

Impact of RERA on Property Seller, Buyer and Real Estate Developers in Bangalore : A Study

Mamatha K.S

Asst. Professor Dept. of commerce Maharani's college of arts, commerce and management, India

Abstract

Real Estate Regulatory Act (RERA) came into force across India on 1st July 2017. Various state level regulatory authorities were established to regulate the real estate sector of their respective states. RERA covers both existing and new projects under its ambit. The Real Estate Regulatory Authority (RERA) was formed to bring transparency, accountability and efficiency into this sector with the rights and duties of both buyers and developers being clearly defined. This paper envisages to explore the economic impact of RERA on profitability of real estate seller buyer and real estate developers.

KEYWORDS - Financial Performance, Property Seller, property buyers, Real Estate Developers, Real Estate, RERA, Real Estate (Regulation and Development) Act 2016, Profitability, RERA Act 2016.

I. INTRODUCTION

The Real Estate Regulation and Development (RERA) Act was legislated to reform the real estate sector and bring about transparency, accountability and make the sector more citizen-centric. The Act had 92 sections and came into force in 14 states including Karnataka in 2017. Both residential and commercial projects are covered by RERA. As of May last year, 2800 projects were registered with the RERA office but only 1259 of these have been approved.¹

It is now illegal to buy or sell property that is not registered with RERA act, The real estate regulatory authority. The state government has banned all sub-registrar offices in the state from registering flats or plots –whether an ongoing or new project –if buyers/sellers do not quote a RERA registration number. The number is mandatory to fix guidance value of property as it is necessary to evaluate stamp duty and registration fee.²

II. REVIEW OF LITERATURE

Meghwant singh thakur,(2018): “Effect of RERA on profitability of Indian Real estate developers”. RERA has a negative impact on profit margin of real estate developers. Thus disruption caused by introduction of regulation in the real estate industry has impacted the profitability of Indian Real Estate developers significantly in the short term. The impact of RERA on other financial parameters can be calculated using the same methodology. Also the medium/ long term impact of RERA can be gauged once enough time passes post implementation of RERA.³

Aditya V Kadam, (2018) “Detailed Study and Analysis of RERA Act” This act is beneficial for the builders with a high budget. It is also beneficial for the middle class people, and All the possible ways of corruption are totally altered. The timelines of approvals by regulatory authorities have not been defined. Any delay in approvals from regulatory authorities could impact buyers as well. ⁴

Priya chetty, (2017) “Impact of real estate regulation and development act (RERA) on India’s real estate sector”. The RERA move coupled with Goods and Services Tax implementation is seen as a positive move for the sector. The main issues plaguing real estate in India were transparency and accountability, which have been tackled now. Such has been the impact of RERA that when the website was launched in Uttar Pradesh state, 15000 complaints were registered in a single day from Noida regionalone (Bhowmick, 2017).⁵ However, the response in some states to RERA has been dissatisfactory. In Haryana, buyers have complained that they are excluded from RERA if they have already moved into the property. Thus, they cannot file a complaint about lack of services or amenities provided by the builder (Jha, 2017).⁶ The full effect of RERA will come only after a year since each state is setting up its independent legislation and a standardized measure for success will take time to build.

Singh V. and Komal, (2009) in their study they titled and explained that, “people want to invest mostly on property as it gives higher returns in future. He focused on various factors like property investment, restriction on various dealings, dvantages to promoters to dealers, supply and demand of real estate as per market. He also explained the causes of India in present scenario in real estate sector.⁷

Nisha Singh, (2018) “Real estate regulation act (RERA), 2016: Implementation and issues”. The past few decades have seen increasing attention given towards constructive urbanization process in the context of rapid transformative process of country. As the nation strive to enhance capacity to cope up with develop

mental needs through the urbanization. In country like India, a standardized Real Estate Regulation Act is necessary to have uniform standards throughout the country and to bring transparency in transactions. The implementation of an act like RERA is a firm step in the right direction to bring awareness in terms of customers, promoters, builders etc. In future, in the lines of RERA, modernization of land records, land acquisition and GST can also be put on priority for growth of real estate sector. It is made compulsory for the various stake holders like builders, promoters, agents and allottees are to be complied with specification of the projects, project agreements and regulatory frameworks. It is also to be noted

that the real estate entities must ensure that the properties of allottees are well maintained and that residents are satisfied with the conditions of the properties. The RERA is significant move in this regard to ensure greater accountability of the real estate builders and agents towards customers as well as government.

The RERA is committed towards the successful and effective implementation of the real estate law of the country and has taken relevant and consistent measures for the progressive development of the sector in the country. To encourage sustainable development of the RERA, along with customer friendly environment,

various policy measures incorporated under the RERA would certainly bring remarkable changes in the economic and social transformation.⁸

III. RESEARCH METHODOLOGY

Objective

To study the impact of RERA on Property seller, property buyer and Real estate developers.

Importance of study

The study will be useful in determining the impact of RERA on property seller, property buyers and real estate developers in the short term. This research will be descriptive in nature. Publically available opinion and their real experience of real estate developers, seller and purchaser have been used. Convenience sampling will be used in this study. Sample is collected from property buyers, Sellers, and real estate developers.

