

Effect of Demonetisation on Tourism Industry in Rajasthan

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ABSTRACT

'Padharo mhare desh' the slogan adopted by Rajasthan tourism attracting tourism to the state on account of its historical forts, palaces, art and culture. The state enjoys benefits of being a part of golden triangle. Rajasthan stands out to be one of the most popular destinations in the country being visited by every third foreign tourist visiting India. Tourism industry is estimated to contribute eight percent of the state domestic product. It has helped increase foreign earnings to the state and generating employment in hospitality sector. The state is a blend of beauty and historicity. The major tourist attractions that have made Rajasthan popular among tourists are its magnificent forts and palaces, fairs and festivals, desert safari, sunset at the dunes, delicious cuisine.

8 nova, 2016 marked a remarkable day in the history of India when the government of India announced demonetisation of Rs. 500 and Rs. 1000 notes. The sudden announcement stood to create significant disruption throughout the economy, threatening the economic output. It stood to put a stake to tourism industry. Travel and tourism industry presently stands as one of the largest service industry contributing to the GDP as well as foreign exchange earnings of the country. The industry faced a major effect of demonetisation as it is being coinciding with the peak season. The paper stands to analyse the positive as well as negative impacts emerging out of demonetisation policy as announced by the govt of India.

The paper makes efforts to analyse the implementation and effects of demonetisation on tourism industry in the state. The results are concluded based on survey method and interaction with small to medium tour and travel owners, artisans, local people etc.

Keywords

Impact on economy, positive impacts, negative impacts, tourism industry, demonetization

INTRODUCTION

Demonetizing of higher currency notes came as a major setback to the entire nation. The currency comprising Rs. 500 and Rs. 1000 were demonetized by Indian government which stood as a major change in the economic environment. The currency was denied legal tender from the 9 November 2016 providing the citizens a time limit up to 30 December, 2016 to exchange their notes. The major step by the government rendered 86% of its currency dead.

The step was initiated to pave way for cashless economy by putting a break to cash transactions. The move caused uncertainty and troubles to the huge masses of the nation specially affecting lower section of the economy. The more affected section comprised of general to common man and all sectors of business, but especially smaller businesses such as provision stores, vegetable vendors, hotels, tour and travel, tourist guides, restaurants and food and beverage operations etc. which run their business on the basis of daily cash transactions. Rajasthan is the land known for its rich cultural heritage, hospitality attracting tourism from all over the globe. It provides a variety of tourism ranging from religious, medical, business, spiritual to sports. The state stands to be a major attraction to tourists despite of demonitisation as imposed by government. The tourism sector is expected to suffer on account of demonetization.

REVIEW OF LITERATURE

An article by PTI in the Indian express, stated demonetization to adversely affect the tourism industry as it being introduced in peak season. The challenges faced by the travelers in currency exchange especially foreigners, paying for tips and shopping, though travelers in organized trips were not affected much on account of advance bookings.

Sonia Sakshigirdhar (2017), the study highlighted the impact of demonetization to stand parallel to peak season

of tourism. The premium hotel segment did not suffer on account of advance bookings and online transactions. The early weeks were tough.

Anju Lopez (2017), in this article the policy was posed to be favorable to foreign travelers, discouraging malpractice of charging exorbitant rates. The article brought out the positive as well negative after affects of demonetization. The challenges faced by restaurants and hotels, foreign travelers, decreased tourism in initial days.

Jasdeep Kaur, Megha Munjal Sharma, Sarabjeet Kaur (2017), stated in their paper demonetization effect on Indian economy. They concluded their findings as demonetization to be a temporary phase that came as a sudden shock. The success level may be analysed in long term. The banks played vital role and found net growth in their deposits.

Sourabh Dev Tiwari (2017) also stated the small to medium tour and travel and hotel business to be severely affected. The move is positive to Banking, Financial markets, E-Commerce, Pharmaceuticals, etc. negative impact on sectors like Real estate, Tourism and Hospitality, Automobiles, NBFC's and HFC's, jewellery, etc. and neutral impact on Power, Telecom, Oil and Gas, etc.

