

Impact of Demonetization on Real Estate Business of Haryana

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Abstract

With the purpose of controlling the black money the decision of demonetization was made on 8th of November, 2016 which is expected to have immediate effects on various sectors of India namely as service sector, transportation section and agriculture sector. The notes of Rs. 500 and 1000 considered as the illegal denominations and the decision was made to deposit all the denominations of Rs.500 and 1000 in banks. The aim of the study is to determine the impact of demonetization on the real estate business with the special reference to Haryana state. Various factors such are the prices, interest rates and manufacturing activities of real estate businesses are taken into consideration and analyzed with the purpose of measuring the impacts of demonetization on these selected factors. To satisfy the objectives of the research study responses are collected from 138 respondents and the collected data was analyzed with the help of SPSS.16 by using the ANNOVA technique. The results revealed that demonetization has significant impact on price, interest rates and manufacturing activities of real estate businesses. This research study will give the true picture of real estate investors and help them to make the investment decisions related to the buying and selling of the land and properties in a profitable manner.

Keywords: Demonetization, Real estate business, Owners and Dealers.

Introduction

Haryana is the fast growing state of India in the context of education and business. This state is the north Indian state which is growing as the same growth adopted by the India's capital Delhi which can be seen in the growth of business of Gurgaon, Faridabad and Manesar. There are number of hurdles and challenges comes into the ways of business entrepreneurs which includes the internal and external

factors such are technological changes, government policies, cultural changes, credit worthiness, resources, changes in customers taste and preferences etc. But real estate businesses are the highest profit making as well as risk bearing businesses for the owners and dealers. Real estate business consists of land and properties for the purpose of selling, renting and lease. Gurgaon has the space for

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both commercial and residential real estate trends. But with the decision of demonetization the economy of India has been affected as whole. The money circulation in markets highly affected with the decision. Now-a-days, demonetization is the notable factors to measure its impacts on businesses at whole. According to the decision of demonetization, the old notes of Rs. 500 and 1000 will be considered as the invalid tender which are not allowed in the market to circulate which creates the imbalances in the markets as whole. These old notes of Rs.500 and 1000 contributed the 84% of money circulated in the market according to a report. Real estate businesses are the most expenses businesses in the terms of their rates which are highly expected to be affected after the decision of demonetization.

Literature Review

- On 9th of November 2016, CARE Ratings said in its report that the money circulated in the market is most of contributed by the notes of Rs. 500 and 1000 which are restricted to transact with. With this decision the flow of cash in the market becomes very tight and the overall demands of consumer goods, real estate businesses, luxuries goods and automobiles are expected to be highly affected. According to the report, the small size traders and professional who generally deals in daily cash basis transactions such are households, service sector, farmers are expected to be affected. Those customers prefer online shopping and makes cash payment on delivery also expected to be decrease.
- On 18th November 2016, an another report by CARE Ratings reveals that the losses which are expected to be made are

estimated to be cover in next quarter. Demonetization expected to be affected the day to day earnings of hotels, transportation, small traders etc which are based on daily cash transactions.

- On 11th November 2016, Investment advisory group of HDFC Bank Ltd stated in its report on demonetization that the old tenders of Rs. 500 and 1000 covers the 85% of money circulated and it is approx. Rs. 14.2 trillion of the total amount. The decision of demonetization will prove the benefit for the fiscal balance, banking sector and strengthen the tax system but not expected to be a strong decision for consumer goods, luxurious goods and real estate as the demands of the customers are expected to be highly affected.

Objectives of the Study

1. Evaluation of the policy of demonetization by nation.
2. To identify the factors of real estate business which are affected by demonetization.
3. To determine the impacts of demonetization on selected factors.

Hypothesis

1. Demonetization has significant impact on prices of properties.
2. Demonetization has significant impact on interest rates of investment on properties.
3. Demonetization has significant impact on manufacturing activities indulges in real estate businesses.

Research Methodology

Primary data and secondary data have been

used to satisfy the objectives of the research study. Secondary data has been used to understand the demonetization policy implemented in India and to identify the factors of real estate business of Haryana. To conduct the primary survey, judgmental sampling technique is used to select the respondents. To collect the primary data, Real estate owners and dealers are selected as the

respondents for the study. Responses are collected from 32 real estate owners and 106 dealers. The collected data is analyzed with the help of SPSS. 16. ANNOVA technique has been used to measure the impacts of demonetization on the selected variables. The results are presented with the help of tables for the better understanding of the output generated.

