



IMPACT OF DEMONETIZATION ON PURCHASING BEHAVIOUR OF BUYER ON RESIDENTIAL PROPERTY

Kadambini Kumari* Dr. Vidya Nakhate**

*Research Student, Dr. D.Y. Patil Vidyapeeth's, Global Business School & Research Centre, Pune.

**Associate Professor, Dr. D.Y. patil Vidyapeeth's, Global Business School & Research Centre, Pune.

Abstract

Demonetization was started by Hon'ble Prime Minister Mr. Narendra Modi from 9th Nov 2016. By banning Rs.500 & Rs.1000 notes use in the market to reduce corruption and removal of black money from the country. This move would impact the real estate sector accordingly.

According to studies the Property Prices have increased by 3-4% in last 4 years and there are many projects unsold due to increased prices and after the announcement of Demonetization the buyer is worried about prices of residential property. All the builders have similar location, same facilities and at similar pricing this makes the buyer to focus on product and service to make the buying decision in the demonetization phase. The paper focuses on the product attributes and services of builder and purchasing behavior of buyer. The study was conducted for 100 respondents in Pune.

This study shows that the buyer is intended to move towards the services attributes of the residential property in addition to the product. The market is saturated and demand and supply equation is used by the buyers.

Keywords: Demonetization, Residential Product Attributes, Residential Service Attributes, Purchase Decision.

Introduction

According to the Pune's real estate market over the past few years has been witnessing a steady slowdown. The market, which normally sees absorption of around 20,000-22,000 units every six months, has been witnessing absorption of lesser than 15,000 units on a half-yearly basis. While realtors blame the wait-and-watch policy of buyers and the global slowdown for the trend, buyers on the other hand blame artificial inflation in the market for deferring their investments. All this result in slow down the sales & increase in inventory.

Analysis done by 99 acres after the government announcement on demonetization of currency notes of Rs.500 & Rs. 1000 will have impact on following five parameters.

- Short term cash crunch & transactional problem
- End of Corruption in real estate
- Enhance transparency
- Greater foreign investment
- Reduce price & realistic pricing

All this has its pros on cons in short term but definitely beneficial for long term growth for economical point of view & as well as buyers point of view. All this leads to be more heat-up on buying behavioural approach for decision making. Buyers become more calculative, having fair choices & buying for better reasons. No decision is made just for utilizing the cash in hand.

Focus on the purchasing decision is more driven towards the factors influencing the buying decision. Attributes appealing most too each buyers will be heterogeneous but it will have convergence. This dynamics must be understand by the sellers to attract right people & design the right property in terms of product & service attributes.

Definition of Terms

- **Demonetization:** According to Investopedia, "demonetization is the act of stripping a currency unit of its status as legal tender."
- **Residential Product Attributes:** A type of leased property, containing either a single family or multifamily structure, that is available for occupation for non-business purposes
- **Residential Service Attributes:** It refers to kinds of services provided to the buyers by suppliers with the physical attributes.
- **Purchase Decision:** A purchase decision is defined as occurring "when the buyer has paid for a product or has made some financial commitment to buy some specified amount during some specified time period. It is caused by intention to buy".

Literature Review

Intention is an indication of a person's willingness to perform the behavior, and it is an immediate antecedent of behavior (Han & Kim, 2010). In this study, intention is the dependent variable and it is predicted by independent variables, which are Property Attribute (PA), Property View (PV) and Property Surrounding (PS). A research by Kim et al (2005), found out that



intention vary from time to time and as the time interval increases, the lower is the correlation between intention and action. Taylor & Todd (1995) suggest that intention is a strong predictor of human behavior. Therefore, the intention to purchase is an antecedent to a purchase-decision (Tan, 2012b).

According to Sidi & Sharipah (2011), purchase intention referred as a subjective judgement by customers whom it reflected after customer evaluates whether to buy a product or a service. Purchase intention covered several meanings such as (1) customer's willingness to consider buying a certain product or services; (2) customer's purchase intention in the future; (3) customer decision of repurchase, (Han et al, 2010). Purchase intention measured the possibility of a customer to purchase a product or service. The higher the purchase intentions, the higher the willingness of a customer to purchase the product or service (Schuler, 2003). According to Han et al, (2010), purchase intention indicated customer followed their preferences, past Page 13 of 151.

According to (Zawawi et al, 2004), purchase intention of a customer has positive effect on customers actual purchase behavior on a residential property. Therefore, if a customer's willing to spend money to buy a properties, he or she more likely to have higher intention to purchase it. Thus, customer with strong intention to buy the residential properties, he or she will be more likely to transfer the intention into actual buying behavior (Zawawi et al, 2004).

