



A Peer Reviewed, Refereed & Quarterly Journal with Impact Factor

# ROOTS

International Journal of  
Multidisciplinary Researches

Volume 4 | Special Issue 1 | September 2017 | ISSN: 2349-8684

Special Issue Editor-in-Chief  
**Dr. S. Theenathayalan**

JOURNAL WITH  
IMPACT FACTOR 3.487

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## DEMONETISATION: THE IMPACT ON REAL ESTATE SECTOR IN INDIA

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### Abstract

*Indian Economy has far been a hit of black money and corruption. The Indian system looked constant resulting in crores of unreported money flowing in and out from the country. The Indian Government, in order to curtail the flow of black money came up with the Income Declaration Scheme (IDS), which gives holders of undeclared wealth a chance to come clean by paying tax, surcharge and penalty of 45 per cent and escape punishment. This scheme however, did not turn out to be successful. The Government, in an unprecedented move banned the five hundred and thousand rupee notes on 8<sup>th</sup> November in an attempt to resolve the issues of corruption, black money and counterfeit notes. The so called surgical strike on black money is expected to cleanse the Indian economy and bring in various unorganized sectors which account for a large part of the Indian Economy into the formal and registered part of the Indian banking system. Demonetization as a cleaning exercise may manufacture several good things in the economy. The Service Sector comprises areas such as trade, hotels and restaurants, transport, communication, finance, insurance, and real estate, among others, and accounts for 60% of India's \$2 trillion GDP. The need of the hour is to make the real estate sector in a much evolved manner and increase the transparency and cleanse the entire system. While the short-term impact is negative, developers expect things to return to normal over the course of the fiscal year. Some are hoping that rate cuts in the coming months would enhance domestic sales.*

**Keywords:** *Demonetisation, Surgical strike, Real Estate, RERA, Counterfeit Notes*

### Introduction

Indian Economy has far been a hit of black money and corruption. The Indian system looked constant resulting in crores of unreported money flowing in and out from the country. The Indian Government, in order to curtail the flow of black money came up with the Income Declaration Scheme (IDS), which gives holders of undeclared wealth a chance to come clean by paying tax, surcharge and penalty of 45 per cent and escape punishment. This scheme however, did not turn out to be successful. The Government, in an unprecedented move banned the five hundred and thousand rupee notes on 8<sup>th</sup> November in an attempt to resolve the issues of corruption, black money and counterfeit notes. Demonetization as a cleaning exercise may manufacture several good things in the economy. At the same time, it creates unavoidable income and welfare losses to the poor sections of the society who gets income based on their daily work and those who doesn't have the digital transaction culture. Overall economic activities will be reduced in the short term. But the endless benefits of having more transparency and reduced volume of black money activities can be pointed as long term benefits.

The so called surgical strike on black money is expected to cleanse the Indian economy and bring in various unorganized sectors which account for a large part of the Indian Economy into the formal and registered part of the Indian banking system. The Service Sector comprises areas such as trade, hotels and restaurants, transport, communication, finance, insurance, and real estate, among others, and accounts for 60% of India's \$2 trillion GDP. The need of the hour is to make the real estate sector in a much evolved manner and increase the transparency and cleanse the entire system.

### Impact on the Real Estate Sector

Cash transactions have been an integral part of the Indian real estate sector. Market rates across cities in India are usually higher than government prescribed rates. Cash transactions have contributed in large parts, by helping hide the real extent of transactions. This has hurt the interest of genuine home-buyers and honest taxpayers.

Despite a difficult last few quarters and depressed demand for property; real estate developers have held prices at a high level. In the short term, demonetization of Rs 500 and Rs 1000 notes will add to the woes of the