

IMPACT OF REAL ESTATE REGULATORY AUTHORITY (RERA) ACT 2016

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ABSTRACT

Since a long time, there have been a greater number of calls for better transparency and accountability in real estate transactions. The laws were too ambiguous, the recourse methodologies opaque, the homebuyers unorganized, and the legal process overburdened. According to the Press note report released by Real Estate Regulation and Development Act (RERA) was approved by the Cabinet in May 2016. Real estate is a state-owned entity, and its execution and operations must be executed by every single state and government separately. It also has a reserved right to make necessary changes in the law if necessary. In India, Maharashtra is the first state who has implemented Real Estate Regulation and Development Act for the first time with effect from April 1, 2017. This is most important to implement because in Maharashtra, Mumbai is the leading real estate market in India it has residential as well as commercial properties. Hence, the implementation of this act in Maharashtra significantly plays an important role. So, what were the consequences of the implementation of the Real Estate Regulation and Development Act on the real estate market? This paper reviews the impact of Real Estate Regulatory Authority (RERA) Act 2016.

Keywords: RERA, Influence, Buyers, Sellers, Transparency

Introduction

In the Indian Economy implementation of Goods and Services Tax has made significant changes in Tax calculation and its operations in the sectors of Indian construction industry. GST in the construction sector has been significantly increased by 18%. The government also increased the GST Rate in the construction industry from 12% to 18%. It is permitted to deduct the world value which is approximately equal to one-third of the total amount charged by the property developer in the GST. In this research article it has identified and put focus on issues affecting the construction industry through GST. Researcher put his opinion and say delays in development in construction projects are one of the most common problems causing one of negative effects on construction projects. Delays in construction projects will be reduced once we identify and list out causes and problems. From 1st May 2016 RERA Act came into actual implementation later on 1st May 2017 RERA Act again get amended with some major modifications. The objectives of this RERA Act are to certify transparency puts efficiency in the real estate industry in relation to increase sales value of the property like apartment, building or housing project; it also helps to protect consumers and gives great satisfaction. This act also sets up a speedy resolution about doubt resolution raised by consumers in the market and helps stakeholder to appeal in a tribunal with respect to the decisions, directives, or directives of the housing regulatory. Earlier to RERA, there was no clarity about the carpet location, Builders will sell the property by adding their own loading, pricing, payment methods in the property and based on that builders will calculate the final price of the property. There were frauds, and vague project descriptions. This research paper has taken significant effort and put his views on the immediate impact of this act and list out action taken by builders, as well as the customer. Scope for the study is restricted to Pune region only.

Literature review

Puri & Ghorpade (2019) reveals that the effects of the pandemic are already being observed and seen around the world, everyone has their own or different opinions about the impact of COVID-19 on the housing segment. A health emergency that has forced us to launch the largest home-based study ever conducted. A lot of changes have happened since the Corona virus entered the world. Among the countries using excessive measures to control the pandemic, their entire businesses have stopped around the world, all the financial institutions forced

towards the lower their projection considering global economic growth for their country, including India. The consequence faced by India with respect to India is heading for a historic 4.5% decline in FY21, as the eruption of the pandemic. A construction project is generally accepted as a successful project where the objective of the project is to complete the plan project on time with the planned objectives and deadlines, within the budget and the required quality level. In India Goods and Service Tax is a value added tax applied for the supply of goods and services from the government. Khot & Shaikh (2016) say that Real Estate Regulation and Development could be a changing the history of Indian construction industry. The law applies to undeveloped projects and new projects. The scope for the study consists of Residential and commercial projects. To implement the Bill, Real estate agents and sellers are also considered. Objective of the Bill is to cover all different aspects of the real construction industry. Motivation is to ensure better accountability and clarity in the system. In addition, it was fully proposed to protect the concerns of homeowners and to incorporate and invest within the real estate sector. This ACT is also applied for undeveloped projects as well as new projects. The scope of the Bill is to cover all aspects related to the real estate system.

