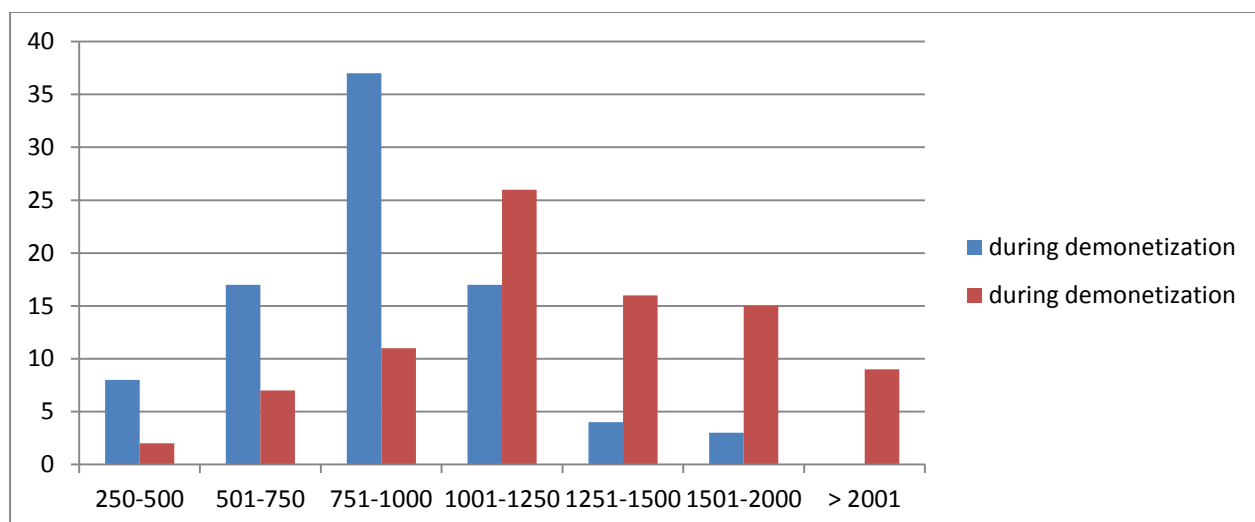
(Income per day)Vegetable and fruit	250-500	501-750	751-1000	1001-1250	1251-1500	1501-2000	> 2001	
During demonetization	8	17	37	17	4	3	0	86
Pecentage	9	20	43	20	5	3	0	
Post demonetization	2	7	11	26	16	15	9	86
Pecentage	2	8	13	30	19	17	10	

(source: Primary Data)



ANALYSIS

Figure :5.9 (Impact of Demonetization Vegetable and fruit vendors)



Source: Author

Table 5.15 Analysis

Vegetable and fruit vendors

	Mean	Std Deviation	Std error Mean	Lower	Upper	t	Df	Sig.(2-tailed)
Pair1	-0.14	28.77	10.87	-26.75	26.46	-0.01	6	0.990

Source: Author

The above table shows that the number of people who were spending higher amounts has reduced because of the shortage of currency they reduced buying fruits and vegetables. During demonetization, wholesale agricultural markets had less activity because farmers producing fruits and vegetables could not sell their products because there is no money due to the lack of small denominations. The logistics sector has been paralyzed because truck drivers only have high-value tickets, which has led to blockages in the smooth transport movement. There was no supply of fruits and vegetables during demonetization. Because they are perishable in nature vendors earned less for the day.

5.16 Respondents Reflections:

Ramannama, the fruit trader in kukatpally, had a daily turnover of Rs 5 lakh before

demonetization. She said, after demonetization, she struggled a lot to made Rs 1,000 daily turnover because old notes could not be accepted and nobody had the new notes to buy fruits."

Mr.Yadagiri vendor of a small fruit shop said earlier that he was doing business worth 2,000-3,000 Rupees a day, but that last week he could not do business for more than 500 rupees a day. He said he has a cell phone, but that is the basic cell phone. He has no knowledge of internet usage previously his entire business was run on a cash basis. But now he is selling goods through Paytm. He said demonetization is a boom for digitalization.

Mr.Suman Whole sale vegetable vendor who runs Vegetable shop in Rythu Bazar near Kukatpally area he said the fixed limit for withdrawing money has effected his business, since he buys huge stock from farmers and no one gets to buy it because people do not have enough money caused low Income and because of withdrawal limits he was unable to do business and he suffered from huge losses. He also admitted that till now he was unable to setoff that loss.

Table: 5.16 ANALYSIS

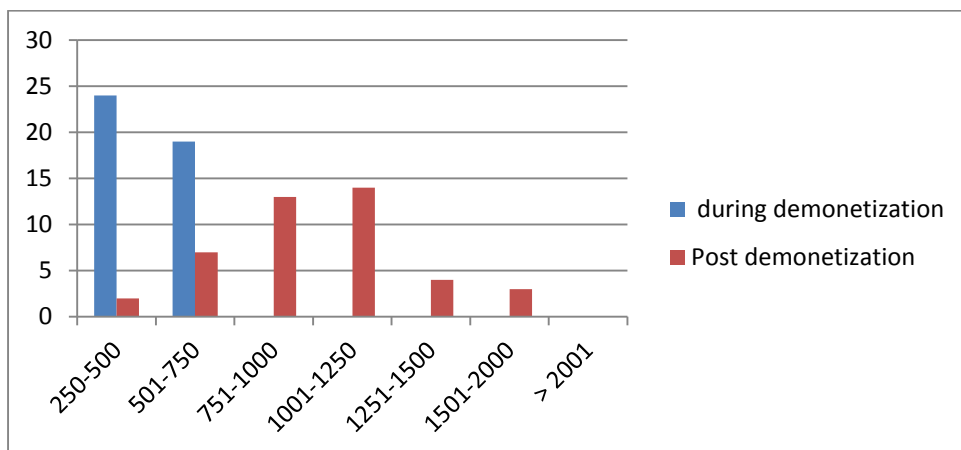
(Impact of Demonetization Cobblers, Black smiths and Cycle repair shops)

(Income per day)Cobblers, Blacks	250-500	501-750	751-1000	1001-1250	1251-1500	1501-2000	> 2001	
during demonetization	24	19	0	0	0	0	0	43
percentage	56%	44%	0%	0%	0%	0%	0%	
Post demonetization	2	7	13	14	4	3	0	43
percentage	5%	16%	30%	33%	9%	7%	0%	

(source Primary data)

Figure : V:4 ANALYSIS

5.10(Impact of Demonetization Cobblers, Black smiths and Cycle repair shops)



Source: Author

Table 5.17 Analysis

Cobblers, Blacksmiths and Cycle repair shops

	Mean	Std Deviation	Std error Mean	Lower	Upper	t	Df	Sig.(2-tailed)
Pair1	0.00	13.03	4.92	-12.05	12.05	0.00	6	1.000

Source: Author

Since they operate in small quantities they have not felt the shock too much. small shops like cycle repairs and cobbler they always deal with cash that too little amount. So impact is very less.

5.17 Respondents Reflections:

Mr.Mangayya Cycle repair shop at kukatpally junction and charges 10to50rupees for his services. He said he has little impact on his.

Mr.Srikanth Group member of Sai Baba SHG in Ambedkar Colony taken a loan from the bank to buy Auto rickshaw on 2nd November 2016 after demonetization the number of passengers on public transport such as rickshaws has been greatly reduced due to the cash crisis. They have also decided to walk instead of taking public transport to save lower value tickets. He was unable to pay 3 months EMI on his bank loan, he also said his family skipped dinner at nights for so many days because of low income till now he is doing night shifts to cover that loss and to pay outstanding loan amount.

Mr.Veranna a cobbler mends shoes/chapel he said there was a problem with replacing supplies the wholesaler did not accept old notes, also the debit / credit cards and also did not take cheques from him. He also mentions the owners of small shops like them always deal

with cash.

5.18 IMPACT OF DEMONETIZATION ON AGRICULTURE

Some members had accounts in PACS and preferred to take the loan amount for Agriculture from societies they were interviewed regarding Agriculture loans.

The Agriculture sector is majorly dependent on cash.

Though Government has made various arrangements for farmers but majority of the farmers have responded that they appreciate the incentives and initiatives undertaken by the Government for the smooth functioning of banking in their regions, however the cash limit was not enough to meet their requirements and they were asked to wait for long hours to withdraw cash from the banks which impacted their plans for various things significantly.

The cash driven construction sector has been impacted by demonetization as large number of workforce is deployed on a daily base or in the form of contractual agreement and the majority of the payments (70%) are made in cash to fulfil the day to day requirement of the workforce. Majority of the respondents (74%) said that they tried to cope with the situation but again after few weeks they were not able to continue their construction activities

Grape Grovers: The majority of the farmers cultivate grapes in Kukatpally, Medak, and Serilingampally and Oct – Dec is the season for harvesting the grapes. The grapes of this region are famous and the majority of the produce is exported. But due to demonetisation there were no buyers and 60% of the produce is sold in the local market for consumption by the household in Hyderabad and adjacent cities like Nalgonda, Warangal, Khammam, etc., which resulted in the drop in the price. Also, grapes were procured by local commission agents through cash and carry method who offered old notes before the cashless method became popular. The farmers are mostly holding Jan Dhan Accounts in the banks which has a restriction of withdrawal of not more than Rs 25000/- per month and they faced problems for purchasing fertilisers and other inputs for the next season as these things are done traditionally by cash only. Due to non availability of buyers, the farmers has to store their produce in cold storages and shelled out large amounts of rent to these storages which also resulted in the loss.

Vegetable Farmers: The second largest cultivated crops in these areas of the survey are Vegetables. Being short term crops and cash dependent, these farmers are worst hit by the demonetisation. Most of the vegetables cultivated are mainly sold in Rythu Bazars (Govt facilitated market yards for benefit of farmers) Local wholesale markets and in weekly melas by the farmers directly. Due to demonetisation there was a sudden drop in the vegetable prices which resulted in huge losses to these farmers. During the interview, it is found that they could not recover more than 50% of their input cost. Also, some farmers have left their crops without harvesting.

