

Comparative Analysis of the effect of demonetization on the financial performance of SMEs.

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Abstract

Demonetization process occur in India in 2016 which has impacted every sector including manufacturing sector. Since textile sector plays an important role in Indian economy therefore it was impacted most during demonetization. In this research, researcher has studied financial performance of the two industries under study. This research is carried out with a motive of studying the effect of pre and post demonetization on MSME sector. This study is carried out on two industries of varried capacity. The industries under study are Alps industry and Sybly spinning mill belonging to the MSME sector.

Key words: *Demonetization, Manufacturing Sector, financial evaluation*

Introduction

Demonetisation is a demonstration of dropping the 'legal' status of a money unit available for use. Envisioning positive changes in the liquidity structure in general, countries frequently embrace the Demonetisation strategy as a measure to balance the current monetary condition. Nations over the globe have utilized Demonetisation at a few or the other point to control circumstances, for example, expansion and to support the economy. In November, the Indian government restricted the high division notes of Rs.1000 and Rs.500 as a move to control falsifying and tax evasion. (Demonetisation, 2019)

Manpreet Kaur has defined demonetization as "Demonetization is where the Central Bank of the nation (Reserve Bank in India) pulls back the old cash notes of certain sections as an official method of installment. Administration of India vides its Notification no. 2652 dated November 8, 2016, have pulled back the Legal Tender status of Rs 500 and Rs 1,000groups of banknotes of the Mahatma Gandhi Series issued by the Reserve Bank of India till 'November 8,2016'." (Kaur, 2018)

The Indian textile sector occupies an important position in the Indian economy. It accounts for nearly one-fifth of the national production of all raw materials, contributes about one-third of total exports, and employs millions of our population, including the rural poor if the handloom sector is taken into account. The MSME textile sector contributes enormously to India's GDP, exports, employment, and manufacturing sectors. The number of small industries operating in the district is 14,160 and has a capital investment of Rs. 270.00 worked for about 73,130 workers. They engage in the manufacture of a variety of products, goods, etc. (District Administration, 2018).

The number of medium / heavy industries operating in the district is 145 and has a capital investment of Rs. 2,930.86 million, employing approximately 31,200 workers.

Literature review

Teamwork's (2017) article, "Demonetization in India, discusses the process of demonetization in India. (Team Work, 2017)

The government planned to take rigorous action against those who were not following the guidelines. In this context, an article was published in NEWS18 which states that "on April 5, 2017, the deputy head of the circle of one of the branches of the National Bank of Punjab filed a complaint stating that during the demonetization period, he created some records fakes. " twice on the computer / Core Bank Solution (CBS) contrary to the original physical receipts filled in by depositors. The court sentenced them under section 120B (criminal conspiracy) read with section 409 (criminal violation of trust), 471 (using authentic false documents), 477A (forgery of accounts) of the Indian Penal Code, and section 13 (2) read section 13 (1) (d) (criminal offense of a public official) of the Corruption Prevention Act (PC), 1988. Crimes involve the maximum sentence of life imprisonment." (News18, 2019)

Those sentenced as bank officials were expected to be on a higher pedestal of honesty and integrity. The convict's act left an insult in the institution where their services became since they are senior bank officials ... This appears to be a classic case of abuse of power by bank officials after demonetization, and imposed a fine of Rs 4 lakh each on the condemned, "said the court. (News18, 2019)

In the latest Article IV consultation report on India, published in August 2018, the International Monetary Fund (IMF) said: "The impact on growth appears to have been more severe and lasting than expected at the time of the article IV of 2017 ". Consultation with a disproportionate impact on the informal sector " (Singhal, 2018)

In general, the working class keeps the cash instead of keeping it in the banks. During demonetization, daily bets exchange notes after spending a long time in the queue. After changing their currency, they move to their naive place to exchange their money at home. (Surat news, 2016)

Ashish Gujarati, president of the Pandesara Weavers Association, said: "We are managing our units eight hours a day. We cannot prevent workers from leaving the city due to the current situation." (Thomas, 2016)

Sanjay Saraogi, director of the Laxmipati group, said: "Financial assistance of 25% on capital investments and 100% exemption from stamp duty is an indispensable incentive". (TOI News, 2019)