Impact of RERA on the Buyers

Gender	Age in Years	Under Graduate			Post Graduate			Total	%
		Positive	Negative	%	Positive	Negative	%		
Male	25 Y to 34 Y	-	1	7.69	-	1	7.69	2	15.38
	35 Y to 40 Y	2	-	15.38	1	-	7.69	3	23.07
	> 40 Y	2	1	23.07	-	-	-	3	23.07
	Total	4	2	46.15	1	1	15.38	8	61.53
Female	25 Y to 34 Y	2	-	15.38	1	-	7.69	3	23.07
	35 Y to 40 Y	1	-	7.69	-	-	-	1	7.69
	> 40 Y	1	-	7.69	-	-	-	1	7.69
	Total	4	-	30.76	1	-	7.69	5	38.46
Total		8	2	76.92	2	1	23.07	13	99.99

Source note:- Field

work

Impact of RERA on the sellers

Gender	Age	Profit		Business		Others		Total	%
		No. of sellers	%	No. of sellers	%	No. of sellers	%		
Male	25 Y to 34 Y	1	7.14	-	-	1	7.14	2	14.28
	35 Y to	2	14.28	1	7.14	-	-	3	21.42

	39 Y								
	> 40 Y	2	14.28	2	14.3	-	-	4	28.57
	Total	5	35.71	3		1	7.14	9	64.28
Female	25 Y to 34 Y	1	7.14	-	-	-	-	1	7.14
	35 Y to 40 Y	-	-	1	7.14	-	-	1	7.14
	> 40 Y	2	14.28	-	-	1	7.14	3	21.42
	Total	3	21.42	1	7.14	1	7.14	5	35.71
Total		8	57.14	4	28.6	2	14.3	14	99.99

Source note:- Field work

Impact of RERA on the Real estate agents

Business Trends								
Gender	Age	Increase			Decrease			Total
		Positive	Negative	%	Positive	Negative	%	
Male	25 Y to 34 Y	3	-		-	1		4
	35 Y to 40 Y	-	1		-	2		3
	> 40 Y	1	-		1	2		4
	Total	4	1		1	5		11
Female	25 Y to 34 Y	-	-		1	-		1
	35 Y to 40 Y	1	-		-	-		1
	> 40 Y	-	1			1		2
	Total	1	1		1	1		4
Total		5	2		2	6		15

Source note:- Field work

ANALYSIS OF DATA

Advantages

To buyers

According to field survey in Bangalore city the RERA impact on the buyers is more positive than negative points which recognized in above table. The buyers are interested to buy the flat than land, since RERA will advantage more to the flat buyers. The buyers are between age of 25years and above, they are majorly Graduates or post graduates and majority have knowledge about RERA. Payment of this processes is 2to 5 percent in cash and remains in cheque, buyers are preferred cheque payments than cash. It shows their safety and legal transactions. They taken loan in banks for purpose of buying the property and small portion of money arranged by their savings. Buyers are having more positive opinion, since

after effect of RERA the documents are legal, there is no mistrust of ownership and less cost on legal verifications. The loan approvals was easy and faster.

To sellers

According to field survey in Bangalore city sellers are between the age of 30 years and above. They are bought the property majorly for the purpose of sale and earn profit, some people received ancestor property and this type of the properties also sold for profit and business purpose. RERA is slightly profitable for the sellers.

To Real estate developers

According to field survey in Bangalore city the Real estate developers are between the age of 30 years and above, they have 5 to 25 years of experience in this business. According to their opinion RERA is very supportive for building construction and after the RERA impact construction business is increased. The documents under this act are very cleared and legal.

Disadvantages

To buyers

According to field survey in Bangalore city the legal formation was delay, since according to RERA Rule have to be fallowed and the loan process also delayed.

To Sellers

According to field survey in Bangalore city the buyers are demanding the documents according to the RERA authority, but seller can't provide that in some cases, since the property is transferred as ancestor property and some areas are not covered the RERA authority rules in legal documents.

To Real estate developers

According to field survey in Bangalore city after the RERA impact Real estate business is slow down. Buyers t increased but threes no more number of seller who have documents under the RERA authority. So real estate business is decreased and profit margin also.

CONCLUSION

The Real Estate Regulation and Development (RERA) Act was legislated to reform the real estate sector and bring about transparency, accountability and make the sector more citizen-centric. According to field work positive impact on buyers, the RERA regulates the document legal formation and avoid dispute in title of the owner ship of property.

REFERENCES

1. www.karnataka.com.gov
2. Trilok K .V, Chandra, inspector general of registrations and commissioner of stamps.
3. Meghwant singh thakur (2018), Effect of RERA on profitability of Indian Real estate developers.

4. Aditya V Kadam (2018), Detailed Study and Analysis of RERA Act.
5. Priya chetty (2017, Impact of real estate regulation and development act (RERA) on India's real estate sector.
6. Bhowmick, S. (2017) 'Over 15,000 complaints lodged on UP-Rera site by day end', Times of India, 26 July. Available at: <http://timesofindia.indiatimes.com/city/noida/over-15000-complaints-lodged-on-upsite-by-day-end/articleshow/59775814.cms>.
7. Singh, V. (2017) How will RERA impact real estate agents? | Housing News, Housing.com.
8. Nisha Singh, (2018): Real estate regulation act (RERA), 2016: Implementation and issues.