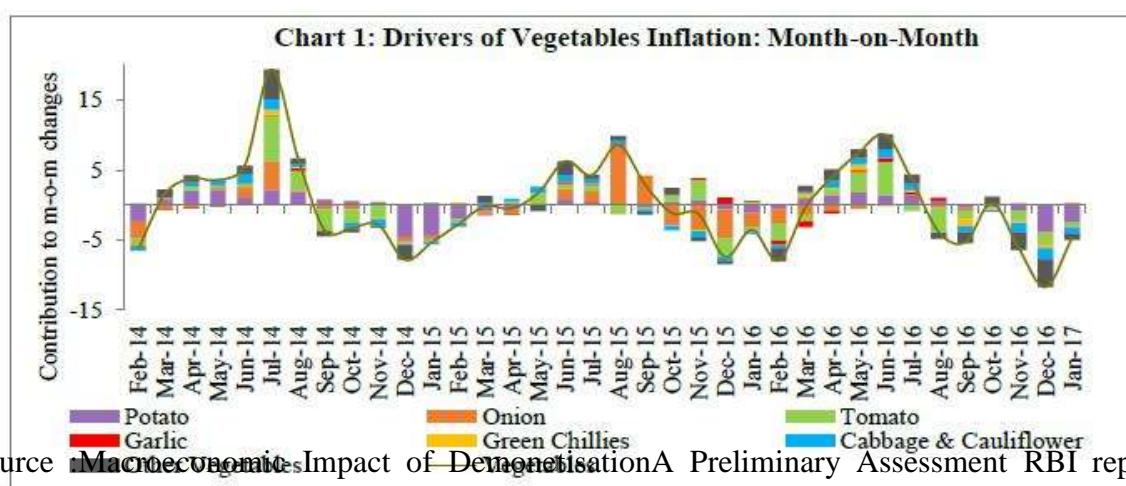
5.18 PRICES OF VEGETABLES

ITEM	Before Demonetization Price Per kg	After Price per kg
Apple	140	80
Grapes	60	25
Cabbage	50	20
Cauli flower	70	30
Brinjal	30	15

Source: Raithu Bazar in Kukatpally area

Food inflation turn down from 3.7 % to 2.6 %, (October to November 2016) , 2% in December and to 1.3 % in January 2017. During this period there was a sharp decline in prices of pulses and vegetables.

Figure 5.18 VEGETABLES INFLATION RATE DURING (APRIL 2016- JAN 2017)



Source: Macroeconomic Impact of Demonetisation A Preliminary Assessment RBI report March 2017

Figure 5.12 OVERALL INFLATION RATE DURING (APRIL 2016- JAN 2017)



Source :Macroeconomic Impact of DemonetisationA Preliminary Assessment RBI report March 2017

Demonetization has destroyed the rural economy which depends largely on money, which adds anguish to growing debts. The agricultural sector, which is lagging behind in reforms and investments, has worsened due to the lack of liquidity, falling demand, and falling prices. The prices for potatoes, onions, and tomatoes were half of what they had been a year before in January-February. The result was widespread suffering and restlessness of farmers in the state of Telangana, Madhya Pradesh, Maharashtra, Gujarat, Rajasthan.

Other/Cereal Farmers: These farmers are moderately/not affected by the demonetisation as the crops are already harvested in the month of October but they had to delay the Rabi crop work.

Demonetisation has a different effect on different crops depending upon their cropping pattern, perishability. Whereas the paddy/Maize being least affected by the demonetisation, the vegetable growers are worst hit. The paddy crop is days behind to be harvested when the demonetisation was started. The prices of the vegetables and fruits are dropped down drastically and farmers have made losses. It has also become difficult to repay the crop loans. Small farmers had to depend on PACS to sell their products shortly after harvest. PACS , however, due to the lack of liquidity following demonetization, has asked farmers to accept payments after one or two months or even more. Farmers cannot pay after two months of harvesting, as they need money to pay the loans they have taken for the harvest, buy new seeds for the harvest of Rabi, prepare the ground for the Rabi season and buy food for the

harvest. Nor can they be allowed to store the beans for sale at a later time. There are no storage facilities.

The negative impact was a loss of job opportunities as the announcement caused a slowdown during the short period of the rabi plantation season. Some respondents complained that, although 2016 was a good year for the monsoon after three consecutive years of drought, demonetization surprised the farming community.

Mr. Brijesh Singh and Dr. N. Babitha Thimmaiah (January 2017) in their research investigated the effect of

Demonetization in terms of "cattle or lost". Using the secondary data method, that is, the articles, that had been carried out their study. In the study report they tried to explain the concept of an economy without cash by taking the reference from Woodford (2003). It's not about how much money you have in your wallet, you can pay with anyone a bank card or a bank transfer. In the research work, they had demonstrated the effect of demonetization on the areas such as cash, stock exchange, transportation, agriculture, banking, business, income taxes, railroads, etc. There are there is no exact proof of exact black money in cash, but studies show that approximately 8% of the black money is withheld Cash. According to the Center for Monitoring the Indian Economy (CMIE), the transaction cost of The demonetization until December 30, 2016, is estimated at around ₹1.28 lakh crimes. As for R. Gandhi, deputy The governor of RBI, speaking on December 7, 2016, ₹The crore of 11.5 lakh has already been deposited in the bank of total crore 14.5 lakh, which still means 3 crore lakhs are not identified.

Table 5.19 Analysis

Sl No	Respondents	Kukatpally		Qutubullapur		Patancheruv		Total
		Yes	No	Yes	No	Yes	No	
	Vegetable Crops	8	-	8	-	9	-	25
	Grape Growers	5	-	12	1	20	2	40
	Paddy/Cereal	-	-	-	-	3	7	10
Total		13		20	1	32	9	75

Source :Primary data

5.19 Respondents Reflections:

Mr. Ramireddy a landlord said during the period of Demonetization he has taken a loan from Telengana Grameen Vikas bank as he had to pay the weekly wages to 40 farm labours who work in his field and his daughter's marriage was there in a week's time. he also sold the piece of Land for 5 lakh rupees and kept that amount at home in the form of cash and that too in 500 and 1000 denomination notes to meet the expenses of marriage and to pay daily wages to the farm labour. A week's payment was pending and a majority of the farmers and their families depend on these wages only. Though he had the access to pay through bank account he could not do that as 80% of the farm labour had no bank accounts. His son Rahul an MBA student along with his friends was on an industrial tour to Bangalore on the same day without much physical cash. Ramireddy said by that time he was worried about his son and also about his agriculture because November month was the Harvesting season and agriculture depends on a regular supply of physical currency; and also about his daughter's forthcoming marriage arrangements including the purchase of gold, furniture, vehicle, in the form of dowry as a custom. Their major concern was "Could a cashless system going to be practical?" and "How the cash circulation in the country is directly related to corruption?" Still, he was unable to understand the concept how demonetization tackle black money in the economy?

Mrs. Santhamma had grown spinach and brinjal in her Ac 1.5 guntas of land. She has to leave the crop as the prices for the same has dropped by 60% and she could not hire the labour for want of physical cash

Mr. Sunil Singh from the village of patancheruvu, got his land and five other small farmers plowed by a tractor hired for raising rabi (wheat) and in the process he helped others who were unable to rent tractors due to the cash crunch.

Patel a money lender usually lend money to farmers and traders every day, providing a vital source of finance for a rural economy largely excluded from the banking sector, with interest rates of around 24%. He said he was stuck with 8,00,000 Rs of money which was worthless. He could withdraw up to 24,000 rupees from his account each week, that amount was enough to cover his personal needs. At that time farmers were badly in need of money because of sowing of winter crops. But he said he couldn't lend them due to restrictions on withdrawal. He stood in the line from morning 7 to evening 8 pm and returned home empty handed.

5.20 CASH LESS ECONOMY

India's government and private sector actors have promoted cashless payments as a means of avoiding the most disturbing aspects of demonetization. About two weeks after the announcement of demonetization, Prime Minister Modi ordered his ministers to start promoting digital financial services (DFS) internally and among members. Prime Minister Modi also explicitly requested a non-monetary company. Within 24 hours of the announcement of demonetization, the mobile financial service, PayTM, launched a national advertising campaign.

Arundhati Bhattacharya chose to go with a cautiously optimistic stance, rather than spout the excited hyperboles doing the rounds – like demonetisation being a “surgical strike” on cash, and that India is now going to go completely cashless in a short period of time – at the Wharton India Economic Forum 2017 that was held in Mumbai. I don't really believe that India can be a cashless society. I always say that we were a “less-cash” economy - that is a more reasonable goal to work towards,” she states, at what was the tenth edition of Wharton's annual event.⁹

"At present, a cashless economy is not possible in the country. Cash-based transactions will decrease slowly with the pace of our development process”¹⁰

Microfinance Industry uses only cash in their lending and collection. 50% of beneficiaries agreed that cash is better than cashless methods. They said during the demonetization period businesses suffered a lot due to the cash shortage, less than 50 percent supported cashless methods. They said post demonetization; they are looking for cashless disbursement and collection through Jan-Dhan accounts and by technology. After one year of Demonetization those who had used cashless payment methods before but now they are using cash only. In

⁹ 'I don't believe that India can be a cashless economy,' says SBI Chief Arundhati Bhattacharya at WIEF 2017. Retrived from <https://yourstory.com/2017/01/arundhati-bhattacharya-sbi-chief-wief-2017/>

¹⁰ Cashless economy not possible in India now: Nitish Kumar Bihar Chief Minister. Retrived from <https://economictimes.indiatimes.com/news/politics-and-nation/cashless-economy-not-possible-in-india-now-nitish-kumar/articleshow/56070308.cms>

spite of negative views on the benefits of cashless methods expressed support for digitalization after the demonetization period.

Beneficiaries have reported that demonetization was disruptive but necessary. Immediately after the announcement of demonetization, the lack of liquidity caused widespread reports of economic disruption and, for some segments and sectors (eg road transport and logistics). The study found that while the beneficiaries confirmed that the lack of liquidity was indeed disruptive, it may not have been as disruptive as some news suggested.

Mr. Swami a vegetable vendor and beneficiary of SHG BLP he said he suffered a lot during demonetization period, cash shortage resulted in more inconvenience than convenience. Now he has a bank account but because of illiteracy, he is not using his bank account. He told in frustration “I didn’t have any cash to buy a smartphone and no knowledge to do business with Pay Tm”. And another respondent said “there is the biggest push to mobile Internet in the country nowadays he is using a phone to make or receive a payment.

It is estimated that rural users will make up almost half of all Internet users by 2020. The number of connected rural consumers is expected to rise from 120 million in 2015 to almost 315 in 2020.

Over 93% of people in rural India did not make any digital transaction. So the real problem is there. The government has taken measures that include the announcement of zero-balance accounts for individuals, but the growth of the Bank's branches has been low.

The recession has spread to other sectors. A survey conducted by the India Development Foundation found that production suffered a severe blow, accompanied by a decline in employment, wages and job losses in the two months following demonetization. In Mumbai, over 50% of the electric chassis units were closed, with an impact of around 300,000 workers. About 1.5 million jobs were lost in the first four months of this year.

Is Demonetization Making Indian Economy From Cash Economy To Less Cash Economy?

The Reserve Bank of India reported that between Nov. 4, 2016, and Dec. 23, 2016, “the amount of cash in circulation fell by nearly half.”¹¹

¹¹New York Times Editorial Board. (2017, January 9). The Cost of India’s Man-Made Currency Crisis.