Shyju P J (2017), concluded demonetization as a short term impact on all business organisations, and also the smaller organisations were affected badly with comparison to large scale organisations. Digital transactions increased.

Dr. K Sailatha, Shruti. R (2017), also concluded the small hotel businesses to be severely affected by the move.

Dr. S. Balamurugan and B. K. Hemalatha, in their findings concluded that medium and large scale business is unaffected and on contrary many small size commercial establishments are deeply affected by such move.

NEED FOR STUDY

The review of literature as analysed reveals that studies have been initiated on basis of secondary data to understand the after effects of demonetization on various sectors comprising public, private, corruption, service sector, stock market etc. the studies stand to bring varies positive as well as negative impacts of demonetization on various sectors. The study is conducted to analyse the views and opinions as well sufferings of small to medium tour and travel and hotel business the hurdles and challenges faced during the period.

TOURISM CONTRIBUTION TO THE ECONOMY OF THE STATE

Demonetization effects

Strengths	Challenges
<ul style="list-style-type: none"> • To encourage cashless transactions • To curb, to put an end to black money • To discourage terrorism • To control crime rate • To implement increase use of digital currency • To stop counterfeit currency coming across borders 	<ul style="list-style-type: none"> • To fix ATM Machines on time • Sudden shortage of cash • Poor channelization and distribution of cash • Ignorance of rural areas • Lower sector business suffered a huge loss • Weddings suffered a major halt • Travel and tourism industry suffered on account of insufficient currency • Worstly affected sector was which did not use plastic money earlier • Day to day activities, local markets were affected. • Prominent distress and violence amongst public on account of unavailability of currency.

The varied Modes of payment in demonetization as listed below:

1. Aadhar cards
2. IMPS
3. RTGS
4. Mobile banking
5. Net banking
6. Debit and credit cards
7. UPI
8. NEFT
9. E-wallet
10. USSD

OBJECTIVES

1. To assess the effect of demonetization on tourist inflow to the state

2. To assess the challenges and problems faced by the tourist on account of demonetization.
3. To analyse the challenges faced by tourism industry in the state

Analysis of responses by small to medium tour and travel business owners, artisans, local people

Appreciated demonetization so as to put a check on corruption, black money

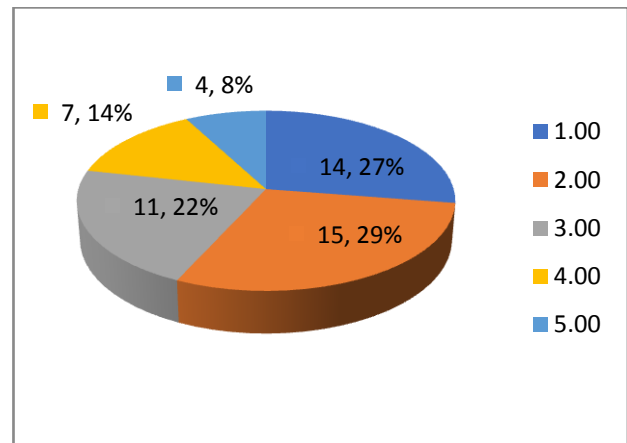
HYPOTHESIS

H0 There is positive impact of demonetization on economy of the nation

H01 There is negative impact of demonetization on economy of the nation

H0 There is positive impact of demonetization on tourist inflow to the state

H02 There is negative impact of demonetization on tourist inflow to the state

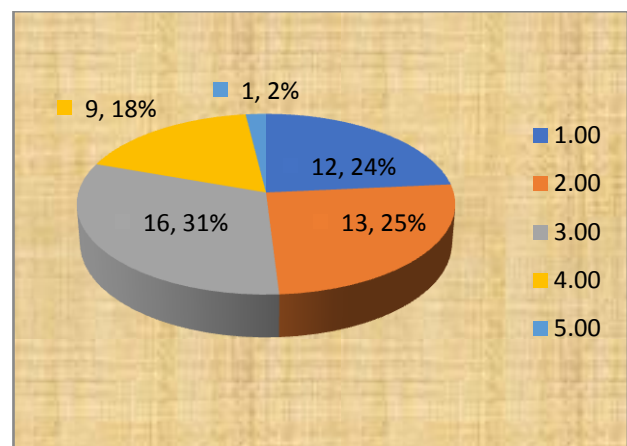


Going cashless will benefit the economy of the country

METHODOLOGY

The study is conducted based on data primary as well as secondary. The data extracted helped better understand the concept of demonetization and to interpret the existing review of literature. 50 respondents were selected from major cities (jodhpur, Jaipur, Jaisalmer, Udaipur, Bikaner) of the state. The respondents were surveyed so as to collect their opinion about the effects of demonetization comprising positive as well as negative effects.

