

Impact of Demonetization on Beach Shack Business In Goa – Case Study Analysis

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Abstract – Goa, the tiny State of India in terms of land area, attracts millions of tourists each year. Tourists visit Goa mostly because of its beaches, although Goa has a lot more to offer to them. A large number of Goans totally depend on tourism and its allied activities for their survival. Beach shack business is one such allied activity of tourism supporting many families in the State. Beach Shacks are temporary restaurants erected on the beach, serving delicious food and drinks to the tourists, they also provide accommodation.

The present paper deals with the impact of demonetization on shack business in Goa from 9th November 2016 till the end of January 2017. Demonetization is the withdrawal of a particular currency from circulation or replacing the old currency notes with new notes of different size and shapes.

The study is based on primary and secondary data. The main observations are, due to demonetization a large number of tourists has either cancelled their visits or has reduced their stay in Goa affecting the shack business.

Keywords – Tourists, Beaches, Economic Impact, Demonetization.

I. INTRODUCTION

Goa, the smallest State in the Indian Union in terms of land area, attracts each year millions of tourists, both domestic as well as foreign. Tourists visit Goa to experience its unique Portuguese-influenced culture, architectural churches, historical temples, rivers, museums, wildlife sanctuaries, spice plantations, lovely climate, cuisines, and the friendly nature of its people. Goa has a huge coastline of 105 kilometres with 29 beautiful white sandy beaches. Tourists also visit Goa to enjoy and spend their precious time at the beaches all throughout the year. However, the best time to visit the State is from October to May, whereas December, January, and February being the peak tourist months.

“Goa is one of the fastest growing states in India with an average Gross State Domestic Product (GSDP) of 11.39 percent between the years 2004-05 to 2015-16” (Goa State Report, 2016). As per the Goa State Report - 2016, Goa had the highest per capita Gross State Domestic Product (GSDP) in India of US \$ 6,371.6 during the year 2015-16. The industries that contribute to this high growth rate in Goa are tourism, mining, and pharmaceuticals (Goa State Report, 2016). However, tourism has been the leading contributor to the State’s economy during the year’s 2013-14 to 2015-16 (Confederation of Indian Industry – Goa, 2016).

Tourism industry cannot exist in isolation anywhere in the world (McKercher, 2010). It requires constant support from the local communities, other allied industries and also

the central and state governments. Tourism industry in Goa is fortunate enough to get continuous support from the State government through the Department of Tourism and is equally assisted by other allied industries like construction, banking, hotel, and transport. Beach shacks also contribute immensely to the growth and development of tourism in the State. In fact, a large percentage of the tourists, domestic and foreign, visit Goa because they like to spend time at the shacks.

Beach shacks, originated in the late sixties, are temporary restaurants, erected on the beach, using locally available eco-friendly materials, providing fresh local varieties of food and drinks, and are open for business from 1st October to 31st May every year (Kazi et al, 2004 & Sathish, 2016). Some shacks also provide temporary accommodation to the tourists close to the beach. A substantial percentage of the Goan population depends on the shack business to earn their living.

II. DEMONETIZATION

According to the Cambridge Dictionary, “Demonetization means officially stop using particular notes or coins, or a particular currency as legal tender”. Demonetization according to Business Dictionary is “the withdrawal of a particular form of currency from circulation”. India’s demonetization plan which was implemented jointly by the Union Government and the Reserve Bank of India (RBI) from 9th November, 2016 basically means “the withdrawal and cancellation of Rs. 500 and Rs.1000 currency notes as legal tender and replacing them with other notes of different size, denomination, and designs”. The purpose of demonetization plan was to lower inflation, bring down interest rates, reduce money supply in the economy, control black money, curb terrorism funding, and to encourage its citizens to use debit or credit cards or digital wallets in their daily life for money transfer.

III. LITERATURE SURVEY

Tourism is considered to be the viable and sometimes the only means of economic growth for Small Island Developing States (SIDS) because it generates large amount of economic activity (Pratt, 2015). It is obvious that, any major changes in the tourism policies of the countries will have an impact on the number of tourists visiting them, thereby affecting their economic growth. They may even lose substantial number of tourists to neighbouring states and other countries. Although, such



changes are very rare and if materializes, will create an immediate impact on the revenues of all tourism stakeholders in the country.

According to Menezes (2005) the world economic crises like the falling ruble, threats to the euro and rising oil prices had no effect on the arrival of tourists to Goa during the 2013-14 tourist season. He further says that, tourists prefer to visit Goa every year in spite of higher airfares and hotel room rates. However, during the year 2014-15, the numbers of Russian tourists visiting Goa have dropped by half as compare to the previous year due to the drastic fall in Russian ruble and also because of Russians diverting to other cheaper countries in Asia like Thailand, Sri Lanka, Cambodia and Vietnam (Verma, 2015). Also, most of the shack owners in Goa who depend on Russian tourists for business had suffered losses during the 2014-15 tourist seasons. However, consistent positive coverage in the Russian media by Goan tourism stakeholders could boost their arrivals in Goa in future (Verma, 2015).

IV. IDENTIFICATION OF RESEARCH PROBLEM

Literature survey throws light to the fact that, no substantial research has been conducted till now to study the impact of demonetization on shack business in Goa. Therefore, in this paper, an attempt has been made to study the impact of demonetization on shack business in Goa from the date of its implementation on 9th November, 2016 till the end of January 2017.

V. OBJECTIVES

The main objective of the study is to find out the impact of demonetization on beach shack business in Goa. However, the other objectives are as follows:

- a) To study the impact of demonetization on beach shack business in Goa from 9th November, 2016 till the end of January 2017.
- b) To analyze the economic benefits and problems for shack business in Goa due to the withdrawal of old currency notes of Rs. 500 and Rs. 1000 denominations from being the legal tender in the country along with the restrictions imposed by the central government on cash withdrawals from banks.