Nitin Thakker, president of the Ahmedabad Textile Processors Association (ATPA), said: "Unlike other states such as Maharashtra and Telangana, the new textile policy does not

provide for any capital subsidy. This will discourage further state investment in the textile sector in Gujarat. At the same time, there should have been some relief for existing players by extending the benefit of the energy subsidy, which has not yet been done.” (TOI News, 2019) "The government should not have imposed a limit of Rs 30 lakh for extending assistance to the costs of machinery and equipment necessary for energy-saving, water-saving, and environmental compliance. At a time when the industry is making efforts to improve energy efficiency and eliminate the discharge of liquids, the presentation should have been higher, "said Meena Kaviya, co-chair of the textile committee of the Gujarat Chamber of Commerce and Industry (GCCCI). (TOI News, 2019)

According to the research, IPP states that the business growth segment is 0.7% in October 2016, but after November 8, 2016 demonetization shows an alternative image in light of this choice, even the rotation of the work expands as the absence of production due to the request for a single item only buys if it is requested, so I examined it in the next commercial part ". The textile industry mainly deals with the design, production, and distribution of yarns, fabrics, and clothing. (Wiki, 2020)

Research methodology

Researcher has carried out research on two industries of varried capacity. The industries under study are Alps industry and Sybly spinning mill. Both the industries belongs to the MSME sector.

This research is carried out with a motive of studying the effect of pre and post demonetisation on MSME sector. In this study researcher has studied the profit and loss account and balance sheet in the time span of 7 years viz. from 2013 to 2019. Here researcherhas divided the considered the data from March 13 to March 16 as pre demonetisation period and March 2017 to March 2019 as post demonetisation. Balance sheets and profit and loss accounts are studied to reveal the true picture of the company's financial position. The tool used to study the financial position of the company is the Paired T test.

The objectives of this research work are:

1. To study the financial position of the textile industry Pre Demonetisation.
2. To study the financial position of the textile industry Post Demonetisation.
3. To compare the financial position of the textile industry Pre and PostDemonetisation.

The hypothesis of the Study

H01: There is a significant effect of Demonetisation on the financial performance of the textile industry.

Data analysis

Different ratios and their analysis

Data is categorised under four heads viz. profitability ratios, liquidity ratios, valuation ratios and solvency ratios. Each group has different ratios calculated by the company. Under

profitability ratios researcher has considered Operating Profit Margin, ROA, ROE, ROCE, EBDIT Margin, EBIT Margin, PBT Margin, Net Profit Margin, ROIC, Cash Turnover and Asset Turnover. Under liquidity ratios researcher has considered Current Ratio, Quick Ratio, Dividend Payout NP, Dividend Payout CP and Earning Retention. Out of these ratios Dividend Payout NP, Dividend Payout CP and Earning Retention are zero therefore they are not considered for further analysis. Cash Earning Retention Under valuation ratios researcher has considered Book Value Per Share, Enterprise Value, EV Per Net Sales, Price To Book Value Annual, EV Per EBITDA, Market Cap Per Sales, Retention Ratio, Earning Yield and Basic EPS. Out of these ratios Retention Ratio therefore it is not considered for further analysis, Book Value Inc Reval Reserve. Under Solvency ratios researcher has considered Total Debt to Total Equity, Inventory Turnover Ratio, Interest Coverage Ratio Long Term Debt To Equity, Net Cash Flow, Working Capital. Ratios are calculated from the accounting formulas from the data provided by the companies.

Hypothesis testing

H₀: There is a significant effect of Demonetisation on the financial performance of the textile industry.

For analysing the effect of pre and post demonetisation on the textile industries viz. Alps & Sybly under study Paired T test is used for comparative analysis. Data is categorised under four heads viz. profitability ratios, liquidity ratios, valuation ratios and solvency ratios. Each group has different ratios calculated by the company. Under profitability ratios researcher has considered Operating Profit Margin, ROA, ROE, ROCE, EBDIT Margin, EBIT Margin, PBT Margin, Net Profit Margin, ROIC, Cash Turnover and Asset Turnover.

Under liquidity ratios researcher has considered Current Ratio and Quick Ratio.

Under valuation ratios researcher has considered Book Value Per Share Rs, Enterprise Value, EV Per Net Sales, Price To Book Value, EV Per EBITDA, Market Cap Per Sales, Earning Yield, Basic EPS and Book Value Inc Reval Reserve. Under Solvency ratios researcher has considered Total Debt to Total Equity, Inventory Turnover Ratio, Interest Coverage Ratio, Long Term Debt To Equity, Net Cash Flow and Working Capital. Values for Paired T test are defined in the following tables.