Foreign exchange earnings from tourism in Rajasthan during 2015, 2016 and 2017

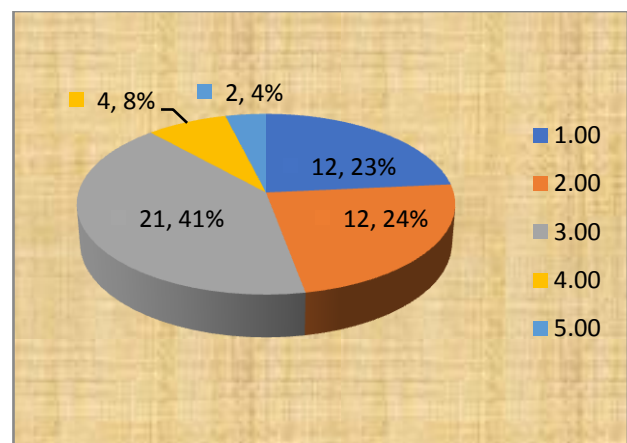


Going cashless will benefit the economy of the country

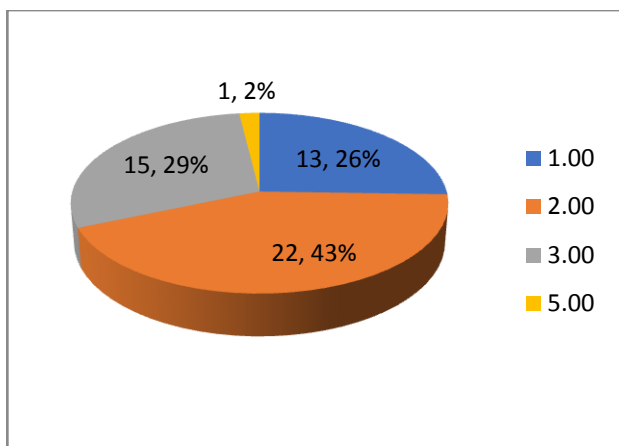
DATA ANALYSIS

Descriptive statistics containing mean, standard deviation and inferential statistics containing Pearson Correlation, ANOVA test using Statistical Package for Social Sciences (SPSS) were used in data processing. The dependent and independent variables were calculated with the aid of Microsoft Excel software. The variables were then exported into SPSS software where Pearson correlation coefficient was used to measure the relationship between explained and explanatory variables.

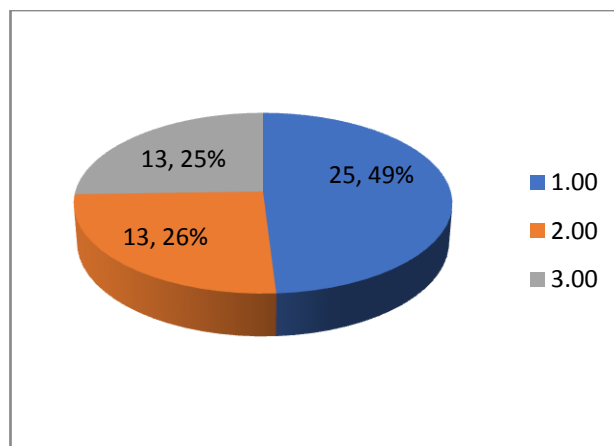
Correlation matrix was used to test the hypotheses between capital structure and financial performance. Also significance level was used to depict significance of the correlation between the variables instead of student's T test,. H₀ (null hypothesis) is rejected when the significance level is less than 5%



