

Study of Consumer Behavior Towards Real Estate Sector Post Demonetization

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ABSTRACT

Real estate sector will long be considered as inflated by pricing bubbles, dubious investments in cash, complex reform machinery with no adherence to bylaws and regulations. Amid all the downtrodden stigma characterizing the sector, the ill-defined timing of demonetization even made it more worse as all the inventory get caught amid cash – crunch and development takes a downturn with less of working capital assistance to developers. This project aims to have an understanding of the consumer's mindset towards real estate post-demonetization. Land, property and buildings which comes under the ambit of real estate has been greatly affected by demonetization.

Keywords: Demonetization, Property, Real estate, RERA, Real Estate Developers.

INTRODUCTION:

The real estate sector is a standout between the most comprehensively perceived segments in India. In India, Real estate is the second largest business after agribusiness and is stated to grow at 30% in the following decade. This sector includes 4 sub sectors- Retail, Hospitality, Housing and Commercial. The development of this area is all around supplemented by the development of the professional work space and the interest for office space and also urban and semi urban housing. The construction industry comes on 3rd position from among the major 14 sectors regarding immediate, roundabout the actuated impacts on all the segments of the economy.

Demonetisation is a phenomenon whereby the central government of a country officially withdraws the currency notes of certain specific denominations as an official mode of payment for a particular period of time (Time Of India, 2018). On 8th November 2016, honourable PM Mr. Narendra Modi Ji sprung a surprise announcement whereby higher currency denominations of Rs 500 and 1000 are ceased to be legal tenders. PM Modi initiative of bringing forth economic reform of demonetisation and subtly promoting digitalization by discontinuing currency notes of 500 and 100 Rs. which in large was taken as a landmark strategic reform with commendable effect on the Indian real estate market (Singh, 2016). Initially government initiatives are laudable but sidewise arouse suspicion and surprise as nearly 99% of the currency notes gets into the banking system (Time Of India, 2018) with unprecedented pace. This not only reduced the faith on the policy reform but also de-marketed demonetisation positive impacts and long term benefits (Dasgupta, 16). Indian currency circulation to GDP ratio stood at a whopping 12.1 % (Bhausahab, 2017) . This ratio is further divided into Cash on hand that's forms around 3.2% of household assets way above equity investment or an estimated \$ 220 billion. Of this holdings, around 87% is in the form of Rs 500 and Rs 1,000 demonetised notes standing to the tune of Rs 14 lakh crore (\$190 billion).

LITERATURE REVIEW:

Demonetisation from a reforming perspective seems having a positive influence on digitalization (Srivastava,2017) in the country .The role of govt in promoting digital transactions by allowing tax rebates of

1% to 2% is both positive and praiseworthy .This will bring two sided benefits in terms of going digital at first and associated benefit of financial inclusion. Government role of spreading “Going Digital” initiative and promoting it to rural households to develop awareness about digitalization or cashless / banking transactions is equally significant. By linking social welfare schemes to associated individual bank accounts not only helped in mitigating the impact of brokers but also maximising rural households income. Post-demonetisation digital transactions seems infused into rural households and urban lifestyle.The major hindrances being government failure to upgrade technology infrastructure and IT education. As surveyed by (Singhal, 2017) around 66% people are happy about the demonetisation process and it resulted in the promotion of digital transaction at the tune of 105 year on year. (Meher,2017) in his study concluded that large enterprises forms the basic chunk of bank NPA’S but the brunt of loan disbursals is bore equally by the bigger MNC’s of the industry and small and medium enterprises. The government and banking system seems soft on the big corporate houses on loan disbursals while deep-down cut-off are initiated on individual borrowers.As per CMIE records, although the total losses arising out of demonetisation stands to the tune of Rs. 4.3 trillion but the added benefits it presented in the form of eradication of corruption, black money and terrorism (Selvaraj,2017) are far more relevant. In 2012, the Central Board of Direct Taxes (CBDT) is of the opinion that as a major part of black-labelled assets are held in benami properties , under them 289 seizures are and 253 searches are officially disclosed by tax authorities. Govt directed “JAN DHAN YOJNA” banking centric reform singlehandedly promoted in depth both financial and social inclusiveness of the diversified Indian population as stated by (S Vijay Kumar, 2016). Both rural and urban households income and standard of living upgraded to a new high under the footprints of govt. directed initiative of demonetization. (Gajjar,2016) report on impact of demonetisation only promoted inequalities and divide and broadened the aristocrats and masses income gap. The research study also highlighted the impact of demonetisation on downside skill sets and work effectiveness as black money only promoted unethical ways and illegal transactions over high-time working culture.

