**ANTECEDENTS AND CONSEQUENCES IN REAL ESTATE INVESTMENTS – AN EXAMINATION WITH RETAIL INVESTORS**

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**Abstract**

*The real estate sector in India has assumed growing importance with the liberalization of the economy. The consequent increase in business opportunities and migration of the labour force has, in turn, increased the demand for commercial land for both housing and industrial construction. Developments in the real estate sector are being influenced by the developments in the retail, hospitality and entertainment. The purpose of this study is to examine the awareness, motivation and profitability of retail investors in real estate investments. The research design consists of descriptive research whereby different aspects concerning real estate investments have been investigated. This study examined the demographic profile of real estate investors, motivation, and profitability in real estate investments. This study utilized 100 samples and data for the study have been collected through questionnaire. The statistical tools like simple percentage, chi-square, descriptive statistics, factor analysis and regression coefficient has been used. It was concluded that retail investors have sufficient awareness, motivation and better profitability in real estate investments.*

**Key word used:** Real Estate, Awareness of Investor, Motivation, Profitability in Investments, Retail Investors, Land.

**1. INTRODUCTION**

Real estate refers to the development of land, sale and purchase of residential or commercial properties. The real estate sector includes landowners, real estate developers, builders, real estate brokers, homebuyers, etc. The real estate sector includes residential housing, commercial premises, shopping centres, theatres, the hotel sector and even government buildings. The real estate sector also involves infrastructure. The real estate sector is one of the most recognized sectors in the world. In India, the real estate sector is the second largest employer after agriculture and is expected to grow 30% in the next decade. The real estate sector comprises four subsectors: housing, retail, hotel and commercial. The growth of this sector is well complemented by the growth of the business environment and the demand for offices, as well as urban and semi-urban housing. The land region has suffered many ups and downs since that time.

Price is a very important factor in the decision to buy land. Land prices are determined by a wide range of factors, such as size, location, specifications, supply, interest rate, availability of services such as swimming pools, etc. Land prices vary depending on many factors, such as location, neighbourhood, size, specifications, services provided, market situation, etc. Today, people need housing and land to preserve their future from a long-term investment perspective for their own use and capital in the world. The positive outlook of the Indian government is the key factor behind the sudden rise in the Indian real estate sector. The growth curve of the Indian economy is at its highest level and the real estate sector in particular is contributing to the recovery. Real estate investments in India have made a firm decision on other options for domestic and foreign investors.

**2. STATEMENT OF THE PROBLEM**

Real estate sector in India is rising constantly and currently this sector is a very discreet and unorganized. It is full of crime and uncertainty, but now it is attracting more and more corporate with growing professionalism due to which, customer satisfaction comes into the picture. The growth in economy lead to more demand for property in form of business offices, warehouses, go downs, retail space, shopping malls etc. The growth in economy affected the residential sector positively as, the wealthier section who were already having houses were looking towards upgraded accommodations and the other section who were living in rented accommodation are moving towards affordable housing. The change in government rules supported general public to own the house as the home loan is available easily and people can get the loan interest as rebate during the filing of his income tax return too.

Real estate markets are moving slowly but surely towards globalization by eliminating entry barriers, adopting global real estate standards and developing the legal and professional infrastructure necessary to attract business and investment capital. Investors, owners and users from all over the world participate in the development of this process by generally adopting a coherent approach and using the same methods, valuation techniques, tax analysis, limited liability structures, indicators and models to invest in properties or acquire properties. Or do business. To make a successful investment abroad, it is essential to establish appropriate contacts with local partners and providers of accounting, tax, legal and other services, and carefully develop the most effective structures to limit investors and minimize taxes and taxes.

**2. LITERATURE REVIEW**

Al-Nahdi et al. (2015) revealed that high prices of land, hazards involving purchase of lands, profit motives of the land owners, increase of remittance inflows in that finance many purchases, re-structuring of households to single family units are the recent changes in real estate industry that has been creating the sector more profitable. Sakunthala (2018) revealed that real estate prices are largely determined by the market forces. Mohiuddi (2014) revealed that trends of real estate sector like increasing the population growth and urbanization, increasing the number of city dwellers that has been influencing the growth of real estate sector more rapidly. Bhakar et al. (2015) showed the recent trends of real estate sector. People are now not interested to buy a land for building their own house due to high price, insufficiency of land, high cost of land registration, and high price of building materials. Bony and Rahman (2014) have performed a study on practice of real estate business, prospects and problems of high-rise building. Kurowska and Kryszk (2015) revealed that real estate market is affected by various reasons related with land such as insufficiency of land, hazards in land purchasing high cost of land registration and high price of land.