Research Questions

Two research questions addressed through the questionnaire on which attributes are more important & what all they consider as an important attribute before taking a purchase decision after demonetization. This research helps to know the effect on buying behavior of the people after the demonetization. (Annexure I)

- Research question 1: What all attributes in product or service attributes are concededly changed in the preference by buyers after demonetization?
- Research question 2: What are the demographic factors that effects the behavior while purchasing residential property post Demonetization?

Research Objectives

- To understand the change in behaviour of buying residential property after demonetization.
- To study the important attributes that effects due to demonetization in purchase decision of residential property.

Hypothesis

H₀: There is no significant change in attributes preference due to demonetization on housing property based on type of Property.

H₁: There is significant change in attributes preference due to demonetization on housing property based on type of Property.

Research Design

The empirical study was carried out. Population was defined as all individual are planning to buy the housing property after demonetization in Pune Region. The research would be carried out in the physical location of Pune City. Sample was defined as each individual who had bought the housing property after demonetization or planning to buy by in Pune region.

The questionnaire was administered through the minimum sample size of 100 of the total population. Research was be carried out by using convenience data from the questionnaire would be coded and tabulated for further treatment. Data was analysed by using the techniques of descriptive statistics.

Data Analysis & Findings

The Statistical Package for the Social Science (SPSS) was used to complete the analysis of the collected data. Descriptive statistics & inferential analysis given below.

Table 4: Purchasing decision-Basic need					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	24	24.0	24.0	24.0
	Not Preferred	30	30.0	30.0	54.0
	Neutral	16	16.0	16.0	70.0
	Preferred	12	12.0	12.0	82.0
	Most Preferred	18	18.0	18.0	100.0
	Total	100	100.0	100.0	



Table 5: Purchasing decision layout					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	19	19.0	19.0	19.0
	Not Preferred	24	24.0	24.0	43.0
	Neutral	22	22.0	22.0	65.0
	Preferred	19	19.0	19.0	84.0
	Most Preferred	16	16.0	16.0	100.0
	Total	100	100.0	100.0	

Table 5: Purchasing decision-surroundings					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	24	24.0	24.0	24.0
	Not Preferred	17	17.0	17.0	41.0
	Neutral	19	19.0	19.0	60.0
	Preferred	19	19.0	19.0	79.0
	Most Preferred	21	21.0	21.0	100.0
	Total	100	100.0	100.0	

Table 6: Purchasing decision-Price attractiveness					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	23	23.0	23.0	23.0
	Not Preferred	16	16.0	16.0	39.0
	Neutral	30	30.0	30.0	69.0
	Preferred	16	16.0	16.0	85.0
	Most Preferred	15	15.0	15.0	100.0
	Total	100	100.0	100.0	

Table 7: Purchasing decision-Promotional schemes					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	24	24.0	24.0	24.0
	Not Preferred	17	17.0	17.0	41.0
	Neutral	22	22.0	22.0	63.0
	Preferred	15	15.0	15.0	78.0
	Most Preferred	22	22.0	22.0	100.0
	Total	100	100.0	100.0	

Table 8: Housing price-price hike					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	18	18.0	18.0	18.0
	Not Preferred	31	31.0	31.0	49.0
	Neutral	21	21.0	21.0	70.0
	Preferred	16	16.0	16.0	86.0
	Most Preferred	14	14.0	14.0	100.0
	Total	100	100.0	100.0	



		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	19	19.0	19.0	19.0
	Not Preferred	23	23.0	23.0	42.0
	Neutral	15	15.0	15.0	57.0
	Preferred	23	23.0	23.0	80.0
	Most Preferred	20	20.0	20.0	100.0
	Total	100	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	21	21.0	21.0	21.0
	Not Preferred	20	20.0	20.0	41.0
	Neutral	28	28.0	28.0	69.0
	Preferred	13	13.0	13.0	82.0
	Most Preferred	18	18.0	18.0	100.0
	Total	100	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	17	17.0	17.0	17.0
	Not Preferred	15	15.0	15.0	32.0
	Neutral	21	21.0	21.0	53.0
	Preferred	31	31.0	31.0	84.0
	Most Preferred	16	16.0	16.0	100.0
	Total	100	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	15	15.0	15.0	15.0
	Not Preferred	16	16.0	16.0	31.0
	Neutral	25	25.0	25.0	56.0
	Preferred	22	22.0	22.0	78.0
	Most Preferred	22	22.0	22.0	100.0
	Total	100	100.0	100.0	

