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An Empirical Study on the Impact of Government's Economic and Monetary Policies on Real Estate Stakeholders: With Special Reference of Delhi-NCR

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Abstract

The real estate sector in India is hoped to reach US$ 1 trillion by 2030. By 2025, it will contribute approximately 13% to India's G.D.P. Indian real estate developers have changed gears and accepted fresh challenges. The most significant change has been the shift from family-owned businesses to professionally managed ones. Rapid urbanization, the emergence of nuclear families, and increasing household income are likely to remain the critical indicators for growth in all spheres of real estate, including residential, commercial, and retail. Fast urbanization in the country is pushing the development of the real estate. Customers are increasingly looking to do more leg work online before involving the experts. The study investigates the relationship between economic and monetary policies on the factors influencing seller and dwellers' perspectives towards real estate.

Moreover, the study provides essential information regarding sellers and dwellers that can make effective decisions in identifying the more influencing factor of real estate in India. The research is empirical, and a random sampling method is used. Well-drafted two questionnaires (one for investors and the second for Office bearers of Realtors) were collected from 800 respondents (i.e.400 investors, 400 office bearers of Real Estate Funds, etc.). The sample area is Delhi –N.C.R. comprising five essential cities: Ghaziabad, NOIDA, Faridabad, Delhi, and Gurgaon. The study also found a significant relationship between the economic & monetary policy bought by the Modi government and the condition of the real estate sector for dwellers. The buyers are not untouched by the government's monetary policy. Therefore, the Modi government should be concerned for the buyers as the property investment is not a minor decision, and hence, it should be made favorable for the dwellers. On the other hand, the builders are not happy with the policy, and thus due to that consequence, they found the economic policy as for no benefit.

Key Words: *Economic and Monetary Policies, Real Estate, Builders, Dwellers, Natural Factor, Market Factors.*

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1. Introduction

The real estate sector in India is one of the most globally recognized sectors. It is a capital-intensive industry. Consequently, it has an extreme dependence on finance. Real Estate finance linked to real estate refers to the general term investment, financing, and related financial services through currency circulation and credit channels in real estate development, construction, operation, circulation, and consumption. It comprises four sub-sectors - housing, hospitality, retail, and commercial. The progress of this industry is well complemented by the change in the corporate environment and the demand for office space areas and urban and semi-urban accommodations. As a result, the Real Estate sector ranks third among the 14 crucial sectors in terms of direct or indirect and induced effects in all sectors of the economy of India.

The real estate industry is responding to an increasingly well-informed consumer base and bearing in mind the aspect of globalization and liberalization. As a result, the Indian production and employment sectors have flourished (Roshan and Sharma, 2015). As a result, real estate developers have changed gears and accepted new challenges. The most noticed change has been the shift from 'family-owned businesses' to 'professionally managed business.' In fulfilling the rising need to manage multi-utility projects in different cities, real estate developers invest in centralized processes to the source material, organize the workforce, and hire qualified professionals in areas, e.g., project management, architecture, and engineering. Although Li Youhuan pointed out that China's housing prices and rents showed a consistent upward trend, high housing prices and high rents amplified financial risks, mainly reflected in the chances of residents and real estate developers.

2. Review of Literature

Heiko, Kirchhain, Jan Mutl, and Joachim Zietz (2021), analyzed the spillover effects of company news across real estate markets. Two markets (Chattanooga, TN, and Spartanburg, SC) are linked via dominant local employers (VW and BMW) competing in the automotive sector. The spillovers originate with an unanticipated adverse news event for V.W. (2015 emissions scandal). A formal impact analysis of the V.W. scandal on the local housing market in Chattanooga using BMW's Spartanburg location as control would have overestimated its Impact due to the spillover effects.

