

To Study the impact of Demonetization and G.S.T. Implication on Value of the property in Surat city

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Abstract: The subject of the study is to analyze the impact of demonetization and GST on the value of the property in Surat city. Demonetization is a procedure of introducing a new currency in place of a particular currency which was prohibited. Demonetization is practical in any economy owing to change in national currency. The goods and service tax (GST), which has been implemented from 1st July 2017. And it affected the construction material cost and value of real estate property. How it affects the taxes in the real estate sector got different views from industry experts. It is a commonly known fact that the construction sector is the one where cash transactions play a predominant role. Building materials and land acquisition costs are the major construction cost components which are affected due to demonetization and GST implementation. In Surat city, the value of the property was speedily increased in the last few years before demonetization but after demonetization and then GST implication value of property is stable. So, the main objective is to find the impact of demonetization and GST on the construction industry and value of the Real estate property in Surat City.

Index Terms - Demonetization, GST, Real Estate, Value, Questionnaire

I. INTRODUCTION

The real estate segment is the second largest employer in India, next to agriculture, and it is slated to improve further in the near future. The Indian real estate segment has been facing threats in the past few years in terms of sales and long-term improvement.

Demonetization is the act of removing a particular currency as legal tender. It was announced in India on 8th November, 2016 applicable to the 500 and 1000 rupee notes. Demonetization means that the economy can now move towards a digital economy. Also, it acts as barrier for corruption as large amounts of undeclared cash are used by many political parties and terrorists to meet requirements.

Goods and service tax is one indirect tax for the whole nation. It aims to unite the Indian market. The Indian parliament passed this law on March 29th, 2017. GST has many benefits like it removes the cascading tax affect, increases threshold for registration, acts a composition scheme for small business, it has a much simpler process to file and less compliances, it acts as a regulator of the unorganized sector. The procedure for filing indirect tax returns has been simplified largely. Non billed transactions have decreased largely, thus disposing of black money in large amounts in the markets.

Surat is a city located on the western part of India in the state of Gujarat. Surat is one of the cleanest cities of India and is also known by several other names like "The Silk City", "The Diamond City", "The Green City", etc. It has the most vibrant present and an equally varied heritage of the past. Also Surat is known as financial capital of Gujarat. It is one of the most dynamic cities of India with one of the fastest growth rate due to immigration from various parts of Gujarat and other states of India. Due to this in Surat demands of residential properties.

The effect of money demonetization on real estate is much higher than any other industry, as the realty sector was known for its black money dealings. Also due to GST implication non billed transactions have decreased largely, thus dealing black money in real estate is also decreased. Due to the above reasons the value and demand of real estate property is affected.

1.1 Objectives of the study

1. The objective of this project is to study the impact of demonetization on the Real estate in terms of Valuation of real estate properties.
2. To study the impact of GST on value of property and various stakeholders of the Real Estate Sector.

1.2 Scope of the Study

1. To understand how future real estate markets are likely to behave by understanding the nature of finance in real estate as observed in different neighborhoods of the city.
2. To understand the micro-factors responsible for real estate growth by understanding the working capital of a real estate developer and predicting future outcomes.
3. To evaluate and forecast a city's real estate market and help derive similar models for other urban cities of India.

II. METHODOLOGY



Fig -1: Methodology Flow Diagram

After contacting experts and literature surveys the following factors are identified and further research work is done.

2.1 Short term factors which impact due to Demonetization:

- Ongoing Property deal was disturbed due to unavailability of liquid cash.
- Delay in labor payment for progressing development work.
- Improved admittance to bank advances.
- Increase in online transactions.
- Delay in fulfillment of work.
- Difficulty in payment through online exchange for ongoing works.
- Delay in acquisition of Land.

2.2 Long term factors which impact due to Demonetization:

- Due to Demonetization, availability of black money which can be directly invested in the real estate sector is reduced. This is a major factor in the decrease in value of property.

2.3 Factors which effects due to G.S.T. implication

- Increase in development cost of new private structures.
- Major change in net expense of development.
- Decrease in bank credit loan fees.
- Inflation of costs of development materials.
- Decrease in interest cost for house advances.

III. QUESTIONNAIRE PREPARATION & SURVEY

A questionnaire is designed based on the objectives of the study, which are the impacts of demonetization and GST on construction industry and value of the property. A questionnaire survey is developed to get the opinion and understanding from the experienced experts regarding the demonetization and GST on valuation of property and construction industry.

The questionnaires are divided in two sections.

1. Information of responder
2. Impacts of demonetization and GST on the value of property in Surat City.

A Google form has been developed and communicated with experts of valuation field for survey and survey was carried out.

IV. RESULTS AND DISCUSSION

Once the survey is completed, Analysis of survey data is carried out as below.

4.1 Type of Experts

There are different experts involved in the survey out of that maximum are Valuers and some of the Civil Engineers, Builders, Contractors of Surat city, who are concerned with property valuation are involved. Total 113 experts have been given data for the survey.



Chart -1: Type of Experts

4.2 Effect on value of property by demonetization

All experts agreed that Value of property affected by demonetization out of 97% experts said that the value of the property decreased due to demonetization.