VI. RESEARCH METHODOLOGY

The data for the paper is collected by using primary and secondary sources. Primary data is collected by conducting in-depth interviews of five shack owners from South Goa in the month of January 2017. Secondary data is collected from the Department of Tourism–Government of Goa, internet websites, Journals, and from the articles published in various local and national newspapers.

VII. IMPACT OF DEMONETIZATION ON BEACH SHACK BUSINESS IN GOA

A Shack owner Mr. Cruz Cardozo, President of Shack Owners Welfare Society (SOWS) said that, “demonetization has brought in only pain and no gain for shack business in Goa”. During the present tourist season, shack owners in Goa have lost business during the initial two months due to delay in issuing shack licenses by the State government. Demonetization then has made things more complicated for shacks because a large number of foreign and domestic tourists have either cancelled their plans to visit the State or have cut short their visits, during the peak tourist season, due to non-availability of cash or cash rationing in Goa and rest of the country.

The impact of demonetization on shack business in Goa is divided into two: Positive Impacts and Negative Impacts. The positive impacts of demonetization for shacks in Goa are as follows:

a) *Introduction of card swiping machines by shack owners.*

Before demonetization, only about 15 percent of the shacks had card swiping machines in Goa (Cardozo, 2017). However, since then, many shack owners have applied for these machines in different banks and are now using them for the benefit of the tourists. These machines help the shacks to recover the exact amount from their customers without bothering for any balance settlement. It also benefits the tourists as they don't have to stand in queues for withdrawing cash in a bank or at any ATM.

b) *Collect payment in advance*

Due to the shortage of lower denomination currency, shack owners were asking foreign package tourists and regular customers to deposit higher denomination notes at the counter and then order meals and drinks. Any balance left for the day was carried over to the next day. This system enabled the shack owners to retain customers and also increased their business by beating the effect of demonetization.

c) *Accepting payments in foreign currency*

Shacks are encouraging the international tourists to settle their bills in foreign currency thereby helping them from the hassles of going to banks or moneylenders for exchanging currency. This method helps the shacks to retain customers, maintain a good relationship with them, earn in foreign currency, and it also increased their business.

d) *Exchanging currency*

According to Mr. Cruz Cardozo (President, SOWS) during the demonetization period, shacks in Goa have helped their customers (international tourists) in exchanging foreign currency by charging a nominal fee. However, due to restrictions imposed by the central government on the number of bank transactions per day and also the cash withdrawals limit per person per week to Rs. 12,000 till December 2016 and Rs. 24,000 thereafter the shack owners couldn't help everyone.

The negative impacts of demonetization for shacks are as follows:

a) Loss of pay-in-cash customer

Due to the restrictions imposed by the central government on daily cash withdrawals from banks and also through ATM's, shacks have lost many pay-in-cash customers during the peak tourist season in Goa.

b) Cancellation of bookings

According to the Associated Chambers of Commerce & Industry of India (Assocham), there has been a substantial drop of 65 percent in vacation bookings during Christmas and New Year seasons all over India during the current year (Sujatha, 2017). In Goa too, the peak tourist months of December and January has seen lot of cancellations by the tourists due to demonetization, affecting the livelihood of many tourism stakeholders including shacks.

c) Shorter holidays

The domestic tourists spend on an average five days in Goa whereas the foreign tourists spend an average nine days in Goa (www.goatourism.gov.in/statistics, 2014). However, due to demonetization, most of the tourists, both domestic as well as foreign, had to wind-up their holidays in Goa due to the fear of going cashless as the banks were rationing cash and the ATMs went dry. This has affected shacks and other tourism stakeholders very badly especially during Diwali and Christmas seasons.

d) Inadequate smaller denomination currency with shacks

Demonetization has imposed restrictions on cash withdrawals from banks because banks themselves were not getting the regular supply of currency from the central bank. Therefore, tourists in spite of having credit balances in their accounts were unable to withdraw cash due to the daily withdrawal limits fixed by the government. Also, those who managed to get some currency mostly got higher denomination notes of Rs. 2,000 which most of the shacks were hesitant to accept due to shortage of change or non-availability of smaller denomination currency with them.

e) No beach parties and weddings

Substantial number of shacks in Goa used to get bookings from various parts of the country and even abroad for beach weddings and parties during the peak tourist season. According to Mukherjee, over 800 high-end beach weddings are organized annually in Goa. However, due to demonetization, beach parties and weddings have stopped completely between December 2016 and January 2017, thereby affecting the shack business.

f) Optimum use of the available cash

A large number of tourists, both domestic and foreign, to overcome the effects of demonetization have started eating a limited amount, especially during the peak tourist season and managing with the little cash they had, affecting the shack business in Goa.

g) Bad-debts

A few tourists started asking for credit as they did not have cash to settle their bills due to demonetization. However, some of them would pay later, but others never turned up, increasing the bad-debts and losses for the shack business.

VIII. CONCLUSION

The impact of demonetization on shack business in Goa over the entire tourist season is unpredictable at this stage. But, the positive effects of demonetization for shack business in Goa till now are installation of card swiping machines by most shacks, allowing foreign tourists to settle bills in foreign currency and exchange of currency. However, due to demonetization, beach shacks in Goa have lost business during the peak tourist season because a large number of tourists have either cancelled or reduced their stay in Goa. Also, tourists have started spending less on food and drinks at the shacks. The other effects of demonetization for shack business in the State are loss of daily pay-in-cash customers and no beach parties and weddings. Therefore, the monetary losses suffered by the shack owners in Goa due to demonetization are far more than the benefits derived by them during the present tourist season till now.

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