Alcock, Baum, Colley & Steiner (2013), find evidence for systematic underperformance (by private equity real estate investment funds) measured by Jensen's alpha, which may potentially be related to the Impact of transaction costs, fees, and other market frictions. Further, they establish evidence that leverage cannot be viewed as a long-term strategy to enhance performance. In the short term, managers do not seem to significantly fund excess returns by timing leverage choices to the expected market environment.

Cheng, Lin & Liu (2012), studied the lack of appropriate performance tools for thinly-traded assets has caused a decade-old 'real estate risk premium puzzle,' which suggests real estate is a far superior asset to common stocks in terms of risk-adjusted returns. They find that the long-standing 'real estate risk premium puzzle' appears to be an illusion caused by the conventional risk metric.

Farrelly & Matysiak (2012), investigated the asymmetric impacts of financial leverage upon unlisted property fund performance. An additional 10% of economic power has produced a 0.25% increase in quarterly fund total returns in favorable market conditions. However, this

relationship changes dramatically when market returns are negative, with an additional 10% of financial leverage leading to an approximate 0.9% decrease in quarterly fund returns in adverse market conditions. The results have clear implications for investors in private property fund vehicles which employ gearing and how they should assess the attendant risks.
Raja Awasthi (2006), in his article "Unitech sets up realty fund," writes, "Riding the real estate boom, developers are not only planning I.P.O. but realty fund also. The promoters of Unitech Group have launched C.I.G. Realty Fund, through which they plan to raise $1.1 billion in the next six months, both from the domestic and the international market. The most successful real estate funds are typically those with a real estate developer backing them. It gives the fund the inherent advantage of early-stage investment and an understanding of the intricate business.

3. Objectives of the Study

The study investigates the relationship between economic and monetary policies on the factors influencing seller and dwellers' perspectives towards real estate. Moreover, the study's objective is to provide essential information regarding sellers and dwellers that can make effective decisions in identifying the more influencing factor of real estate in India.

4. Hypothesis

Ho1: There is no significant relationship between Economic &Monetary variables and Real estate factors of sellers/builders

Ho2: There is no significant relationship between Economic &Monetary variables and Real estate factors of purchasers/dwellers

5. Research Methodology

The study is empirical. This research work was based mainly on primary data followed by secondary data. Well-drafted two questionnaires (one for investors and the second for Office bearers of Realtors) were collected from 800 respondents (i.e., 400 investors, 400 office bearers of Real Estate Funds, etc.). The sample area is Delhi –N.C.R. comprising five important cities: Ghaziabad, NOIDA, Faridabad, Delhi, and Gurgaon. The random sampling method was used. The normality of data was checked through the ±1 value of skewness and kurtosis. The multivariate analysis contains exploratory factor analysis (E.F.A.), item analysis, and confirmatory factor analysis (C.F.A.). Further, ANOVA is used to determine the relationship between the economic and monetary variables and real estate factors, such as natural, market, financial and legal.

6. Data Analysis and Interpretation

The following tables illustrate the study's data analysis in which the respondents' opinions are investigated and based on them, interpretations are made and summarized. Finally, the hypotheses are statistically tested based on the information drawn mainly from the primary sources.

Ho1: There is no significant relationship between Economic &Monetary variables and Real estate factors of sellers/builders

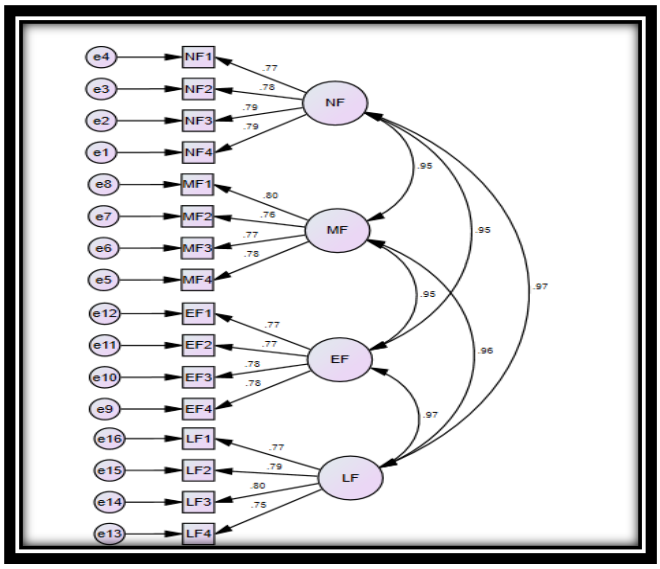
K.M.O. and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.906
Bartlett's Test of Sphericity	Approx. Chi-Square	5709.972
	Df	190
	Sig.	.000