RERA or Real Estate Regulatory Authority 2016, goes for securing the home buyers and furthermore helps the land ventures. This bill was passed on 10th Mar, 2016 by Rajya Sabha.

(Chand,2017) in the research study demonstrated with the advent of sector specific statutory body RERA it was widely feared that real estate investment will narrow down on eye of strict adherence to applicable approvals and law will take it stride in due course.

OBJECTIVES OF THE STUDY:

- To study consumer behavior towards real estate sector post demonetization.
- To find out the challenges in Indian real estate market post demonetization.

RESEARCH METHODOLOGY:

Keeping in view the objectives of the study the data collection method used for getting respondent viewpoint about the impact of demonetization on Real estate sector is primary data. The Primary data collection tool used in the research work is close ended questionnaire of 16 questions seeking sector specific developments and customer insights about their Real Estate related project and product related preferences. It was spread among various respondents on demographic and socioeconomic parameters like gender, age, geographical area, occupation etc. to get required outcomes. The questionnaires were made with the help of Google forms and data is analyzed with the help of MS Excel and SPSS version 23.

Data is collected from 300 prospective customers from NCR to solicit their awareness of demonetization impact, existence of RERA, buying objective, buying patterns. The research design used by the researcher is exploratory research design and the sampling tool used is convenience sampling. Secondary research is also utilized for aggregating information by accessing research papers to ease the build up of fundamental structure of exploration. The papers are accessed from various sources like web journals, Google scholar and articles for reference. Here are the summary of the survey conducted:

Demographic Profile

Characteristics	Frequency (N=300)	Percentage (%)
Age (Years)		
20-30	137	45.7
30-40	51	17.1

Characteristics	Frequency (N=300)	Percentage (%)
40-50	60	20
50-60	34	11.4
60 and above	18	5.8
Gender		
Male	163	54.3
Female	127	45.7
Domicile		
Urban	265	88.6
Rural	35	11.4
Occupation		
Businessmen	103	34.3
Retired	34	11.4
Working professional	163	54.3
Annual Household Income (In Lakhs)		
Less than 5	165	55
5-10	60	20
10-15	30	10
15-20	24	8
20-25	15	5
More than 25	6	2
Total	300	100

Table1 shows that majority of the interested population in property purchases are young male adults in their 30’s, just married and struggling to settle. It can also be seen that women are not much behind real estate project enquiries and marketer must focus on each class of orientation equally. Reports clearly shows that urban working class forms a core group of real estate target segment, followed by businessman and retiree’s. Middle income consumers earning 5 lakh annually are clearly the sector movers forming the core of real estate transactions, followed by other income classes.

