

RERA (2016) Impact on Real Estate Builders & Developers

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INTRODUCTION

Prior to when RERA was implemented, the majority of real estate builders & developers were able to place capital invested in one project into a new project in order to increase their revenue, putting at risk the existence of their ongoing projects. After the implementation of RERA, builders & developers must be sure to comply in order to avoid penalties. Beginning now, real estate builders & developers must concentrate on one particular project and must keep a separate escrow bank account for each project. This will have a huge impact on the cash flow cycle for all real estate builders & developers. Since the law has been in force for just a few days, it is the ideal moment to gather the views and the opinions of all real estate industry stakeholders and also to study the effect of RERA on real estate projects. Below is a table that describes the development of RERA within India.

Year	Developments
2013	UPA Government presented the Real Estate Regulatory and Authority Bill
2014	Urban Development Standing Committee submitted its Report
2015	Union Cabinet approved amendments in the Bill & then Rajya Sabha passed it
2016	Lok Sabha proceeded with the Bill and received approval of the President
2016	The Real Estate Regulatory and Development Act (RERA) came into effect.

Table 1: Development of RERA (Source: S. Rodgi et al., 2019)

LITERATURE REVIEW

These are the earlier studies based on the effect and impact of RERA following its implementation in India on the real estate sector:

1. **Ashish Joshi et al. (2016)** had carried out research on the implementation and challenges of RERA. In India, uniform real estate law is required to establish consistent standards across the nation and bring transparency to transactions. Implementation of an act similar to RERA is a significant step in the right direction in order to increase awareness of promoters, developers, customers, builders, and others. It's mandatory for all stakeholders such as builders, promoters, developers, agents, and allottees to comply with the requirements of projects, projects agreements, and regulatory frameworks. The RERA is

an important step in this respect to ensure more accountability for real estate agents and builders to the public and customers, as well as the government.

2. **Vasundhara Patil (2017)** completed her study on RERA 2016 - a game-altering event in the real estate market. The law only applies to new developments and projects which haven't been issued completion certificates. It is not compulsory to register projects that are less than 500 square meters or eight apartment units.

3. **Shripad Merchant et al. (2018)** completed research on dilutions in the law governing real estate (regulations and developments) Act of 2016 by the state government. Although the powers of state governments under RERA are restricted, states have diluted the law by releasing regulations that would defeat the goal of the law. The central government needs to issue clear guidelines to accomplish the purpose of the law. The property market within the country can be made more favorable for rapid development by the adoption of laws at the time that the Act is officially announced; however, not all current projects. The law will exclude the majority of smaller housing developments where the purchasers will have to continue to confront those who protect the interests of the buyers instead of having them be to the whims of the builders & developers.

4. **Rodgi S (2019)** has provided his overview on RERA in India and the shift to a more regulatory approach. The effect of the RERA, the real estate regulation act of 2016 (RERA), also known as the Benami transactions act, as well as the decision to demonetize resulted in the real estate sector, has lost a lot of its historical influence and is now more transparent. A majority of states have been able to tweak the rules to please the real estate developers and make it harder to enforce the operational rules as well as the primary intent of the Act. RERA is adamant about fines and imprisonment in case of non-compliance with the law.

On the basis of this literature review which has revealed the following main findings, implemented:

- In the course of registration, more information on clearances, annual reports as well as the balance sheet and auditor's reports, must be made available.
- The sale of the project will not take place in the super built-up area. However, it will be done on the carpet area. If there is a delay in possession of the property, the developers must pay both fines and interest.

- Timely completion of the project is essential in the event of a delay, and buyers must be compensated with a rate that is the State Bank of India's highest marginal cost of borrowing rate plus 2 percent at least 45 days prior to coming due.
- The promoter must maintain separate accounts for each project that will ensure that 70% of the money collected from buyers has to be placed in.
- These funds are only utilized for construction activities and land purchases.
- If the developer decides to sell an unregistered project, the penalty will be assessed to the developer. It will be five percent of the project's price.
- Another provision of this law regulates middlemen, which is a blessing disguise. This registration and regulation of middlemen will aid in eradicating fraud.
- After the implementation of this law that developers must ensure that every aspect of the project is open; at first, buyers only knew the information that builders & developers used to inform them. However, now, all the essential and minimal information about the project will be posted on the official website of the authority concerned.
- After the project has been launched, the developers won't be permitted to make any modifications to the proposed project. Developers are permitted to make changes only after they have been given the permission of customers with their approval. Without the permission of the customer, the developers are not allowed to make any modifications to the project.
- If the developer intends to engage in any fraudulent or illegal practice without the knowledge of the consumer, that would be akin to complicity in violating the provisions of the RERA law and will result in a penalty and a prosecution.

OBJECTIVE AND METHODOLOGY

The research objective of this paper is to understand RERA's impact on real estate builders & developers in India and to conduct a study of the Indian real estate market after RERA implementation.

This research article concentrates on secondary data sources. The information used in this research article comes from various research studies of Indian real estate. The content is based on several pieces published in The Economic Times, Business Today, The Financial Express, and other secondary sources.

CONCLUSION

In a diversified country like India, a uniform Real Estate Regulatory Act is essential to establish uniform standards across the nation and also to ensure transparency in transactions. Implementation of legislation like RERA is a significant step in the right direction in order to increase awareness of promoters, consumers, and builders. This could lead to lower legal issues due to the stringent regulations and laws within the highly corrupt business sector. The new launches of projects could be restricted as developers might not be able to begin launching without approvals that can take anywhere from two or three years. It's not required to register projects that are less than 500 square meters or eight apartments. The amendments are in process. It's in the early stages of analyzing the effects of this law in terms of both parties. The single window system plays a major part in the effectiveness of the RERA Act. The corruption between builders and the agents can be reduced in greater measure. The Central Government must issue clear guidelines to accomplish the purpose of the law. A majority of states have been able to modify the rules to please real estate builders & developers and weaken the rules of operation as well as the main goal in the Act.

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