

**“RERA Act: A Critical Analysis”**

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**CHAPTER I****STATEMENT OF PROBLEM**

The Real Estate Regulation Act (RERA) act has been enacted in the year 2016 and was enforced in the year 2017 for the development of the real estate sector. It is important to bring in an act for the real estate sector as the real estate industry is growing and there are so many investors. The act will help in bringing transparency. As it was an unorganized sector, there were too many loopholes and black money was too huge, the transactions also were unable to be tracked and therefore to curtail all these issues and the loopholes this act was enacted. Though the RERA act is for the benefit of the public, the people who are involved in this real estate sector are facing a lot of trouble. The RERA act has mainly focused on the public and this act is affecting the economy of the Real estate sectors and at the same time they have been facing a lot of trouble in their business.

**OBJECTIVES**

- 1) To understand the importance and the need for the RERA Act.
- 2) To determine and analyze the effect of the RERA act on India's economy.
- 3) To understand the extent to which the RERA act has affected the business and reduced risk for the people.

**SCOPE**

This research's key focus shall be on how the RERA act has affected the business and the economy of the country. It will also focus on the development and challenges of the act. The research focuses on the importance of the RERA and the importance for all the states to follow the act. It also focuses on the issues faced by the builders and all other people in this sector after the enforcement of the RERA. The RERA act is for the development and regulation of the real estate sector but at the same time it has also highly affected the business and this research focuses on the ways the act could bring few amendments which can help both the public and the real estate sector.

**ABSTRACT**

*Real estate industry in recent times is facing many challenges. The real estate industry is one of the most globally recognised industries. The real estate market in India is currently in the midst of fairly challenging times. In this paper a detailed analysis on, to what extent the development has affected the industry and what are the pros and cons will be discussed also, the RERA act will be discussed in detail. The paper also explains in detail how the buyers are benefited by the act and how the RERA has reduced burden. RERA has been enacted only in*

*the year 2016, but has created a huge impact. In this paper the effect of COVID-19 on the real estate sector will also be explained in detail and the importance to make few amendments will be mentioned. The final part of the paper will contain the suggestion and the conclusion.*

## **CHAPTER II - INTRODUCTION TO THE RERA ACT**

### **2.1 What is RERA?**

The RERA (Real Estate Regulations & Development Act) was enacted to establish the real estate sector. The real estate sector is a growing sector and is contributing a lot for the development of the Indian economy however, there has to be a law to keep and to keep a check on this the RERA has been enforced. RERA aims at public welfare and bringing transparency.

**BACKGROUND:** The real estate sector plays a vital role in fulfilling the demand of housing and infrastructure. While the sector is being expanded, there are issues faced by the consumers due to delay in handing over or completion, or not agreeing to terms or delay in registration and no transparency in the industry. These were the major issues faced by the consumers and therefore to avoid those problems, the RERA was enacted

The Union Govt. being aware of rampant abuse and malpractices involved in the real estate sector has enacted this act which seeks to promote and regulate the activities of construction and sale of building, apartments in the buildings- residential or commercial and carved out throughout the country, except the state of Jammu and Kashmir. The Real Estate Bill was passed by the Rajyasabha and the Loksabha on 10.03.2016 and 15.03.2016 respectively and assented to by the President on 25.03.2016. The same was published in the official gazette on 26.03.2016.<sup>1</sup>

RERA has made it easy for the consumers and there are different rules for different states. The basic structure of the act is the same, but some tweaking has been allowed to the state as per their requirement.

### **2.2 TERMS AND EXPRESSIONS**

**ADVERTISEMENT:** The term advertisement is defined in Sec.3 of the RERA. It says that advertisement means any document described or issued as advertisement through any medium and includes any notice, circular or other documents or publicity in any form, informing persons about a real estate project, or offering for sale of a plot, building or apartment or to make advances or deposits for such purposes<sup>2</sup>

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<sup>1</sup> Real Estate (Regulation and Development) Act, 2016, 3rd edition KK Ramani NC Jain/ page12

<sup>2</sup> Real Estate (Regulation and Development) Act, 2016, 3rd edition KK Ramani NC Jain/ pg: 35

**ALLOTTEE:** Allottee is a person to whom the building or flat or plot is sold. A person to whom it is allotted is called the allottee and the allottee can also be a person to whom the property is transferred.

**CARPET AREA:** The carpet area is the net usable floor area of an apartment, excluding the area covered by the external walls, area under services shafts, balcony etc. It includes all the internal partition walls of the apartment

**SUM OF ALL AREA= CARPET AREA**

**BUILT UP AREA:** Built up area includes the external and internal walls, the carpet area and the utility ducts and interior parts.