ALPS INDUSTRY
Profitability Ratios

Table 1 Profitability Ratios

Paired Samples Test ALPS							
	Profitability Ratio	Paired Differences Demonetisation	Mean	Std. Deviation	t	df	significance
Pair 1	Operating Profit Margin	Pre	1.805	4.22375	1.139	2	0.373
		Post	-4.8467	4.48759			
Pair 2	ROA	Pre	-5.27	6.67327	1.606	2	0.249
		Post	-17.2	9.91303			
Pair 3	ROE	Pre	-0.78	1.56	-1	2	0.423
		Post	0	0			
Pair 4	ROCE	Pre	-3.92	4.92322	0.517	2	0.657
		Post	-50.79	150.50391			
Pair 5	EBDIT Margin	Pre	3.1675	3.7801	1.194	2	0.355
		Post	-3.4033	4.52926			
Pair 6	EBIT Margin	Pre	-3.1075	3.87249	1.803	2	0.213
		Post	-11.9	4.73082			
Pair 7	PBT Margin	Pre	-7.9275	9.1448	1.018	2	0.416
		Post	-17.3667	14.35279			
Pair 8	Net Profit Margin	Pre	-8.04	9.27745	1.32	2	0.318
		Post	-18.9433	12.09782			
Pair 9	Asset Turnover	Pre	72.1675	12.06011	-3.63	2	0.068
		Post	93.2533	6.21242			
Pair 10	ROIC	Pre	-7.87	8.88351	1.205	2	0.352
		Post	-20.86	14.42875			
Pair 11	Cash Turnover	Pre	31.45	26.5637	-2.84	2	0.105
		Post	108.6	32.30124			

Here operating profit margin is 0.373, ROA IS 0.249,ROE is equal to 0.423, ROCE is 0.65, EBDIT is 0.355, EBIT is 0.213, PBT is 0.416, Net Profit margin is 0.318, Asset turnover is 0.06, ROIC is 0.352 and Cash turnover is 0.105.

In testing of hypothesis if p value is smaller than point zero five i.e $p < 0.05$ indicating a

statistical significant output concluding by rejecting the null hypothesis. Here The paired difference in T test values in the profitability table for paired t test are above 0.05 therefore it can be inferred that all the values of operating ratios are insignificant being $p > 0.05$ hence in this case researcher accept the null hypothesis which states that there is a significant effect of demonetisation on textile sector in India which is also true for ALPS industries.

Liquidity Ratios

Table 2 Liquidity Ratios

Paired Samples Test ALPS								
	Liquidity Ratio	Paired Differences Demonetisation	Mean	Std. Deviation		df	Sig. (2-tailed)	
Pair 1	Current Ratio	Pre	1.05	0.05774	0.23333	2.86	2	0.104
		Post	0.4	0.34641				
Pair 2	Quick Ratio	Pre	0.35	0.1	0.1453	1.15	2	0.37
		Post	0.2	0.17321				

Under liquidity ratios researcher has considered Current Ratio which is 0.104 and Quick Ratio which is 0.37 indicating both values are greater than 0.05.

Here The paired difference in T test values in the liquidity table for paired t test are above 0.05 therefore it can be inferred that all the values of liquidity ratios are insignificant being $p > 0.05$ hence in this case researcher accept the null hypothesis which states that there is a significant effect of demonetisation on textile sector in India which is also true for ALPS industries.

Valuation Ratios

Table 3 Valuation Ratios

Paired Samples Test ALPS																																																																																										
	Valuation Ratio	Paired Differences Demonetisation	Mean	Std. Deviation	t	df	Sig. (2-tailed)																																																																																			
Pair 1	Book Value Per Share <u>Rs</u>	Pre	-158.075	17.09374	-1.414	2	0.293																																																																																			
		Post	-131.7667	38.97439				Pair 2	Enterprise Value Cr	Pre	1255.55	127.62585	3.828	2	0.062	Post	847.8333	157.48226	Pair 3	EV Per Net Sales	Pre	1.85	0.20817	-1.323	2	0.317	Post	2.0667	0.05774	Pair 4	Price To Book Value	Pre	0	0	0	2	0	Post	0	0	Pair 5	EV Per EBITDA	Pre	10.1	67.63564	-0.154	2	0.892	Post	19.4667	96.67504	Pair 6	Market Cap Per Sales	Pre	0	0	-1	2	0.423	Post	0.0333	0.05774	Pair 7	Earnings Yield	Pre	-11.375	11.8114	-0.323	2	0.777	Post	-5.2667	3.98037	Pair 8	Basic EPS <u>Rs</u>	Pre	-18.625	17.17253	0.33	2	0.773	Post	-18.6	9.92018	Pair 9	Book Value Inc Reval Reserve <u>Rs</u>	Pre	-158.075	17.09374	-1.414
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Under valuation ratios researcher has calculated Book Value Per Share Rs as 0.293, Enterprise Value Cr as 0.062, EV Per Net Sales as 0.317, Price To Book Value as nil (since mean and sd are zero therefore value of T test donot exisit), EV Per EBITDA 0.892, Market Cap Per Sales as 0.423, Earning Yield as 0.777, Basic EPS as 0.773 and Book Value Inc Reval Reserve as 0.293. Here The paired difference in T test values in the valuation table for paired t test are above 0.05 therefore it can be inferred that all the values of valuation ratios are insignificant being $p > 0.05$ hence in this case researcher accept the null hypothesis which states that there is a significant effect of demonetisation on textile sector in India which is also true for ALPS industries.