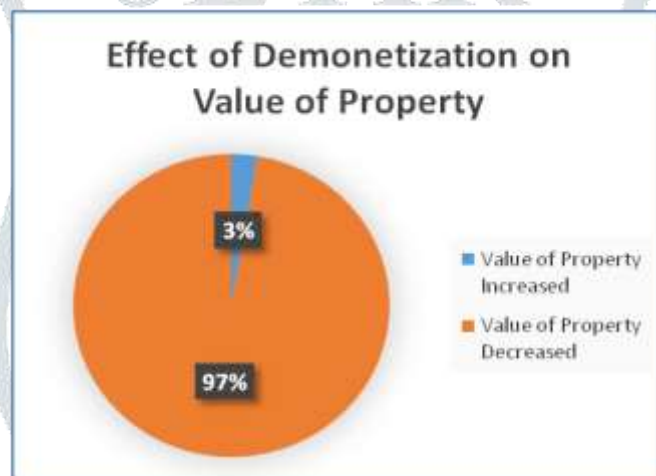


Chart -2: Effect of Demonetization on Value of Property

As we discussed the Impact of Demonetization on the Value of Property (Time Duration), 95% experts said that it was a short term impact and 5% experts said that it is a long term effect.

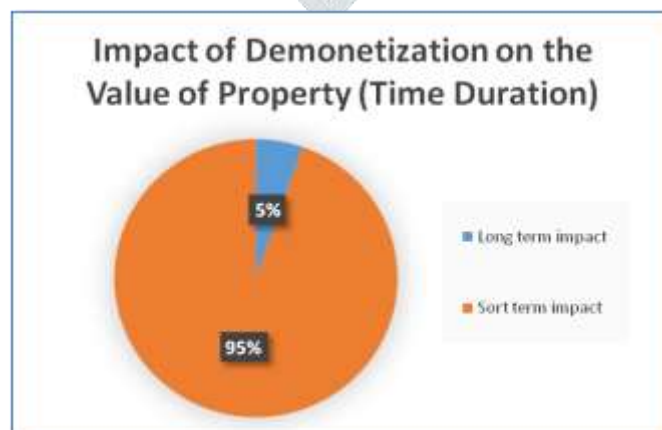


Chart -3: Impact of Demonetization on the Value of Property (Time Duration)

The Value of Property is decreased as per result of the survey in Percentage (%) is about 15% of its value before demonetarization.

4.3 Effect on value of property by GST implication

All experts agreed that Value of property affected by GST implication out of 97% experts said that the value of the property increased and remain 3% said that value of property decreased due to GST implication.

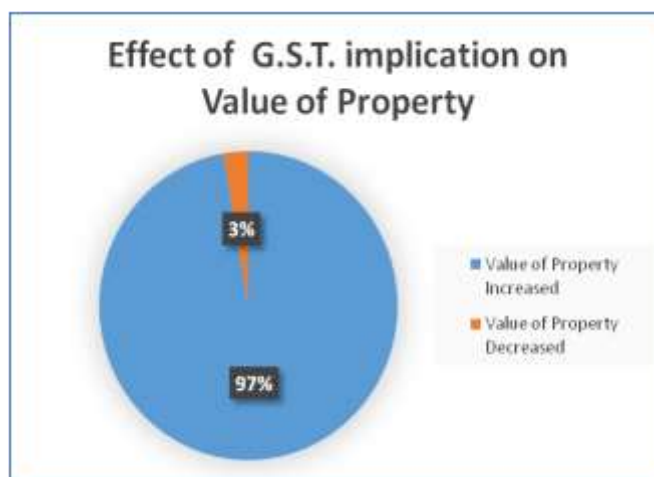


Chart -4: Effect of GST implication On Value of Property

As we discussed the Impact of GST implication on the Value of Property (Time Duration), 87% experts said that it was a long term impact and 13% experts said that it is a short term effect.

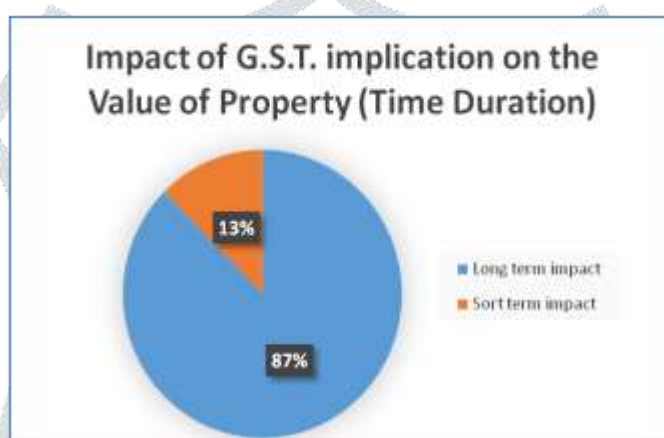


Chart -5: Impact of GST implication on the Value of Property (Time Duration)

The Value of Property is increased as per result of the survey in Percentage (%) is about 10.5% of its value before GST implication.

The "Construction Value" is increased as per result of the survey in Percentage (%) is about 14.5% of its value before GST implication.

The "Land Value" is increased as per result of the survey in Percentage (%) is about 2% of its value before GST implication.

V. CONCLUSIONS

Following conclusion are drawn on the result discussed in the previous chapter:

1. After analyzing data and result we can say that the value of property in Surat city has been decreased about 15% as compare to the property value before demonetization.
2. Impact of Demonetization on the Value of Property was short term impact but steal now some effect can be observe on the property value.
3. Due GST implication value of the property has been increased about 10.5%.
4. Impact of GST implication on the value of the property is long term impact.
5. After GST Construction value of the property has been increased about 14.5%.
6. GST implication has very small impact on land value about 2% of land value being increased.
7. As discussed with experts it may be concluded that as discussing about property value in Surat city then there is very high investment coming from Diamond and Textile industries, and this industries are highly affected by Demonetization and then after GST implication. So, doe to that investment coming from industries is decreased as well as demand of new property was also stable and value of property is not increased in this duration.

After concluding this study I can say that Demonetization and GST implication are factors which can be highly affect to the value of the property. So, these factors must be considered at the time of property valuation.

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