

PROBLEMS AND PROSPECTS FOR REAL ESTATE INDUSTRY IN INDIA POST RERA**S.A. Tupsakhare¹ and S.M. Khadilkar²**¹Arunodaya University, Arunachal Pradesh²KITs Institute of Management Education and Research (KITs) IMER Kolhapur¹omsaisarthak@gmail.com, ²Khadilkarsm@rediffmail.com**ABSTRACT**

The real estate sector is the maximum revenue generating sector, and it is the most volatile sector. Any change in government policy directly or indirectly affects the industry optimistically or adversely. Considering the rapid urbanization in the nation, it has become of utmost necessary to supervise the industry. The sector should be advantageous to all its shareholders and not just the developer. The real estate segment was working in a more dangerous way where the builder could not stick to their promises of quality and delivery. Due to this, the consumer used to face several issues. The Government of India came up with the RERA bill, which put few limitations and evaluates all the segment shareholders. This paper analyses the Act and recommends some of the variations that can be implemented to create the system more corporate-friendly and effective (Patel et al., 2021).

Keywords: RERA, Problems, Prospects.

Introduction

This paper aims to explain the problems and prospects for Real Estate Industry in India post RERA. It examines the chief reasons these problems occur and their impact on the Real Estate sector. Also, it outlines the prospects and possibilities as an outcome of the RERA act. The paper is based on examination and review of secondary data, including key provisions of the Act.

The Real Estate (Regulation and Development) Act, 2016 is an act of India's parliament. This Act is applied for the real Estate controlling department for guideline and advancement of the real estate segment and to safeguard sale of plot, apartment or building, as per the circumstance, or sale of real estate scheme effectively and transparently and to endure the interest of the customer in the real estate segment and to establish an arbitrating mechanism for quick dispute release. According to RERA, each state and union territory will have its controller and guidelines to administer the controller's work. Parliament has issued the guidelines for Union territories comprising the national capital. Numerous states have been notified about RERA guidelines and hence started working accordingly, yet few states are still behind to get notified about it. In several places, land acquisition becomes a problem. Errant builders frequently sell schemes to investors without sanctioning plans, bad quality of construction,

scheme stuck in the lawsuit, etc. RERA seeks to address problems like delays, price, quality of construction, and other variations. A real estate development organization's promotional agent has to uphold a distinct escrow account to each of these schemes. At least 70% of the money from investors and purchasers will have to be deposited. This money can only be utilized for the construction of projects and the cost of land. RERA needs the builders to submit the original sanctioned plans for their continuing schemes and variations later. They also have to supply particulars of income collected from allottees, how the funds are used, the period for construction, completion, and delivery that will need to be authorized by an engineer/Architect/Practicing Chartered Accountant. It will be each state controller's duty to record the real estate scheme and real estate manager working in their state under RERA. The particulars of all the listed projects will be put on the Website of public access. Developers cannot invite, endorse, vend, propose, market, or book any land, apartment, house, building, venture in the project without prior registering it with the controller authority. Later, after registration, all the commercials inviting investment will display the RERA registration number (indiacode.nic.in, 2021). RERA act chiefly focuses on the customer's main problems allied to incorrect data schemes by the agents, mistreatment of resources, and postponements in finishing real estate schemes (Khan, 2020).

The three chief reforms are: the overview of GST, the launch of RERA, and the permission of infrastructure status to reasonable housing schemes have had a huge and optimistic influence on the sector. The government's visualization of "Housing for All by 2022" and the grant of infrastructure status to compact, reasonable housing properties observe an upsurge in demand for reasonable homes. The RERA (Real Estate Regulation Act) was announced in 2016 to bring consistency in the real-estate sector and safeguard purchasers' interests from the misconducts of partial developers. Nowadays, the RERA outcomes can be experienced as augmented transparency in real-estate deals, enhanced responsibility of developers, which has led to augmented demand from purchasers (ashianahousing.com, 2021).

The real estate segment comprises several sub-segments like a commercial, hospitality, housing, retail, warehousing & logistics contributes 6 – 7% of the nation's GDP. The real estate segment is the second-largest employment benefactor after agriculture (KPMG, 2019).

Moreover, there is a high degree of misperception among agents and developers on the aspect of the promotion of projects to clients. Aspects like building builder micro-site limitations, limitations on selling, KYC, etc., are still unclear. There is also the foremost doubt over the contracts' re-execution in case of projects where the deed is previously signed. While some states are demanding for all such documents to be re-executed under the RERA, other states are excusing current agreements from this obligation. This contradiction across states is evidencing to be the main source of misperception for purchasers of property.

Recommendations extended by Ministry of Housing and Urban Affairs relating to the Development of RERA, 2016:

- The meaning of force majeure may be broadened to comprise the non-availability of 'construction materials' and labor due to inevitable situations, overdue approval from government bodies, or due to legal order or stay.
- Real Estate Agents may be revived from its responsibility upon implementing

agreement among developer and home purchaser.

