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Banning the higher currency notes: A master stroke to cure monetary ills

Prime Minister's Narendra Modi's recent decision to ban higher denomination currency notes has already caused a few ripples in the financial arena. The decision is bound to provide a fillip to the economy in the longer run and would surely lead to increased transparency across all sectors including real estate.



The move comes as a clinical strike on the hydra-headed problem of inflation; the genuine buyers are surely going to be benefited because of this. Over the past few years, the real estate market, in general, has been plagued with the problem of transparency and unaccounted cash flow. The banning of the higher currency notes will definitely address the problem of transparency in this sector. While this move is going to adversely affect the small and unorganized builders, the primary market and affordable housing segment is not going to be affected. In the real market, home and land prices would definitely trickle down and this, in turn, would help in reviving the demand in the sluggish housing

segment.

According to some of the bigwigs of the real estate market, this move by the government is nothing short of a surgical assault on black money, fake currency, and corruption. Over the past few years, these problems had been tarnishing the image of Indian real estate market over the globe. But now, with the government successfully enacting the Real Estate Regulation Act (RERA) and GST, this move of banning currency notes is surely going to reinstate the credibility which the industry had lost over the few years. This, in turn, would definitely make Indian real estate market more attractive to the global investors.

Although a few observers have shown signs of apprehension regarding the problems, the unorganized small time players of the RE industry will have to face because of this banning. But the bigger picture which has emerged is quite heartening. While this will ensure a check on the flow of black money in the real estate market, this will result in making the sector more affordable. Most of the stakeholders have welcomed this move from the government stressing upon its radical transforming abilities. Just like various developed countries, Indian economy will also witness a reduction in cash dependence. The organized professionals associated with the real estate economy will surely be benefited because of this as this will lead to the vanishing of the black money from the sector. Over the next few years, the stakeholders are expecting a steady influx of money into financial instruments and hard assets like real estate. This will in turn boost liquidity and lower interest rates – steps which are crucial for any economy to flourish.

The reason why we need to look beyond the short term pains inflicted by this move is that it strikes to the core of issues like terror financing and corruption. They are some of the most salient impediments in our nation's road to progress.

In a nutshell, this bold and well-calculated step from the government is a testimony to the visionary economic policies of the current government. It underlines the fact that the current regime has decided to tear away from the historical policy paralysis associated with black money control. In the most literal sense of the term, it is a surgical move which will take care of the hydra-headed economic problems the nation has been plagued with in the recent years.