



A CONCEPTUAL STUDY ON THE IMPACT OF DEMONETIZATION ON
THE INDIAN REAL ESTATE

Dr. Mansi Kukreja

*Associate Professor, IBMR
IPS Academy
Indore, India*

Ms. Pallabi Mukherjee

*Assistant Professor, IBMR
IPS Academy
Indore, India*

Ms. Jolly Sushma

*Assistant Professor, IBMR
IPS Academy
Indore, India*

Abstract

Demonetization has vastly impacted the Indian Economy in every possible sphere yet the economy has proved its stability in such an epic economic event and activity. This research article solely enunciates the history of demonetization in the Indian Economy and compares between demetization measures taken in the past and the current one. This paper aims to honestly analyse impact and probable influence of the demonetization event on the Real Estate or the property sector of the Indian Economy.

Index Terms – Indian Economy, Demonetization, Real Estate, Black Money

I. INTRODUCTION

The epic event of 8th November 2016 in India not only has shaken the country the markets the socio economic and political environment but also has generated a very opinionated debate among the Indian families regarding pros and cons of the Indian governments decision of Note ban. It is a typically tailored historical event in India for the change in political environment and improvement of the social economic background of the Indian Economy and most importantly to curb the black money. Such historic event is one of its kind yet history reveals occurrence of near to similar two more events which was a strategic decision by the then governments in order to structurally change the economy.



In 1946, the currency note of thousand and ten thousand were removed from the dissemination. The ban genuinely did not partake considerable influence, as the exchange of like superior coinage was not reachable to the Janta. Nevertheless, both the notes were reestablished in 1954 with an superfluous insertion of rupees five thousand notes.

II. HISTORY REPEATED ITSELF

It was on 16 January 1978 that the Janata Party coalition told the nation, which had assumed office a year before in 1978; the Prime Minister Shri Morarji Desai proclaimed the exchange ban taking rupees thousand, five thousand and ten thousand out of circulation. The exclusive aspiration of the embargo was to reduce black money production in the country. It was the Wanchoo committee who made recommendations in 1970's to withdraw big bank notes, yet these recommendations could not be publicized in order to keep up the secrecy of the operation for honest eradication of black money that prevailed in the then economy atleast partially. The then governor of Reserve bank of India IG Patel in his book "Glimpses of Indian Economic Policy:an Insider view," wrote that these measures were hardly successful and never gave remarkable results as such.

They were same in ways:

In 1978 and 2016 both the Prime Ministers wished to drive out the black money from circulation. Both Shri Morarji Desai and Shri Narendra Modi had announced their decisions on the broadcast radio and television for the latter. Confidentiality was crucial for both the operations for both the time periods.

They were different in ways:

In 1978, all Banks were closed the following day but that was not the case for 2016. Nevertheless the Governor of RBI Dr. Urjit Patel backed out 2016 Prime Minister whereas the same cannot be concluded in case of our 1978 Prime Minister as Dr.IG Patel was skeptical and critical about the move. The impact or bearing of 2016 demonetization was larger in terms of volume and was wholesome in terms of influencing the mass but same cannot be said for 1978 demonetization.

III. LETS COME BACK

Whether the buzz is true or not, time will tell but people have started believing that maybe notes of smaller denominations like fifty and hundred will be redesigned for future sanctity. That prompts us of an happening socializing back to early seventies, when there existed tittle-tattles of retracting rupees hundred notes from circulation, and proximately masses of folks were seen hastening to depositories for alteration of their rupees ten and twenty notes currencies. Most of India's commercial atmosphere has been remarkably traumatized by the demonetization and though its too early to analyse its impacts but still its bearing is evidently visible in all the sectors of the economy. The spatial differentiated opinions on how demonetization has impacted the different sectors macro economic fundamentals etc as a whole is still on and will be. The Consumers Price Index has reduced upto 3.12% (RBI, March 2017) and moreover the Gross Domestic Product at 7.1% (UNCTAD, 2017) is still boosting the economy giving us the



name of the best growth prone economy of the world yet the impact on Real Estate is what will be discussed in the paper in particular.

IV. DEMONETIZATION AND REAL ESTATE

Since our Prime Ministers surprise declaration beginning with the historical word “Mitron”, the undulations have been multiplying throughout the previously disturbed real estate sector, which has been undergoing embarrassingly slow growth in contemporary times. Insignificant sales controlling to virtually flat prices, viscous liquidity encounters and extraordinary unsold record have all connived to keep this particular sector away from justifying its prospective potential - and stipulate obligatory built-up solidity to mediocre residents of the nation.

V. CAN WE DENY THE IMPACT OF DEMONETIZATION ON REAL ESTATE?

Demonetization is effecting and will effect the sectors in special which involve a lot of cash and Black Money and it has been customarily seen that Real estate has a very high engrossment of black money and cash transactions. The opinions regarding changes in prices of real estate suggestively varies as real constructor community assures steady prices to be maintained in the market whereas a significant postulation of wiping out more than eight lac crore rupees in the same market is being estimated with a record change of more than thirty percent. Though we haven't found instant impact of demonetization sharply influencing the said sector because the real estate does not portray emergency supply or demand. Mostly until the time the owners are satisfies with the selling prices they do not sell out of the property unless they just have to get rid of it. On the contrary the buying pattern of property in India is very strategic and until severe emergency none of the buyers buy property until they are themselves satisfied with the price. Times Report more than seven percent of the people who has made up their mind to buy property have changed it and rather opted for rented property after the demonetization broke into the economy. The recorded ratio rate earlier was 1:1.1 and now the ratio has been recorded to be 1.1.6 respectively which implies that people are more likely to opt for rental apartment after the advent of the epic demonetization in the Economy. Nobody wants to take a big investment decision in a distress situation like this but if prices are less people will definitely take full advantage of the situation.