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	20	20.0	20.0	20.0
	Not Preferred	19	19.0	19.0	39.0
	Neutral	22	22.0	22.0	61.0
	Preferred	17	17.0	17.0	78.0
	Most Preferred	22	22.0	22.0	100.0
	Total	100	100.0	100.0	



Table 14: Service quality-office location

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	13	13.0	13.0	13.0
	Not Preferred	29	29.0	29.0	42.0
	Neutral	12	12.0	12.0	54.0
	Preferred	25	25.0	25.0	79.0
	Most Preferred	21	21.0	21.0	100.0
	Total	100	100.0	100.0	

Table 15: Service quality-Brochures style

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	17	17.0	17.0	17.0
	Not Preferred	25	25.0	25.0	42.0
	Neutral	22	22.0	22.0	64.0
	Preferred	18	18.0	18.0	82.0
	Most Preferred	18	18.0	18.0	100.0
	Total	100	100.0	100.0	

Table 16: Service quality sample flate ambience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	13	13.0	13.0	13.0
	Not Preferred	24	24.0	24.0	37.0
	Neutral	20	20.0	20.0	57.0
	Preferred	21	21.0	21.0	78.0
	Most Preferred	22	22.0	22.0	100.0
	Total	100	100.0	100.0	

Table 17: Service quality factor follow up

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	15	15.0	15.0	15.0
	Not Preferred	16	16.0	16.0	31.0
	Neutral	25	25.0	25.0	56.0
	Preferred	22	22.0	22.0	78.0
	Most Preferred	22	22.0	22.0	100.0
	Total	100	100.0	100.0	

Table 18: Service quality information time delivery

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	25	25.0	25.0	25.0
	Not Preferred	23	23.0	23.0	48.0
	Neutral	18	18.0	18.0	66.0
	Preferred	16	16.0	16.0	82.0
	Most Preferred	18	18.0	18.0	100.0
	Total	100	100.0	100.0	



Table 19: Service quality tangible gifts

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	17	17.0	17.0	17.0
	Not Preferred	14	14.0	14.0	31.0
	Neutral	18	18.0	18.0	49.0
	Preferred	28	28.0	28.0	77.0
	Most Preferred	23	23.0	23.0	100.0
	Total	100	100.0	100.0	

Table 20: Service Quantity hospitality car site visit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Preferred	14	14.0	14.0	14.0
	Not Preferred	26	26.0	26.0	40.0
	Neutral	18	18.0	18.0	58.0
	Preferred	23	23.0	23.0	81.0
	Most Preferred	19	19.0	19.0	100.0
	Total	100	100.0	100.0	

Findings from the Descriptive Analyzed Data

1. Average salary of most of the customers is between 50 thousand to 11 lakhs
2. 34% bought for residential purpose while 30% of them bought as a form of investment and very few of them about 36% bought for renting purpose.
3. 33% of them preferred a completed and 25 of them is ready to move projects and next to them under construction are 21% and not started projects got 21% .
4. Most of the consumers took decision to buy the property after 2 years.
5. More than half of the consumers are aged above 50 years.
6. 20% works with the state owned enterprises, 21% works in private business enterprises, while the other 18% and 17% are government employees and public sector employees respectively. And finally 13% have their own business
7. 17% voted newspaper as not a preferred source while social network and property exhibition received 27% and 24% of preference as a source of information
8. Customers gave 19% preference to the surroundings to while taking purchase decision

Preference of housing product & service attributes based on preference of property in four categories as new projects (Completed), existing property (Ready to move), new projects (under construction) & new projects (not started).

Hypothesis analyzed to understand the interaction on changes in product attributes based on preference post demonetization in Indian 500 & 1000 Rupees note. Refer ANOVA Tables below.

Table 21: Product Attribute changes

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Purchasing_Decision_Basic_Need	Between Groups	.232	3	.077	.037	.990
	Within Groups	200.768	96	2.091		
	Total	201.000	99			
Purchasing_Decision_Layout	Between Groups	4.024	3	1.341	.724	.540
	Within Groups	177.766	96	1.852		
	Total	181.790	99			
Purchasing_Decision_Surroundings	Between Groups	2.013	3	.671	.301	.824
	Within Groups	213.827	96	2.227		
	Total	215.840	99			



Purchasing_Decision_Price_Attractiveness	Between Groups	5.867	3	1.956	1.069	.036
	Within Groups	175.573	96	1.829		
	Total	181.440	99			
Purchasing_Decision_Promotional_Schemes	Between Groups	3.028	3	1.009	.456	.014
	Within Groups	212.612	96	2.215		
	Total	215.640	99			

The significance values of basic needs, layout, surroundings, are above 0.05. For factors like price attractiveness, promotional schemes the p value is below .05 therefore, the purchasing decision is statistically dependent on these two factors on type of project preference.