**3. OBJECTIVES OF THE STUDY**

This study has been initiated with the following objectives:

1. To examine the demographic profile of retail investors making investments in real estate.
2. To measure the awareness of retail investors as to different type of land in real estate investments.
3. To investigate the motivating factors in real estate investments.
4. To analyse the impact of investment decisions of retail investors on profitability in real estate investments.

**4. RESEARCH METHODOLOGY**

The study aimed to analyse the antecedents and consequences of real estate investments among retail investors. This study is carried out in Namakkal district of Tamil Nadu. Population consists of retail investors seeking to purchase land or plot. Therefore, this study collects 100 retail investors in different parts of the district. Field survey through questionnaire is administered to collect data. This study is formulated on the premise of descriptive research design. Probability sampling technique, especially simple random sampling is administered for collection of data. The survey instrument is prepared with four parts, which is first part deals with demographic profile, second part collects awareness of retail investors with different type of land, third part covers motivating factors in real estate, and fourth part focus on investment decisions and profitability of real estate investments. Prior to data collection, a pilot test was conducted to ensure comprehensiveness, clarity and reliability of the questionnaire. The study considered 20 retail investors in order to carry out pilot study. Statistical tools employed for analysis includes simple percentage, chi-square test, descriptive analysis, factor analysis and regression to summarize the data collected. In the questionnaire, the scale 1 to 5 have been developed, where 1 for strongly agree and 5 stands for strongly disagree.

**5. RESULTS & DISCUSSIONS**

**5.1. Analysis of Demographic Profile**

Demographic profile of real estate investors is presented in table-1.

**Table – 1: Analysis of Demographic Profile**

|  |  |  |  |
| --- | --- | --- | --- |
| **Characteristics** | **Distribution** | **Frequency** | **Percentage** |
| Gender | Male | 79 | 79% |
| Female | 21 | 21% |
| Age | Less than 30 years | 13 | 13% |
| 31 - 40 years | 36 | 36% |
| 41 - 55 years | 39 | 39% |
| 56 years & above | 12 | 12% |
| Educational Qualification | Illiterate  | 11 | 11% |
| Up to HSC | 35 | 35% |
| Degree/Diploma | 33 | 33% |
| PG/Professional | 21 | 21% |
| Monthly Income | Less than Rs.50,000 | 18 | 18% |
| Rs.50,000 - 100,000 | 22 | 22% |
| Rs.100,001 - 200,000 | 23 | 23% |
| More than Rs.200,000 | 37 | 37% |
| Occupation | Government service | 39 | 39% |
| Private employee | 15 | 15% |
| Business | 22 | 22% |
| Others | 24 | 24% |
| Residential Area | Rural | 58 | 58% |
| Urban | 42 | 42% |
| Family type | Nuclear | 64 | 64% |
| Joint | 36 | 36% |

**Source: Survey Data**

Table-1 reveals the outcome of demographic profile of real estate investors. Gender of rural entrepreneurs found that 79% are male and 21% are female. Age of the real estate investors consists of 13% are in less than 30 years, 36% are in 31 – 40 years, 39% are in 41 – 55 years and 12% are in 56 years and above. Educational qualification shows 11% are illiterate, 35% are completed school education, 33% are completed undergraduate or diploma and 21% are completed post graduation or professional degree. Monthly income of rural entrepreneurs shows that 18% are in less than Rs.50,000, 27% are in Rs.50,000 – 100,000, 23% are in Rs.100,000 – 200,000, and 16% are in more than Rs.200,000. Occupation of real estate investors includes 39% are in government service, 15% are employed in private sector, 22% are in business, and 24% are in other type of business. Residential status reveals that 58% are in rural and 42% are in urban. Type of family reveals that 64% of them are in nuclear family and 36% of them are in joint family.

**5.2. Awareness of Real Estate Investors**

Awareness of real estate investors towards different type of land is measured. Therefore, the relationship between awareness of real estate investors and type of land is analyzed with chi-square test at 5% level of significance. The results are presented in table-2.

**Table-2: Awareness of Real Estate Investors**

|  |  |
| --- | --- |
| **Awareness of Real Estate Investors** | **Chi-Square** |
| **χ² Value** | **Sig.** |
| Position of land/plot  | 10.21 | 0.88 |
| Guideline value | 12.53 | 0.73 |
| Market value | 17.37 | 0.02 |
| Encumbrance  | 13.25 | 0.73 |
| Title and possession | 11.92 | 0.64 |
| Proximity to town | 12.54 | 0.55 |
| Environmental quality | 11.26 | 0.66 |
| Suitability of land | 10.48 | 0.18 |
| Size of land | 13.62 | 0.67 |
| Clarity of documents | 12.36 | 0.59 |

**Source: Survey Data**

Table-2 presents the results of chi-square; it shows that there is significant relationship between awareness of real estate investors and different type of land. The calculated value for all cases is greater than the table value. This implies that real estate investors awareness is subject to vary based on the type of land. It is concluded that real estate investors awareness depend on various features of land.