Place Preference

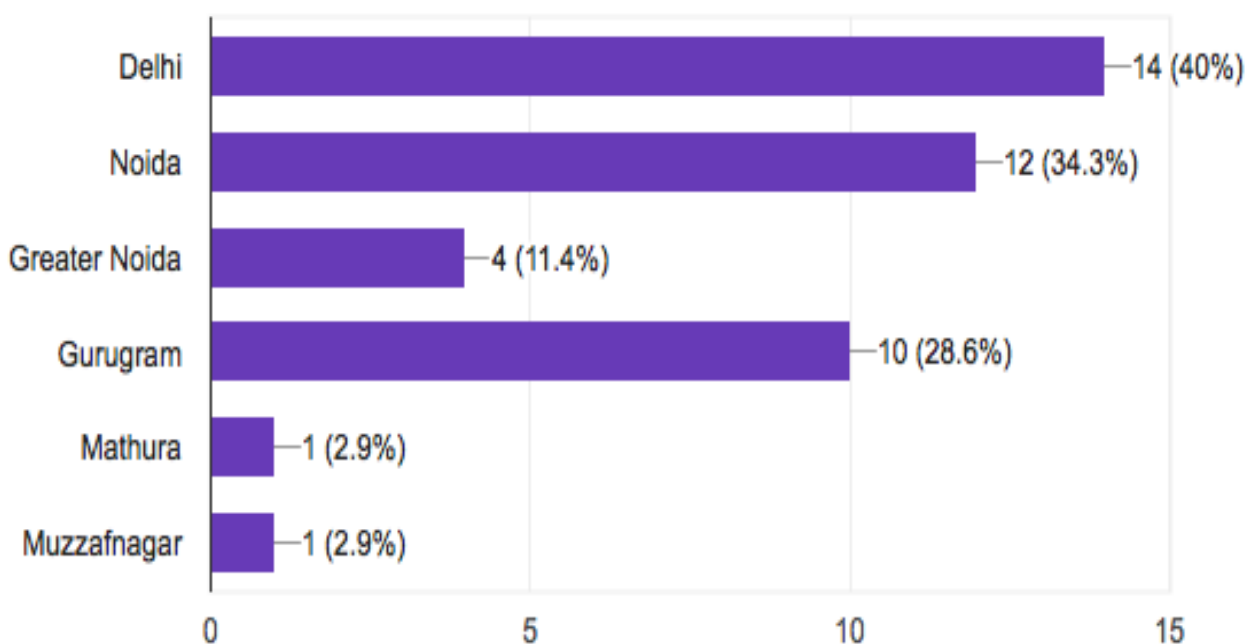


Figure1: This Figure shows that Delhi and NCR region market with diverse set of well established industries are in huge demand amongst the property seekers as key destination real estate hub.

Project Preference

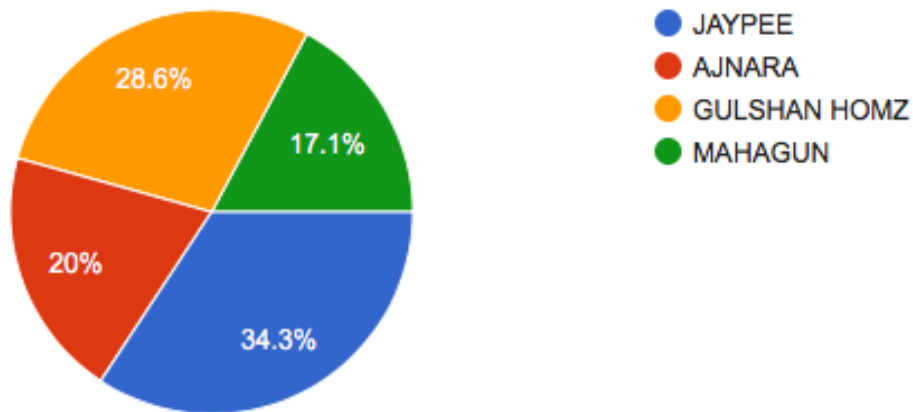


Figure2: This Figure shows that people are mostly aware of the competitors in the market. JAYPEE being at the top at 34.3% and MAHAGUN at last with 17.1% of knowledge to people.