**CARPET AREA +AREA OF WALLS + UTILITY AREA & INTERIOR PART = BUILT UP AREA**

**SUPER BUILT UP AREA-** The super built up area includes the built up area of the property and the common areas like the clubhouse, Swimming pool (proportionate to the house)

**BUILT UP AREA + PROPORTIONATE COMMON AREA = SUPER BUILT UP AREA**

### 2.3 Why RERA ?

The implementation of RERA was to bring in uniformity and transparency. Before the RERA, there had been many issues between the consumer and the suppliers. They had to face a lot of problems, but at the same time they could not do anything about it as there were no proper rules and regulations. The consumers were the ultimate to suffer all these issues and the delay has been the biggest problem. there are few more issues faced and hence this act was enforced

- **Security:** The money received from a project will remain in the respective escrow account, that is each project will have a different account and any payment made for the project related will be made only in that particular account.
- **Transparency:** It is important for the buyer to submit all the proof and documents for all the projects they take. The builders can not make any changes without the consent of the consumers. This helps in bringing a smooth transaction.
- **Fairness:** RERA has now set up the carpet area, built up area but not super built up area. If there is any delay in the completion the builders are entitled to bare the expenses for the delay.
- **Quality:** The builders are entitled to rectify any default within 5 years of the purchase. The issue must be rectified within 30 days.

- **Authorisation:** Registration is important, without the registration a regulator can not advertise or sell the buildings.

## 2.4 SALIENT FEATURES OF THE ACT

The RERA act was enacted specifically for bringing in transparency between every person involved and for a better relation between the consumer and the agent. The following are the features of the RERA Act;

- This authority will monitor as well as adjudicate and arbitrate any disputes with respect to real estate projects in the concerned state.
- Establishment of a fast-track mechanism for settlement of disputes. This will be done via an appellate tribunal and dedicated adjudicating officers.
- All real estate projects must be registered with RERA. They can also refuse the registration of a particular project if guidelines have not been adhered to.
- A project's registration can be cancelled if RERA receives any complaints that are found to be true after an inquiry has been made.
- If a property is not registered under the RERA, it cannot be sold.
- All the details related to the plot, building or any other matter related to registration or anything, should be uploaded in the website of RERA. It should always be updated.
- An approval or rejection will be given within 30 days, and if there is no information regarding it, it's considered to be accepted
- If a promoter wishes to require an application fee or an advance payment from a buyer for a plot, apartment, or building, it can't be more than 10% of the price. Additionally, an advance payment or the application fee is taken just once the promoter enters into a legal instrument with the client regarding the sale of the property and this sale has been registered.
- All promoters will need to obtain insurance on the title of the building, the land, and also the construction of every project.
- 70% of the amount collected from the buyers for a project has to be deposited in an exceedingly separate account. This account, ideally, should cover the value of construction and of the land. It can only be withdrawn after the promoter receives certification from an architect, a controller, and an engineer.
- As a promoter, if you would like to transfer or assign a majority of your rights and liabilities in an exceedingly property project to a 3rd party, you may need to get prior written consent from two-thirds of the allottees (not including the promoter). Additionally, you may need the written approval of RERA.
- If there's any default from the side of the promoter or the customer, both are at risk of paying an equal rate of interest.
- If the promoter causes any losses to the customer because of people's assumption to property (defective title of land) which is under construction or has been constructed, the promoter will need to compensate the customer. there's no limitation provided by any law currently with relation to the compensation amount.

- If someone has any problems regarding violation of the provisions or rules of this Act by a promoter, buyer, or an agent, they will file a complaint with RERA.
- While a probe is happening, RERA can stop an agent, promoter, or buyer from continuing any activity against which a complaint has been raised.
- If any of RERA's decisions regarding a complaint isn't satisfactory, the aggrieved party can submit an appeal before the Appellate Tribunal.
- If the promoter fails to follow RERA's orders, they'll need to pay a penalty. This amount may well be up to five of the evaluated cost of the property.
- If the Appellate Tribunal's orders don't seem to be complied with, a penalty will need to be paid. This may either be imprisonment for up to three years or a fine (up to 10% of the approximate cost of the project), or both.
- If a corporation commits an offence under this ACT, somebody who was accountable of the business at the time of the offence being committed and also the company are held guilty and can be punished.
- No civil court will have any jurisdiction with relation to any matter that comes under RERA or the Appellate Tribunal's jurisdiction. As such, no court can grant an injunction with regards to any action taken by RERA or the Tribunal.<sup>3</sup>

## **CHAPTER III - REGISTRATION**

### **3.1 REGISTRATION**

Registration is one of the important features of RERA. The RERA clearly states that a builder can not sell the flat, plot or building if they do not register. Registration is important for selling the building if the registration is not completed, the sale can not happen.