The results thus indicated that the sample taken was appropriate to proceed with a factor analysis or principal component analysis procedure.

Confirmatory factor analysis was used to confirm the factor model. Here C.F.A. analysis was running on the individual construct to conformed unique construct model. E.F.A. explores four factors that guarantee here through the C.F.A. measurement model.

Covariance Model



Model Fit Summary

Model	NPAR	CMIN	DF	P	CMIN /DF	GFI	NFI Delta1	RMSEA
Default Model	38	88.208	98	.751	.900	.974	.980	.000
Saturated Model	136	.000	0			1.000	1.000	
Independence Model	16	4459.105	120	.000	37.159	.164	.000	.301

The model fitness of real estate factors showed the value of CMIN, R.M.R., G.F.I., and RMSEA, which were the improved values. Therefore, the conceptualized model is the best fit.

The relationship between Economic & monetary variable and Real estate factor (Natural factor)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.096	1	.096	.083	.773[b]
	Residual	458.134	398	1.151		
	Total	458.230	399			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.991	.952		3.143	.002
	EMF	.068	.237	.014	.288	.773

The ANOVA test confirmed that the overall regression model is a good fit for the data. The table showed that there is no significant relationship between the independent variable and dependent variable natural factor.

The relationship between Economic & monetary variable and Real estate factor (Market factor)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.037	1	.037	.033	.856[b]
	Residual	453.162	398	1.139		
	Total	453.200	399			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.446	.946		3.641	.000
	EMF	-.043	.236	-.009	-.181	.856

The ANOVA test confirmed that the overall regression model is a good fit for the data. The table showed no significant relationship between independent and dependent variables, i.e., market factor.

The Relationship between Economic & Monetary Variable and Real Estate Factor (Economic Factor)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.026	1	.026	.024	.878[b]
	Residual	441.618	398	1.110		
	Total	441.644	399			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.091	.934		3.308	.001
	EMF	.036	.233	.008	.153	.878

The ANOVA test confirmed that the overall regression model is a good fit for the data. The table showed no significant relationship between independent and dependent variables, i.e., economic factors.

The Relationship between Economic & Monetary Variable and Real Estate Factor (Legal Factor)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.016	1	1.016	.870	.352[b]
	Residual	465.136	398	1.169		
	Total	466.152	399			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.400	.959		2.503	.013
	EMF	.223	.239	.047	.933	.352

The ANOVA test confirmed that the overall regression model is a good fit for the data. The table showed no significant relationship between the independent and dependent variables, i.e., legal factors.

Ho2: There is no Significant Relationship between Economic & Monetary Variables and Real Estate Factors of Purchasers/Dwellers

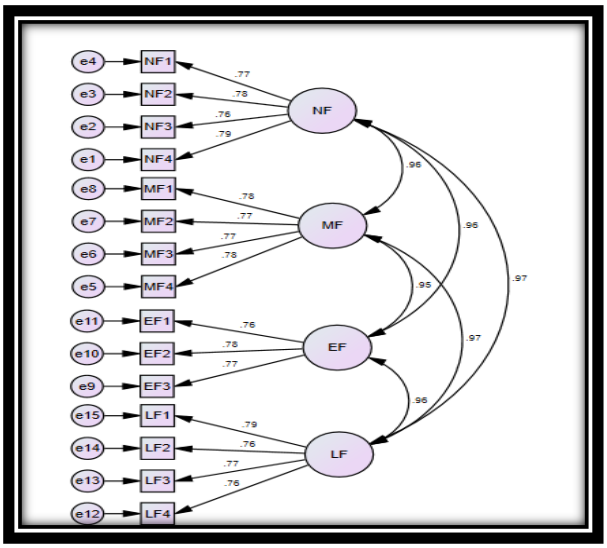
K.M.O. and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.905
Bartlett's Test of Sphericity	Approx. Chi-Square	5686.031
	Df	190
	Sig.	.000