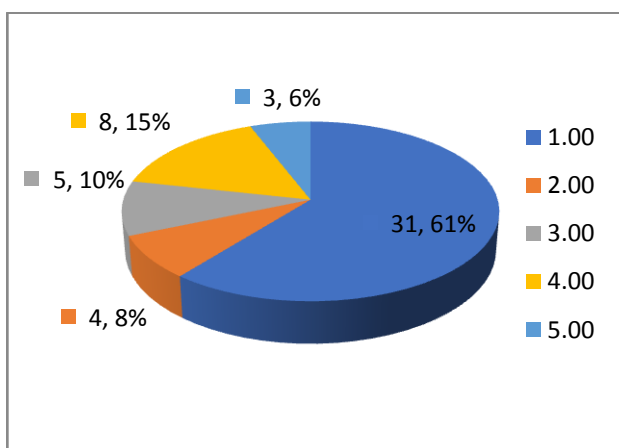
The policy will stand favourable to the nation



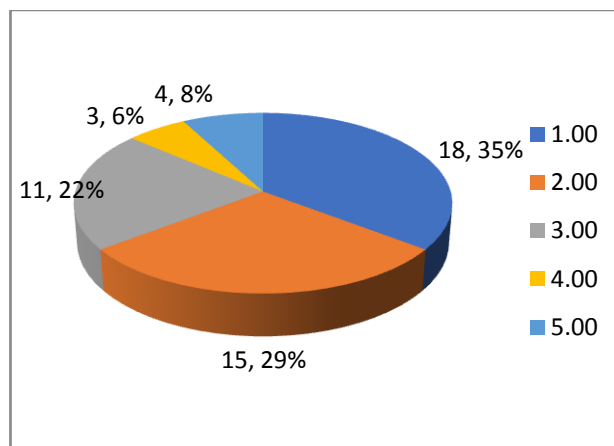
The sudden announcement proved problematic to the masses



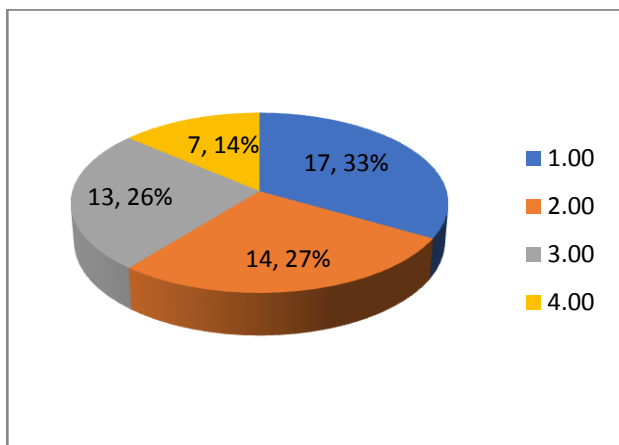
It adversely affected the tourism sector



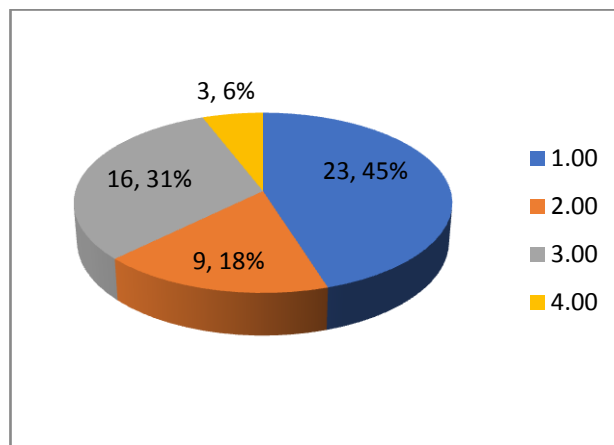
Was it a wise decision?