In terms of Section 3 of RERA, the following real estate projects are not required to be registered: Where the area of the land does not exceed 500 square meters or number of apartments does not exceed 8 (eight); Where the Promoter has received completion certificate for a real estate project prior to commencement of RERA; and Where the work involved is limited only to renovation or repair or re-development and does not involve marketing, advertising, selling or new allotment of any apartment, plot or building.<sup>4</sup>

### **3.2 DOCUMENTS REQUIRED FOR REGISTRATION**

When a promoter applies for registration, the following copies are required.

- PAN card of the builder or promoter.
- The balance sheet and ITR of at least 3 years.
- The builder should give all the details about the building, like the carpet area, built up area etc
- Documents and legal proof of title in the name of the business.

<sup>3</sup> <https://www.bankbazaar.com/home-loan/rera-act.html>

<sup>4</sup> <https://www.mondaq.com/india/real-estate/687878/rera-registration-of-real-estate-projects-a-brief-overview>

- Details of the land (rights, ownership etc)
- If the land is not in the name of the builder, the consent of the person who has the ownership should be given.
- Proper details of the project should be mentioned. The location, area and other details should be given
- All the information about the people involved in the project.

These are the documents required for the registration. And if any of the documents is missing or is forged then the authorities will not grant permission or even they might have to face other consequences.

### **3.3 APPLICATION FOR REGISTRATION**

As registration is important, the following are the documents required for registration according to sec.4

1. An authenticated copy of the approvals and commencement certificate obtained from the competent authority;
2. Sanctioned plan, layout plan and specifications of the proposed real estate project as sanctioned by the competent authority; and
3. A declaration by the Promoter supported by an affidavit *inter alia* stating:
  1. that the Promoter has a legal title over the land on which development is proposed;
  2. the details of all encumbrances on such land;
  3. the time period within which the Promoter undertakes to complete the real estate project;
  4. that the Promoter would deposit 70% of the amount realized for the real estate project from the allottee(s) from time to time in a separate bank account.<sup>5</sup>

### **3.4 VALIDITY OF REGISTRATION**

The registration will be valid only till the period declared by the promoter. The promoter already gives a date for completion and the registration is valid till that date. however there are certain exceptions or certain cases were they might extend the date

1. Force Majeure: Any act caused by natural calamity or delay due to nature like Earthquake, Tsunami etc. This can be a reason for extension
2. Other Reasons: If the promoters give a reasonable or valid reason the authority may extend for a period of maximum one year.

These are few exceptions. Any other reason will not be permitted and it will be invalid if it crosses the time period.

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<sup>5</sup> <https://www.mondaq.com/india/real-estate/687878/rera-registration-of-real-estate-projects-a-brief-overview>

### 3.5 FILING OF COMPLAINT UNDER RERA

- Any person whose rights have been violated can file a complaint under the violation of RERA
- If a person is not happy with the decision given, the person has full authority to file an appeal within 60 days.
- If the person is not satisfied with the decision made by the Appellate tribunal, the person should file the suit in high court within 60 days.

### 3.6 PUNISHMENTS AND PENALTIES UNDER RERA

#### ON PROMOTERS

OFFENSES	PUNISHMENT
Non- registration of a project	10% of the estimated cost of the building
Violation of Law	Violation of law is punishable. The punishment is 3 years of imprisonment or a fine of 10% of the cost of building
False information	If false information is provided, the penalty is 5% of cost of the building
Other offences	5% of the cost of the building.

#### ON AGENTS

OFFENSES	PENALTIES
Non- Registration	Rs.10,000 per day or 5% of the total cost of building
Failure to comply with Authority	Penalty on daily basis which may extend to 5% cost of the building
Failure to comply with tribunals	Imprisonment of 1 year with or without fine. The fine may extend to 10% of the cost of the building.

<b>OFFENSES</b>	<b>PENALTIES</b>
Failure to comply with Authority	Rs.10,000 per day or 5% of the total cost of building
Failure to comply with Tribunal	Imprisonment of 1 year with or without fine. The fine may extend to 10% of the cost of the building.

### **ON HOMEBUYERS**

<sup>6</sup>These are the offenses and punishments given under RERA. The punishments are for every offence. The RERA act has covered most of the violations a builder, agent or a home buyer makes. The RERA act is stringent and it has made the sector work better. These laws will also help in reducing corruption or charging extra on a building. The RERA has made sure that there are consequences that have to be faced if people do not abide by the law.