Explain that most of the customers in the financial inclusion are low income and therefore have a large dependence on cash. They have not yet adopted electronic or online transaction formats, mainly because most of them get their cash earnings and, therefore, are forced to work in cash.

RatnaVishwanathan of MFIN says that the cost (of digitization) is a major obstacle to the adoption of digital media MFIs. "The margin in which MFIs operate is 10 percent, 8-8.5 percent goes to the operating cost and what remains is 1.5 to 2 percent". How can these companies expect? spend on digitization? "¹², He says.

It is the dream of our Prime Minister Mr.NarendraModi to drive India as 'cashless economy'. In India, 34 percent population has access to the internet. As per 2015 study by the World Bank around 53 percent of adult Indians have bank accounts. Out of 53 percent bank account, 43 percent has no transactions means non-operative. In the present scenario, it is a difficult task to expect India as 'cashless economy'. World over, no economy has become cashless, even not the most developed economies also. The United States and Europe are using more cash, but not less cash.

A cashless economy is not possible in India but we can have a control on the cash flow in the economy. Cash is a very normal transactional medium of exchange in India. It is a necessary and desirable rule that people should have some cash in their hands to carry out their day to day transactions. The agriculture economy and the small trader's economy which largely is dependent on the cash economy this is going to be the biggest challenge in the demonetization so it is very difficult to bring cashless economy. We have 1.6 core retail shops and they all operate in cash. The entire vegetable market operates in cash. The demonetization policy for the general public is good. It will be a big boost for credit cards. India is an agricultural country and 70% of the people are still living in the rural areas and uneducated. India is still a vastly unbanked country where many among the poor do not have bank accounts and have no banking habits and hence they are dependent on money lenders for finance and to expect them to use plastic currency is unrealistic.

Cashless economy is a dream but minimum cash economy is practical for this banking awareness should be there. The main objective of government is legitimate that the

¹² <https://www.businesstoday.in/current/economy-politics/demonetisation-mfi-industry-note-ban-anniversary-industry-micro-finance-institutions/story/263524.html>

transactions shall have to do through cheque or any mode of digital payment – transactions like real-estate, high-value jewelry, debt repayments, payment of taxes, high-value contractual payments. The Indian citizens have to switch to alternative modes of transactions such as electronic banking, mobile banking, credit, debit cards and other online bill payments etc.

In the present demonetization, any Indian citizen who deposits more than Rs 2,50,000 in his bank account, will receive a tax notice demanding to provide or prove the source of the income. If the Income Tax department satisfies with the explanation there will not be any problem, if not, he has to face the consequences.

Real estate sector remains outside the ambit of the formal economy and will stay like that till a system of registration land is instituted in which the ownership of every bit of land is entered into a central registry maintained and guaranteed by the government.

Table 5.20 CASH ECONOMY TO LESS CASH ECONOMY POSSIBILITY

Business	Yes	Percentage	No	Percentage
Kirana and other retails	12	12%	96	88%
Vegetable and fruit vendors	12	14%	74	86%
Street Side food stalls and small restaurants	3	3%	89	97%
Cobblers, Blacksmiths and Cycle repair shops	5	12%	38	88
	32	10%	297	90%

Source :Primary data

Table 5.21 Analysis

At present are you accepting the following in your business

Business	Cheques		Debit cards/ credit cards		E-wallet	
	Yes	No	Yes	No	Yes	No
Kirana and other retails	6%	94%	72%	28%	89%	11%
Vegetable and fruit vendors	-	100%	7%	93%	58%	52%
Street Side food stalls and small restaurants	-	100%	-	100%	22%	78%
Cobblers, Blacksmiths and Cycle repair shops	-	100%	24%	76%	38%	62%

Source :Primary Data

H0: Demonetization will not result in a less cash society in rural areas.

H1: Demonetization will result in cash less society rural areas.

The null hypothesis is accepted. In India, especially in rural areas money is king and how much we can try to change it, the situation remains the same. People are afraid to use the electronic transaction because electronic frauds are very high. Even many people do not even now they accept everything but in cash because they do not go pay taxes to the government.

5.21 DETERMINANTS OF THE REPAYMENT OF MICROCREDIT LOANS AMONG SHG-BLP BORROWERS IN SELECTED AREA IF TELANGANA DURING DEMONETIZATION PERIOD:

This chapter investigates the determinants of loan repayment problems between SHG borrowers in the selected areas of Telangana, during the demonetization period of the last quarter of 2016. The SHG BLPs during 2016-2017 was facing problems of repayment of loans, the demonetization was the main cause of the loan violation or the smallest collection of loans from borrowers suffered a lot with the contraction of money.

The objective of this chapter is to analyze empirically the factors that influence the SHG borrowers to have payment problems during the demonetization period. Examining the determinants of the loan repayment problem among SHG-BLP borrowers could bring benefits to groups in understanding the factors that lead group members to lose their loan repayments. This understanding is useful for finding the impact of demonetization on repayments of loans and collections of borrowers of SHGs. By using the logistic regression model, the empirical results showed the characteristics of the borrower (age, sex, and type of activity) and the characteristics of the micro-credit loan (cash crunch, payment method, repayment amount) among the factors contributing to the reimbursement of the microcredit loan.

The associate director of SubrataDhar, Sa-Dhan Currently, demonetization has had a significantly negative impact on the microfinance sector and its clients; the poorest segments of the population are the most affected. For security reasons, most loan transfers, from MFIs to clients, are made through electronic funds transfer (NEFT). However, the reimbursement of them is in liquid currency. This is mainly due to the fact that the poor use money and do not use technology for everyday tasks. Even if they wanted to, the global architecture for a cashless economy has not yet been implemented and these people need to be educated to use it. In a scenario after demonetization, despite being the source of short-term loans for MFIs, banks refuse to take their suspended currencies. Due to the sudden change, customers can not change the ceased currencies, which they had saved for reimbursement.

MFIs cannot accept suspended currencies because banks refuse to accept them. So the reimbursement fell to 30% in cascade and in some places a minimum of 20% was reported.

SarthakGaurav and PravinMankar 2017.

The associate director of SubrataDhar, Sa-DhansaidDemonetization policy, In order to manage the situation, the Reserve Bank of India has notified all regulated entities on new prudential norms on income recognition, asset classification and provisioning pertaining to advances for the banks. It is to give small borrowers some more leeway to repay their loan dues because of the challenging time that is emanating from the withdrawal of the legal tender status of the old 500 and 1,000 notes. The RBI, in order to protect the market and clients, has propagated strict regulation which covers significant portions of the sector. However, as experienced till now, demonetisation has

posed challenges to both clients and the entire sector. It is affecting the credit culture of poor people, who are undergoing stress and falling prey to unscrupulous political leaders, who try to make them ignore repayment, and thereby face greater financial stress.

The year-on-year growth in the number of customers has fallen by 2% compared to the previous quarter (before demonetization). The amount of the loan disbursed during the three months ended December 30, 201, decreased by 16% compared to the previous year. The total number of loans disbursed decreased by 26% in the quarter ended December 30, 2016, compared to the previous three months.

The average amount of funding disbursed during the quarter remained at Rs.20, 981, lower than the previous quarter (₹21,469). In FY16-17, the average loan amount also reduced ₹17.812 to ₹17.779 compared to the previous year. These trends suggest that SHGs recorded a decrease in the number of customers, total loans disbursed and credit granted in the period after demonetization, compared to three quarters in the period preceding demonetization. The ability of borrowers to repay their micro-credit loans is an important issue to be considered.

Chaudhary and Ishafq (2003) examined the solvency of 224 rural borrowers in Pakistan. Using logistic regression, they found that borrowers with higher levels of education, involved in a nonfarm business, who used investment loans and were women, were more likely to repay their loan. The study found that the level of subsidized interest rates did not have a significant effect on the payment behavior among rural borrowers in Pakistan. They came to the conclusion that a subsidized interest rate was not the best way to guarantee a good repayment by the borrowers.

Okorie (1986) studied payment behavior in an agricultural society in Nigeria. The results of the author of the interviews with the borrowers have shown that the nature of the loan, in cash or in kind (seeds, fertilizers, and equipment) can influence the repayment behavior of the borrowers. He found that borrowers who received a loan in kind had higher repayment rates than borrowers who received a loan in cash.

LOGISTIC REGRESSION

Consider again the Default data set, where the response default falls into one of two categories, Yes or No. Rather than modeling this response Y directly, logistic regression models the *probability* that Y belongs to a particular category.

- For the Default data, logistic regression models the probability of default.
- For example, the probability of default given balance can be written as $\Pr(\text{default} = \text{Yes}/\text{balance})$.

How should we model the relationship between $p(X) = \Pr(Y = 1/X)$ and X ? (For convenience we are using the generic 0/1 coding for the response).

Equation 1 *The Logistic Model*

$$p(X) = \beta_0 + \beta_1 X.$$

Equation 2

$$p(X) = \frac{e^{\beta_0 + \beta_1 X}}{1 + e^{\beta_0 + \beta_1 X}}.$$

Equation 3

$$\frac{p(X)}{1 - p(X)} = e^{\beta_0 + \beta_1 X}.$$

Equation 4

$$\log \left(\frac{p(X)}{1 - p(X)} \right) = \beta_0 + \beta_1 X.$$

Equation 5 *Estimating the Regression Coefficients*

$$\ell(\beta_0, \beta_1) = \prod_{i: y_i=1} p(x_i) \prod_{i': y_{i'}=0} (1 - p(x_{i'})).$$

Dependent variable

The dependent variable for the logit model assumes the value "1" for borrowers who have not repaid the loan during the demonization period more than four times in the last quarter of 2016 and "0" not missed a loan repayment.

H0: Borrowers have not faced any problems in paying their loans during demonetization.

H1: Borrowers have faced problems to pay their loans during demonetization.

In the survey questionnaire borrowers were asked whether they had missed loan repayments more than four times during demonetization period in the last quarter of 2016.

Gender: Gender of borrower (1)= Male (0)= Female
Marital Status: Marital status of the borrower (1) =Single (0) =Married
Education: Education level of the borrower (1) =Higher than primary school (0) = Lower than primary school
Business type: type of business conducted by borrower (1) =Non agriculture business, (0)= agricultural business, food eatery type of business
Extra income : existence of borrower's extra income (1)=yes, (0)=otherwise
Age: age of the borrowers (1)=below 35 (0)=above 35
Cash Crunch (1)=Yes (0)=No
Repayment Period : loan term period (1)=more than 1 year, (0)=less than 1 year
Repayment Mode (1) = Weekly mode (0) = Otherwise
Number of dependants (1)= 1- 4 people (0) = more than 4 people
Business Income : business revenue indicating amount of revenue received by borrowers [where $X_{11(1)} = 1$ for RM 501 0= otherwise; $X_{11(2)} = 1$ for 1001-, 0=otherwise; $X_{11(3)} = 1$ for RM1,501-RM 0=otherwise; $X_{11(4)} = 1$ for RM> 2000, 0=otherwise;]
Repayment amount: weekly payment or otherwise [where $X_{12(1)} = 1$ for less than RM250, 0=otherwise; $X_{12(2)} = 1$ for RM501, 0= otherwise; $X_{12(3)} = 1$ for RM751-, 0=otherwise; $X_{12(4)} = 1$ for More > RM 1001, 0=otherwise]

DATA COLLECTION

The primary data is used in this study and were collected through survey interviews using a structured questionnaire. SHG loan default borrowers were selected from the selected regions three districts Patancheru (rural), qutubullapur(rural, urban), &Kukutpaaly (rural, urban) in the selected regions. This provided enough representative population of SHG loan default borrowers in Hyderabad circle.