Table no. 1: Responses collected from respondents

RESPONDENTS FOR THE STUDY	NUMBER OF RESPONSES
REAL ESTATE OWNERS	32
REAL ESTATE DEALERS	106
TOTAL	138

Demonetization Policy

- Old denominations of Rs. 500 and Rs 1000 will not be considered as the legal tender and these old notes will be accepted by all the banks with the valid identity proof until 31 December 2016.
- The facility of exchanging the old notes provided by all the banks started from the midnight of 24 November, 2016.
- Old notes of Rs.500 and Rs.1000 in the excess amount of Rs. 50000 can be credited to only know your customers complaint accounts.
- Restriction on deposits of old notes are not imposed for the main purpose of taxation and investment mainly regimes for Pradhan Mantri Garib Kalyan Yojana, 2016.
- The old notes of Rs.500 and Rs. 1000 can be deposited to third party account offered specific authorization with following the standard banking procedure as indicated in Annex-5.
- Pan card is mandatory if the depositing amount exceeding Rs.50000 in a single day.
- Foreign citizens are permitted to exchange their foreign currency up to Rs. 5000 per week.
- Withdrawal limits of current accounts is Rs. 50000 per week in a single or multiple transactions.
- Annual life certificates are mandatory to submit by the pensioners in banks in the month of November and the time limit has been increased up to 15 January.
- RBI has directed instructions to National Payment Corporation of India to settle the transaction charges through National Financial Switch till 31st December, 2016.
- In the case of weddings, Rs. 2,50,000 are provided to girls and boys families separately.
- Farmers are allowed to purchase the seeds with the old denominations of Rs.500 and

Rs. 1000 from the central and state undertaking seed corporations.

- Various registered traders with APMS are permitted to withdraw up to Rs. 50000 per week from their know your customers accounts in the specific cases of business entities.

Results and Intrepretation

Data has been analyzed with the help of SPSS 16. ANNOVA technique is used to determine the impacts of demonetization on prices, interest rates and manufacturing activities of

real estate business. Results are explained briefly with the help of the tables for the better understanding of the output generated.

As given in the table no.2, the demonetization has significant impacts on the prices of the lands and properties. ANNOVA F- value 68.312 with a significance value .000. At the level of .05. Due to having the scarcity of cash circulation in the economy, the overall demands of customers are highly affected. Prices of the properties are low with their rent and lease amounts are also negatively affected. Thus, H1 is accepted.

H1: Demonetization has significant impact on prices of properties.

Table no. 2: Impact of Prices on interest rates of investment on properties

Variables		Sum of squares	Df.	Mean Square	F.	Sig.
Prices	Between	16.475	1	16.475	68.312	.000
	Within	32.800	136	.241		
	Total	49.275	137			

According to the table no. 3, demonetization has significant impact on the interest rates. ANNOVA F- value 18.043 with a significance value .000. At the level of .05. Demands of overall goods and services are declined. Customers do not have sufficient amount to

buy the necessary goods, so it may not possible for them to make investment decisions. There are high number of declines in investments that affects the interest rates offered on investment on land and properties. Thus, H2 is also accepted.

H2: Demonetization has significant impact on interest rates of investment on properties.

Table No. 3: Impact of demonetization on interest rates of investment on properties

Variables		Sum of squares	Df.	Mean Square	F.	Sig.
Interest Rates	Between	5.150	1	5.150	18.043	.000
	Within	38.821	136	.285		
	Total	43.971	137			

H3: Demonetization has significant impact on manufacturing activities indulges in real estate businesses.

Table No. 4: Impact of demonetization on manufacturing activities.

Variables		Sum of squares	Df.	Mean Square	F.	Sig.
Prices	Between	9.451	1	9.451	58.816	.000
	Within	21.853	136	.161		
	Total	31.304	137			

As given in the table no. 4, demonetization has significant impact on the manufacturing activities of real estate business. ANNOVA F-value 58.816 with a significance value .000. At the level of .05. Manufacturing activities involves all the activities involved in the construction and reconstruction of the lands and properties which requires a huge amount to pay to the suppliers of the raw materials, labors and contractors. Due to the shortage of cash in the market it becomes difficult for the owners and dealers to make the regular transactions of the manufacturing. Thus, H3 is accepted.

Discussion and Conclusions

Haryana is the fast growing state of India in the context of education and business developments which includes the textile industries, automobiles, transportation, luxury items and real estate business. Decision of demonetization is expected to affect all the sectors of India and economy as whole. The research study investigated the impacts of demonetization on the real estate business of Haryana. Various factors of real estate business like prices, interest rates and manufacturing activities are evaluated and the impacts of demonetization on these selected factors are measured. After analyzing the data the results indicated that due to the shortage of cash in the market it becomes difficult for the

customers to manage the general necessities of life which affects their demands at whole. Real estate business is the highest profit making and expenses business. Customer demands toward buying the lands and properties negatively affected with the decision of demonetization and the decision of investment in real estate also declining which decreases the interest rates. And it is become difficult for the real estate owners and dealers to manage the manufacturing activities. According to the results of the research work, it is found that prices, interest rates and manufacturing activities of real estate business are highly affected by the decision of demonetization. Thus, demonetization has significant impact on real estate businesses of Haryana.

Recommendations

1. Impact of demonetization on real estate business has been studied but its impacts on other sectors like transportation, agriculture, service sector etc can also be measured.
2. This study is restricted to Haryana only, but for further studies other areas of India can also be studied.
3. Factors influencing investment decisions of brokers of real estate can also be measured.

4. Customers buying behavior toward commercial and residential properties can also be considered for the further studies.
5. Comparative studies of different sectors of Haryana can also be studied in future.

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