Solvency Ratios

Table 4 Solvency Ratios

Paired Samples Test ALPS Ltd							
	Solvency Ratio	Paired Differences Demonetisation	Mean	Std. Deviation	t	df	Sig. (2-tailed)
Pair 1	Total Debt to Total Equity	Pre	-1.65	0.36968	-0.714	2	0.549
		Post	-1.3333	0.20817			
Pair 2	Inventory Turnover Ratio	Pre	2.75	1.64215	1.017	2	0.416
		Post	10.2333	2.73191			
Pair 3	Interest Coverage Ratio	Pre	-26.8	49.68058	0.798	2	0.508
		Post	-250.4333	432.37772			
Pair 4	Long Term Debt To Equity	Pre	-1.15	0.1291	-1.732	2	0.225
		Post	-0.8	0.26458			
Pair 5	Net Cash Flow	Pre	0.825	6.48196	-1.081	2	0.393
		Post	-0.7667	1.83394			
Pair 6	Working Capital	Pre	21.075	16.0749	2.462	2	0.133
		Post	-229.5667	177.85506			

Under Solvency ratios researcher has considered Total Debt to Total Equity as 0.549, Inventory Turnover Ratio as 0.416, Interest Coverage Ratio as 0.508, Long Term Debt To Equity as 0.225, Net Cash Flow Cr as 0.393 and Working Capital Cr as 0.133. Here The paired difference in T test values in the solvency table for paired t test are above 0.05 therefore it can be inferred that all the values of solvency ratios are insignificant being $p > 0.05$ hence in this case researcher accept the null hypothesis which states that there is a significant effect of demonetisation on textile sector in India which is also true for ALPS industries.

Therefore we accept our null hypothesis which states that there is a significant effect of demonetisation on textile sector in India which is also true for ALPS industries.

1.1 SYBLY INDUSTRIES

Profitability Ratios

Table 5 Profitability Ratios

Paired Samples Test Sybly							
	Profitability Ratio	Paired Differences Demonetisation	Mean	Std. Deviation	t	df	Sig. (2-tailed)
Pair 1	Operating Profit Margin	Pre	2.2475	1.64648	0.683	2	0.565
		Post	0.8967	1.86532			
Pair 2	ROA	Pre	0.02	0.01826	0.852	2	0.484
		Post	-1.7133	3.52313			
Pair 3	ROE	Pre	0.0525	0.04031	1.38	2	0.302
		Post	-10.8533	13.67114			
Pair 4	ROCE	Pre	8.63	11.58565	1.35	2	0.31
		Post	3.32	4.67466			
Pair 5	EBDIT Margin	Pre	3.6575	0.93282	-0.432	2	0.708
		Post	4.0933	3.85924			
Pair 6	EBIT Margin	Pre	2.2425	0.33009	-0.214	2	0.851
		Post	2.9	4.42163			
Pair 7	PBT Margin	Pre	0.1175	0.05909	0.35	2	0.76
		Post	-1.0867	6.05954			
Pair 8	Net Profit Margin	Pre	0.025	0.0238	0.705	2	0.554
		Post	-1.4867	3.71581			
Pair 9	Asset Turnover	Pre	86.675	17.5897	-2.406	2	0.138
		Post	95.83	13.8589			
Pair 10	ROIC	Pre	0.0375	0.02754	0.754	2	0.529
		Post	-1.9067	4.4606	0.754		
Pair 11	Cash Turnover	Pre	163.15	86.48119	-2.2	2	0.159
		Post	1578.3333	1098.78244			

Here operating profit margin is 0.565, ROA is 0.484, ROE is equal to 0.302, ROCE is 0.31, EBDIT is 0.708, EBIT is 0.851, PBT is 0.76, Net Profit margin is 0.554, Asset turnover is 0.138, ROIC is 0.529 and Cash turnover is 0.159. Here The paired difference in T test values in the profitability table for paired t test are above 0.05 therefore it can be inferred that all the values of profitability ratios are insignificant being $p > 0.05$ hence in this case researcher accept the null hypothesis which states that there is a significant effect of demonetisation on textile sector in India which is also true for Sybly industries.

