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Sarth Publication
ANAND-388001

Published by

Sarth Publication

502, 5th Floor, Virani Chambers

Opp. Taskent Petrol Pump, Sardar Gunj Anand-388001

e-mail : Sarthpublication1978@gmail.com

M.: 09429252719, 09426583589

First Published (2020)

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ISBN : 978-93-89779-38-7

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Printed in India

Published by : Abhishek Dahaulia for Sarth Publication Anand & Typeset by Lucky Graphic Delhi & Printed at Vishal Kaushik Printers, Delhi-93.

Impact of Demonetizations and GST in Service Sector Industry of Gujarat

By
Hemraj Rana
P.hd Scholar
Veer Narmad South Gujarat University, Surat
Under the Guidance of
Dr. G M Butani
Principle, J P Shroff Arts College, Valsad

Abstract:

Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency. The current form of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency (Sundar, 2017). This paper deals with Impact of Demonetization and Goods and Service Tax (GST) on Service sector industry. It outlines the effects of demonetization and GST on the service sector agents, awareness among the customers of new business. For this purpose a sample of 130 was collected from the service sector employees of Gujarat State based on random sampling method. Descriptive statistics and Anova test were used to analyze the data. The conclusion is that demonetization and GST have a positive impact in service sector industry.

Key Words: Demonetizations, Good and Service Tax and Customers

1. INTRODUCTION

Demonetizations did last year on 8th November 2016 perhaps was the single most decision after independence that

affected every single person of India is it a politician, businessman, bureaucrat, laborers, housewife, child, etc. Demonetizations done by our honorable Prime Minister Narendra Modi ji with a very good intention to reduce corruption and black money from the economy bring transparency and greater formalization in the economy. This single most decision shook the economy for a while, and everybody debated on its impact on Indian economy, business and different sectors of the economy. Now the economy has come out of that sudden jerk of cash crunch and trying to be stabilized, so it is a pretty good time to have a look at the effects of this demonetization on our economy. Though it will take at least 5-6 years to get the complete results of this demonetization some short-term effects are quite visible. GST also known as the Goods and Services Tax is defined as the giant indirect tax structures designed to support and enhance the economic growth of a country. More than 150 countries have implemented GST so far. However, the idea of GST in India was mooted by Vajpayee government in 2000 and the constitutional amendment for the same was passed by the Loksabha on 6th May 2015 but is yet to be ratified by the Rajyasabha. However, there is a huge hue and cry against its implementation. It would be interesting to understand why this proposed GST regime may hamper the growth and development of the country.

I. RESEARCH GAP

The information was considered only secondary data and no primary data was collected from the customers and other departments related to service sector.

II. THEORETICAL FRAMEWORK

The demonetization and GST have a great significant and immediate impact on the state of the Indian economy. In this research paper, an attempt has been made to find out that impact of demonetization and GST on service sector industry. Samples of 130 respondents randomly selected from Gujarat State. The study was conducted on selected service sector.

III. HYPOTHESIS

H01: There is no influence of demonetization and GST in business of service sector customers.

H02: There is no significant relationship between attitude of customers and GST.

IV. OBJECTIVES OF THE STUDY

1. To analyze the effect of demonetization in service sector industry in terms of positive or negative.
2. To understand about people's attitude towards industry.
3. To analyze the impact on job of employee in industry.
4. To analyze the growth of service sector.
5. RESEARCH METHODOLOGY

Research methodology is a way to systematically solve the research problem. Research methodology used in this study is Descriptive in nature. For this study, the data and information has been collected sampling unit. Sampling unit can be defined as the basic unit containing the service industry officials of Gujarat.

1.SAMPLING SIZE

In this research, the sample size amount to one hundred and thirty, which are surveyed from service industry officials of Gujarat and also, the statistical tool are applied viz.

(a) Descriptive statistics

(b) Anova Test

2. DATA COLLECTION

Data has been collected from 130 respondents by using secondary source of data collection. Data has been collected from journals, newspapers, magazines and websites.