### **3.7 REVOCATION OF REGISTRATION**

S.7 of the RERA act explains the situation where registration can be revoked. The following are the situations where registrations can be revoked;

(1) The Authority may, on receipt of a complaint or suo motu in this behalf or on the recommendation of the competent authority, revoke the registration granted under section 5, after being satisfied that-

- (a) the promoter makes default in doing anything required by or under this Act or the rules or the regulations made thereunder;
- (b) the promoter violates any of the terms or conditions of the approval given by the competent authority;
- (c) the promoter is involved in any kind of unfair practice or irregularities.

Explanation.-For the purposes of this clause, the term "unfair practice means" a practice which, for the purpose of promoting the sale or development of any real estate project adopts any unfair method or unfair or deceptive practice including any of the following practices, namely:-

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<sup>6</sup> <https://www.myloancare.in/info-bank/rera-real-estate-regulatory-authority/>

(A) the practice of making any statement, whether in writing or by visible representation which,-

- (i) falsely represents that the services are of a particular standard or grade;
- (ii) represents that the promoter has approval or affiliation which such promoter does not have;
- (iii) makes a false or misleading representation concerning the services;

(B) the promoter permits the publication of any advertisement or prospectus whether in any newspaper or otherwise of services that are not intended to be offered;

(d) the promoter indulges in any fraudulent practices.

(2) The registration granted to the promoter under section 5 shall not be revoked unless the Authority has given to the promoter not less than thirty days notice, in writing, stating the grounds on which it is proposed to revoke the registration, and has considered any cause shown by the promoter within the period of that notice against the proposed revocation.

(3) The Authority may, instead of revoking the registration under sub-section (1), permit it to remain in force subject to such further terms and conditions as it thinks fit to impose in the interest of the allottees, and any such terms and conditions so imposed shall be binding upon the promoter.

(4) The Authority, upon the revocation of the registration,-

(a) shall debar the promoter from accessing its website in relation to that project and specify his name in the list of defaulters and display his photograph on its website and also inform the other Real Estate Regulatory Authority in other States and Union territories about such revocation or registration;

(b) shall facilitate the remaining development works to be carried out in accordance with the provisions of section 8;

(c) shall direct the bank holding the project back account, specified under sub-clause (D) of clause (I) of sub-section (2) of section 4, to freeze the account, and thereafter take such further necessary actions, including consequent de-freezing of the said account, towards facilitating the remaining development works in accordance with the provisions of section 8;

(d) may, to protect the interest of allottees or in the public interest, issue such directions as it may deem necessary.<sup>7</sup>

If there are any unfair practices, or any wrongful act the registration can be revoked. Revocation of registration happens in rare cases, but any act which does not follow the law or which is against the act then revocation happens

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<sup>7</sup><http://www.aaptaxlaw.com/real-estate-act-2016/section-7-real-estate-act-2016-revocation-of-registration-section-7-the-real-estate-regulation-and-development-act-2016.html>

## CHAPTER IV - IMPACT OF RERA

### 4.1 ADVANTAGES OF RERA:

**ADVANTAGES OF RERA FOR THE BUYERS:** The RERA Act was implemented for many reasons. The buyers are generally the most affected person if there is any issue and therefore keeping those buyers into consideration, the RERA was implemented. The following are advantages of the RERA Act.

- **AVOIDING THE RISK OF DELAY:** It is very frequent that the builders in recent times have been delaying in handing over the project. The RERA act has made a provision that if there is any delay, penalty has to be paid.
- **NO EXCESS CHARGES:** This act has provided all the details of the price per area. It is impossible for the builders to charge excess as the RERA act has defined built up area, super built up area and carpet area. The payment for super built up area is prohibited. A consumer will be paying only for the carpet area as defined in the act.
- **TRANSPARENCY:** Transparency is one of the biggest advantages given to the consumers. The builders are supposed to give details about everything in the RERA website. This will help the consumers know the minute details about the building.
- **LIABILITY:** The quality is always a matter of concern, especially when it comes to a place where we have to stay. If there is any problem with the quality, the consumer should inform the builder and the builder should resolve it within 30 days.
- **USE OF MONEY:** The act has a provision where it is said that the money given to the builder can not be used for any other work. 70% of the money will remain in the account and the remaining 30% can be used.
- **QUICK SOLUTION:** Under RERA, regulatory bodies and appellate tribunals are visiting be founded in each state to unravel builder-buyer disputes. a person aggrieved by any direction, can expect a resolution from the appellate within 120 days. If the buyer is not satisfied with the decision of the Appellate authority, he may further appeal to them. However, the appeal would be heard only after deposition of,
  1. 30% of the penalty
  2. Or a higher percentage as determined by the Appellate Tribunal.
  3. Or total amount to the allottee, including interest and compensation if any.<sup>8</sup>
- **REQUIREMENT OF CLEARANCE:** The builders and agents now required to register. Before registration they are not allowed to sell the building. It is very important to get approval.