Table 22: Price Attribute changes

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Housing_Price_Price_Hike	Between Groups	1.879	3	.626	.358	.783
	Within Groups	167.831	96	1.748		
	Total	169.710	99			
Housing_Price_Discount_Price	Between Groups	6.813	3	2.271	1.117	.046
	Within Groups	195.147	96	2.033		
	Total	201.960	99			
Housing_Price_EMI	Between Groups	3.440	3	1.147	.599	.017
	Within Groups	183.870	96	1.915		
	Total	187.310	99			
Housing_Price_ROI	Between Groups	1.047	3	.349	.191	.902
	Within Groups	174.993	96	1.823		
	Total	176.040	99			

The significance values of Price hike & Return on Investment are above 0.05. This reflects that these factors not having significance changes across the preference group. For factors like Discount Price Offers by builders and EMI facility the p value is below .05 therefore, the purchasing decision is statistically dependent on these two factors on type of project preference. That may be the change offers & EMI facilities were directly linked to liquidity of cash in market.

Table 23: Service Attribute changes

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Service_Quality_Sale_Execution	Between Groups	4.247	3	1.416	.680	.566
	Within Groups	199.713	96	2.080		
	Total	203.960	99			
Service_Quality_Office_Location	Between Groups	1.063	3	.354	.181	.909
	Within Groups	187.497	96	1.953		
	Total	188.560	99			
Service_Quality_Brochures_Style	Between Groups	9.059	3	3.020	1.669	.179
	Within Groups	173.691	96	1.809		
	Total	182.750	99			
Service_Quality_Factor_Follow_Up	Between Groups	9.708	3	3.236	1.803	.152
	Within Groups	172.292	96	1.795		
	Total	182.000	99			



Service_Quality_Sample_Flat_Ambience	Between Groups	9.717	3	3.239	1.797	.043
	Within Groups	173.033	96	1.802		
	Total	182.750	99			
Service_Quality_Information_Timedelivery	Between Groups	9.940	3	3.313	1.617	.004
	Within Groups	196.650	96	2.048		
	Total	206.590	99			
Service_Quality_Tangible_Gifts	Between Groups	9.733	3	3.244	1.679	.017
	Within Groups	185.507	96	1.932		
	Total	195.240	99			
Service_Quality_Hospitality_Car_Site_Visit	Between Groups	8.710	3	2.903	1.622	.019
	Within Groups	171.800	96	1.790		
	Total	180.510	99			

The significance values of Sale executive appearance & professionalism factors Builders office Ambience & location, Guidelines & details provided in form of brochure & sample flat ambience, site location, impressive follow up are above 0.05. This reflects that this factors not having significance chances across the preference group. For factors like time taken to convey the complete information, convenience facilities provided for smooth purchasing, tangible gift like gold coin, watch etc & facilities provided like hospitality & car for site visit the p value is below .05 therefore, the purchasing decision is statistically dependent on these four factors on type of project preference. That may be augmented service acceptance from the customer view of point really increased as the transaction is smoother in future. Interest rate is down post demonetization so attractive loan is available & purchasing is in the pocket of customers so compromise on services in not tolerable.

Conclusion

From the analysis it is seen that the average consumer's age is around 40-50 years. It is also observed that most of the consumer bought the property for residential use and it seems to be not effected by their income. The product and the service are effective when it comes to the buying behavior of the consumer and in most cases completed projects were preferred and it will take more than 2 years for the consumer to buy. Besides, the research objective and hypothesis had been discussed with the support of test result. The managerial limitations were built up to assist related firms or organization that wishes to know the factors influencing customers purchase intention towards a residential property in Pune (Indian Market). In conclusion, the objective of this research had been achieved by determining the factors that influence customers purchase intention towards residential property due to demonetization in Pune. Buyers are moving towards more comfort on purchasing service & market become more cost centric. The way of transactions are smoother in terms of support system like bank really raise the bar for standard of services with good quality of housing product attributes.

Future Scope

Based on the analysis, for good business development the target consumers will be aged people. The most useful observation is that people having salary between 50k to 1 lakh preferred more to buy 'ready to move' house.

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