



IMPACT ON DEMONETISATION WITH REFERENCE TO EXPORT

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Abstract

Indian Government announced the demonetization in 08th November 2016, 8 pm.. It is one of the historic reforms of the Indian economy. The government's decision to ban the use of old Rs 1,000 and Rs 500 currency notes is expected to impact adversely the growth of export-import (EXIM) trade. Since our economy is heavily dependent on cash, as only less than half of the population uses a banking system for monetary transactions, demonetization has hit trade and consumption hard. With people scrambling for cash to pay for goods and services, the move is likely to take a big toll on the country's growth and output during the current fiscal. Growth of any Country depends upon its Export Import Trade. Indeed, it is very crucial for India too. Especially after demonetization the Exports have slowed down due to currency crunch. True to its core that instability in the Exports leads to inflation and that in turn leads to an uncertainty of internal purchasing power and an unstable economy. 8th November 2016 marked in history when India announced demonetization of its large currencies India's import and export business is hugely affected by the recent and shocking announcement of demonetization.

Introduction

India is the 16th largest export economy in the world and the 49th most complex economy according to the Economic Complexity Index (ECI). India Exports and Imports goods on a grand scale and that trend are growing every year as their population and level of technological sophistication increase. Every country engages in the importation of products that they need and want from other nation and they in turn export the products and raw materials that they have in abundance for financial gain. In the Indian Government announced the demonetization in 08th November 2016, 8 pm. It is one of the historical reforms of the Indian economy. Government's decision to ban use of old Rs 1,000 and Rs 500 currency notes is expected to impact adversely the growth of export-import (EXIM) trade. India's EXIM growth in the fourth quarter (October-December) to be slower than third, as a result of the demonetization exercise undertaken by the government in November this year," the global containerized division.

Since our economy is heavily dependent on cash, as only less than half of the population uses banking system for monetary transactions, demonetization has hit trade and consumption hard. With people scrambling for cash to pay for goods and services, the move is likely to take a big toll on the country's growth and output during the current fiscal. Growth of any Country depends up on its Export Import Trade. Indeed it is very crucial for India too. Especially after demonetization the Exports have slowed down due to currency crunch. True to its core that instability in the Exports leads to inflation and that in turn leads to an uncertainty of internal purchasing power and unstable economy. 8th November 2016 marked in history when India announced demonetization of its large currencies India's import and export business is hugely affected by the recent and shocking announcement of demonetization. The Foreign Trade industry is suffering in the aftershocks and shall continue to suffer for a further period, though for limited time.

However the influx of money from the black market shall certainly improve to beneficial in the long run for Export Import Trade. The fact lies at the moment that plunge in money supply with overflowing bank deposits ring an alarm in consumption demands, means decline in imports. The Indian Government has always paid incentives and promoted Export with easy policies. Nonetheless the Exports market is taking a toll at the moment. Make in India projects need easy flow of currency for manufacturing, hence the Import and Export both trade have got their bottlenecks. This has changed the algorithm in today's economical situation. However stable exchange rate is an idle situation as Volatility vitiates the Trade for India.

India imports and exports goods on a grand scale, and that trend is growing every year as their population and level of technological sophistication increases. Every country engages in the importation of products that they need and want from other nations and they in turn export the products and raw materials that they have in abundance for financial gain.

Exports last grew at a brisk pace of 21.8% in 2011-12, but shipments were down in three out of four years till 2015-16. Analysts point to statistical base effect and said such high growth cannot be sustained. "It is an outlier. Such exports growth is unlikely to sustain. The current account deficit to widen to 1.3% of GDP in 2016-17," .The scrapping of high value notes worth Rs 15.44 lakh crore in November last year hurt cash-dependent small firms, which contribute nearly 40% of exports. A revival of growth in developed economies and surge in commodity prices in the second half of 2016-17, boosted Indian shipment even though the rupee was firm against the dollar.



Importance of the Study

India's import and export business is highly changed by the recent and shocking announcement of demonetisation. In Export and Import is helped in the growth of Indian economy. Export and Import has changed in the today's economical situation. The centre and the state government would both stand to gain. The economy would also be serviced by both cash and highly digitized transaction. The efficiency of demonetisation in containing the menace has also come into serious questioning. Now remains the cashless economy argument to support the move. Their exaggerated claims on the disruption of the economy have proved wrong. It is a tragedy that a national decided to adopt a political position, opposing technology, change and reforms. It sided with black money friendly status quo. The size of banking transaction and consequently of the economy is bound to increased. In the medium and long run, the GDP would be bigger and cleaner. Money entering into the banking system and officially transacted would give an ample scope for higher taxation both direct and indirect.

Statement of the Problem

The demonetisation of currency has created quite a few problems for this export in selected sectors. The export and import face some problems such as transport expenses, government duties and logistics expenses, managed by bureaucrats who lack the vision for the Indian economy. They do not have the requisite experience and understanding of the sector. In this study an attempt to analysis the impact on demonetisation about export sector . So the researcher attempt that to analysis growth rate and comparative analysis and relationship between the export and import in India.