**5.3. Motivating Factors in Real Estate**

 Real estate investments are motivated by several factors. Therefore, motivating factors in real estate investments are examined. This study intended to measure the factors stimulating investors to make investments in real estates. This study used t-test to evaluate the computed mean value based on the outlook on real estate investors. In this t-test the computed mean value of the real estate investors is compared with hypothesized mean value 3 to get the significance value. Consequently, its results are presented in table-3.

**Table-3: Motivating Factors in Real Estate**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Variables** | **Mean** | **Std. Deviation** | **Std. Error Mean** | **t-value** | **Sig (2 tailed)** |
| Prime locations | 4.12 | 1.22 | 0.53 | 15.63 | .000 |
| Pollution free environment | 3.55 | 1.41 | 0.27 | 14.81 | .000 |
| Sufficient road facility | 3.62 | 1.85 | 0.43 | 16.75 | .000 |
| Availability of water facility | 4.05 | 1.51 | 0.35 | 19.72 | .000 |
| Soil conditions | 2.42 | 1.62 | 0.27 | 17.37 | .000 |
| Rental motive | 3.56 | 1.74 | 0.18 | 10.84 | .000 |
| Capital appreciation  | 4.18 | 1.81 | 0.33 | 24.75 | .000 |
| Safety of investment | 3.85 | 1.62 | 0.24 | 31.51 | .000 |
| Hedge against inflation | 2.96 | 0.98 | 0.57 | -15.73 | .000 |
| Regular income | 2.91 | 0.96 | 0.48 | -13.81 | .000 |
| Fulfilment of Vaasthu | 3.11 | 1.55 | 0.45 | 18.54 | .000 |
| Low price | 3.76 | 1.48 | 0.23 | 14.35 | .000 |
| Proximity to residence | 2.85 | 1.36 | 0.17 | 18.32 | .000 |
| Easy availability of loan | 2.92 | 1.08 | 0.38 | 17.36 | .000 |
| Agriculture motivations | 2.81 | 1.56 | 0.29 | -13.34 | .000 |

**Source: Survey Data**

Table-3 shows that the mean value to motivating factors in real estate ranges from 2.45 to 4.34. In particular, it is identified that the variable such as prime locations, pollution free environment, sufficient road facility, availability of water facility, rental motive, capital appreciation, safety of investment, fulfilment of vaasthu, and low price with its mean values are rigorously greater than 3. It is found that the real estate investors are strongly agreed the t-values are greater than ‘3’ that is, 15.63, 14.81, 16.75, 19.72, 10.84, 24.75, 31.51, 18.54, and 14.35 which are statistically significant at 5% level. Real estate investors are disagreed about hedge against inflation, regular income and agriculture motivations and the t-values are -15.73, -13.81 and -13.34. Therefore it could be concluded that different factors are motivated the real estate investors.

**5.4. Impact of Investment Decisions on Profitability in Real Estate**

It is widely believed that rational investment decisions can fetch superior profitability in investments. This scenario is also applicable for real estate investments. Investment decisions in real estate can be classified into four major areas such as land characteristics, investment environment, risk and return, and investment capability of retail investors. As a result, profitability in real estate investments of retail investors is investigated. This study has been initiated with the subsequent conceptual framework explained in figure-1.

**Figure-1: Conceptual Framework**

Land Characteristics

Investment Environment

Investment Decisions

Profitability in Real Estate

Risk and Return

Investment Capability

In order to test the significance difference between investment decisions of retail investors and profitability in real estate investments, the following null hypothesis is proposed.

H0: There is no significant difference between investment decisions of retail investors and profitability in real estate investments.

Factor analysis and regression co-efficient has been administered to measure the impact of investment decisions of retail investors and profitability in real estate investments. Accordingly, the results of KMO and Bartlett’s test are presented in table-4.

**Table-4: KMO and Bartlett’s Test**

|  |  |  |
| --- | --- | --- |
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy |  | .821 |
| Bartlett’s Test of Sphericity | Approx. Chi-Square | 639.93 |
|  | Df | 91 |
|  | Sig. | .000 |

**Source: Survey Data**

Table-4 depicts the KMO measure of sampling adequacy. The analysis reveals that the data is appropriate with the value of 0.821, which is suitable of factor analysis. Bartlett’s test has been performed and its result distributes an extremely significant result with p=0.000 (p<0.001) and in this way, the results of factor analysis is perfect.