The act was carried out in two phases, half of which was executed in 2016 and the other half in 2017. The RERA has promised to bring about significant improvements in the sector, by increasing clarity and efficiency, making the sector 'consumer-friendly'. The author intends to review the changes brought about by the action, and how they will benefit consumers. This paper also carefully analyzes errors and issues related to the action and ultimately offers some suggestions for those limitations. Finally, the author discusses the rules for important cases that appear under the RERA.

Chobhe & Khandare (2021) have done a comparative study of RERA in the states of Maharashtra and Gujarat. The Indian Real Estate Sector has become the second largest employer after the Indians agricultural sector. But this sector has not yet been consolidated. To make this sector stronger and to regulate the Government of India introduced the RERA Act in India on May 01, 2016. This Act is a legal model for all states of India. So, all states in India are required to establish individual Real Estate Regulatory Authority under the direction of the Indian RERA Act. This official is responsible for bringing efficiency, transparency, and accountability to the sector within a year and is responsible for all states establishing the RERA Authority under the Indian RERA Act, 2016. To study performance of both MahaRERA and GujRERA quantitative comparative study and appropriate performance will be considered using the parameters of the Housing Authority. For conducting comparative research "growth rate" is considered the "basis" of the study. Because Maharashtra and Gujarat states are geographically different, they are also less populous in both rural and urban areas. Financial data for the Financial Year such as 2017-2018, 2018-2019, 2019-2020 will be used. After a comparative study using the following parameters, researchers reached the conclusions that the growth rate of projects and the registration of the GujRERA agent was significantly higher than MahaRERA. But in terms of population MahaRERA has seen more registrations of projects and agents than GujRERA yet growth level GujRERA is higher than MahaRERA. MahaRERA's growth rate is slowly increasing every year. Briefly the performance of a comparative study of both provincial authorities shows that the implementation of both state authorities is effective and efficient. Both national authorities MahaRERA GujRERA have carried out their duties successfully. However, the quantitative and qualitative performance of both provincial authorities is expected to keep their growth rate graph growing faster and faster than ever before.

Kadam and others (2018) has written that the housing sector is one of the largest participants in national GDP and job creation. Surprisingly, it is unregulated despite being an important part of the economy. The real estate sector remains unregulated. The Real Estate Sector, to a lesser extent, is regulated and regulated at the local government level and every regional government has its own set of rules and regulations for real estate development. Due to the poor judiciary system, the developers have been taking buyers of buildings for a ride, as well as including the real estate sector at the bottom of the pyramid of customer protection and satisfaction. As things get worse, they have changed for the worse and due to pressure, an urgent need was created for a cohesive regulation law consumer protection framework.

Patel and others (2020) points out that written that the real estate industry is the one that needs a lot of capital and is a very dynamic Sector. The deviation in any government policy anyhow affects the sector in a good or bad way. Recent rapid growth of the sector emphasizes to keep watch in the sector carefully. The sector should be beneficial to all its stakeholders and not to just the builders. So, this sector operated in the most dangerous ways as the builders were unable to adhere to their promises of standard and project completion. As a result, the customer often faced many problems. As a result of such developer behavior there was a gap of trust between the participants. As many other industries are dependent on the real estate Sector, there was a great need to address this issue. The RERA statute, which establishes guidelines and assesses all industry participants, was

developed by the Indian government in this regard. This study was created to examine the activity and offer some modifications that may be made to the system to make it more user-friendly and effective.

Shinde and others (2018) view that the passing of the Maha-RERA Act of 2016 will be a step forward in the complex real estate market for the benefit of both the seller as well the buyer. Prior to the introduction of the Maha-RERA action there was no centrality for the real and no transparency in between buyer and seller. But there are hopes for that and there will be the establishment of appropriate markets for the housing industry. Setting up an appellate court, the department has a quick problem-solving system to provide a positive response to all cases in resolving related disputes. Many of the conditions, such as the carpet area, encourage the promoters of co-operation, the sale of parking areas etc. areas where there was a lot of confusion is cleared by this Act.