The results thus indicated that the sample taken was appropriate to proceed with a factor analysis or principal component analysis procedure.

Confirmatory factor analysis was used to confirm the factor model. Here C.F.A. analysis was running on the individual construct to conformed unique construct model. E.F.A. explores four factors that guarantee here through the C.F.A. measurement model.

Covariance Model



Model Fit Summary

Model	NPAR	CMIN	DF	P	CMIN /DF	GFI	NFI Delta1	RMSEA
Default Model	36	60.588	84	.975	.721	.981	.985	.000
Saturated Model	120	.000	0			1.000	1.000	
Independence Model	15	4067.804	105	.000	38.741	.174	.000	.308

The model fitness of real estate factors showed the value of CMIN, R.M.R., G.F.I., and RMSEA, which were the improved values. Therefore, the conceptualized model is the best fit.

The Relationship between Economic & Monetary Variable and Real Estate Factor (Natural Factor)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	348.848	1	348.848	1481.302	.000[b]
	Residual	93.729	398	.236		
	Total	442.577	399			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.242	.083		2.927	.004
	EMF1	.937	.024	.888	38.488	.000

The ANOVA test confirmed that the overall regression model is a good fit for the data. The table showed a significant relationship between the independent variable and dependent variable natural factor, which means that dwellers do get affected by the economic and monetary policy of the government.

The Relationship between Economic & Monetary Variable and Real Estate Factor (Market Factor)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	336.717	1	336.717	1386.512	.000[b]
	Residual	96.655	398	.243		
	Total	433.372	399			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.265	.084		3.160	.002
	EMF1	.921	.025	.881	37.236	.000

The ANOVA test confirmed that the overall regression model is a good fit for the data. The table showed a significant relationship between independent and dependent variables, i.e., market factor.

The Relationship between Economic & Monetary Variable and Real Estate Factor (Economic Factor)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	347.310	1	347.310	1175.551	.000[b]
	Residual	117.587	398	.295		
	Total	464.897	399			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.211	.093		2.281	.023
	EMF1	.935	.027	.864	34.286	.000

The ANOVA test confirmed that the overall regression model is a good fit for the data. The table showed a significant relationship between independent and dependent variables, i.e., economic factors.

The Relationship between Economic & Monetary Variable and Real Estate Factor (Legal Factor)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	360.631	1	360.631	1507.975	.000[b]
	Residual	95.181	398	.239		
	Total	455.812	399			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.189	.083		2.271	.024
	EMF1	.953	.025	.889	38.833	.000

The ANOVA test confirmed that the overall regression model is a good fit for the data. The table showed a significant relationship between independent and dependent variables, i.e., legal factors.

7. Conclusion

The study showed that several factors influence sellers/builders and dwellers of the real estate sector; these are natural factors, market factors, economic factors, and legal factors. The researcher

had focused only on these factors to fulfill the objective and test the hypotheses. Furthermore, the study also found a significant relationship between the economic & monetary policy bought by Modi government and the condition of the real estate sector for dwellers. The buyers are not untouched by the government's monetary policy. Therefore, the Modi government should be concerned for the buyers as the property investment is not a minor decision, and hence, it should be made favorable for the dwellers. The builders are not happy with the policy, and thus due to that consequence, they found the economic policy as for no benefit.

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