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An emprical study on the impact of demonetization in real estate business with reference to Erode

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ABSTRACT

Demonetization is likely to have a minimum impact on the primary market because a large percentage of transactions are driven by home loans with minimal cash component. The sample size was limited up to 260 from real estate owners, bankers, brokers, creditors in Gobichettipalyam, sathiyamangalam, bhavani by using convenient sampling technique. Chi square test has been used. Findings have been given based on the problems faced by the real estate owners. Suggestions have been given based on the findings. Results has been given that most of the lands were not sold after the demonetization, real estate owners faces loses in the real estate industry.

INTRODUCTION

Demonetization today is becoming synonymous to chaos, confusion and inconvenience. However, putting aside the short-term perspective, it is bound to come as a blessing in disguise, as India is set for a digital revolution and the overall payments landscape of the country is up for a complete overhaul. Delivering his speech at an event recently, Mr. Ravi Shankar Prasad, Law and IT Minister, said that with digital transactions money will come into system, it will be accountable, generate tax and develop the country's economy. When money will come into banks, the government will be able to come up with better welfare schemes. This will actually strengthen government machinery for better implementation of schemes.

For real estate, it might be a short-term itch particularly for land deals, commercial transactions, hospitality or retail. Small builders and those in specific cities/ micro markets where cash dealing was more prevalent will be most impacted. Registration prices in residential space may also go up to adjust for cash component. Therefore, resale of property will be impacted more than primary sales. Organized real estate sector may also face demand slowdown for a short while, largely due to 'wait and watch' susceptibility of buyers and investors.

However, gradually, once banks have a high lending capacity with money in the system, we will see a decent lowering of interest rates. Lower interest rates will bring down the EMIs on home loans, making real estate more affordable and attractive. Precedents suggest that low interest rates give the real estate industry a massive boost by escalating positive sentiment and demand, especially in the residential segment. Also, if supply of resale properties declines due to price crash, it may favorably impact primary sales. We also need to consider the fact that while real estate comes as an asset and offers handsome appreciation with time, it also helps in income tax deductions. Rentals also add as an earning potential from a property.

Also, as a positive impact of demonetization, banking systems are bound to witness a windfall of funds, increasing their lending capacity and in turn driving down the interest rates. High lending capacity of banks offers benefits to overall industrial and business ecosystem, strengthening the overall economic conditions of the country. Therefore, in the longer run this will have an upward impact on the purchasing power of the people instigating demands in all sectors, including real estate. The year 2016 has witnessed some positive and potentially long-lasting changes being introduced in the Indian real estate. The passing of RERA (Real Estate Regulation and Development Act 2016), the Benami Transactions Act and now the demonetization move will ensure that going forward; the sector will lose much of its historic taint and become more transparent. These moves will ensure increased transparency, improved investor confidence, better access to funding and higher FDI.

REVIEW OF LITERATURE

- Demonetization and its impact on real estate December 28, 2016, 5:39 PM IST SudharPichai in Voices | Economy, India | TOI
- Impact of Demonetization on Residential Real estate by ash winder on November 14, 2016residential
- Demonetization and Donald Trump's triumph: Impact on Indian real estate

OBJECTIVE OF THE STUDY

1. To analyze demonetization problems faced by the real estate owners.

STATEMENT OF THE PROBLEM

Due to demonetization there is no sufficient cash flow of money so many buyers are not ready to by their lands. Even though demonetization is for reducing the black money many public were affected in it. So that the lands are not selling and there is no buyers to sell the lands so real estate owners are affected due to the demonetization. Already booked lands were not sold after the demonetization, banks were not providing loans to the real estate owners.

RESEARCH METHODOLOGY

Sampling Design

Convenient sampling method has been used for the study. The sample size has been 260 which have been selected in Erode district and data is collected for solving particular problem through well-structured questionnaire.

Chi-square test

Chi-square techniques at different places are made on the basis of data available and requirements of analysis chi-square test at 5% level of significant. Chi-square value has been obtained by applying the following formula.

$$X2 = \frac{(O-E)\ 2}{E}$$

Where,

O = observed frequency.

E = expected frequency.

Expected frequency is calculated as follows:

$$E = \frac{\text{row total x column total}}{\text{Net total}}$$

Degree of freedom = (R-1) x(C-1)

Where,

R = number of rows.

C = number of column

Age of the respondents and problems faced by the investors after demonetization

		Age of the respondents problems faced by the investors after demonetization				Total
		financial problems	personal problems	health problems	other problems	
age of the respondents	below 30 years	28	10	2	3	43
	31-40 years	44	22	11	8	85
	41-50 years	41	15	7	3	66
	above 50 years	40	15	6	5	66
Total		153	62	26	19	260

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
age of the respondents and the problems faced by the investors after demonetization	260	100.0%	0	0.0%	260	100.0%
educational qualification and the problems faced by the investors after demonetization	260	100.0%	0	0.0%	260	100.0%

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	4.651[a]	9	.864
Likelihood Ratio	4.978	9	.836
Linear-by-Linear Association	.036	1	.850
N of Valid Cases	260		

Interpretation

- From the above calculated value is more than table value so alternative hypothesis is accepted.
- There is a significant relationship associated b/w age of the respondents and what are all the problems faced by the investors after demonetization

Educational qualification and

problems faced by the investors after demonetization

Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	10.789[a]	9	.290
Likelihood Ratio	12.052	9	.210
Linear-by-Linear Association	.649	1	.420
N of Valid Cases	260		

Interpretation

- From the above calculated vale is more than table value so alternative hypothesis is accepted
- There is a significant relationship associated b/w Educational qualification of the respondents and what are all the problems faced by the investors after demonetization

FINDINGS

- There is a significant relationship associated b/w age of the respondents and what are all the problems faced by the investors after demonetization

- There is a significant relationship associated b/w Educational qualification of the respondents and what are all the problems faced by the investors after demonetization

SUGGESTIONS

- Lands should be sold on the basis of proper agreements

	Education qualification and problems faced by the investors after demonetization				
educational qualification	financial problems	personal problems	health problems	other problems	Total
school level	68	32	9	8	117
college level	56	19	9	7	91
Illiterate	13	8	5	0	26
Others	16	3	3	4	26
Total	153	62	26	19	260

- The government can form a committee for real estate owners so that they can feed their data's.
- The real estate owners can use digital banking for the fund transfer.
- Real estate owners should think about online transactions and usage of cards

CONCLUSION

Economists are busy in listing out many more merits and demerits of this policy. The government is saying that there are only advantages of demonetization policy and this will be in the long term.

The government is taking all the necessary steps and actions to meet the currency demand and soon the trail and tribulations of the people will be over with the smooth flow of the new currency.

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