**Table-5: Rotated Component Matrix**

|  |  |
| --- | --- |
| **Variables** | **Component** |
| **1** | **2** | **3** | **4** |
| Resource in the land  | **.832** | .174 | .216 | .181 |
| Road facility to land | **.811** | .098 | .192 | .137 |
| Legally free from encumbrance | **.796** | .129 | .175 | .206 |
| Growth prospects of land | **.734** | .128 | .137 | .155 |
| Location of the land | **.688** | .201 | .076 | .163 |
| Market environment  | .089 | **.813** | .168 | .192 |
| Government policy on real estate | .156 | **.765** | .134 | .138 |
| Tendency of investors | .256 | **.687** | .128 | .151 |
| Economic performance | .231 | **.649** | .118 | .163 |
| Low risk  | .185 | .095 | **.793** | .133 |
| High return potential | .153 | .123 | **.759** | .149 |
| Easy marketability | .192 | .167 | **.647** | .126 |
| Willing to make civil work  | .161 | .182 | .123 | **.782** |
| Risk taking capability  | .148 | .211 | .158 | **.755** |
| Focussing long-term perspective | .202 | .219 | .162 | **.677** |

**Source: Survey Data**

Table-5 discloses the outcomes of rotated matrix; it presents that all antecedents of investment decisions, such as land characteristics, investment environment, risk and return, and investment capability can be accepted with features essential for restructure and reduction. The first factor is loaded with five factors; it discusses resource in the land, road facility to land, legally free from encumbrance, growth prospects of land, location of the land. The second factor deals with market environment, government policy on real estate, tendency of investors and economic performance. The third factor deals with three factors, like low risk, high return potential and easy marketability. The fourth factor consists of willing to make civil work, risk taking capability, focussing long-terms perspective. This condensation is possible since the characteristics are associated. The score given to any one attribute is partly the result of the effect of other attributes.

**Table-6: R-Square and Durbin-Watson Test**

|  |  |  |
| --- | --- | --- |
| **Model** | **R Square** | **Dutbin-Watson** |
| 1 | 0.701 | 1.788 |

**Source: Survey Data**

Table-6 divulges the result of R-Square and Durbin-Watson test. Accordingly, R-Square test result of 0.701 can be calculated and admitted for the regression analysis. The Durbin-Watson test result of 1.788, a sign that the autocorrelation is approximately reaching to zero or there is a significant variation exist between both variables.

**Table-7: Results of Anova Test**

|  |  |  |
| --- | --- | --- |
| **Model** | **F** | **Sig.** |
| 1 | 78.568 | 0.000 |

**Source: Survey Data**

Table-7 demonstrates the Anova results, it confirms that the four antecedents of investment decisions are not all equal to each other and could be used to estimate the dependent variable, profitability in real estate as is authorized by F value of 78.568 and strong significance level of 0.000 (p<0.05).

**Table-8: Results of Regression Coefficient**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Variables** | **Standardized Beta Coefficient** | **T** | **Sig.** | **Collinearity Statistics** |
| **Tolerance** | **VIF** |
| 1 (Constant) | .402 | 0.726 | .631 | .471 | 2.133 |
| Land Characteristics | .351 | 5.684 | .000 | .685 | 1.546 |
| Investment Environment | .292 | 5.842 | .000 | .622 | 1.454 |
| Risk and Return | .363 | 4.345 | .000 | .721 | 1.382 |
| Investment Capability | .259 | 4.965 | .000 | .583 | 1.696 |

**Source: Survey Data**

Table-8 divulges the results of all variables are significant (p<0.001) with high beta (0.351, 0.292, 0.363 and 0.259) and t-values (5.684, 5.842, 4.345 and 4.965). The VIF value of less than 10 is found for all variables. It directly substantiated the problem of multi-collinearly have not subsisted and all data are mutually exclusive. The results showed that land characteristics, investment environment, risk and return, and investment capability have significant impact on profitability. It is actually confirmed by examining the t-statistic for all the independent variables such as, land characteristics, investment environment, risk and return, and investment capability, and it has significant relationship (p<0.05) with profitability in real estate. It indicates that the null hypotheses are incorrect and can be rejected. Hence, there is significant difference between investment decisions and profitability in real estate.

**6. FINDINGS AND CONCLUSION**

Retail investors investments in real estate are relied on various aspects connected with their awareness, motivation and profitability. Demographic profile shows that 79% are male, 39% are in 41 – 55 years of age, 35% are completed school education, 27% are in the monthly income of Rs.50,000 – 100,000. Occupation shows that 39% of them in government service, 58% are in rural areas, and 64% of them belonging to nuclear family. Real estate investors have sufficient awareness on different types of land. The main motivation of real estate investments include prime locations, pollution free environment, sufficient road facility, availability of water facility, rental motive, capital appreciation, safety of investment, fulfilment of vaasthu, and low price. This study concluded that retail investors have sufficient awareness, motivation and better profitability in real estate investments.

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