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## **Impact Of Demonetisation And Gst On Construction Industry**

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### **Abstract**

It is a commonly known fact that the construction sector is the one where cash transactions play a pre dominant role. Even the educated people, prefer to do it more with liquid cash than by going in for explicit bank loans. The GST implementation is part of the government's tax reform programmed to increase the capability, effectiveness and transparency of tax ministration and management. Building materials and land acquisition costs are the major construction cost components which are affected due to demonetization and GST implementation. The main objective is to find out that the impact of demonetization and GST on construction industry in India. The questionnaire is prepared based on the factors obtained from the literature survey. The questionnaire consists of totally 30 questions. Questionnaire is distributed to various construction companies through mail and in personal. The collected questionnaire is analyzed by using SPSS (Statistical Package for Social Science). The top factors were ranked and suggestions were made for those factors.

**Key Words:** Demonetization, GST, Construction Industry, Varies factors and Cronbach's Alpha

## **1. INTRODUCTION**

It is a commonly known fact that the construction is the one where cash transactions play a pre dominant role. Even the educated people, prefer to do it more with liquid cash than by going in for explicit bank loans. The underlying reason is the actual value of the property can be undermined to the extent of cash payment and for loan purposes. Demonetization is the most important and necessary when there is a change of national currency. The old unit of currency replaced with new currency. Demonetization is the process where government declares the currently running currency notes illegal to be tender after the declaration is made. The introduction of goods and services tax (GST) aims to increase the government's revenue. The GST implementation is part of the government's tax reform programmed to increase the capability, effectiveness and transparency of tax administration and management.

## **2. OBJECTIVES OF THE STUDY**

- To find out that real estate segment is largely influenced by varies factors.
- To check the impact of demonetization and GST land sales and leasing.
- To use the time of supply in GST.
- To find out that expected rate of tax.

## **3. QUESTIONNAIRE OUTLINE**

The questionnaires are all classified into 2 sections:Section A: Company and respondent profile andSection B: Impacts of demonetization and GSTon construction industry.Based on the literatures and factors considered, a questionnaire was designed as a measurement tool for impacts. The thirty factors were adapted to measure impacts of demonetization and GST on construction industry. Also the respondents were asked to rate their level of argument according to 5 point scale (Likerts scale) according to level of contributing.

#### 4. DATA ANALYSIS

##### Ranking of factors

Questionnaire survey was conducted and factors are analyzed by using SPSS software and they are ranked based on mean. The inference made from questionnaire survey is discussed in the following table according to the priorities.

**Table no. - 1 Factors causing impacts of demonetization and GST on construction industry**

Factors	Numbers	Mean
Increase in price for end buyers	26	3.37
Total cost of construction gets increased	26	3.73
Increased in construction cost of new residential buildings	26	3.69
Land acquisition cost gets affected	26	3.54
Difficulty in payment through online transaction for unskilled labor	26	3.50
Major changes in gross cost of transaction	26	3.46
Difficulty in payment of employees	26	3.46
Increase in online transaction	26	3.42
Rise in price for housing to maintain profit and risk losses	26	3.42
Increase in property price in urban area	26	3.38
Decrease in bank loan interest rates	26	3.53
Increase in demand of material	26	3.31
Increase in price of building property	26	3.31
Government investment increases	26	3.23
Improved access to bank loans	26	3.23
Wiping out of small builders	26	3.23
Inflation of price of construction materials	26	3.19
Unskilled labour have lost job	26	3.19

Delay in procurement of materials	26	3.19
Difficulty in bill payment	26	3.19
Delay in payment of rent for Equipment	26	3.00
Decrease in productivity	26	2.96
Duplicate billing increases	26	2.96
Delay in labour payment	26	2.96
Fall in prices of buildings	26	2.96
Decrease in interest cost for house loans	26	2.92
Delay in completion of work	26	2.92
Decreases in property price in rural area	26	2.81
Delay in transportation of material	26	2.77
Fall in price of paint materials	26	2.54

**Table no. - 2 Top significant factors causing impacts of demonetization and GST on construction industry (In Personal)**

<b>Factors</b>	<b>Mean value</b>	<b>Rank</b>
Increase in price for end buyers	3.77	1
Total cost of construction gets increased	3.73	2
Increase construction cost of new residential buildings	3.69	3
Land acquisition cost gets affected	3.54	4
Difficulty in payment through online transaction for unskilled labor	3.50	5

**Table no. - 3 Top significant factors causing impacts of demonetization and GST on construction industry (Through online)**

Factors	Percentage	Rank
Increase in demand of material	22.22	1
Wiping out of small builders	22.22	2
Decrease in productivity	16.67	3
Difficulty in payment of employees	16.67	4
Unskilled labor have lost job	16.67	5

A reliability analysis can be done to establish that the experiment is reliable. This works only when the errors are uncorrelated. When errors are correlated, it might point to something deeper in the experiment which might be causing a problem. Such assumptions are important to note to fully appreciate the utility of statistical tools. Cronbach's alpha is the most common measure of internal consistency ("reliability"). It is most commonly used when you have multiple Likert questions in a survey/questionnaire that form a scale and you wish to determine if the scale is reliable.

