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Impact of Demonetisation on Marble Industry in India with Special Reference to Selected Cities of Rajasthan

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ABSTRACT

Economic and financial reforms have proved their significance on various walks of life. In recent past, India's banking and financial markets have experienced profound changes. The Government of India declared notification no. 2652 dated November 8, 2016 and withdrew the legal tender status of Rs.500 and Rs.1,000 denominations of banknotes of the Mahatma Gandhi series issued by the Reserve Bank of India till November 8, 2016. After the notification, the Prime Minister while addressing to the nation announced demonetization of current series of Rs.500 and Rs.1000 notes from mid-night of November 8, 2016. This means that these notes will not be acceptable for future money transaction. As per the Weekly Statistical Supplement (WSS, RBI, 2016), the notes in circulation as on November 4, 2016 stood at Rs.17, 74,187/- crore. Roughly 86% of this value, i.e., Rs.15, 25,800/- crore comprised notes of denominations Rs.500/- and Rs.1000/-, which have been demonetized. It is difficult to guess what percentage of this value will not be tendered for exchange for new notes and thus will be written off from the system. This paper deals with the implementation of the scheme and measures its impact by taking the views of 100 Managers and owners of Marble Industry who have their business places in the south Rajasthan. The data was gathered with a structured questionnaire and analysed by using the multiple regression tool with SPSS software. It was found that the variable Price of marble will be increased for consumers (DeM_2) is the variable that can reflect the views of Demonetisation impact on marble industry in Indian Industry.

Keywords: GST, Marble Industry, Implementation of GST, India Demonetization.

Introduction

The present Government had promised to combat the menace of black money, pledging to crack down of parallel economy in India which has seen tax to GDP ratio being abnormally low. While the Indian economy grew by 30% during 2011 and 2016, the circulation of money in the economy increased by 40%. However circulation of Rs 500 notes increased by 76% and of Rs.1000 notes by an astounding 109% which means the demand for high denomination notes grew at a faster rate, causing suspicion that much of this was being hoarded as black money. Demonetization is a move which had been suggested by several housing. The move will also check fake

notes flows, a bane which has been dogging the Indian financial markets for years. The Reserve Bank of India said while the Indian currency'ssecurity features have not been breached. The fake notes being pushed by some spy agencies were similar to legal tender and were causing excessive flow of notes in the market. Currently, there are 16.5 billion legal Rs.500 notes and 6.7 billion Rs.1000 notes. But estimates point to larger numbers of high denomination notes circulating in the market that clearly pointing to fake currency being pushed into India in large numbers (RBI, 2016). The government's decision to demonetize Rs 500 and Rs 1000 currency notes will also push India towards a cashless economy. This is one decision that will change the way the people spend and keep their money. India has been trying to push the country's cash dependent economy towards paperless transactions. The Government made a draft paper of sops and incentives, which may be considered for those opting for online and plastic payments. However, the move has remained nascent at best till now. High denomination banknotes account for 86% of the 1, 64,000 crore rupees of currency in circulation. With inflation raising prices, most people preferred higher denomination notes. However, by now taking steps to discourage high value notes, the government could push more people to opt for e-commerce and plastic money. Analysts believe the move to scrap high denomination notes will now force people to use their accounts and financial technology for transactions (Charles, 2016). Estimates say the mobile commerce market in India will grow from a current $2 billion to $19 billion by 2019. Officials point out that studies by Mckinsey suggest large-scale adoption of digital finance by emerging economies could boost their GDP by up to 6%. The study says India could see a boost of $700 billion, an 11.80% increase by 2025. The idea is to move society towards electronic transactions and away from cash, as this helps to monitor money flow and check black money in economy (Choudhary, 2016). This demonetisation has led various challenges and the drawbacks for the various entities in India. For this purpose the current study measure demonetisation impact on marble industry in India.

Review of Literature

Mittal (2017) in his qualitative research survey from general public during the days of demonetization found out that the people faced liquidity problem in early days and found out all possible methods of cashless transactions even helped each other with small currency notes besides changing their behavior pattern in spending like curtailing their expenses and saving cash for urgent needs.

A study done on effects of demonetization on GDP of India (Sachin, 2017) found adverse effects of demonetization on GDP, small Traders, SMEs and agriculture sector both in last two quarters of 2016-17 and first two quarters of 2017.

Sharma and Gupta (Gupta, 2017) studied the impact of demonetization on MSME sector and found that MSME sector was hardly hit by demonetisation due to their greater dependence on hard cash. Construction sector and roadside vendors seems to be worst hit.