Liquidity Ratios

Table 6 Liquidity Ratios

Paired Samples Test Sybly							
	Liquidity Ratio	Paired Differences Demonetisation	Mean	Std. Deviation		df	Sig. (2- tailed)
Pair 1	Current Ratio	Pre	2.45	0.36968	1.036	2	0.409
		Post	1.6333	1.35769			
Pair 2	Quick Ratio	Pre	2.175	0.39476	0.981	2	0.43
		Post	1.4667	1.24231			

Under liquidity ratios researcher has considered Current Ratio which is 0.409 and Quick Ratio which is 0.43 indicating both values are greater than 0.05. Here The paired difference in T test values in the liquidity table for paired t test are above 0.05 therefore it can be inferred that all the values of liquidity ratios are insignificant being $p > 0.05$ hence in this case researcher accept our null hypothesis which states that there is a significant effect of demonetisation on textile sector in India which is also true for SYBLY industries.

Valuation Ratios

Table 7 Valuation Ratios

Paired Samples Test Sybly																																																																																										
	Valuation Ratio	Paired Differences Demonetisation	Mean	Std. Deviation	t	df	Sig. (2-tailed)																																																																																			
Pair 1	Book Value Per Share <u>Rs</u>	Pre	8.225	4.75	1.597	2	0.251																																																																																			
		Post	8.3333	2.45832				Pair 2	Enterprise Value Cr	Pre	26	4.12068	0.11	2	0.922	Post	25.3667	11.65776	Pair 3	EV Per Net Sales	Pre	0.325	0.12583	-5	2	0.038	Post	0.5333	0.05774	Pair 4	Market Cap Per Sales	Pre	0.125	0.05	-0.378	2	0.742	Post	0.1667	0.11547	Pair 5	Earnings Yield	Pre	0	0	1.25	2	0.338	Post	-0.1667	0.23094	Pair 6	Price To Book Value	Pre	0.2	0.08165	-11	2	0.008	Post	0.5667	0.05774	Pair 7	Basic EPS <u>Rs</u>	Pre	0	0	1.036	2	0.409	Post	-0.6667	1.11505	Pair 8	Book Value Inc <u>Rs</u> Reval Reserve <u>Rs</u>	Pre	9.275	5.38354	-2.278	2	0.15	Post	12.7667	0.64291	Pair 9	EV Per EBITDA	Pre	9.4	4.38406	-1.312
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		Post	25.3667	11.65776				Pair 3	EV Per Net Sales	Pre	0.325	0.12583	-5	2	0.038	Post	0.5333	0.05774	Pair 4	Market Cap Per Sales	Pre	0.125	0.05	-0.378	2	0.742	Post	0.1667	0.11547	Pair 5	Earnings Yield	Pre	0	0	1.25	2	0.338	Post	-0.1667	0.23094	Pair 6	Price To Book Value	Pre	0.2	0.08165	-11	2	0.008	Post	0.5667	0.05774	Pair 7	Basic EPS <u>Rs</u>	Pre	0	0	1.036	2	0.409	Post	-0.6667	1.11505	Pair 8	Book Value Inc <u>Rs</u> Reval Reserve <u>Rs</u>	Pre	9.275	5.38354	-2.278	2	0.15	Post	12.7667	0.64291	Pair 9	EV Per EBITDA	Pre	9.4	4.38406	-1.312	2	0.32	Post	25.2	21.12132						
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Under valuation ratios researcher has calculated Book Value Per Share as 0.0251, Enterprise Value as 0.922, EV Per Net Sales as 0.038 (significant value), Price To Book Value as 0.008 (significant value), EV Per EBITDA 0.32, Market Cap Per Sales as 0.742, Earning Yield as 0.338, Basic EPS as 0.409 and Book Value Inc Revaluation Reserve as 0.15. Here The paired difference in T test values in the valuation table for paired t test are above 0.05 therefore it can be inferred that all the values of valuation ratios are insignificant being $p > 0.05$ hence in this case researcher accept the null hypothesis which states that there is a significant effect of demonetisation on textile sector in India which is also true for SYBLY industries.