- PAN India registration for Real Estate Agent instead of state-wise registration is currently done under RERA.
- Penalty of 5% on Real Estate brokers in case of default may be reduced, as the commission is not more than 2% in maximum instances.
- The registration of Sale Deed, registration of Agreement to Sale, etc., should come under the realm of RERA (Lawzilla. in, 2021).

Literature Review

In this paper, Khan (2020) shows in the paper which aims to consider the use and allied problems regarding the Real Estate Regulation Act (RERA). The paper's main focus is on transparency, security, executing penalties on errant constructors/builders, and trails the controlling mechanism in the sector. The existing problems from the metro cities such as New Delhi and Mumbai are also defined in this paper.

In his paper, Upadhyay (2020) describes the most current and famous scam that is the Amrapali case, which trembled the entire country. Due to restricted regulation in this segment, the purchasers had no option but to approach the NCDRC (National Consumer Dispute Redressal Commission). Due to inadequate authorities, they were incapable of delivering needed release concerning Real Estate scams.

Patil & Mata (2019) found a terrible necessity of a guiding department to supervise the processes of the real estate segment. The RERA Act influences shifting the entire structure of the real estate segment and redefining how real estate sales must be led in the nation. This has not only influenced the developers' community but all the shareholders in the segment. Every shareholder, right from the government, investor, and customers, is unlearning the old methods of functioning and getting associated with RERA's new approaches. So, a necessity rises to inspect this controlling context. The paper offers a study carried out to discover the MahaRERA act on Residential Construction schemes.

Modhvadiya (2020) shows that the RERA Act 2016 aids in safeguarding home purchasers and encouraging investment in the real estate segment. The real estate segment is the second-largest employment benefactor after agriculture. The Government of India thrusts towards reasonable housing, urban set-up, sustainable building, and smart cities. The government aims to finish 10 million reasonable houses under PMAY by 2022.

Khot & Shaikh (2019), the Act applies to ongoing-construction schemes and new projects. Real estate managers' and agents' roles have also been enclosed within the scope of the Act.

Rohilla & Goel (2020) find that the key goal of RERA is to offer relief to the purchasers from the misconduct of biased builders. In case of any offense by the builder/developer, the home purchaser can also file a complaint to this authorized department's executive.

Ranadive & Dare (2019) show that, due to lack of guidelines, the real estate segment's misconduct will be reduced by the execution of RERA. After the execution of goods and services tax (GST), there is an increase in real estate schemes' costs. The paper is based on a survey method. The statistical analysis is executed in the paper by applying the technique for order of preference by similarity to ideal solution (TOPSIS).

Anitha & Manthiri (2019) show in the paper the goals to emphasize the varying situation of India's real Estate. The paper recommends that the clients must be alert of the recently implemented guidelines of RERA, 2016.

Yadav, (2019), the research discovers that RERA and the GST are continuously supervising the real estate sector.

Ahamed (2020) finds that, lately, India's Government declared an Alternative Fund with an initial amount of Rs 25000 Crore to recover up to 4.6 Lakh houses in 1600 Projects.

Review of problems and prospects

Major Prospects

The Real Estate Regulation and Development Act (RERA) helps the developers have a huge budget to construct various schemes. It is also helpful for the middle-class populace. Due to The Real Estate Regulation and Development Act, developers are compulsorily destined to

comprise the technical and professional individuals in their firm to regulate all the required information that needs to be submitted to the concerned authority. All the probable ways of corruption in the real estate sector are completely transformed and are nearly eradicated. The paper suggests that by applying these acts and guidelines, corruption among the brokers and the developers could be seized to a larger extent. The Stamp duty in the form of taxes could be regained. Moreover, now it almost completely transparent procedure.

The paper also demonstrates that these acts and guidelines influenced the nation's monetary development in all segment sub-divisions. Moreover, the new stamp duty and property tax policy is influencing the costs of the properties. Contrary, there are numerous other opportunities for investment in India. Though, India has a vast populace of the middle class who search for investing in the safest choice. Real Estate has a larger lucrative income than other sectors (Khan, 2020).

1. Right to information about the property

The appropriate information concerning the builder and property can help a purchaser in multiple aspects. The builder is bound to share all the details concerning the project, such as plan layout, plan of implementation, completion phases, completion status, etc.

2. Standardized Carpet Area

RERA has a uniform version of computing the house/apartment's carpet area or any commercial construction. RERA describes carpet area as 'the networkable floor area of a house/apartment, without the area enclosed by the external walls, areas under services shafts, exclusive balcony or verandah area and exclusive open terrace space, but comprises the space covered by the internal divider walls of the house/ apartment.'

3. Builders will be responsible for any flaw/fault in the construction

Under the RERA Act, the purchaser has the complete right to ask a developer to fix all the construction flaws. If there is any flaw or fault in the apartment's construction, then it should be fixed by the concerned real estate developer. This is for the building's construction fault applicable up to 5 years from the date of possession.