A real time survey done during demonetization days in Ghaziabad city on retail sector by Vij and Arora (2017) found that demonetization impacted retail sector very badly especially the small vendors (Rehdiwala) totally depended on cash. Demonetization has impacted e-business a lot and it will prove huge boom for digital payment market. Gupta (2017) Even small vendors have introduced cashless payment methods. Post- demonetization the people have finally started believing in the power of the plastic money in the form of credit card/debit card, and other channels of electronic payments. Online banking has gained prominence due to unavail-ability of enough cash in the market"

Munjal et. al (2017) in their primary survey on towards using of e-transactions and cashless methods in NCR region found out that people in India are sufficiently aware about e-payment methods but use of these methods depend on various factors including demographic.

Economic survey (2017) comprehensively analyses the case of demonetization by stating it a radical governance-cum-social engineering measure because it was done amidst normal economic and political conditions when Indian economy was growing at the fastest clip in the world on the back of stable macroeconomic and impressive set of reforms. It states that it has had short term costs but will provide the basis for long term benefits. Short term costs have taken in the form of inconvenience and hardships for those who lost their income and employment being in the informal and cash incentive sectors. Long term benefits in terms of reduced corruption, greater digitization of the economy, increased flow of financial savings and greater formalization of the economy all of which will ultimately lead to it towards higher GDP growth, better tax compliance and higher tax revenues.

Singh, C. (2018) revealed that in India, tax to GDP ratio, at around 18 percent, is amongst the lowest in the world, probably because India, as mentioned in the Union Budget of 2017-18, is a tax non-compliant country. Tax evasion and corruption are deterrent to economic growth. Given that India is an emerging country, there are extensive infrastructure requirements which need high development expenditure. There is an immediate and constant need for resources which are of non-debt in nature to ensure respite from the existing level of high interest burden.

Singhal, S. (2017) revealed that the awareness level of people of rural areas in India about e-banking facilities and how much it has increased after demonetization. The present study was conducted to investigate the use of e- banking facilities for purposes post demonetization in India. An awareness level scale and an operation level scale are administered about simple transaction activities like amount transfer to other person's account on a sample of 100 people of rural and urban areas of India. ANOVA test was conducted which shows that rural people differ significantly with urban people in their awareness level as well as usage level of e-banking. The survey was done on rural and urban customers of both public and private sector banks. It is observed that urban male youth have higher awareness and usage of e-banking whereas rural women have noticeable awareness about e-banking but level of using it is very low. Further stepwise regression analysis determines the factors that contributed in creating awareness and use pattern of e-banking. Finding of the study are helpful for banks to improve their e-banking facilities, making their websites user friendly and improving awareness and usage of e-banking.

Siddiqui & Qureshi (2017) revealed that "India's Demonetisation followed by digitization of its economy is substantially adding to the high volumes of data being generated by global social media and the growing number of smart phones. Big data refers to datasets that are not only big, but also high in variety and velocity. Big data deals with the information management strategy with many new types of data and data management along with traditional data. Studies suggest that 90% of the world's data was generated in the last few years. Big data is a key trend for many industries, including financial services in general and banking in particular. Demonetisation-to- digitization is playing significant role in revolutionizing the banking sector resulting into more avenues for Big Data industry in India. This paper addresses the prospects for big data industry in India particularly in banking sector; its risk and solutions.

Midthanpally (2017) revealed that "the recent demonetisation in India is an issue of potentially wider relevance that requires further analysis.

This brief article places the current evidence into a wider context, indicates how the process has been managed so far and then raises some searching questions concerning the role of the Indian state. Particularly, to what extent can this kind of measure be seen as evidence of responsible governance in the wider context of 'Modinomics', relating to claims that government should be less of a spender than an enabler? Wider elements of epistemology, asking how we know what we think we know about India's black economy and informal sector are also gaining prominence in such endeavours.

Memdani (2020) revealed that the impact of demonetisation on the digitalisation of the cash transactions and move towards a cashless economy in the India. The data was collected from RBI website on the volume of transactions through debit cards and credit cards for the months of September and October (pre), November and December (during), January and February (after) and May and June (later) demonetisation, for all the banks of India. The statistical technique of paired sample t-test is used to find out whether there is any significant change or not. The results reveal that there was significant change in pre, during and post demonetisation period but not in the later period.