Scope of the Study

The present study is undertaken to discuss the impact of demonetisation in export and import performance of Indian economy. It aims at analyzing the selected sectors in India export and import. This performance is also evaluated by using growth rate of the export and import value. The studies are analysis for the period of before demonetisation (July2016-October 2016) and after demonetisation (November 2016-February 2017).

Methodology

The study is empirical in nature and executed using the data published by the export and import in India. The research study is solely based on secondary data. The values of export and import data related to selected sectors in India were collected from the website and the monthly report of selected sectors. Besides the research has referred from the International Journals, International Trade council, Directorate General of Commercial Intelligence & Statistics, Newspapers like Economic Times, the Hindu are also referred to.

Period of the Study

The present study covers a period of before demonetisation (July2016-October 2016) and after demonetisation (November 2016-February2017).

Sampling Design

A sample of five sectors has been selected on the basis of availability of data and also these five sectors are the main commodity wise export in India.

The following export and import sectors have been selected for the study

1. Agriculture and allied sector
2. Manufacturing sector
3. Metal and Precious sector
4. Chemical and Pharmaceutical sector
5. Other sector

Export before Demonetisation of Currency

The table 1 shows the value of Export in before demonetization by the selected five sectors such as Agriculture and allied, Manufacturing, Metals & Precious, Chemical & Pharmaceutical and Others sectors for the period of July 2016 to October 2016.



Table 1: Export Before Demonetization [Value: Us Dollar Thousand]

SECTORS	July	August	September	October
Agriculture & Allied	984734	1083143	1157116	1298651
Manufacture	8526308	8270072	8306728	8457357
Metals & Precious	3808711	4100017	4964954	4815845
Chemicals & Pharmaceuticals	2634142	2533365	2605331	2657882
Others	1536182	1462243	1431147	1498275
Total	17490077	17448840	18465276	18728010
Mean	3498015	3489768	3693055.2	3745602
SD	3012138	2917238.4	2984713.7	2918913.7
C.V	86.11	83.59	80.82	76.61

Source: Computed

The Export value of before demonetisation in the month of July 2016 is 17490077 and next three month the export values are increased October 2016 is 18728010.

Test of Hypothesis

The table gives the relevant details whether the export value in before demonetisation..For the period of July 2016 to October 2016.One way ANOVA was used.

Table 2: ANOVA-Before Demonetisation [Value: Us Dollar Thousand]

Source of Variation	Sum of Square	Degrees of freedom	Mean Square	F-Ratio	Sig.
Between Groups	2.61E+11	3	8.71E+10	0.009	0.99
Within Groups	1.42E+14	16	8.85E+12		
Total	1.42E+14	19			

Source: Computed

Result: The significance value is 0.99.since the calculated value is more than table value, so the null hypothesis is rejected.

Export Value - After Demonetisation of Currency

The table 3 shows the value of Export in after demonetization by the selected five sectors such as Agriculture and allied, Manufacturing, Metals & Precious, Chemical & Pharmaceutical and Others sectors for the period of November 2016 to February 2017.

Table 3: Export After Demonetization [Value: Us Dollar Thousand]

SECTORS	Nov	Dec	Jan	Feb
Agriculture & Allied	5880804	5697129	5230578	5183737
Manufacture	8024183	9502429	9297400	10235922
Metals & Precious	2989446	3773004	3519047	4569089
Chemicals & Pharmaceuticals	2392841	3079549	2512397	2772481
Others	1200977	1502094	1341860	1480443
Total	20488251	23554205	21901282	24241672
Mean	4097650.2	4710841	4380256.4	4848334.4
SD	2789377.3	3072815.8	3096925.1	3349195.2
C.V	68.07	65.23	70.70	69.08

Source: Computed



The Export value of before demonetisation in the month of November 2016 is 20488251 and next three month the export values are increased February 2017 is 24241672.

Test of Hypothesis

The table gives the relevant details whether the export value after demonetisation period. For the period of November 2016 to February 2017. One way ANOVA was used.

Table 4 ANOVA- After Demonetisation

Source of Variation	Sum of Square	Degrees of freedom	Mean Square	F-Ratio	Sig.
Between Groups	1.71E+12	3	5.69E+11	0.0598	0.98
Within Groups	1.52E+14	16	9.51E+12		
Total	1.54E+14	19			

Source: Computed

Result: The significance value is 0.98. Since the calculated value is more than table value, so the null hypothesis is rejected.

Co-Efficient of Variance

The researchers compare the performance of export value by using statistical tool of co-efficient of variance. It is used to compare the performance of the export value in before and after demonetisation of currency.

$$C.V = SD / Mean * 100$$

Calculation of T-Test in Export

T-Test for Agriculture and Allied Sectors in Export

Null Hypothesis: There is no significant relationship between before and after demonetisation in agriculture and allied sector.