Product Preference

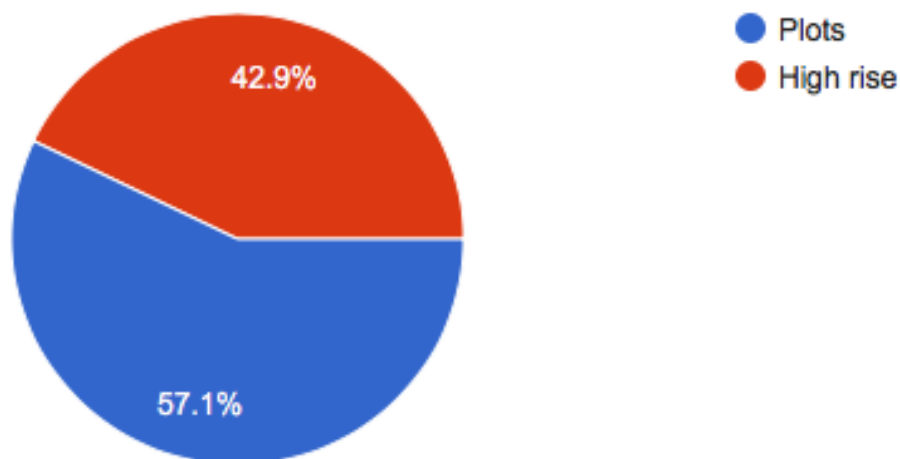


Figure3: This Figure shows that though plot buyers seems the natural winners product wise but flat buyers also represent an equally important property segment.

Product Dimension

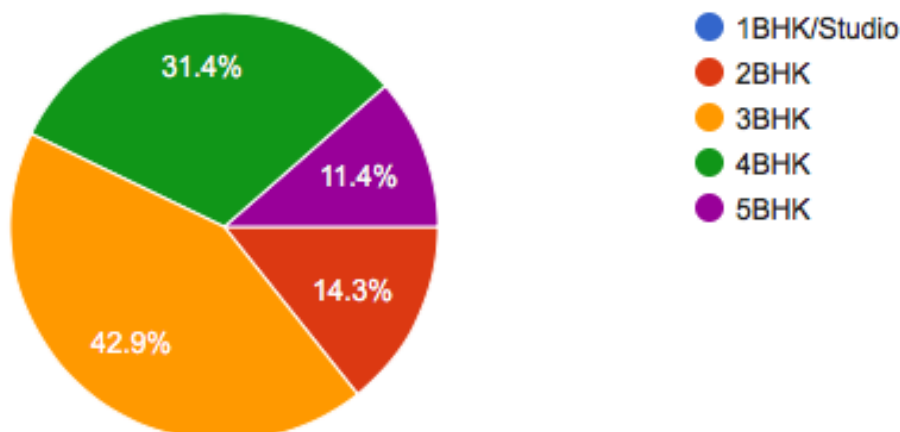


Figure4: This Figure explains us that home seekers of our study are predominantly interested in buying open space and comfort.

Intention to buy

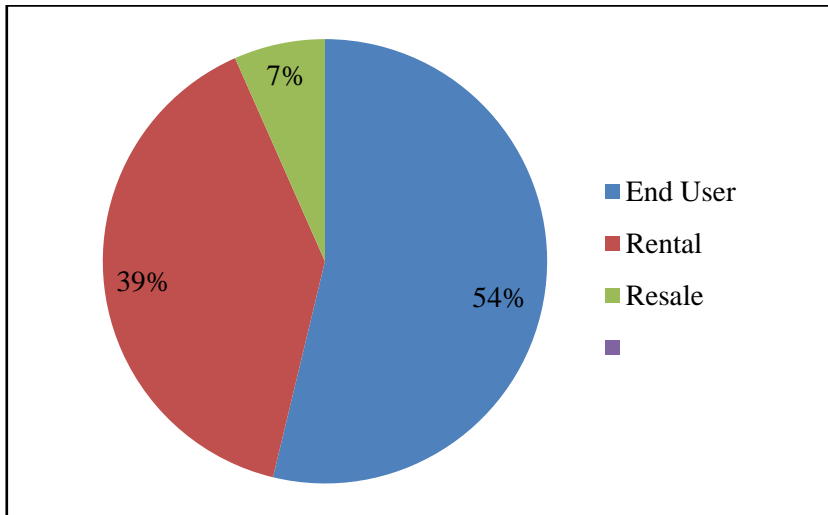


Figure5: This Figure shows that mostly urban population have the income orientation for flat purchases as backed by their income statements. Alternatively rural household seems a potent segment in its development phase.