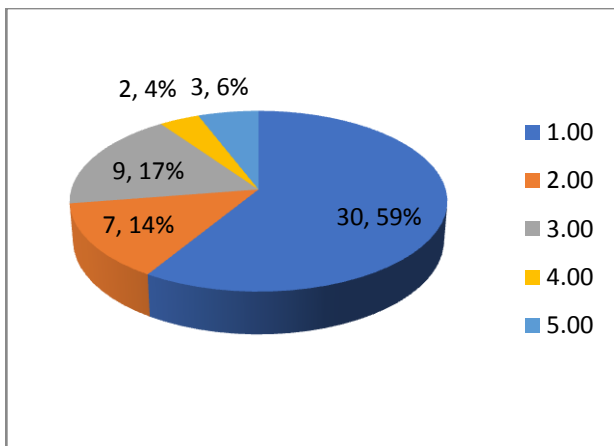
Hotel industry suffered on account on demonetization policy



Exchanging currency was problematic to the tourism inflow



Local artisans, tour operators suffered losses due to policy



Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
VAR00001	51	1.00	5.00	2.4510	1.25401
VAR00002	51	1.00	5.00	2.4902	1.10223
VAR00003	51	1.00	5.00	2.4510	1.06421
VAR00004	51	1.00	5.00	2.0980	.85452
VAR00005	51	1.00	5.00	1.9804	1.37826
VAR00006	51	1.00	4.00	2.1961	1.05867
VAR00007	51	1.00	3.00	1.7647	.83877
VAR00008	51	1.00	5.00	2.2157	1.22170
VAR00009	51	1.00	4.00	1.9804	1.00976
VAR00010	51	1.00	5.00	1.8431	1.20619
Valid N (list wise)	51				

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
VAR00001	Between Groups	16.425	4	4.106	3.037	.026
	Within Groups	62.202	46	1.352		
	Total	78.627	50			
VAR00002	Between Groups	15.519	4	3.880	3.946	.008
	Within Groups	45.226	46	.983		
	Total	60.745	50			
VAR00004	Between Groups	4.343	4	1.086	1.553	.203
	Within Groups	32.167	46	.699		
	Total	36.510	50			
VAR00005	Between Groups	24.778	4	6.195	4.059	.007
	Within Groups	70.202	46	1.526		
	Total	94.980	50			
VAR00006	Between Groups	11.468	4	2.867	2.959	.029
	Within Groups	44.571	46	.969		
	Total	56.039	50			
VAR00007	Between Groups	7.307	4	1.827	3.015	.027
	Within Groups	27.869	46	.606		
	Total	35.176	50			

Most of the factor found less than .005. So null hypothesis will reject and alternative hypothesis will accepted. Result show that there is negative impact of demonetization on economy of the nation.

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
VAR00008	Between Groups	18.235	4	4.559	3.719	.011
	Within Groups	56.393	46	1.226		
	Total	74.627	50			
VAR00009	Between Groups	5.695	4	1.424	1.446	.234
	Within Groups	45.286	46	.984		
	Total	50.980	50			
VAR00010	Between Groups	25.209	4	6.302	6.099	.001
	Within Groups	47.536	46	1.033		
	Total	72.745	50			

Most of the factor found less than .005. It means difference is significant. So null hypothesis will reject and alternative hypothesis will accepted. Result show that there is negative impact of demonetization on tourism inflow.