Ghosh et.al., (2017) revealed that on the night of 8 November 2016, at 8:15 pm, India's Prime Minister, Narendra Modi, announced in a televised broadcast to the nation that with effect from midnight, currency notes of denominations Rs 500 and Rs 1,000 would no longer be legal tender. In one stroke, this involved the derecognition of over 86 per cent of the value of Indian currency in circulation with only four hours' notice. This important book provides a quick and concise explanation of the goals, implications, initial effects and the political economy of this major demonetisation move by the Government of India. It clarifies key concepts and offers astute economic analysis to guide the reader through the various claims, arguments and critiques that have been made; highlights the complexities of the processes that have been unleashed; and examines the likely outcomes in the long term as well as those that are immediately evident. Timely and lucid, this book will interest students and researchers in the fields of economics, finance, management, law, politics and governance as well as policy makers, legislators, civil society activists and the media.

Siddiqui et.al., (2017) posited an endeavour to assess how the tool of Demonetization can be used to exterminate economic imbalances. Demonetization is one of the big steps initiated by Government of India in addressing the various issues like black money, counterfeit currency, corruption, terrorism etc. Lesson from historically demonetization guides us how to restructure the economic system of country by overcoming the earlier causes for failure. This paper elucidates the impact of such a move on the availability of credit, spending and lots of activity relating to the government finance system.

Research Methodology

Population: The universe of present study consists of Managers and owners of the Marble companies in the Udaipur, Rajsamand and Kishangarh..Sample unit: Managers and they were selected from 50 Marble companies.

Total Managers and owners of the Marble companies in the Udaipur, Rajsamand and Kishangarh were selected using convenience sampling The sample of the present study represented the population with respect to demographic dimensions i.e. gender, age, income, and education.

Data Collection

For achieving the objective of this study and to conduct the investigation, data was collected from Primary sources. Primary data was collected from 100 Managers and owners of marble companies situated. The primary data

was collected through structured questionnaire filled by managers and owners.

Data Analysis

The data was collected from 100 respondents to identify the Demonetisation impact on marble industry.

H1(f): Significant variables exists that can reflect the Marble industry specific variables for Demonetisation impact on marble industry.

To measure the variables that can reflect the Marble industry specific variables for measuring Demonetisation impact on marble industry in Indian Industry the above hypothesis is analysed using the multiple regression method using SPSS software and the results are presented as under:

Table 1
Multiple Regression analysis for Measuring Demonetisation impact on marble industry

Descriptive Statistics				
Variable	**SPSS code**	**Mean**	**SD**	**N**
What is the level of impact of Demonetisation on marble industry?	Demo_marble	3.4400	1.27382	100
It removes the black money from the marble business.	DeM_1	3.6000	1.18065	100
Price of marble will be increased for consumers	DeM_2	3.5300	1.19304	100
Sales of marble is decreased due to Demonetisation	DeM_3	3.8700	1.07923	100
The circulation of large volume of fake currency will reversely aff ect with Demonetisation.	DeM_4	3.8300	.95405	100
Demonetisation reduces Marble cost	DeM_5	3.7900	.95658	100
Demonetisation favors the Marble block sale procedure	DeM_6	3.8100	.96080	100
Anti-social activities will be reduced with Demonetisation	DeM_7	3.5500	1.14922	100
Money supply shrinkage reversely affect marble production	DeM_8	3.5200	1.08693	100
Demonetisation will contribute for export of Marble from India	DeM_9	3.5400	1.06761	100
Local demand of marble is reduced	DeM_10	3.1200	1.32024	100
De monetisation encourages traders to cheat	DeM_11	2.7100	1.35061	100
Import of marble will be reduced	DeM_12	2.8000	1.39262	100
e-transaction adversely affect the marble business of your company	DeM_13	3.2100	1.22512	100