Results and discussion : Coefficients, Estimate Std. Error z value Pr(>|z|)

Determinants of loan repayment problem among SHG borrowers

Logistic regression was used to examine the determinants of the Default borrowers of micro-credit loans among SHG borrowers. The maximum likelihood estimation technique was used.

Table 1.0 shows that four of the 186 predicted influence factors were statistically significant. The estimated coefficients were statistically different from zero differently at the significance levels of 1% and 5%. In general, the logistics model has successfully predicted the factors contributing to the problem of paying micro-credit loans among SHG borrowers.

1. The **Gender** variable indicated that the probability of a loan repayment problem was higher for males than for females. As hypothesised, mail borrowers during demonetization were fewer counterparts than female counterparts. Male borrowers have a higher problem in repaying their loan, most of the mail borrowers are actively involved in their business which is their bread and main income. During demonetization there were long queues in the banks and it took hours to deposit and to transact. So mail borrowers have to shut down their business and go to banks for doing the transactions on the other side most of the females counterparts started their business as a support income. The type of activity variable was positive and significant at the significance level of .1.

Ho: Mail borrowers during demonetization were fewer counterparts than female counterparts.

TABLES 1.0 PRESENT THE RESULTS OF THE LOGISTIC MODEL KUKATPALLY AREA SHG BENEFICIARIES

Deviance Residuals:

Min	1Q	Median	3Q	Max
-2.1444	-0.6619	-0.1008	0.7220	2.0074

Coefficients:

	Estimate	Std. Error	z value	Pr(> z)
(Intercept)	0.62574	0.68538	0.913	0.36125
Gender	-5.06632	1.73652	-2.918	0.00353 **
status	0.26345	1.31647	0.200	0.84139
age	3.87803	1.43535	2.702	0.00690 **
education	0.11375	1.57028	0.072	0.94225
Repayment.mode	0.26276	0.63333	0.415	0.67822
Extra.Income	-0.51331	0.96140	-0.534	0.59340
Occupation	0.05286	0.81675	0.065	0.94840
Repayment.period	-0.44327	0.97668	-0.454	0.64993
dependants	1.16658	0.80252	1.454	0.14605
cash.crunch	-2.05416	0.73824	-2.783	0.00539 **
BR1	2.35957	1.19339	1.977	0.04802 *
BR2	3.41501	1.26881	2.692	0.00711 **
BR3	-5.22169	1.87735	-2.781	0.00541 **
BR4	-0.51113	1.13727	-0.449	0.65312
RP1	-2.08280	1.10994	-1.876	0.06059 .
RP2	-0.26612	0.76509	-0.348	0.72797
RP3	3.77218	1.78427	2.114	0.03450 *
RP4	0.81134	1.21363	0.669	0.50380

Signif.codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

(Dispersion parameter for binomial family taken to be 1)

Null deviance: 152.46 on 109 degrees of freedom
Residual deviance: 100.09 on 91 degrees of freedom

2. The **Age** variable was positive and significant at the .01 level. This implies that borrowers in the 46 to 55 age group had a higher probability of having repayment problems. This could be because the borrowers in this age group might have higher financial obligations to their family and business expenses. Thus, with higher financial commitments, they could have difficulty in repaying their loans. Due to non-availability of liquid cash and non -acceptance of old notes in the market they have to prioritise the general needs of the family first age group in between 46-55 have higher financial obligations like aged parents needs medical attention and grown up children in higher education etc led to non -repayment of loan during demonetization. Hence, it is suggested that the financial commitments and obligations of borrowers in this age group as a condition of giving them the loan.

Ho: Older borrowers were more accountable in repaying their loans than younger borrowers.

3. The results also showed that the **Cash Crunch** coefficient was positive and significant at the 5% significance level. That result implies that the probability of a loan repayment problem was higher for borrowers during demonetization period because of a cash crunch. The type of activity variable was positive and significant at the significance level of .01. Therefore, SHGs considered this problem and they have given time for the borrowers to repay loans. And also accepted loan repayment in old denomination notes.

Ho: Cash Crunch has not posed Challenges to borrowers to repay the loan on the weekly basis who generated a lower sales.

4. The **Business Income** coefficient was positive and significant at the 10% level of significance. This result suggests that the probability of having less Business Income during demonetization was higher for borrowers caused by Repayment problems. The finding supports the hypothesis that lower Business income is the main cause of defaults. Especially those who received a lower cycle of cash flow during demonetization period.

Ho: There is no Significance of lower income is the cause for loan defaults.

5. The *Repayment amount* coefficient was positive and significant at the 10% level of significance. This result suggests that the probability of having a loan repayment problem was higher for borrowers who repaid more than RM201 per week. The finding supports the hypothesis that higher loan repayments burdened borrowers, especially those who received a lower cycle of cash flow. Since SHGs imposed weekly loan repayments on all kinds of borrowers regardless of their business cycle, borrowers, in general, confront problems in repaying loans with repayments over RM201 per week. Thus, SHGs needs to revise its lending system that applies weekly loan repayments on all type of businesses in a way to reduce repayment problems faced by borrowers.
-

Ho: There is no Significance of higher loan repayments burdened borrowers.

6. Table 1.0 shows the coefficients for the remaining explanatory variables. Marital status, Educational level, Extra income, Repayment mode, Extra Income, Dependent (3-4 people), did not significantly contribute to the repayment problems among Kukatpally SHG borrowers.
-

TABLES 2.0 PRESENT THE RESULTS OF THE LOGISTIC MODEL
PATANCHERUV AREA SHG BENEFICIARIES

Deviance Residuals:

Min	1Q	Median	3Q	Max
-2.46133	-0.62635	0.06888	0.55374	1.89248

Coefficients:

	Estimate	Std. Error	z value	Pr(> z)
(Intercept)	-1.0318	0.6077	-1.698	0.0895 .
Gender	3.6021	2.0824	1.730	0.0837 .
status	-0.0530	1.4717	-0.036	0.9713
age	0.1447	0.8028	0.180	0.8570
education	-0.6825	1.5207	-0.449	0.6536
Repayment.mode	-0.7211	0.7190	-1.003	0.3159
Ex.Income	-0.8793	1.9233	-0.457	0.6475
Business type	-2.3677	1.1154	-2.123	0.0338 *
Repayment.period	-0.7210	0.9477	-0.761	0.4468
dependants	0.2143	0.7343	0.292	0.7704
cash.crunch	1.8475	0.8106	2.279	0.0227 *
BR1	0.7713	1.5926	0.484	0.6282
BR2	0.3053	1.2727	0.240	0.8104
BR3	2.3851	1.2154	1.962	0.0497 *
BR4	1.8984	1.3711	1.385	0.1662
RP1	-0.7590	0.9033	-0.840	0.4008
RP2	1.3817	0.9786	1.412	0.1580
RP3	0.1196	2.0398	0.059	0.9532
RP4	-6.4870	2.5287	-2.565	0.0103 *

Signif.codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

(Dispersion parameter for binomial family taken to be 1)

Null deviance: 149.68 on 107 degrees of freedom
Residual deviance: 80.91 on 89 degrees of freedom
AIC: 118.91

Number of Fisher Scoring iterations: 6

1. The significant positive sign on The *Business Type* variable was positive and significant at the 5% level of significance. This implied that borrowers involved in the small business activity, such as vegetable vendors, small Hotels, have a problem repaying the microcredit loan than other borrowers involved in medium, agricultural type business activity. The reliance of cash and the shortage of small denominations caused fluctuations in sales of small business that were beyond the control of the small business borrowers. Hence, since default borrowers involved in business activities (eatery type business) have a greater problem repaying their loan, A discussion with SHG group members regarding the reason borrowers involved in small business faced problems in repaying their loans. The reliance of cash and the shortage of small denominations caused fluctuations in sales of small business that were beyond the control of the small business borrowers. The finding supports the hypothesis that the lower revenue in small business created repayment problems for beneficiaries.

Ho: There is no significance of lower revenue in small business created repayment problems for beneficiaries.

2. The results also showed that the *Cash Crunch* coefficient was positive and significant at the 5% significance level. That result implies that the probability of a loan repayment problem was higher for borrowers during demonetization period because of a cash crunch. The type of activity variable was positive and significant at the significance level of .01. Therefore, SHGs considered this problem and they have given time for the borrowers to repay loans. And also accepted loan repayment in old denomination notes.

Ho: Cash Crunch has not posed Challenges to borrowers to repay the loan on the weekly basis who generated a lower sale.

3. The results also showed that the *Repayment mode* coefficient was positive and significant at the 5% significance level. That result implies that the probability of a loan repayment problem was higher for borrowers who repaid their loans on a weekly basis. The type of activity variable was positive and significant at the significance

level of .01. Therefore, SHGs should consider lowering the weekly repayment amount and a longer duration of payments in response to borrowers who generate lower revenue having a problem meeting their weekly repayment.

4. Ho: Demonetization posed problems for borrowers who repay loan on weekly basis who generated a lower sale.

5. The *Business Income* coefficient was positive and significant at the 10% level of significance. This result suggests that the probability of having less Business Income during demonetization was higher for borrowers caused to Repayment problems. The finding supports the hypothesis that lower Business income is the main cause of defaults. Especially those who received a lower cycle of cash flow during demonetization period.

Ho: There is no Significance of lower income is the cause for loan defaults.

6. The *Repayment amount* coefficient was positive and significant at the 10% level of significance. This result suggests that the probability of having a loan repayment problem was higher for borrowers who repaid more than RM201 per week. The finding supports the hypothesis that higher loan repayments burdened borrowers, especially those who received a lower cycle of cash flow. Since SHGs imposed weekly loan repayments on all kinds of borrowers regardless of their business cycle, borrowers in general confront problems in repaying loans with repayments over RM201 per week. Thus, SHGs needs to revise its lending system that applies weekly loan repayments on all type of businesses in a way to reduce repayment problems faced by borrowers.

Ho: There is no Significance of higher loan repayments burdened borrowers.