Correlations

	VAR 00001	VAR 00002	VAR 00003	VAR 00004	VAR 00005	VAR 00006	VAR 00007	VAR 00008	VAR 00009	VAR 00010
VAR00001 Pearson Correlation	1	-.047	.234	-.005	.584**	.007	.255	.601**	.039	.537**
VAR00001 Sig. (2-tailed)		.741	.098	.974	.000	.959	.071	.000	.787	.000
VAR00001 N	51	51	51	51	51	51	51	51	51	51
VAR00002 Pearson Correlation	-.047	1	.029	.012	.138	-.153	.322*	-.050	.224	-.167
VAR00002 Sig. (2-tailed)	.741		.838	.935	.334	.285	.021	.726	.113	.242
VAR00002 N	51	51	51	51	51	51	51	51	51	51
VAR00003 Pearson Correlation	.234	.029	1	.192	.320*	.204	.099	.154	.250	.119
VAR00003 Sig. (2-tailed)	.098	.838		.176	.022	.151	.490	.279	.076	.407
VAR00003 N	51	51	51	51	51	51	51	51	51	51
VAR00004 Pearson Correlation	-.005	.012	.192	1	.256	-.088	.256	.018	.188	.170
VAR00004 Sig. (2-tailed)	.974	.935	.176		.069	.539	.070	.902	.187	.232
VAR00004 N	51	51	51	51	51	51	51	51	51	51
VAR00005 Pearson Correlation	.584**	.138	.320*	.256	1	.112	.152	.691**	.330*	.564**
VAR00005 Sig. (2-tailed)	.000	.334	.022	.069		.433	.288	.000	.018	.000
VAR00005 N	51	51	51	51	51	51	51	51	51	51
VAR00006 Pearson Correlation	.007	-.153	.204	-.088	.112	1	-.015	-.064	-.090	-.007
VAR00006 Sig. (2-tailed)	.959	.285	.151	.539	.433		.919	.654	.531	.962
VAR00006 N	51	51	51	51	51	51	51	51	51	51
VAR00007 Pearson Correlation	.255	.322*	.099	.256	.152	-.015	1	.051	.301*	.042
VAR00007 Sig. (2-tailed)	.071	.021	.490	.070	.288	.919		.725	.032	.771
VAR00007 N	51	51	51	51	51	51	51	51	51	51
VAR00008 Pearson Correlation	.601**	-.050	.154	.018	.691**	-.064	.051	1	.166	.580**
VAR00008 Sig. (2-tailed)	.000	.726	.279	.902	.000	.654	.725		.245	.000
VAR00008 N	51	51	51	51	51	51	51	51	51	51
VAR00009 Pearson Correlation	.039	.224	.250	.188	.330*	-.090	.301*	.166	1	.063
VAR00009 Sig. (2-tailed)	.787	.113	.076	.187	.018	.531	.032	.245		.660
VAR00009 N	51	51	51	51	51	51	51	51	51	51
VAR00010 Pearson Correlation	.537**	-.167	.119	.170	.564**	-.007	.042	.580**	.063	1
VAR00010 Sig. (2-tailed)	.000	.242	.407	.232	.000	.962	.771	.000	.660	
VAR00010 N	51	51	51	51	51	51	51	51	51	51

** . Correlation is significant at the 0.01 level (2-tailed).
 * . Correlation is significant at the 0.05 level (2-tailed).

Results show that there is negative relation between various factors of economy growth and demonetization.

Problems and challenges FACED ON ACCOUNT OF DEMONETISATION

1. The tourists faced basic problems like paying for bills, tickets, shopping and change
2. Inefficiency of tourists to make payments where plastic money in not accepted
3. The marriage venues faced problem as inability of the parties to make for payment on account of insufficient availability of cash
4. Costly items and those coming under luxury items suffered the unwilling buyers generated from scarce currency
5. Wastage of time on account of standing in queues to exchange currency
6. No proper money being distributed to ATM's.
7. Lack of awareness in rural area regarding use of plastic money
8. It proved challenging to people who do not use smart phones and those who presume online transactions unsafe.

9. Long waiting hours and queues outside banks
10. Non availability of sufficient cash in circulation
11. Limited currency of Rs.4000 to be exchanged at a time
12. Non availability of change in return for new currency of Rs. 2000.

LIMITATIONS

The study is limited to geographical area of the state analyzing the effect of demonetization on tourism in the state. The study is limited to the respondents taken out randomly for the survey; the results may vary with respondents. The response and views of the masses will change with time and sufficient availability of cash. The tourism industry will take some time to overcome the demonetization impact.

CONCLUSION

Demonetization has impacted a major part of society in every aspect. The policy has impacted the varied sectors ranging from real estate to tourism to travelling, weddings, small hotels etc. the owners of tours and travel and hotel accept that the situation is not favourable presently and presume that situation will improve with time. They presume that policy impacts will change in long run as they are already using online transactions and plastic money. The step initiated by the government to check black money, smuggling, counterfeit notes, corruption and terrorism. The sectors contribution to the economy of the state is also appreciable which is likely to suffer on account of sudden introduction of demonetization policy. The success level of the policy will be assessable in long run. Overall in short term demonetization remained failure with adversely affected the tourism inflow as well as economy but it can be said a strong and successful tool for economy growth in long term in future.

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