4. Grievances will be addressed and solved quickly:

In case purchasers are discontented with the building, or if there is any other problem with the commercial, residential property in a city like Mumbai, then the purchaser can approach the Appellate Tribunal. This tribunal will address the case within two months.

5. Builders will does not be able to delay the projects:

Under the RERA Act, every real estate builder must provide a delivery date for the handover of the possession of the buildings to the purchasers. If, in any case, the builder is not able to finish the project until the delivery date, then they will have to experience consequences (indiabullsrealestate.com, 2021).

Problems

The paper discusses few problems related to policies implemented for the real estate sector. The timelines of sanctions by controlling authorities have not been well-defined. Any postponement in sanctions from controlling authorities could influence purchasers as well. The Bill may lead to somewhat higher costs of properties due to the lessened competition. New project declarations might be restricted as developers may not declare without receiving sanctions, which could take 2 to 3 years. Following are some pointers explaining the barriers of RERA, 2016, namely:

1. Increase in property price

Due to numerous external and internal factors in the segment, it lacks money. Developers have to look for other sources for money, leading to an upsurge in the property's cost. This difference affects to demand and supply chain in this section.

2. Stagnant growth

Due to 70% investment in an escrow account, there will be cash flow interruptions leading to postponement in projects. This step is taken to seize the builder from distracting their minds to new schemes and finish the ongoing project.

3. Supply-demand imbalance:

Compliance with all the features will postpone the project, and there will not be pre-selling of the property. Big developers can construct 2 to 3 schemes within two years; hence, it will lack economies imbalance due to the project period,

and small builders cannot earn money with lack of methods and funds.

4. Strong penalty

If a developer fails to achieve any delivery, he can be sent for imprisonment up to 3 years or 10% of the scheme's whole amount. This situation put the purchaser in worry and kept them away from their houses until the case was solved. This generates tension in their lives and adversely affects their monetary crisis.

5. No cover on rental

RERA does not comprise any rental contracts; it completely depends upon the purchaser to uphold the rental agreement, which signifies the agreed and disagreed part to save the property and make appropriate use of it (LawZilla, 2021).

Some of the drawbacks of RERA are for builders as well. Builders cannot use the fund in other schemes; hence new schemes cannot be taken up on account of earlier schemes' funds. Guideline needs sanctions and permissions, which may result in the postponement of starting/finishing of projects. Loss of interest of developers in Real estate projects due to firm guidelines and decreased profit. Real Estate has good employability capacities, but builders are discouraged due to RERA; hence, employment chances are lost. Real Estate comprises construction materials, a revenue source to various small- and large-scale groups, but due to RERA, the various new projects are reduced; hence the demand for materials is reduced. Therefore, it affects both the economy and employment.

Discussion

The paper assessed few reports to give more light on the information regarding RERA. The report, titled 'RERA Induces Faster Construction and Economic Growth,' discovered that before 2016, the average time taken to finish up to the 1st floor of the building launch used to be 21 months. Amid tier-I cities, Mumbai Metropolitan Region observed the maximum drop of 63% in the median time frame from 15 months to 5 months; while Chennai observed a minimum drop that being 27% from 10 months to 7 months, between 2016 and 2018. In NCR, the average time declined to 8 months from 17

months. The paper further discloses that developers' augmented responsibility has given an uplift to the cement segment. Cement is a main component in the real estate sector and a pointer of development in real Estate and associated sectors (moneycontrol.com, 2021). Two diverse agencies do a representation of law and its firm execution. There is no uncertainty that the execution of RERA has landed various developers in imprisonment, but the issue of home purchasers is not resolved as they are still incapable of getting possession of the flats, offices, shops. Numerous developers like Unitech are providing possession without gaining completion certificates. Moreover, the possessions handed over in 2018 are forcefully getting acknowledged by the home purchasers on the backdate of July 2017, the date before implementing RERA. So, authorities answerable and related to RERA must come out of their comforts and must implement the ACT appropriately as it is required (MBAUniverse.com, 2021).

Conclusion

The paper was written to highlight problems and benefits in the real estate sector after the implementation of RERA. A very optimistic impact is anticipated in the future as the Act becomes more intact. The above paper offers the requirement to determine the MahaRERA Act's effect on construction schemes by seeing the notion of the MahaRERA Act, their live case studies, and analyzing the gathered information (Patil & Mata, 2019). Benefits include simplified procedures, simple documentation procedures, transparency, timely possessions, trustworthiness, grievance redressal. With RERA coming into execution, customers will have a legal authority to file their complaints and objections related to their real estate investments. RERA will alter the real estate industry; the customers will get an advantage by investing in a rich marketplace like India, particularly in Pune, which is a rising market for maximizing returns (Calyx Group, 2021). At the same time, some problems and challenges need to be addressed. However, on an overall basis, the evaluation shows a positive for all the stakeholders concerned.

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