Table 5 before and After Demonetisation in Export from July 2016-Feb 2017

Value: US Dollar thousand

Period	Before Demonetisation	After Demonetisation
July-Nov	984734	5880804
August-Dec	1083143	5697129
Sep-Jun	1157116	5230578
October-Feb	1298651	5183737

T-Test paired two samples for Mean Before and after demonetisation in Agriculture and Allied sector.

Mean	-4367151
SD	468800.8
Std Error Mean	234400.4
Hypothesis Mean difference	0.05
Df	3
T stat	-18.6

Source: Computed

Result

Comparing the calculated value of 't' (-18.6) with table value of 't' for degrees of freedom=(4-1)=3, and 5% level of significance (.000) two tail test, it is clear that the calculated value of 't' is less than that the table value, so, the null hypothesis is accepted.



T-Test for Manufacturing Sectors in Export

Null Hypothesis: There is no significant relationship between before and after demonetisation in Manufacture sector

Table 6: Before and After Demonetisation in Export from July2016-Feb2017

Value: US Dollar thousand

Period	Before	After
July-Nov	8526308	8024183
August-Dec	8270072	9502429
Sep-Jun	8306728	9297400
October-Feb	8457357	10235922

T-Test paired two sample for Mean Before and After demonetisation in Manufacture sector

Mean	-874867.3
SD	975360.9
Std Error Mean	487680.5
Hypothesis Mean difference	0.05
Df	3
T stat	-1.794

Source: Computed

Result: Comparing the calculated value of 't' (-1.794) with table value of 't' for degrees of freedom=(4-1)=3, and 5% level of significance (.171) two tail test, it is clear that the calculated value of 't' is more than that the table value. so, the null hypothesis is rejected.

T-Test for Metals and Precious Sectors in Export

Null Hypothesis: There is no significant relationship between before and after demonetisation in metals and precious sectors

Table 7 Before and After Demonetisation in Export from July2016-Feb2017

Value: US Dollar thousand

Period	Before	After
July-Nov	3808711	2989446
August-Dec	4100017	3773004
Sep-Jun	4964954	3519047
October-Feb	4815845	4569089

Source: Computed

T-Test paired two samples for Mean Before and after demonetisation in Metals and Precious sector

Mean	709735.3
SD	342371.3
Std Error Mean	171185.7
Hypothesis Mean difference	0.05
Df	3
T stat	-0.477

Source: Computed

Result: Comparing the calculated value of 't' (-2.571) with table value of 't' for degrees of freedom=(4-1)=3, and 5% level of significance (.082) two tail test, it is clear that the calculated value of 't' is more than that the table. So the null hypothesis is rejected.



Test for Chemical and Pharmaceuticals Sectors in Export

Null Hypothesis: There is no significant relationship between before and after demonetisation in chemical and pharmaceutical sectors.

Table 8: Before and After Demonetisation in Export from July2016-Feb2017
Value: US Dollar thousand

Period	Before	After
July-Nov	2634142	2392841
August-Dec	2533365	3079549
Sep-Jun	2605331	2512397
October-Feb	2657882	2772481

T-Test paired two samples for Mean Before and after demonetisation in chemical and pharmaceutical sector.

Mean	-81637
SD	342371.3
Std Error Mean	171185
Hypothesis Mean difference	0.05
Df	3
T stat	-0.477

Source: Computed

Result: Comparing the calculated value of 't' (-0.477) with table value of 't' for degrees of freedom=(4-1)=3, and 5% level of significance (.666) two tail test, it is clear that the calculated value of 't' is more than that the table. So null hypothesis is rejected.

T-Test for Other Sectors in Export

Null Hypothesis: There is no significant relationship between before and after demonetisation in other sectors.

Table 9 Before and After Demonetisation in Export from July2016-Feb2017
Value: US Dollar thousand

Period	Before	After
July-Nov	1536182	1200977
August-Dec	1462243	1502094
Sep-Jun	1431147	1341860
October-Feb	1498275	1480443

T-Test paired two samples for Mean Before and after demonetisation in other sector.

Mean	100618.3
SD	165070.2
Std Error Mean	82535.1
Hypothesis Mean difference	0.05
Df	3
T stat	1.219

Source: Computed



Result :Comparing the calculated value of 't' (1.219) with table value of 't' for degrees of freedom=(4-1)=3, and 5% level of significance (.310) two tail test, it is clear that the calculated value of 't' is more than that the table. So null hypothesis is rejected.

Conclusion

International trade is an essential part of the market economy and provides great opportunities for developing countries to support the internal market with sufficient goods and services as well as ensures an opportunity to participate on the external market. The present study the researcher conclude that export performance in India when compared to the before and after demonetisation of currency. There are many major issues related export of goods and services to international market, which cannot be solved though demonetization of currency. The measure for reducing chaos is habit of using digital money, but Indian society is not mature enough to be habituated of this. The small exporters face lot of problems at the time of demonetisation of currency such as payment of wages and transport expenses etc., the export is reduced during the period of demonetisation of Indian currency.

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