

Impact of MahaRERA Act on Residential Construction Projects -Case Study

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Abstract – The Real Estate Sector had become huge in terms of large number of transactions and its contribution to the overall GDP of the country. Lately, due to non-standardised and unregulated practices, the fragmented sector has been in the limelight for all the wrong reasons, further impacting its image. There was a dire need of a supervisory body to oversee the operations of the sector. The RERA Act has the impact of changing the entire landscape of the real estate sector and redefining the process of how real estate sales happen in the country. This has not only impacted the developers' community, but all the stakeholders in the sector. Every stakeholder right from the government, banker, and consumers is unlearning the old ways of operating and getting aligned to the new systems which are RERA field. Therefore a need arise to examine this regulatory framework. The study is carry out to find the impact of MahaRERA act on Residential Construction projects.

Key Words: RERA, MahaRERA, Stakeholder, Landscape

1. INTRODUCTION

Due to the unregulated nature of India's real estate sector, fundamental problems associated with dispute resolution and delayed project deliveries had long skewed the balance in favour of supply-side stakeholders. Growing consumer agitation on social media, increasing complaints against builders and outreach to quasi-judicial commissions forced the government to sit up and take notice of the aggrieved homebuyers' plight. With this objective to safeguard consumers' interests, the Government of India enforced the Real Estate (Regulation and Development) Act, 2016 nationwide on 1 May 2017. For a sector that did not have any regulatory structure governing the behavior of its participants, this historic move was heralded as an inflection point that will change the manner in which real estate is transacted in India. Most importantly, it was aimed to allow a grievance resolution platform to homebuyers. While consumers heaved a sign of relief momentarily, on the ground realities are very different. Maharashtra is the only state that notified the real estate rules timely and subsequently implemented it statewide by 1 May 2017 namely as MahaRERA.

RERA seeks to address issue like delays, price, quality of construction, and other changes. The promoter of a real estate development firm has to maintain a separate escrow

account to each of their projects. RERA requires the builders to submit the original approved plans for their ongoing projects and alteration that they made later. They also have to furnish details of revenue collected from allottees, how the funds are utilized, and the timeline for construction, completion and delivery that will need to be certified by an engineer/Architect/Practicing Chartered Accountant.

In RERA ACT No promoter is allowed to advertise, market, book, sell or offer for sale, or invite persons to purchase in any manner any plot, apartment or building in any real estate project or part of it, in any planning area, without registering the project with the RERA. The advertisement or prospectus issued or published by the promoter shall mention prominently the website address of the Authority and the registration number obtained from the Authority. Where any Allottee sustains any loss or damage by reason of any incorrect, false statement included therein, he shall be compensated by the promoter in the manner as provided under this Act. The entire investment along with interest and compensation shall be returned to allottee if he intends to withdraw from project. The promoter shall make an application to the Authority for registration of the project within a period of three months from the date of commencement of this Act for ongoing projects and whose completion certificate is not issued.

1.1 Objective of MahaRERA Act

- Ensuring Transparency & Efficiency in real estate sector in regards to sale of plot, apartment, building or real estate project.
- Protecting the interest of consumers in real estate sector.
- Establishing adjudicating mechanism for speedy dispute redressal.
- Establishing Appellate Tribunal to hear appeals from the decisions, directions or orders of the Real Estate Regulatory Authority.

1.2 Need of MahaRERA Act in Construction Industry

For long, home buyers have complained that real estate transactions were lopsided and heavily in favor of the developers. RERA and the government's model code, aim to create a more equitable and fair transaction between the seller and the buyer of properties, especially in the primary

market. MahaRERA, it is hoped, will make real estate purchase simpler, by bringing in better accountability and transparency, provided that states do not dilute the provisions and the spirit of the central act. The RERA will give the Indian real estate industry its first regulator. The Real Estate Act makes it mandatory for each state and union territory, to form its own regulator and frame the rules that will govern the functioning of the regulator.

2. INDIAN REAL ESTATE SECTOR

The construction industry faces a distinct challenge when it comes to customer service. Few other businesses have the customer standing right in front of them while the product in question is being assembled. Yet that's the case in construction, where many owners pay regular site visits to monitor and sometimes micromanage the Building process. For this reason, it can benefit contractors to pay close attention to customer service and, if necessary, think creatively for ways to avoid costly conflicts. One approach taken by central government of India by enforcing the RERA Act or MahaRERA Act.

2.1 Review of Real Estate Industry

Real Estate sector ranks second to agriculture in providing employment in the country. The population in the country is estimated to touch 600 billion in 2030. Hence there is a huge demand and need for housing and infrastructure in the next one half decades. Real estate is a capital intensive and manpower intensive sector which is estimated to grow at more than 25% in the next two decades. The size of the Indian realty market by the year 2020 is predicted to be 180 billion USD. The contribution of the housing sector to Gross domestic Product of the country is over 5 per cent. The Department of Industrial Policy and Promotion has reported an inflow of 25 Billion USD into the Indian Realty market in the past 15 years. The Real Estate sector comprises of Housing, Commercial, Retail and Hospitality. The growth of the real estate sector is dependent on the economic factors which determine the inflow of funds into the sector. Higher per capita income and better investment cycles enable the individuals and business entities to invest in the real estate. It is a necessary investment which cannot be avoided by many as housing is essential for the growing population.