Table 2 : Correlation Matrix

Correlations															
		Demo_marble	DeM_1	DeM_2	DeM_3	DeM_4	DeM_5	DeM_6	DeM_7	DeM_8	DeM_9	DeM_10	DeM_11	DeM_12	DeM_13
Pearson Correlation	Demo_marble	1.00													
	DeM_1	.676	1.00												
	DeM_2	.829	.826	1.0											
	DeM_3	.218	.244	.258	1.00										
	DeM_4	.220	.217	.284	.861	1.00									
	DeM_5	.093	.023	.107	.746	.713	1.00								
	DeM_6	.077	.012	.124	.648	.648	.758	1.00							
	DeM_7	-.043	-.134	-.0 5	.319	.261	.538	.407	1.00						
	DeM_8	.008	-.009	.074	.368	.339	.563	.453	.852	1.00					
	DeM_9	.098	.037	.098	.456	.408	.617	.456	.661	.748	1.00				
	DeM_10	.046	-.163	-.0 2	.139	.097	.284	.281	.389	.421	.204	1.00			
	DeM_11	.057	-.099	-.0 2	.064	.024	.195	.152	.240	.310	.194	.649	1.00		
	DeM_12	-.001	-.135	-.0 6	.023	-.0 1	.180	.183	.158	.270	.135	.667	.855	1.00	
	DeM_13	-.137	-.193	-.1 7	.189	.186	.469	.343	.599	.607	.399	.596	.391	.386	1.00
Sig. (1-tailed)	Demo_marble	.													
	DeM_1	.000	.												
	DeM_2	.000	.000	.											
	DeM_3	.015	.007	.005	.										
	DeM_4	.014	.015	.002	.00	.									
	DeM_5	.178	.409	.144	.00	.00	.								
	DeM_6	.222	.451	.110	.00	.00	.00	.							
	DeM_7	.336	.092	.301	.00	.00	.0	.00	.						
	DeM_8	.468	.463	.234	.00	.00	.00	.00	.00	.					
	DeM_9	.165	.358	.166	.00	.00	.00	.00	.00	.00	.				
	DeM_10	.323	.052	.391	.08	.17	.00	.00	.00	.00	.02	.			
	DeM_11	.286	.164	.411	.26	.40	.02	.06	.00	.00	.02	.000	.		
	DeM_12	.496	.090	.266	.41	.45	.03	.03	.05	.00	.09	.000	.000	.	
	DeM_13	.086	.027	.042	.03	.03	.00	.00	.00	.00	.000	.000	.000	.	
	N	100	100	100	100	100	100	100	100	100	100	100	100	.	

Table 3 : Regression Analysis

Variables Entered/Removed[a]		
Model	Variables Entered	Variables Removed
1	DeM_2	.
a. Dependent Variable: Demo_marble		

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.829[a]	.687	.684	.71657	.687	214.848	1	98	.000
a. Predictors: (Constant), DeM_2									

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	110.319	1	110.319	214.848	.000[b]
	Residual	50.321	98	.513		
	Total	160.640	99			
a. Dependent Variable: De mo_marble						
b. Predictors: (Constant), DeM_2						

Coefficients[a]											
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			o-order	Partial	Part	Tol	VIF
1	(Constant)	.317	.225		1.408	.162					
	DeM_2	.885	.060	.829	14.65	.000	.829	.829	.829	1.000	1.000
a. Dependent Variable: Demo_marble											

Excluded Variables[a]								
Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
1	DeM_1	-.028[b]	-.279	.781	-.028	.318	3.149	.318
	DeM_3	.005[b]	.083	.934	.008	.933	1.071	.933
	DeM_4	-.017[b]	-.281	.779	-.029	.919	1.088	.919
	DeM_5	.004[b]	.074	.941	.008	.988	1.012	.988
	DeM_6	-.026[b]	-.453	.652	-.046	.985	1.016	.985
	DeM_7	.001[b]	.015	.988	.002	.997	1.003	.997
	DeM_8	-.053[b]	-.935	.352	-.095	.995	1.005	.995
	DeM_9	.017[b]	.300	.765	.030	.990	1.010	.990
	DeM_10	.070[b]	1.234	.220	.124	.999	1.001	.999
	DeM_11	.076[b]	1.353	.179	.136	.999	1.001	.999
	DeM_12	.051[b]	.908	.366	.092	.996	1.004	.996
	DeM_13	.007[b]	.115	.909	.012	.970	1.031	.970
a. Dependent Variable: Demo_marble								
b. Predictors in the Model: (Constant), DeM_2								

Collinearity Diagnostics[a]					
Model	Dimension	Eigenvalue	Condition Index	Variance Proportions	
				(Constant)	DeM_2
1	1	1.948	1.000	.03	.03
	2	.052	6.111	.97	.97
a. Dependent Variable: Demo_marble					

The summary of regression result revealed:

Adjusted R^2 value (The Accuracy of the Model) = 0.684 ANOVA F value (the Model Fitness Index) = 214.848 Sig. in ANOVA (Model fitness for Future) = .000 Constant = Demo_marble Variable Selected = DeM_2

Conclusion

The results with the value of adjusted R square 68.4 % reveals that for the dependent variable Marb_ind_sp one independent variable DeM_2 is showing Significant variable exists that can reflect the views on marble industry specific variables for Demonetisation impact on Indian Industry. The above stated alternative hypothesis is Accepted and the model is found fit with the Value of ANOVA 214.848 which is Significant ($p<0.05$). The variable Price of marble will be increased for consumers (DeM_2) is the variable that can reflect the views of Demonetisation impact on marble industry in Indian Industry.

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