Table 2.0 shows the coefficients for the remaining explanatory variables. *Marital status*, *Educational level*, *Extra income*, *Repayment mode*, *Extra Income*, *Dependant*₍₂₎-(3-4 people), *Dependant* did not significantly contribute to the repayment problems among Kukatpally SHG borrowers.

**TABLES 3.0 PRESENT THE RESULTS OF THE LOGISTIC MODEL
QUTUBULLAPUR AREA SHG BENEFICIARIES**

Deviance Residuals:

Min	1Q	Median	3Q	Max
-2.23769	-0.33101	0.04514	0.31764	1.94859

Coefficients:

	Estimate	Std. Error	z value	Pr(> z)	
(Intercept)	-4.1768	1.3394	-3.118	0.00182	**
Gender	1.4345	1.9346	0.741	0.45841	
status	-1.4950	1.7145	-0.872	0.38320	
age	0.2144	0.9297	0.231	0.81762	
education	0.2173	2.4940	0.087	0.93058	
Repayment.mode	1.3249	1.2570	1.054	0.29188	
Extra.Income	-1.1486	1.4507	-0.792	0.42849	
Occupation	-3.0154	1.5139	-1.992	0.04639	*
Repayment.period	0.6041	1.0837	0.557	0.57724	
dependants	2.4405	1.3601	1.794	0.07276	.
cash.crunch	-3.6389	1.4649	-2.484	0.01299	*
BR1	2.3879	2.0955	1.140	0.25448	
BR2	2.2855	1.5527	1.472	0.14103	
BR3	1.8444	1.5203	1.213	0.22506	
BR4	1.9936	1.3743	1.451	0.14688	
RP1	-1.3337	1.3494	-0.988	0.32297	
RP2	3.1912	1.1464	2.784	0.00538	**
RP3	3.0161	1.4232	2.119	0.03407	*
RP4	-5.7022	2.5887	-2.203	0.02761	*

Signif.codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

(Dispersion parameter for binomial family taken to be 1)

Null deviance: 155.122 on 111 degrees of freedom
Residual deviance: 68.246 on 93 degrees of freedom
AIC: 106.25

The estimated results of the Qutubullapur loan repayment problem are presented in Table 3.0. Gender and status education variables were excluded from Qutubullapur area. Because in Patancheruv Women SHGs are more percentage of women borrowers are more.

The results showed five of the 12 predicted influencing factors were statistically significant. The coefficients were statistically different from zero variously at the 1%, 5% and 10% levels of significance. Overall, the logistic model successfully predicted the factors that contributed to the microcredit loans repayment problem among Qutubullapur area SHG borrowers.

The results show the Business type coefficient was positive and significant at the 1% significance level. This result was similar to Kukatpally area SHG borrowers and shows that borrowers involved in agricultural business activities such as vegetable sellers, animal Hotel business street side vendor, had a higher probability of encountering repayment problems than borrowers involved in other business activities.

The results also showed that the Cash Crunch coefficient was positive and significant at the 5% significance level. That result implies that the probability of a loan repayment problem was higher for borrowers during demonetization period because of the cash crunch.

Apart from the income irregularity facing by the borrowers, the results also showed that the SHG in this area standard lending contract for an agricultural business with weekly loan repayments and a two week grace period could have contributed to loan repayment problems during demonetization. Thus, a revision of the lending contract is necessary by SHGs to overcome this problem.

This study found a significant negative effect of Repayment period at the 5% significance level. The finding implies that borrowers who had a loan period of over one year had a lower probability of having a loan repayment problem. This means the longer the duration of loan contracts offered by SHG the less of a problem borrowers have in repaying their loan. This is a sign to SHGs that their longer duration of loan contract is not giving a problem to the borrowers in meeting their loan repayments.

The results of the determinants of loan repayment problems among the Kukatpally and Patancheruv and Qutubullapur borrowers showed that the cash crunch (Demonetization), business characteristics (business type) and loan characteristics (repayment period, repayment mode, and repayment amount) were among the factors that influenced Determinants of microcredit loans repayment problem among microfinance borrowers in Telangana.

VI SUMMARY AND CONCLUSIONS

Key Findings:

FACTORS EFFECTING DEFAULT BORROWERS:

1. The ***Gender*** variable indicated that the probability of a loan repayment problem was higher for males than for females. As hypothesised, male borrowers during demonetization were fewer counterparts than female counterparts. Male borrowers have a higher problem in repaying their loan, most of the male borrowers are actively involved in their business which is their bread and main income. During demonetization there were long queues in the banks and it took hours to deposit and to transact. So male borrowers have to shut down their business and go to banks for doing the transactions on the other side most of the females counterparts started their business as a support income.
2. The significant positive sign on The ***Business Type*** variable was positive and significant at the 5% level of significance. This implied that borrowers involved in small business activity, such as vegetable vendors, small Hotels, have a problem repaying the microcredit loan than other borrowers involved in kirana, agricultural type business activity. The reliance on cash and the shortage of small denominations caused fluctuations in sales of small business that were beyond the control of the small business borrowers. Hence, since default borrowers involved in business activities (eatery type business) have a greater problem repaying their loan, A discussion with SHG group members regarding the reason borrowers involved in small business faced problems in repaying their loans. The reliance on cash and the shortage of small denominations caused fluctuations in sales of small business that were beyond the control of the small business borrowers.
3. The results also showed that the ***Repayment mode*** coefficient was positive and significant at the 5% significance level. That result implies that the probability of a loan repayment problem was higher for borrowers who repaid their loans on a weekly basis. The type of activity variable was positive and significant at the significance

level of .01. Therefore; SHGs should consider lowering the weekly repayment amount and a longer duration of payments in response to borrowers who generate lower revenue having a problem meeting their weekly repayment.

4. The **Age** variable was positive and significant at the .01 level. This implies that borrowers in the 46 to 55 age group had a higher probability of having repayment problems. This could be because the borrowers in this age group might have higher financial obligations to their family and business expenses. Thus, with higher financial commitments, they could have difficulty in repaying their loans. Due to non-availability of liquid cash and non-acceptance of old notes in the market they have to prioritise the general needs of the family first age group in between 46-55 have higher financial obligations like aged parents needs medical attention and grown up children in higher education etc, led to non-repayment of the loan during demonetization. Hence, it is suggested that the financial commitments and obligations of borrowers in this age group as a condition of giving them the loan.
 5. The results also showed that the **Cash Crunch** coefficient was positive and significant at the 5% significance level. That result implies that the probability of a loan repayment problem was higher for borrowers during demonetization period because of the cash crunch, the 100Rs. notes were not available in sufficient numbers, the note of Rs.500 arrived on the market very late. The type of activity variable was positive and significant at the significance level of .01. Therefore, SHGs considered this problem and they have given time for the borrowers to repay loans. And also accepted loan repayment in old denomination notes.
-
6. The **Business Income** coefficient was positive and significant at the 10% level of significance. This result suggests that the probability of having less Business Income during demonetization was higher for borrowers caused by Repayment problems. The finding supports the hypothesis that lower Business income is the main cause of defaults. Especially those who received a lower cycle of cash flow during demonetization period. The poor planning by the government has also added to the problems of normal people with low incomes. Many buyers find it is difficult to buy

basic necessities such as vegetables, milk, bread or paying small expenses such as the fare of the bus.

7. Majority of Beneficiaries reported that the impact of demonetization on their daily lives was only for three months after demonization was announced. 20% percent of Beneficiaries said that demonetization was “somewhat troublesome” for six months and 15% reported that it was “very upsetting.” Because they use only cash in their operations.

FINDING FROM BENEFICIARIES SHG-BLPS FROM MERCHANT COMPONENT

8. The street food vendors are the lifeline of students and many working men. They also saw a sharp decline in the amount of Income during demonetization people are eating but less objects. The number of people who they were spending higher amounts has reduced their shopping carts and sellers of street food stalls and small restaurants earn less for the day.
9. Kirana items are very essential at home. But the lack of changes has influenced the purchase behavior of these items also. People are buying small quantities and larger quantities are in progress avoided. During the demonetization Income of Kirana and other Retail stores members are very fewer and it has increase post demonetization period.
10. The number of people who were spending higher amounts has reduced because of the shortage of currency they reduced buying fruits and vegetables During demonetization, wholesale agricultural markets had less activity because farmers producing fruits and vegetables could not sell their products because there is no money due to the lack of small denominations. The logistics sector has been paralyzed because truck drivers only have high-value tickets, which has led to blockages in the smooth transport movement. There was no supply of fruits and vegetables during demonetization. Because they are perishable in nature vendors earned less for the day.

11. Cobblers, Blacksmiths and Cycle repair shops since they operate in small quantities they have not felt the shock too much. Small shops like cycle repairs and cobbler they always deal with cash that too little amount. So the impact is very less.
-

FINDING FROM AGRICULTURALISTS

12. The agriculture economy and the small trader's economy which largely is dependent on the cash economy this was the biggest challenge in the demonetization so it is very difficult to bring cash less economy in India, because India is the agricultural country and 70% of the people are still living in the rural areas and uneducated. India is still a vastly unbanked country where many among the poor do not have bank accounts. 65% Beneficiaries reported that the impact of demonetization is negative on micro finance only on the short term.
-
13. India is an economy based on agriculture. Due to the shortage of cash, especially small and marginal farmers who rely heavily on money to buy seeds, fertilizers and to fertilize crops, the water lent for irrigation and other related agricultural equipment remained more affected and could not complete the activity related to the crop.
-
14. Since the small branches of the banks also did not receive enough cash at the time of planting the crop, the farmers could not obtain their loans from crops that had been disbursed. This added to the problems of the farmers that led to weak agricultural production the following year.
-
15. Other/Cereal Farmers: These farmers are moderately/not affected by the demonetization as the crops are already harvested in the month of October but they had to delay the Rabi crop work.
-
16. The negative impact was a loss of job opportunities as the announcement caused a slowdown during the short period of the rabi plantation season. Some respondents complained that, although 2016 was a good year for the monsoon after three consecutive years of drought, demonetization surprised the farming community.

17. 80% of the respondents said in rural areas money is the essential mode of transactions this situation remains the same. People are afraid to use the electronic transaction because electronic frauds are very high. Even many people do not even now they accept everything but in cash because they do not go pay taxes to the government.
18. Grape Growers: The majority of the farmers cultivate grapes in Kukatpally, Medak and Serilingampally and Oct – Dec is the season for harvesting the grapes. The grapes of this region are famous and the majority of the produce is exported. But due to demonetization there were no buyers and 60% of the produce is sold in the local market for consumption by the household in Hyderabad and adjacent cities like Nalgonda, Warangal, Khammam, etc., which resulted in the drop in the price. Also grapes were procured by local commission agents through cash and carry method who offered old notes before the cashless method became popular. The farmers are mostly holding Jan Dhan Accounts in the banks which has a restriction of withdrawal of not more than ₹25000/- per month and they faced problems for purchasing fertilisers and other inputs for the next season as these things are done traditionally by cash only. Due to non- availability of buyers the farmers has to store their produce in cold storages and shelled out large amounts of rent to these storages which also resulted in a loss.