Statistics reveal more than sixty percent of the amount is compensated through cash to purchase a property in India and maximum the time publics employ their black money in the real estate speculation. Consequently demonetization will decrease the property prices in India. The housing bazaar is a hothouse for the indiscriminating use of black money and many homebuyers and developers assert on having cash as a constituent of disbursement in real estate agreements.



VI. PRE AND POST DEMONETIZATION SITUATION OF REAL ESTATE IN INDIA

The Property Sector in India had been facing challenges since a couple of years yet the beginning of the year 2016 recorded a significant change in terms of positive growth rate of the real sector in the Indian Economy. This mainly attributed to the structural changes in the Indian Economy, growth rate, positive socio economic and political environment etc. India had been emerging as a strategically well planned nation with its new budgetary schemes of smart cities, housing for all till 2020 and **ATAL MISSION FOR REJUVENATION AND URBAN TRANSFORMATION (AMRUT)** which boosted growth in real sector in India during the recent past. Positivity was induced in the economy regarding buying and selling properties and lowering of prices, availability of loans and increasing income drove the buyers and sellers to act in the marketplace along with the investors. There were some unsold inventories altogether because of a sheer supply and demand incongruity one of the reasons being the residential market being inundated with schemes that were affluent, against the requirement for more reasonable and affordable ones. More and more attractive schemes were offered by the builders in order to liquidate their holdings which included their collaboration with financial institutions. In order to help buyer more affordable loans and schemes were offered in collaboration with the financial institutions altogether. This had began reimbursing. More disposing off of inventory housing was the basic focus of the builders here during this period of pre demonetization. Also, outfitting to the demand of inexpensive housing, new unveilings started concentrating on that subdivision instead of accommodating to the high-end suburban sector.

Post Demonetization was pretty unique in terms of advent of an Economic Event which in turn led to a considerable amount of confusion rumor and uncertainty in terms of real estate sector analysis. The media had created a big Buzz about the shut down or slow down of the so called "Builder Dukan" just as a reaction to slowdown of economic activities in the economy. The immediate shock had been registered but the gradual yet steady recovery is definitely not publicized. It is not true that the real estate sector had not been affected but the affect was not so dramatic to panic about. A sector which contributes five to six percent of the countries GDP needs a fair analysis in terms of a punch bag and how it has so far reacted to the shock offered by the recent economic activity.

Shortage of cash drove away a large amount of buyers from the market and so many happening deals were called off. Rumors say that prices might reduce considerably giving buyers a fair opportunity to grab the deal yet the enormousness of real reduction has not been able to estimate so far. The reduction in use of cash has curbed black money and now hopefully the inflated bubble if ever existed in certain kind of property will be controlled whatsoever. Most finances will be done by financial institutions and in case of ready to move in homes huge changes wont appear altogether. After demonetization, home loan rates have reduced with an expectation to reduce further which opens doors and windows of buying opportunities in this market.

Anuj Puri, Chairman of JLL India quoted that the deals by home loan players are very transparent and limited impact will be noted in larger cities nevertheless the two or three tier cities will be effected due to involvement of lot of cash.



VII. AN INCLUSIVE IMPACT

The passing of Real Estate Regulation and Development Act 2016 , Benami Act and Demonetization will make the sector strong and transparent sucking out its bubble altogether. The good news for end users is as such they will get their properties with no extra cash involved in terms of black money and they might also get properties of their choice at reasonable and affordable prices.

VIII. APPROACHING AN ANGLE

Real estate is also witnessing withdrawal of foreign funds due to globally impacting events like Trump's selection as the President of United States of America which ensured high bond prices and in turn withdrawal of foreign funds impacting the equity and real estate. . Prices are gradually going down ultimately leading to the dream come true of our Prime Minister (Housing for All) to actually come true in a matter of two years span.

IX. CONCLUSION

1. Demonetization event was an indispensable step which was guaranteed to bring with it a remarkable move wherever black money has been involved and frolicked a key role.
2. For now, there is no intention for chief players of real estate who have shepherded their transactions transparently and rightfully to freak in anxiety.
3. Over the coming years, the real estate sector in India will appear sturdier, healthful and accomplished of protracted unrelenting growth and development.
4. Shri Narendra Modi Ji's Dream of "housing For All" will soon be fulfilled due to probable decrease in prices and affordable real estate in a matter of eighteen months.

REFERENCES

- [1] Vedashree Mali, "Demonetization: A step towards modified India ," International Journal of Commerce and Management Research ISSN: 2455-1627, Impact Factor: RJIF 5.22 www.managejournal.com Volume 2; Issue 12; December 2016; Page No. 35-36
- [2] Investopedia <http://www.investopedia.com/terms/d/demonetization.asp#ixzz4PhFwOAeH>.
- [3] Sandeep Kaur, "Demonetization and Its Impacts in India," in International Journal of Research (IJR) ISSN (Online) 2348-6848.
- [4] <http://www.careratings.com/upload/NewsFiles/SplAnalysis/Effects%20of%20Demonetization%20of%20500%20and%201000%20notes.pdf>R. Nicole, "Title of paper with only first word capitalized," J. Name Stand. Abbrev., in press.
- [5] IG Patel , " Glimpses of Indian Economic Policy: an Insider's View" 15th Dec , 2003.