Inclination to buy

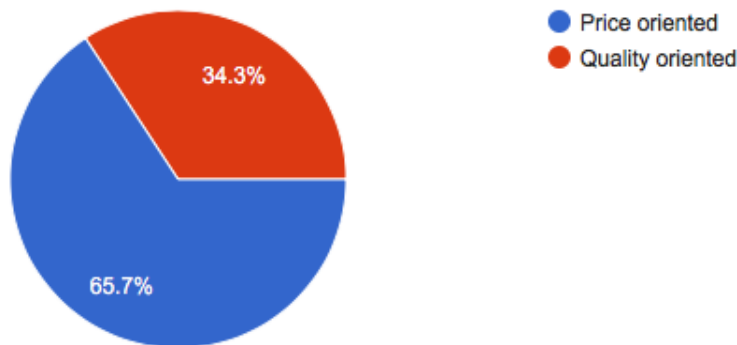


Figure6: This Figure presents us the long standing orientation of price followed by quality as majority of real estate buyers in sample preferring price over quality buying flats suggesting that they are into their early stage of career progressions.

Consideration to buy

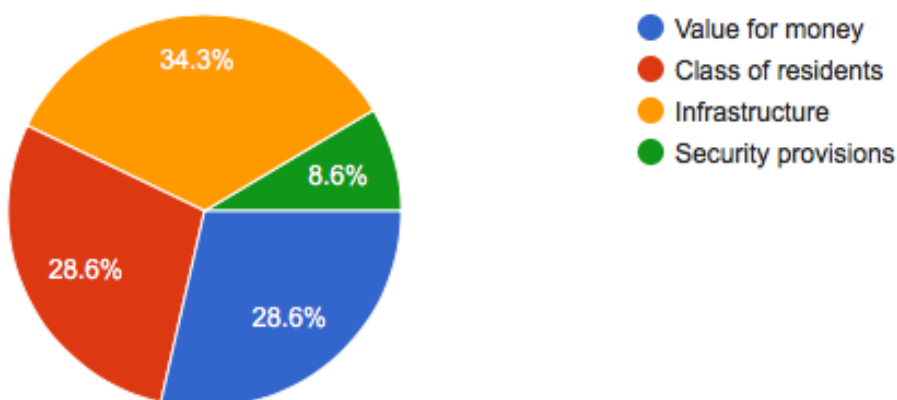


Figure7: This Figure opens us to the conclusion that for a majority of respondent’s quality is synonyms with infrastructure preceded by a tie between value for money and class of residents.

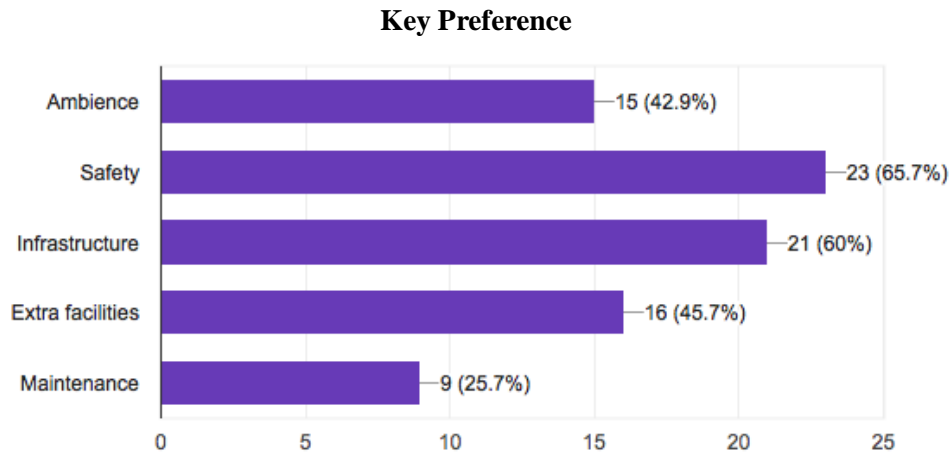


Figure8: This Figure opens us about the long standing concept of safety and security as the key parameter of real estate buying followed by infrastructure. Alternatively project ambience is starting to grow as a key attraction point for sales.