2.3 Key Challenges to the Indian Real Estate Industry

In the construction sector, the problems faced by the different stakeholders not only relates with the cost and time overruns but also dealt with different challenges; some are as follows,

Approvals and Procedural difficulties: There are almost 50 approvals or more that need to be taken for starting a real estate project and further these approvals are required from different government departments or authorities. This is one of the major causes of delays and high amount of corruption in real estate sector. Consequently corruption and delay cause inconvenience to customers only.

Lack of clear land titles: The land titles are not clear because of poor record keeping and division of land in many parts till independence. The slow pace of modernization of land records is further aggravating the problem.

Speculation in Land and Real Estate Prices: The prices of land and real estate in India has increased exponentially in last decade and causes overpricing of commercial or residential property. In recent times, real estate is the most favorable destination for investment in India and far ahead than equity or gold. Further real estate agents or brokers buy or sell property frequently with their own investments and cause surging of prices in property.

Sources of Finance: Finance is the key for development of any industry. Due to poor image of Real Estate sector, banks are becoming reluctant to provide loans and making regulation tougher to avoid bad loans. Alternate sources of finance are very costly and ultimately impact total cost of the project.

High Input Cost: Real estate is a capital and labour intensive industry; thus rise in cost of labour and construction material due to inflation poses many problems to real estate industry. Further real estate builders many times raise the question about unfair practices in cement industry for rise of price more than 50% in quick time.

3. LITERATURE REVIEW

Aditya V Kadam et.al(6) Stated that Housing sector is one of the top contributors to country's GDP and employment creation. Surprisingly, in spite of being such an important part of the economy, the real estate sector has remained by and large unregulated. The Real Estate sector is, to a limited extent, controlled and regulated at the local government's level with every state government having its own set of rules and regulations for real estate development. In this paper author studied about RERA act and made survey of builder and contractors. From this author checked that any contractor or builder had register in RERA. After that they arrange the meetings and also find their views about that this RERA Act is convenient for them or not. And also know that from this act they had to face loss or not and know the that is there any effect they had on property market.[1]

Dr. Ashish B. Joshi et.al(2) Authors aims to study implementation and related issues about the Real Estate Regulation Act. The act is a remarkable change in improving the efficiency of the government in regulating the Real Estate Sector. This focus on transparency, safety, imposes penalties on errant builders and follows the regulatory mechanism in the field. The current issues from the metro cities like New Delhi and Mumbai are also described in this paper. The main objective of this study to examine RERA issues, implementation has been put up in India to bring out the productivity in real estate sector to accomplish transparency in the system to advantage the customer.[2]

Dr. Bhargav S. Joshi The State has established MahaRERA (Maharashtra Real Estate Regulatory Authority) on March 2017 for regulation and promotion of real estate sector. Since the entire State is covered under MahaRERA, it is mandatory for all ongoing commercial and residential projects to be registered with the real estate regulator. The developers or promoters in the State are not allowed to sell, book or advertise their projects unless they are registered and compliant with MahaRERA. In this paper author studied that, whether Implementation of MahaRERA is effective in Mumbai and is useful to the home buyers or not and also to find out the level of implementation, concomitant and denouement of MahaRERA in Mumbai. Author made the Descriptive Research design for analysis. The study is confined to the 38 Ongoing Real Estate Projects in the particular area of western Mumbai. Ranging from Vile Parle (East West) to Khar (East West) comprising the most Lucrative area of Western Mumbai. [3]

Vasundhara Patil The paper describes to study all the positive effects as well as the limitations of the law. Analysis whether it really make the Real estate sector a transparent one as expected or not and Will the implantation of the new RERA law usher a new beginning in Real estate sector or not. Author describes that The Act only covers new projects and the projects where completion certificate is not issued on the date when the Act is notified, but not the existing projects i.e. the projects that are ongoing as on date or where partial completion certificate has been issued, completed immediately before the Act is notified, or stuck as on date for any reason. The Act doesn't make any provision for selling flats/ apartments on carpet area basis, leaving a scope for promoters for manipulation. However if the Regulatory authority uses its power and implements the provision of the act in letter and spirit it will certainly make the developers and estate agents a class to be trusted by the home buyers and contribute to the building of robust economy. It will also make the construction sector a more organized one. [4]

4. CONCLUSION

A very positive impact is expected in the future as the Act becomes more intact. The above study provides necessity to determined the impact of MahaRERA Act on construction projects by considering the concept of MahaRERA Act their live case studies and analyzing the collected data.

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