FINANCIAL INCLUSION

19. The demonetization has had a strong positive effect on the increase of the **financial inclusion** in relation to the previous policies. The change in the proportion of study group members who became the holder of bank accounts after demonetization exceeds the previously observed changes. For example, the PradhanMantri Jan-DhanYojana (PMJDY) was implemented in 2014, but the number of bank accounts opened increased in 2016 after demonetization period. This study examined the change in the use of banks, post-demonetization, there is an increase of 75% in the banking habits of the beneficiaries. Over 95% of beneficiaries reported that because they have an account with the formal financial institution they are not depending on money lenders.

20. **Mobile** money was used by a larger number of beneficiaries after demonetization, although mobile money users remained a small percentage of the study group. (Men, urban residents and those).

IN GENERAL

21. **Poverty status:** unlike gender and location, the gap between beneficiaries living above and below the poverty line has widened after demonetization at each stage of the client's journey. The gap widened because the rate of advancement was higher among beneficiaries living above the poverty line than those below the line.
22. **Financial inclusion has increased more rapidly among women and rural residents.** A critical measure of social inclusion is whether there are gaps between demographic groups. For example, there is a gender difference if a higher percentage of men own a bank account than the percentage of women who hold a bank account. Before demonetization, there were gaps in advances along the route of the client for gender. Women have moved on to the next stages. This movement has reduced gender differences among beneficiaries. However, the increases were not large enough to completely eliminate the gap at any time; more men are still financially included than women.
23. Consumers have reported that demonetization was disruptive but necessary. The study found that although the beneficiaries confirmed that the lack of liquidity was disruptive, despite the difficulties, most of the beneficiaries agreed that demonetization was a necessary step in the fight against "black money". The majorities also agreed that the effects of demonetization were more beneficial than harmful.
24. Demonetization had an immediate effect on the prevalence of cashless payments. In general, traders do not see the need to adopt electronic payment products in the face of low consumer demand. However, the few traders who have adopted these products and services have considered them valuable, which indicate that the barriers to adoption are not product specific but are related to the limited utility in the current context of early adoption.

25. Almost all traders still depend on cash. When asked which groups benefited from demonetization, consumers perceived the least benefit to traders. These perceptions were supported by merchant survey data:
26. Over 90 percent of merchants accepted cash only during demonetization. Sixty-five percent of these traders reported that their businesses suffered from liquidity shortages.
27. Of the traders who reported having only accepted cash during demonetization, less than half reported that accepting cashless payments would help their businesses.
28. Commercial Merchants reported that less than 3% of their customers use cashless payments, and the main reason for not accepting cashless payments was the lack of customer demand.
29. Self-help groups (SHG) can be of great help to people in promoting digital banking systems in rural areas. More and more SHG must be in charge of Bank Mitras (friend) who can extend his help to the bank, post offices and the bank corresponding to the proliferation of the digital economy.
30. To convince agricultural input traders and other traders, the government should facilitate and reduce the payment by card and mobile wallets as a test. Traders must be educated on how they can expand their business from "cash only" to "cash and cards" because they attract more customers. Customers also spend more because they are not hindered by lack of money. Once retailers accept digital payments, rural customers will follow. Exactly how mobile wallets have joined Ola and Uber

CONCLUSION:

Short Period:

In short period there was a reduction in the performance of the Indian economy but actually, it is a preparation for the highly efficient economy. As India is the cash-driven economy, demonetisation will cause an immediate fall in overall economic activity, leading to a fall in turnover for most of the sectors. But because of this move, there will be the control on inflation.

GDP will be down for at least one or two quarters. A lot of black money is deposited in banks and which will in turn help in the NPA problem. For long-term results demonetization is not the only solution but several other reforms have to be done in the real estate, tax reforms etc.,

Impact of Demonetization on Different Sectors in short run

S.No.	Name of the sector	Impact
1	Autos:	Post Demonetization demand for the wholesale level is for brands like Tata Motors, Maruti Suzuki, Toyota for new models. For Two-wheelers and commercial vehicles is a little bit harder. Two wheelers Sale has come down by 5 %. For commercial vehicles sale is 17% decline in November.
2	Gold:	The impact on Gold is strongly negative. Due to government restrictions sale of gold for old notes come down drastically.
3	Agriculture:	When compared to cities, villages are in better position. The impact is neutral on the agriculture sector. Crop planting increased 20-35% when compared to current year November month to previous year November month.
4	Telecom:	There is fall by 26% of mobile phone shipments when compared to previous month. 23% of fall on smartphones. But those sellers who are accepting online and card payments, they are effected a little bit less.
5	Tourism:	Tourism sector is impacted negatively. The peak tourism period of November-December hit badly. Western countries announced

		advisories on cash crunch in India.
6	Real Estate:	<p>Fear of black money and cash crunch impacted Real Estate negatively. The real estate sector stagnated and remains breathless for buyers of the inventory built and half built without buyers. This has resulted in a poor cash flow that leads to poor demand. There is 40% drop in sales and enquiries in metros. Real estate sales have come to a standstill and buyers are waiting for big price reductions.</p> <p>The secondary market was obviously very susceptible to demonetization compared to the primary market. Real estate transactions in the secondary segments of luxury sales and housing tended to have significant cash components and these sales were significantly hindered due to demonetization.</p> <p>The triple decisions of demonetization, RERA (Real estate regulatory authority) and GST have led to a slowdown in the launches of new properties. The supply of new housing units in the 6 major cities of India during the first three quarters of 2017 has been reduced by 60%, compared to the corresponding period of 2016.</p>
7	Aviation:	Flight bookings dropped drastically after demonetization. When compared with previous year's growth, 2016-2017 fall by 20%.
8	Metals:	Since there is a negative impact on Real Estate, steel hit badly. Other metals like Aluminum, zinc, copper also building material sales also came down.
9	Consumer Durables:	The impact on Consumer Durables is negative. These goods 80% operative on cash. Trying to promote online or card payments, announcing discounts, instalment options help to recover sale of Consumer Durables.
10	Retail Sales:	The retail sales sector who is accepting non-cash payments is benefited after demonetization. The modern retail stores changed the scenario of retail sales. The consumers are buying in high volumes and storing the vegetables, fruits, sugar, and flour etc.,

11	Banks:	Big deposits in the banks will help in the short term. Loan disbursements are stagnant, with reduced production estimates. In the long term, demonetization help banks positively they will attract a disproportionate share of savings and high volume of fee income from electronic payments.
12	Employment:	Demonetization has affected the employment in India. The employment opportunities freeze for some time from 6 months to 1 year.
13	Information Technology:	Information Technology sector largely cash less hence unaffected. The NIFTY chart shows IT sector is really doing better than what it was on 8 th Nov, 2016.
14	Infrastructure:	Source of investment for infrastructure is mainly from government and loans from banks. Since banks have sufficient deposits and government also have to spend items like infrastructure, welfare etc., NIFTYINFRA index has not affected.

In the short run, demonetization has been negative for the microfinance sector due to its dependence on cash. Demonetization has made the situation chaotic. There is a delay in the circulation of the new currency. Without an immediate alternative to the money available for the pyramid fund, MFI collections were negatively affected. However, today the situation has returned to pre-demonetization levels.

Impact of Demonetization on the economy (On the Positive side):

Move towards Digitalization:

India moves into the cashless economy. After demonetization, there has been a faster change towards digitization. People have turned digital payments into a part of their lives in a moneyless economy. The details of the growth of these digital transactions from January 2016 to August 2017 reflect that the NEFT transactions involve Rs. 7086 billion have increased to Rs.12.5 billion; Credit card transactions have increased from Rs.2328 to Rs. 2700 billion; Rs credit cards. 214 billion to Rs.366bn and the IMPS transaction that has not been used by people has obtained a share of Rs.651 billion. Data shared by the Reserve Bank of India reflects the trend. Even people in remote rural areas have begun to resort to the use of cashless transactions.

Mobile wallets:

More people use mobile wallets than cash. Instead of using cash, more and more people have started using mobile wallets to make payments for their usual needs. Even the uneducated people have learned and changed mobile transactions. The volume of transactions which was Rs.22.14 billion in January 2016 amounted to Rs. 83.530 million in January 2017.

Banking sector is benefited by demonetization.

Public sector banks that were faltering due to shortages of deposits and falling short of funds have suddenly grown up with a lot of money that can be used to finance and future loans after maintaining a certain amount of reserve according to RBI guidelines. The people who opened the Jan Dhan accounts will now use their accounts and become familiar with the banking activity. The money deposited in these accounts can be used for the development activity of the country. The measure has promoted banking activities led to an improvement in banking transactions after demonetization. At present public sector is enjoying due to Jan Dhan Deposits but in the long run private sector also will enjoy an advantage as before.

Digitalization of Banking:

The beginning of Aadhaar, the explosion of smart phones, the presence of commercial correspondents and the digital boost provided by demonetization have made mobile banking increasingly become the access channel of choice for the majority of bank customers. In the last year, digitization has seen many significant innovations, including ATMs linked to Aadhaar. In short, customers can use their Aadhaar number and fingerprints (biometric data) to withdraw money from an ATM, instead of using an ATM card and a pin. ATM "without paper and without plug" is the next big wave, which will offer immense comfort and unparalleled security for customers.

Bank loans for small businesses increase

Bank financing for small businesses decreased in the period preceding demonetization. There was negative growth even in a short period of months. As of November 25, 2016, negative growth of -7.71% was recorded in loans from banks to small businesses. It rose to -8.16% on December 23, 2016. However, as of September 29, 2017, the Reserve Bank of India posted a positive 1.65% growth in loans to small businesses by banks.

Expansion in fiscal policy:

The tax collected due to the launch of the demonetization policy will be used for development activities in the country.

Fall in Inflation:

The high pattern of rising prices and inflationary trends facing the Indian economy are taking a downward turn making life within the reach of the low-income group possible. The prices of commonly consumed products such as legumes, fruits, and vegetables have decreased considerably after demonetization. As a result, it reduced the rate of inflation during the months following demonetization.

ON THE NEGATIVE SIDE:

- Demonization is the 2-way sword compared to incurring public expenditure. On the one hand, there was a huge cost to print the new currency and, on the other hand, managing thousands of millions of dollars in the volume of old currencies have also become a big expense

Employment:

The Center for Monitoring the Indian Economy, a group of experts that tracks commercial and economic data, believes that in January-April 2017, 1.5 million jobs were lost, a likely result of demonetization.