Cronbach's alpha will generally increase as the inter correlations among test items increase, and is thus known as an internal consistency estimate of reliability of test scores. Because inter correlations among test items are maximized when all items measure the same construct, Cronbach's alpha is widely believed to indirectly indicate the degree to which a set of items measures a single uni-dimensional latent construct. It is easy to show, however, that tests with the same test length and variance, but different underlying factorial structures can result in the same values of Cronbach's alpha. Alpha treats any covariance among items as true-score variance, even if items covariance for spurious reasons.

A commonly accepted rule for describing internal consistency using Cronbach's alpha is as follows however, a greater number of items in the test can artificially inflate the value

of alpha and a sample with a narrow range can deflate it, so this rule should be used with caution.

**Table no. - 4 Cronbach's Alpha Consistency**

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent (HighStakes testing)
$0.7 \leq \alpha < 0.9$	Good (Low stakes testing)
$0.6 \leq \alpha < 0.7$	Acceptable
$0.5 \leq \alpha < 0.6$	Poor
$\alpha < 0.5$	Unacceptable

**Table no. – 5 Reliability statistics output**

Cronbach's alpha	Cronbach's alpha based on standardized items	No. of items
0.824 (Good)	0.824 (Good)	30

## V-CONCLUSION

A questionnaire based survey was conducted from owners, site engineers and contractors from various companies. Totally 45 responses were collected through online and personal. The analyzed by using SPSS based on the results the top factors which cause impact of demonetization and GST on construction industry, design changes by owner or his agent during construction, ineffective project planning and scheduling, shortage of labour, the top factors which impact of demonetization and GST on construction industry. Through personal, increase in price for end buyers, total cost of construction gets increased, increase in construction cost of new residential buildings, land acquisition cost gets affected, difficulty in payment through online transaction for unskilled labours with corresponding mean values 3.77,3.73,3.69,3.54 and 3.50 respectively. Through online increase in demand of material, wiping out of small builders, decrease in productivity, difficulty in payment of employees, unskilled labour have lost job corresponding percentage value 22.22,22.22,16.67,16.67 and 16.67 respectively .

## **5. SUGGESTIONS**

The following suggestion helps in avoiding impact of demonetization and GST on construction industry and it is based on the literatures and respondents feedbacks. The suggestions are made for the top factors causing delay in construction of demonetization and GST on construction industry.

### **Suggestions for impact of demonetization in construction industry**

The government could consider a few ways to help the sector and itself, with a focus on encouraging the developer to sell finished stock which is piled up in apartments, plots of developed layouts of residential property. A 'buyers' and 'sellers' tax on the cash component would encourage transactions in unsold stock without a substantial drop in prices.

- Resale or subsequent sale of property would be encouraged. This would provide some liquidity to individuals and traders in realty. Positives of this are a more active realty market and taxes raised by the government.
- Buyers and sellers should be allowed to do cash transaction within decent margin spreads, say 20 to-30% over and above the guidance value. And the system display transparency in transactions.
- The cash tax would encourage ordinary "clean" people to overcome current challenges without jeopardizing their ethics, positive intentions and industry.

### **Suggestions for GST impact of demonetization in construction industry**

Transferring all the cost increment to the end buyers is the priority decision among all of the developers. However such a measure will result in an increment of the housing property prices and thus is unadvisable. The initiative of using in-house sources which is recommended by MCT Executive Director is not an effective solution to soften the GST impact either as professional soft costs are just a small portion in a project.

However, such small portioned savings can help an organization to allocate their resources onto other operational fields. On the other hand, promotions such as giving discounts between 5-10% for those buyers who can pay their installments within a single payment is necessary in order to push up sales rate although developers will still sustain some losses. Additionally, the late claiming issues can be overcome if an organization establishes a GST specialist department to handle all GST related issues. Although investment in a new department may be costly initially, however it can provide a positive return in the long run. The federal government needs to improve itself and cooperate with the developers to ensure that all related can benefit from this tax implementation.

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