Khan (2020) consider the use and related issues regarding the Real Estate Regulation Act. The Real Estate sector is very important from personal and national importance. The RERA regulates the sector and reduces customer uncertainty. RERA was introduced in 2017. This law provides for a variety of conditions, focusing mainly on the various issues of promoters, builders, real estate agents and customers as well. This action is a significant change in the improvement of government efficiency in the management of the Real Estate Sector. This focus on transparency, safety, imposes penalties on faulty builders and follows a regulatory approach to the sector. Current problems from municipal cities such as New Delhi and Mumbai are also described in this paper. RERA came along with two other major developments in the Indian economy, namely, demonetization in 2016, and Goods and Services Tax (GST) Act in 2017. So, some authors have tried to assess the impact of all these developments together on the real estate sector. Comprehensive studies taking into account the impact of RERA are very few.

RERA and transparency

RERA has brought transparency to the Property market by following means:

RERA has made price offers by developing more transparency. Earlier developers were selling properties based on built-up areas to customers. Additionally, this refers to typical equipment like loading walls. As a result, the buyer is unable to understand precisely what he is purchasing. Builders will now be required to begin from the carpet area, or the actual interior space that a person may live in, under RERA. As a result, the quote will become more transparent and realistic, and the consumer will get a sense of the price per square foot. Standardization makes comparison easier as well.

Parking charges are another important point between builder and customer. Presently, while developing the flats, parking charges vary from Rs 2 lakh to 6 lakh depending on property which are charged apart from the deal. RERA states that parking charges should be mentioned in agreement.

Real estate agents are not yet well organized. RERA demands for registration of all real estate agents with relevant authority. Because of this registration customer fraud will not be there. The customer and agent relationship is made clear by the RERA.

RERA has certain very precise provisions for completion of projects in time by the builders. A punishment of a fine and imprisonment for 3 years is there for delay in completing the project. In addition, RERA contains a clause that allows for a refund to be requested within 15 days of the purchase if there is a delay in the project's delivery or if the buyer is dissatisfied with the property.

RERA further places an obligation on the builder to provide complete and crystal-clear information to the buyers. The builder / developer must provide complete information about the land ownership report, all pending legal disputes, all probable easements, intention of the proponent to use floor space index, use of building technology, design guidelines etc. means much more lucidity for the property buyer.

Only the RERA registered, and eligible properties are allowed to real estate agents to sell. If they sell other than these properties, they will be penalized. So, this assures that the agents/brokers will promote only those properties which meet the conditions given by RERA and not those which are not meeting the conditions of RERA.

RERA also takes the mini projects under the regulation. Presently, projects with an area of one thousand square meters only fall under the scope of the regulation. This was reduced to Five hundred square meters or a minimum of eight apartments. This has also brought many fewer costing projects into the legislative framework and safeguards.

In a major action to protect the interests of the consumer, it is mandatory under the law for the builder to keep seventy percent of the amounts realized from the allotments from time to time in a different bank account maintained with the scheduled bank to cover the building cost and land cost.

There have been a lot of instances recently when builders have refused to accept responsibility for structural flaws in the structure. In accordance with RERA, the builder shall be responsible for structural flaws in the property's construction for a maximum of five years. To keep away customers getting into trouble owing to shaky land titles where inheritance problems are frequent, the builder must also make sure that the title to the land is covered.

A state agency for regulation has been created to act as a nodal body for redressal of all real estate complaints, conflicts, and associated issues. The basic focus will be on real estate customer complaints and will consist of the Chief Justice, the Secretary of State for Housing and Legal Affairs (Angelone.com, 2022).

Conclusion

The industry that generates the most money is real estate, and it is the most unstable industry. In the real estate industry, where builders could not keep their claims of quality and delivery, the job was done in a riskier manner. The consumer used to have several problems as a result. The RERA bill was created by the Indian government, which imposes restrictions on builders and assesses all segment stockholders. In the process of implementation of RERA, not only will the interests of customers be protected, but builders will also benefit from greater transparency. In fact, regulation has always helped the market to develop more significantly, as we have seen in the case of capital markets. For a real estate market that is plagued with overcapacity, this will surely be a boon. Transparency promotes trust which is a key requisite for any relationship including a commercial one. RERA has improved trust between buyers and sellers and has helped create better relationships which will go a long way in ensuring good growth for the real estate market.

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