"Total employment estimated during the period (January-April 2017) was 405 million compared to 406.5 million in the previous four months, September-December 2016 ... This is total employment in the country, including organized and non-organized sectors, the agricultural and non-agricultural sectors, "

said Mahesh Vyas, CEO and CEO of CMIE, in his report.

Rail way minister Piyush Goyal said that

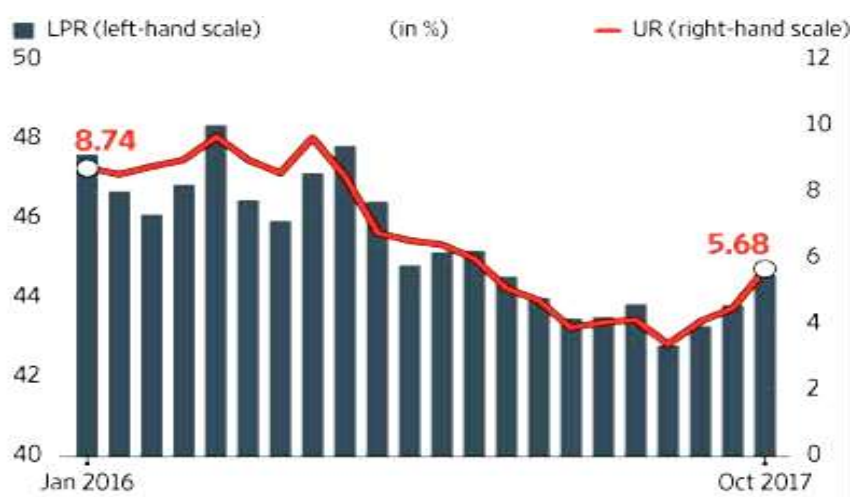
"The loss of jobs is a good sign since the youth of today would like to be entrepreneurs".

India has lost 1.5 million jobs after demonetization. **For** a developing economy like India, a drop in the participation rate at work is a sign of an economic slowdown". There is no estimate of how much productive time employees have lost while in these queues.

Demonetization has led to job cuts, especially in the informal sector.

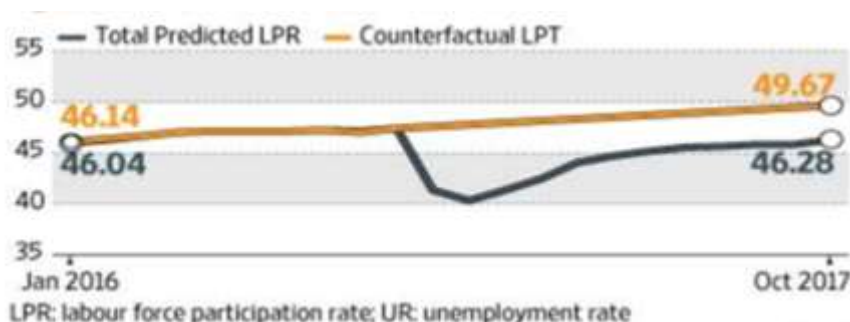
There has been a decrease in the labour participation rate (LPR). The reported job losses are not reflected in the unemployment rate, but the decline in the LPR indicates that people leave the workforce. The decline in LPR should cause deep concern for the Indian economy. People can leave the work force because of discouragement, the inability to find a job. They cannot remain permanently out of the workforce and can return when the job prospects improve. In the meantime, they can take a part-time job to make ends meet or perhaps be forced to start a small business as a desperate move for their survival.

Figure 6.1 EMPLOYMENT SCENARIOS BEFORE AND AFTER DEMONETIZATION



Source: [livemint.com//Demonetisation-has-hit-employment hard](http://livemint.com//Demonetisation-has-hit-employment-hard).

Figure 6.2 IF DEMONETIZATION HAD NOT HAPPENED

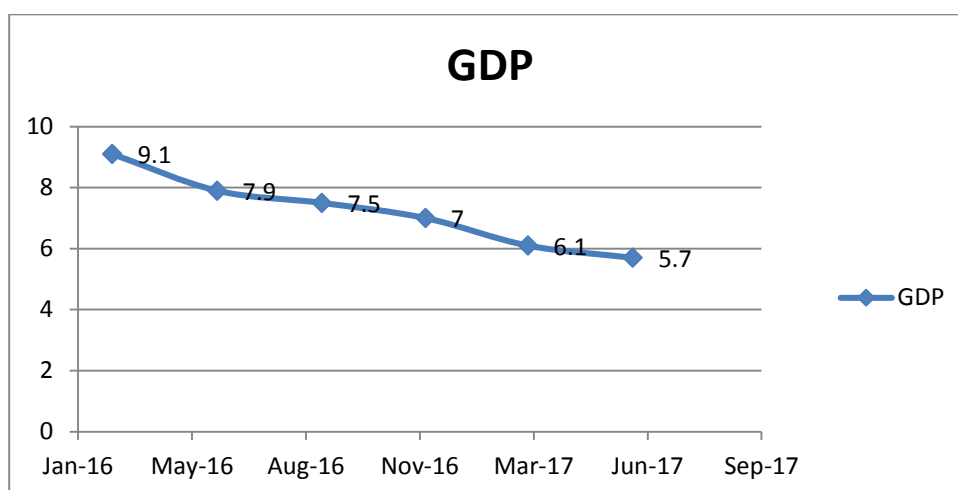


Source: centre for monitoring Indian Economy (CMIE).

GDP:

- The sudden announcement has had an adverse impact on business and the economy. Instead of a growing economy, India has stagnated and there is no growing economy. It is feared that next year there will be a fall of 2-3% in GDP growth.

The economy in general also had problems. India's GDP grew to 7.1% in 2016-17 compared to 8% in the previous year. The data revealed that sectors such as cement, steel, and infrastructure continue to suffer. New investments have been slow, with fewer new projects taking off, according to another CMIE report.



Source: Bloomberg

Cost of Printing notes to RBI :

The central bank has spent a crunch of \$ 7,965 in 2016-17 (July-June) on printing notes. This was more than double the previous year's spending on the impression account, which was \$ 3,420 crore.

Investments:

New investment proposals fell to 1.41 trillion in the third quarter from an average of 2.36 trillion in the previous nine quarters. Regarding the number of new investment proposals, the third quarter was the lowest in a decade. Because of the inability to pay money to workers, small employers have stopped their Investments.

In general, demonetization has had a negative macroeconomic impact, which, however, has been transitory since remonetisation has moved at an accelerated pace in the last twelve weeks. More importantly, demonetization is expected to have a positive impact in the medium and long term. In particular, a greater formalization of the economy is expected with a greater use of digital payments. The reduction in the use of cash will also lead to the greater intermediation of the formal financial sector of the economy, which should, among other things, help improve monetary transmission.

Economic growth slows down

Post-demonetization growth in the Indian economy slowed from 9.1% to 5.7% in less than a year. The monthly

In long run

Born from the need to provide financial services through institutions to low-income customers, the microfinance industry has certainly grown over the years with its exceptionally high audience coverage, the payment rate among other results. The demonetization certainly hit the cash-driven sector, negatively affecting both payments and repayments of loans. As cash liquidity is going to increase in the coming days, short-term cash problems will be solved. Bank licenses for large MFIs can help increase financial inclusion. In addition, taking signals of changing trends and many government initiatives towards financial inclusion, digital and future payments "less cash" and "cashless", MFIs should update and update their business model, including business multimodal through banks, smart phone payments, e-wallets, among many others, carrying out financial education initiatives for end users exploiting the penetration of mobile phones and smartphones in rural, semi-urban and urban areas to ensure.

During the pre-digitization period, MFIs suffered many losses. They knew the limits of their operation models. They had to take a significant risk. Risk of losing cash in transit, plus loans from the same customer, no recovery of loans, delays in the sanctioning of loans, lack of adequate documentation of customers, lack of timeliness communication with customers were some MFI problems. The only way to solve these problems it was digitalization. After Demonetization the development of technology has opened the doors to MFIs to find solutions from their roots problems. Through the use of digital tools, MFIs can track records of their clients, their loans penalty period can be reduced from 25 days to 10 days, the risk of

managing money can be in the bottom line, timely communication is possible and real-time analysis is possible. However, it implies a large cost to developing the digital infrastructure, but the long-term benefits outweigh these costs.

In summary, it does not seem that demonetization would have significant negative consequences for the rural poor. The worst damage is probably for those who are misinformed and gullible or impressionable and, therefore, are targets of manipulation by the cunning and unscrupulous people around them. Perhaps it is incumbent upon all those of us who understand the poor of the field well, to warn them of these traps and warn them against cunning schemes of the ruthless.

Demonetization: One year after:

Almost one year later the unexpected implementation of demonetization, business confidence is at its highest point, according to the Business Confidence Index (BCI). This optimism is also reflected in the microfinance sector, as the loans disbursed, in particular from small MFIs in the first quarter of the year 18, more than doubled compared to the corresponding quarter of the 2017 fiscal year. ICC is based on a sample of 300 companies in all sectors of the sector, including small, medium and large companies from different regions. ICC for July 2017 was 64.10, compared to the value of 57.2 for July 2017. This index is mainly based on three questions related to the performance of the economy, the respondent industry and the group company. The index is calculated as a weighted average of the Current Situation Index (CIS) and Expectations Index (EI), with a greater weight assigned to EI than CIS

At the same time, there was a rebound in consumption with an increase in rural incomes and purchasing power. This was driven by a fall in inflation and an improvement in macroeconomic indicators for rural India. the drop in inflation has helped bring real growth in annual income to just under 4% from levels taken a year ago, while rural unemployment declined by about 9% in September to around 4% . In addition, the almost normal rainfall in 2017 and an abundant harvest in 2016 have also generated more jobs for rural Indians.

Looking ahead, there is a fundamental shift in the formal financial sector, which, according to some, will be as dramatic as the nationalization of the banking sector decades ago. It is

believed that by 2030, MFIs, small financial banks and other banks that predominantly serve the rural sector will dominate the rural banking sector and will remain absolutely viable.

Scope for Further Research

This study covered the impact of Demonetization on Micro Fiancé sector and financial inclusion. Primary Data is collected from SHGs and SHG-BLP Beneficiaries in rural areas of Telangana because Telangana state is one of the forerunners in the SHG movement, It is the dominant model in terms of the number of micro loan borrowers, savings mobilised, and loans outstanding. There is further scope for detailed study by taking NBFCs in Telangana. This project is based on the partial information that is available after demonetization so far, the analysis is only beginning (covering only one year). It would be possible to analyse in greater detail as more data becomes available in the future.