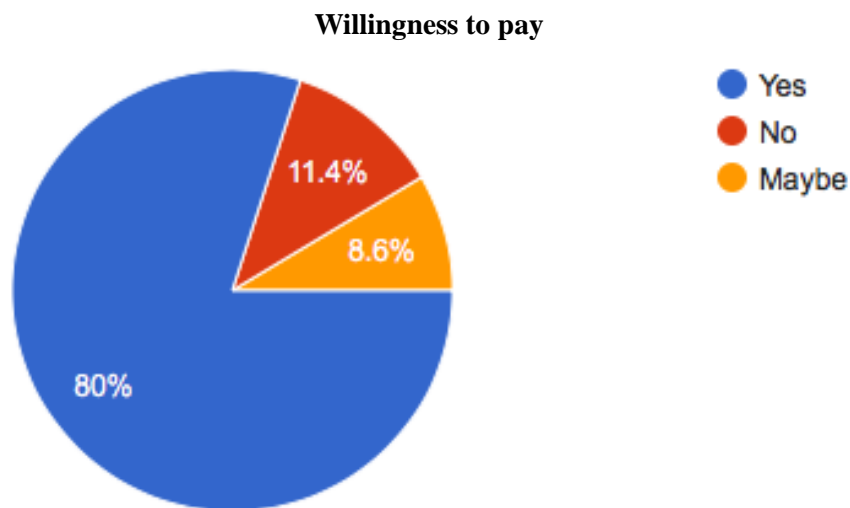


Figure9: This Figure presents the willingness of majority of respondents to pay a premium when offered with superlative quality with minute fraction of buyers saying no and or are indifferent about the same.

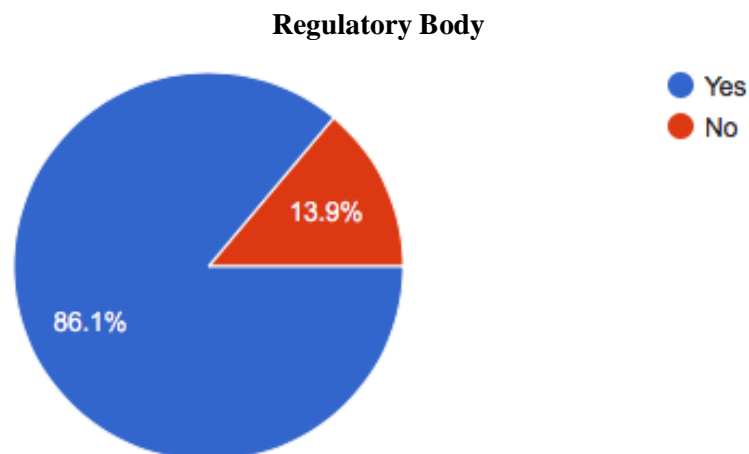


Figure10: This Figure shows that majority of respondents are informed about the reforms and are aware about the sector-specific machinery and developments.

RERA Reforms

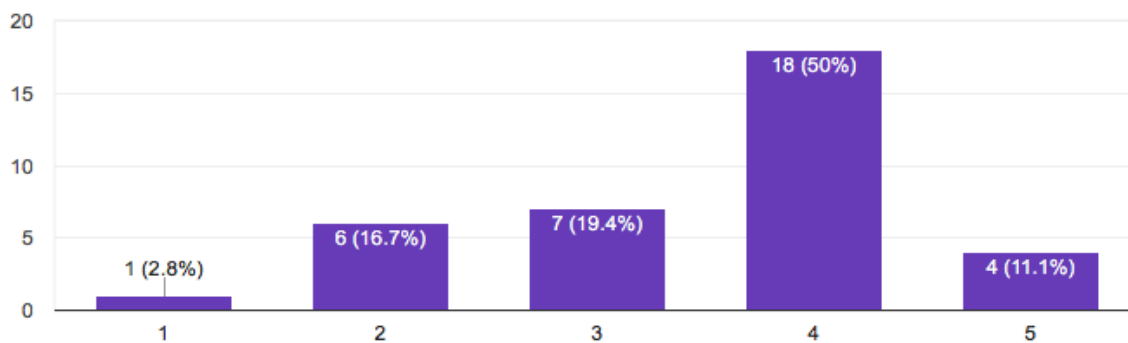


Figure11: This Figure shows that a maximum percentage of respondents are positive about RERA reforms in catering to sector-specific challenges.