3.DATA ANALYSIS:

Table no. - 1 Descriptive Statistics

	N	Mean	Std Deviation
New Business Performance	60	2.10	1.003

Income earning	60	2.10	1.003
Security of business	60	1.82	.537
Area of work	60	1.67	.629
Valid N (listwise)	60		

The above data shows the impact of demonetization and GST in business of customers. Demonetization and GST have a positive impact in the business of customers. The business of service industry customers flourished compared to the sales before demonetization and GST. Customers were investing the service industry leading to the growth of business of customers. Customers were focusing on the provide the services.

Table no. - 2
Descriptive Statistics

	N	Mean	Std Deviation.
Change in profession	60	3.38	1.692
Suggestion of agency	60	2.52	1.443
Training	60	3.53	1.665
Customer aware of increase in service	60	3.35	1.068
Valid N (listwise)	60	4.33	

From the above table we can understand that the service industry has increased after implementation of demonetization and GST. Sealing have increased. Customer response towards the service industry is slightly affected because of the increase in amount. Future of service industry will be good as new service were introduced according to the current market scenario.

Table no. - 3
Descriptive Statistics

	N	Mean	Std Deviation.
Interest in service come down	50	2.62	1.398
Service industry is badly affected	50	2.62	1.398
Aware of increase in amount due to GST	50	3.90	1.233
Convincing customers	50	3.32	1.421
Future of service industry business will be good	50	3.32	1.421
Valid N (listwise)	50		

Service industry is slightly affected by the implementation of demonetization and GST. As there is an increase in the price due to GST, some customers are not willing to buy product. Most of the customers are aware about the increase in price. Providers were able to convince the customers to an extent. New products are introduced to cope up with current market scenario, so that the future of service industry will be good.

Table no. – 4
ANOVA

A	Sum of Squares	Df	Mean Squar e	F	Sig.
New- Business- Performance	24.205	2	12.102	16.900	.000
Between Groups					
Within groups	35.195	57	.617		
Total	59.400	59			

Income- earning between groups	24.205	2	12.102	16.900	.000
Within groups	35.195	57	.617		
Total	59.400	59			

As the significance level .000 is less than .05 null hypotheses are not accepted. There is influence of demonetization and GST in job of service industry. Income earning of owners has changed due to demonetization and GST. Owners focusing on high income earning customers have a positive impact whereas owners focusing on low income earning customers have negative impact. The amount of commission service providers receive has changed. Providers who are affected have a fear of job loss.

Table no. -5

Aware of increase in price due to GST

	Sum of Squares df	Df	Mean Square	F	Sig.
Between groups	20.998	4	5.247	4.412	.004
Within groups	53.512	45	1.189		
Total	74.500	49			

Null hypothesis is not accepted as the significance level is .004 less than .05. So there is significant relationship between attitude of customers and GST. The prices of product of service industry have increased by 3%. Therefore some customers are not interested in buying product.

1. FINDINGS

Service industry is positively affected after the implementation of demonetization and GST. Sale of product has increased as the customers wants to invest money in bulk. Thereby there is an increase in growth of business. Providers dealing with products customers have a positive impact as their commission rates were increased compared to sales before demonetization and GST. Providers dealing with middle and

low income earning customers were slightly affected as there is an increase in the product amount some customers were not willing to purchase product. So the commission of those providers decreased. In order to increase the service industry sale, new service have introduced according to the current market scenario. Rural areas are slightly affected because most of the customers are middle or low income earners.

2. LIMITATIONS

There may be a bias in collection of secondary data towards the research. The research was conducted in Gujarat state region only. The data collected from the respondents were limited to 130.

3. CONCLUSION

The service industry will expand an income of the individual and business is expected to rise. As of now the implementation of demonetization and GST have a positive impact in service industry. The sales of service industry are much higher compared to the sales before demonetization and GST. There is also a positive impact in the business of service providers. Future of the service industry will be good as new products were introduced to cope up with the current market situation.

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