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Annexure I

QUESTIONNAIRE ON MICRO FINANCE

Section – 1: General Section

Name of the SHG:

Address:

1.	Name	
2.	Gender (1) Male (2) Female	<input type="checkbox"/>
3.	Marital Status (1) Married (2) Single	<input type="checkbox"/>
5.	Age (1) below 35 (2) above 35	<input type="checkbox"/>
6.	Education (1) Higher than primary school (2) Lower than primary school	<input type="checkbox"/>
7.	Occupation (1) Agricultural type of business (2) Small business	<input type="checkbox"/>
8.	Extra income (1) Yes (2) No	<input type="checkbox"/>
9.	Repayment period (1) Long term (2) Less than one year	<input type="checkbox"/>
10.	Repayment mode (1) Weekly (2) Otherwise	
11.	Cash crunch during demonetization period (1) Yes (2) No	<input type="checkbox"/>
12.	Number of dependants (1) 1- 4 (2) more than 4	<input type="checkbox"/>

Section – II: LOAN AND REPAYMENT INFORMATION

12.	Business revenue	Yes	No		
	1 for less RM 1,000				<input type="checkbox"/>
	for RM1,001-RM 1,500				<input type="checkbox"/>
	RM1,501-RM 2,000				<input type="checkbox"/>
	More RM 2000				<input type="checkbox"/>
13.	Repayment amount	Yes	No		
	RM 200				<input type="checkbox"/>
	RM 201-RM 250				<input type="checkbox"/>
	RM 251-RM 300				<input type="checkbox"/>
	More RM 301				<input type="checkbox"/>
14.	Repayment amount along with interest. (1) (2)				<input type="checkbox"/>
15.	Have you finished repayment on loan? (1) Yes (2) No				<input type="checkbox"/>
16.	What was the problem for the loan to be in arrears?	Yes	No		

	Unavailability of new currency				<input type="checkbox"/>
	Business Income is very low during demonetization				<input type="checkbox"/>
	Sold on credit but did not get paid back on time				<input type="checkbox"/>
	Nature of business				<input type="checkbox"/>
	Market problem				<input type="checkbox"/>
	Others				<input type="checkbox"/>

Section – III: IMPACT OF DEMONITIZATION AND DIGITALIZATION

17.	Do you have any impact of Demonetization on your business? (1)Yes (2) No	<input type="checkbox"/>
18.	Is cash less economy possible in India (1)Yes (2) No	<input type="checkbox"/>
19.	Impact of Demonetization is only on short term (1)Negative (2) Positive (3) No Impact (4) Can't say	<input type="checkbox"/>
20.	Have you faced any problem for repayment of loan at the time of Demonetization? (1)Yes (2) No	<input type="checkbox"/>
21.	Have you faced any problem for collection at the time of Demonetization? (1)Yes (2) No	<input type="checkbox"/>
22.	Collection efficiency will reach to normal by March 17? (1)Yes (2) No	<input type="checkbox"/>
23.	Is there any improvement in Digitalization after demonetization (1)Yes (2) No	<input type="checkbox"/>
24.	Do you have balance in your PMJDY account ? (1) Pre demonetization (2) Post demonetization	<input type="checkbox"/>
25.	Do you have Mobile phone? (1) Yes (2) No	<input type="checkbox"/>
26.	Do you have digital banking facility to your account? (1)Yes (2) No	<input type="checkbox"/>
27.	Is there any improvement in Digitalization after demonetization (1)Yes (2) No	<input type="checkbox"/>
28.	Is there any change in attitudes and financial behaviours after demonetization (1) comfortable (2) uncomfortable	<input type="checkbox"/>
29.	In which bank account your SHG is linked and will you operate a/c regularly? (1) PACC(2) SBI (3) Canara Bank (4) Telangana Grameen bank (5) others (1)Yes (2) No	<input type="checkbox"/>
30.	Did you face any time lag in disbursement of loans? (1)Yes (2) No	<input type="checkbox"/>

Annexure II

SOURCE: SLF-SHG's TELANGANA

MISSION FOR ELIMINATION OF POVERTY IN MUNICIPAL AREA						
NPA Bank Wise Progress Report 30/9/2016						
S.No .	Bank Name	Outstandin g SHGs	Outstandin g Amount	NPA SHG s	NPA OutStandin g Amount	Loan Amount
1	ANDHRA BANK	14276	252.265	850	26.3421	503.2439
2	CANARA BANK	7610	104.8312	173	5.3003	232.7039
3	CORPORATION BANK	2535	40.9764	30	0.6674	79.3103
4	INDIAN BANK	5348	26.3647	44	1.0329	192.9967
5	SYNDICATE BANK	1853	26.8354	49	1.5764	60.9249
6	STATE BANK OF INDIA	10261	85.642	215	5.2446	307.2062
7	TELANGANA GRAMEENA BANK	7091	104.9465	352	9.7497	203.8541
8	STATE BANK OF HYDERABAD	17664	136.1333	323	8.7658	548.9994
9	AP GRAMEENA VIKAS BANK	12682	295.9206	1146	48.5035	507.6734
10	DCC Bank	3091	25.8781	224	3.8682	107.5112
	Total	93968	1111.5009	3433	111.4217	3107.219 2

MISSION FOR ELIMINATION OF POVERTY IN MUNICIPAL AREA						
NPA Bank Wise Progress Report 31/10/2016						
S.No .	Bank Name	Outstandin g SHGs	Outstandin g Amount	NPA SHG s	NPA OutStandin g Amount	Loan Amount
1	ANDHRA BANK	14399	213.7632	641	18.957	512.6393
2	CANARA BANK	7687	101.9904	108	2.324	237.4364
3	CORPORATION BANK	2593	31.6586	10	0.2569	81.3771
4	INDIAN BANK	5340	86.2939	157	5.7038	193.8021
5	SYNDICATE BANK	1867	28.531	49	1.7036	62.5137
6	STATE BANK OF INDIA	10232	87.9945	224	5.2433	311.6146
7	TELANGANA GRAMEENA BANK	7269	110.6399	344	9.271	211.1005
8	STATE BANK OF HYDERABAD	17836	176.1711	387	9.4159	563.3641
9	AP GRAMEENA VIKAS BANK	12391	300.0135	1020	43.6222	504.6064
10	DCC Bank	3022	28.5002	229	4.0518	106.7127
	Total	94160	1230.685	3311	103.9631	3155.626 5

MISSION FOR ELIMINATION OF POVERTY IN MUNICIPAL AREA						
NPA Bank Wise Progress Report 30/11/2016						
S.No .	Bank Name	Outstandin g SHGs	Outstandin g Amount	NPA SHG s	NPA OutStandin g Amount	Loan Amount
1	ANDHRA BANK	14457	245.2773	825	24.2366	515.9437
2	CANARA BANK	7712	97.5216	93	2.1998	238.9414
3	CORPORATION BANK	2620	39.8403	19	0.5118	82.5034
4	INDIAN BANK	5376	83.7585	163	6.232	195.5366
5	SYNDICATE BANK	1871	27.4768	46	1.6441	62.8562
6	STATE BANK OF INDIA	10228	82.2001	204	5.2236	311.9801
7	TELANGANA GRAMEENA BANK	7380	106.127	331	8.8082	213.4855
8	STATE BANK OF HYDERABAD	17864	195.3363	464	11.2384	565.396
9	AP GRAMEENA VIKAS BANK	12460	294.389	1034	43.1738	507.6192
10	DCC Bank	3036	26.2807	242	4.38	107.3102
	Total	94551	1270.0457	3605	111.6373	3173.763 6

MISSION FOR ELIMINATION OF POVERTY IN MUNICIPAL AREA						
NPA Bank Wise Progress Report 31/12/2016						
S.No .	Bank Name	Outstandin g SHGs	Outstandin g Amount	NPA SHG s	NPA OutStandin g Amount	Loan Amount
1	ANDHRA BANK	14458	236.9352	791	23.1675	517.4914
2	CANARA BANK	7813	115.9606	314	12.9577	245.2064
3	CORPORATION BANK	2621	37.1518	18	0.5026	83.0334
4	INDIAN BANK	5377	82.0171	180	6.5801	195.4196
5	SYNDICATE BANK	1860	26.3031	51	1.7726	62.5758
6	STATE BANK OF INDIA	10228	76.8304	214	5.2004	312.2691
7	TELANGANA GRAMEENA BANK	7394	101.8028	328	8.5485	214.178
8	STATE BANK OF HYDERABAD	17886	163.1543	323	8.0346	566.8665
9	AP GRAMEENA VIKAS BANK	12564	290.885	1018	42.7297	513.3812
10	DCC Bank	3035	26.8346	239	4.5362	107.1951
	Total	94831	1209.2828	3693	120.4668	3192.335 4

MISSION FOR ELIMINATION OF POVERTY IN MUNICIPAL AREA						
NPA Bank Wise Progress Report 31/01/2017						
S.No .	Bank Name	Outstandin g SHGs	Outstandin g Amount	NPA SHG s	NPA OutStandin g Amount	Loan Amount
1	ANDHRA BANK	14484	81.3231	291	8.6067	520.2638
2	CANARA BANK	7834	93.92	88	2.0237	246.6114
3	CORPORATION BANK	2629	0.2572	1	0.031	83.1389
4	INDIAN BANK	5503	81.8552	170	6.3847	200.5821
5	SYNDICATE BANK	1872	24.8739	42	1.5398	63.18
6	STATE BANK OF INDIA	10251	76.8648	201	5.1538	314.3841
7	TELANGANA GRAMEENA BANK	7585	100.6473	337	8.528	217.95
8	STATE BANK OF HYDERABAD	17927	160.1307	329	7.5507	570.3203
9	AP GRAMEENA VIKAS BANK	13003	312.1	1126	48.4817	539.9116
10	DCC Bank	3046	24.0445	226	4.4518	107.7726
	Total	95785	1002.8345	2965	96.0629	3242.184 7

MISSION FOR ELIMINATION OF POVERTY IN MUNICIPAL AREA						
NPA Bank Wise Progress Report 28/02/2017						
S.No .	Bank Name	Outstandin g SHGs	Outstandin g Amount	NPA SHG s	NPA OutStandin g Amount	Loan Amount
1	ANDHRA BANK	14324	235.5946	782	23.5265	523.4125
2	CANARA BANK	7872	98.2556	84	1.9721	251.2179
3	CORPORATION BANK	2640	35.4874	16	0.3628	84.7215
4	INDIAN BANK	5240	78.4066	141	5.141	190.4518
5	SYNDICATE BANK	1914	27.3916	46	1.9793	64.9502
6	STATE BANK OF INDIA	10094	76.273	179	4.5861	313.4286
7	TELANGANA GRAMEENA BANK	7741	108.5207	346	8.7544	222.0817
8	STATE BANK OF HYDERABAD	17820	164.1785	297	7.3656	578.733
9	AP GRAMEENA VIKAS BANK	13099	340.6042	1141	51.8623	557.71
10	DCC Bank	2964	27.0343	222	4.6181	104.9684
	Total	95069	1280.2135	3574	119.466	3264.115