Solvency Ratios

Table 8 Solvency Ratio

Paired Samples Test Sybly							
	Solvency Ratio	Paired Differences Demonetisation	Mean	Std. Deviation	t	df	Sig. (2-tailed)
Pair 1	Total Debt to Total Equity	Pre	0.4	0	-1.982	2	0.186
		Post	1.7	1.13578			
Pair 2	Inventory Turnover Ratio	Pre	10.275	2.17006	-1.541	2	0.263
		Post	16.1667	6.97161			
Pair 3	Interest Coverage Ratio	Pre	1.075	0.05	-0.181	2	0.873
		Post	1.3333	2.22785			
Pair 4	Long Term Debt To Equity	Pre	0.125	0.05	-2.524	2	0.128
		Post	0.5	0.26458			
Pair 5	Net Cash Flow Cr	Pre	0	1.02307	-0.044	2	0.969
		Post	0.0333	0.05774			
Pair 6	Working Capital Cr	Pre	43.475	5.47928	1.651	2	0.241
		Post	14.8333	29.25241			

Under Solvency ratios researcher has considered Total Debt to Total Equity as 0.186, Inventory Turnover Ratio as 0.0.263, Interest Coverage Ratio as 0.873, Long Term Debt To Equity as 0.128, Net Cash Flow as 0.969 and Working Capital as 0.241. Here The paired difference in T test values in the solvency table for paired t test are above 0.05 therefore it can be inferred that all the values of solvency ratios are insignificant being $p > 0.05$ hence in this case researcher accept the null hypothesis which states that there is a significant effect of demonetisation on textile sector in India which is also true for Sybly industries.

From above tables it can be concluded that P values are above 0.05 at 5% level of significance therefore researcher have accepted the null hypothesis that there is a significant effect of demonetisation on textile sector in India which is also true for ALPS and Sybly industries.

Results and discussions

Four ratios were considered profitability ratio, solvency ratio, liquid ratio and valuation ratio. In testing the hypothesis these ratios the researcher concluded that all the ratios were significantly affected by demonetisation. Operating profit ratios consider profit a company earns after paying for variable production costs, such as wages, raw materials, etc., and thus shows the efficiency of a company controlling associated costs and expenses to business operations. Production process was effected due to various problem faced by the industries under study. Distributors retailers were effected as people were having less disposable income.

Less cash flow leads to less production and in turn effected the liquidity of the company i.e. current obligations using its current assets including cash, stocks, active accounts, prepaid expenses, negotiable securities, deposits, etc. Additionally, current debts include short-term

loans, payroll liabilities, outstanding expenses, creditors, various other accounts payable, etc. this fact was supported by analysing the liquidity ratios of the industries under study.

Since profit was low therefore valuation ratios were effected which reveals how much profit a company generates with the money that shareholders have invested thus measures a company's efficiency in transforming its cash balance into sales revenue in an accounting period.

Credit ratios are a key component of financial analysis that helps determine if a business has sufficient cash flow to handle overdue debt obligations. The solvency ratio is calculated from the balance sheet components and the income statement items. The hedging solvency ratios are based on income statement items, while the debt solvency ratios are based on balance sheet items. The cash flow was terribly effected so as the credit ratios of both the industries under study. The different parameters were considered to check the demand of textiles in MSME in textile industry. In recent times demonetization has significantly reduced supply and demand in the textile sector. Demand has been influenced primarily by the fact that the industry conducts liquidity-based transactions. Demonetisation has a greater impact on distributors operating on domestic market than the international markets. Second demonetisation has reduced the supply and demand in this sector. Further despite the negative impact demonetization will promote law enforcement, especially by the unorganized sector of the sector. Demonetisation has promote law enforcement specially by the unorganised sector of the organised sector of the textile industry.

Future scope of study

It is expected that such a micro-level study, like the present one, would help in providing important insights into the effect of demonetization on the MSME sector of India, especially in the Ghaziabad District. It is felt that the present study would go a long way in helping the textile industry inefficient use of its financials for overcoming the problems arising due to demonetization. The industry will be able to cope with the same condition if arise in the future. In my opinion, no in-depth study has been made on this subject so far to the best of my knowledge. The proposed study, therefore, will make a qualitative improvement over the existing knowledge on the subject.

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