RERA Reform Highlighters

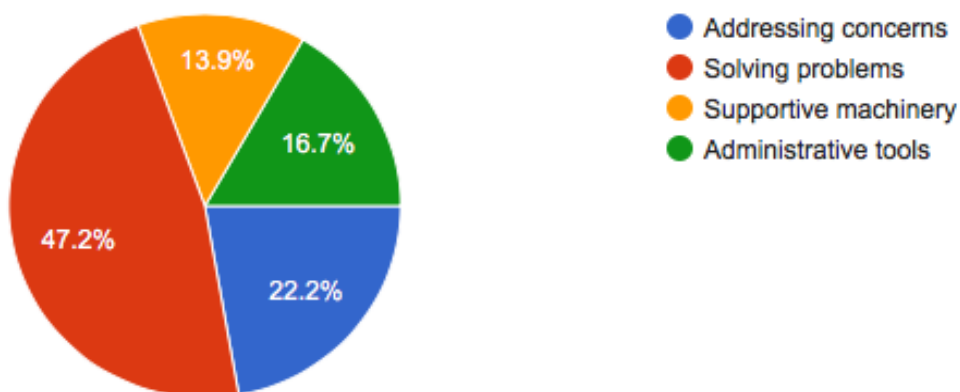


Figure12: This Figure bring forth the fact that nearly half the respondents are sure of the problem-solving abilities of institutional head RERA preceded by addressing concerns and supportive real estate machinery.

FINDINGS:

- Considerable percentage of real estate buyers and even developers bore the brunt of demonetization in terms of severe cash crunch. The impact is much worse on loan buyers because of increased interest rates and heightened documentation by banks.
- As surveyed from the respondents it came to light that as most of the sales are generated in the category of 3BHKs around, most of them seems buying for space.
- Going by the analysis majority of the property buyers are end users followed by investors buying for rentals as a source of additional income/repayment of loans.
- Decline in real estate sales had a collateral damage on developers as demonetization squeezed their operational expenses thereby impacting on site development and development-specific sales.
- Although people are aware about the existence of RERA and seems sure of sector specific measures but there is long way to go in terms of reform application and mitigating consumer grievances at grass root level.

RECOMMENDATIONS:

1. Govt must consider strengthening the real estate ecosystem by bringing in more sectoral reforms to infuse a sense of hope to the consumers and administrative mechanism for business community. This can be possible by making suitable customer centric amendments to RERA and making it more realistic and trade-worthy reform.
2. Govt must consider working on the interest rates (lowering of interest rates as sizable number of home buyers are dependent on loan for buying property) and subsidies to minimize the impact of demonetization and to bring more home buyers to the ambit of real estate projects.

3. Companies must work on making real estate projects and products more inclusive by assigning a part of their land holdings for Affordable housing/Housing for middle class and poor to make the sector more representative of population.
4. A more elaborate market survey must be conducted both RERA specific (to generalize the machinery compatibility) and company specific to improve on to the customer experience.
5. Both Govt and multinationals must consider mulling in education and information driven campaign for customers and general public to make them aware about the sectoral specific updates and happenings.
6. Multinationals must try and create one-stop shop for customers and visiting home buyers to zero in everything from purchasing to loan management to agreements and notaries at one place to enhance their overall satisfaction.

CONCLUSION:

In light of the objectives of the study and thorough analysis it is quite evident that real estate sector have taken a hit in terms of flow of investment into projects and products .This led to accumulation of project (floor) inventories and declining sales only made it worse by eating on to developer profits as operational cost of managing the projects increased. The emergence of RERA (administrative body of real estate) and subsidy program for middle income group customers is a sigh of relief from customers point of view but government failed to come up with major sector specific reforms in terms of lowering down of interest rate and relief to builders and real estate developers in areas of availability of finance for builders and easier terms and conditions. Demonetization promoted digitization and fairness in working culture of this sector but cash crunch reduced customer side sales and developer specific working capital.

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