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<sup>8</sup> <https://www.mymoneymantra.com/blog/10-major-benefits-of-new-rera-act-for-property-buyers/>

- **PAYMENT OF ADVANCE:** A builder or an agent can not take more than 10% of advance payment for a plot, flat or building.
- **NO FALSE PROMOTION:** Earlier there were a lot of false promotions. But as per RERA all the details should be mentioned in the website and they can buy what they see.

### **ADVANTAGES OF RERA FOR BUILDERS**

There are only limited advantages given to the builders. The builders as such do not have a lot of advantages in the RERA act. The following are few advantages given to the builders;

- **FUND RAISING:** A major hurdle for the event of the property sector is that the start of a project. Financial reforms like the establishment of the GST and therefore the liberalization of the FDI have helped RERA to facilitate business. Since the RERA Act has renewed faith and transparency, lenders are more willing to supply builders with income. The demonetization of monetary transactions has increased transparency. More global and native investors are encouraged to take a position in Indian projects. This results in greater institutionalized capital inflows, making it possible for property projects to be applied more easily.<sup>9</sup>
- **INCREASE COMPETITION:** Since the laws are strict and stringent, there will be a healthy competition and all the number of builders who are frauds will be reduced.
- **BETTER FUNCTIONING OF THE REAL ESTATE SECTOR:** In the past, there were not proper laws or rules regulating this industry. There were many unsolved disputes as well. The RERA act helped the Real Estate sector to work effectively and work in uniform.
- **IMPOSITION OF PENALTY:** If a consumer does not pay his dues on time, the act has a provision where the consumer is supposed to pay a penalty for the delay in the payment.
- **REGISTRATION:** Registration is compulsory according to the RERA and therefore the integrity of a builder can not be questioned.
- **TRANSPARENCY:** Transparency is a benefit for both buyer and seller. The transparency also helps in building a friendly relation between the builder and the consumers.

### **4.2 DISADVANTAGES**

There are many disadvantages as well in this act. The most affected are the builders, after the commencement of RERA act had to suffer a lot and had to bear a lot of expenses as well.

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<sup>9</sup> <https://propertyadviser.in/news/real-estate/how-rera-act-benefits-for-builders-society-609>

This Act has affected the business highly. the following are few disadvantages of the RERA act;

- The rules and regulations for RERA are not applicable for the projects that has been started before the enactment of RERA.
- The registration is compulsory, and this is also a disadvantage as the government sometimes delay in approving a plot
- There is inner politics in this sector as well. Sometimes the government asks for extra money or they have to bribe the government in order to get the approval and because of this they face financial issues as well.
- There are no proper rules for buildings less than 5000 sq. meter. This will give them a chance to charge excess and there will be a clash.
- Sometimes it takes more time to finish a project. It is difficult to start a new project without finishing the first. A builder can not sell the building without completing it and hence it is difficult to start a new project for them.
- The growth within the sector is going to be adversely affected because it takes around 2 years for the permission to receive the promoter. If a promoter in an exceedingly position|is ready} to create five projects in a span of 5 years, now they're going to be able to make just two or three. During this way, the demand and supply gap is affected a lot. The smaller builders will face the effect of this bill. they're going to not be able to earn money during this case.<sup>10</sup>
- RERA does not have any provisions for the rentals.
- Due to the 70% payment in the escrow account, there is difficulty in cash flow.
- The punishments are harsh. If there is any issue the penalty is either 10% or 3 years imprisonment. The punishment is quite harsh.

### **4.3 IMPACT OF THE RERA ACT IN THE INDUSTRY**

The impact of RERA has been both good and bad. The RERA has had a huge impact in the economy and development of the country. The business has gone extremely down after the RERA. The implementation of RERA has become a big trouble in the business. The real estate sector has given a lot to the economy of the country but this act has put the industry down and nowadays all the builders are facing a lot of trouble. The sector is facing a lot of financial issues and they have been facing a lot of hindrance. The impact of RERA in the business is extremely high. The implementation of demonetisation was already an issue and then the enforcement of RERA simultaneously had created a huge fuss. One of RERA's important regulations is that each one proposed projects exceeding a district of 500 square metres or quite eight apartments must be registered with the respective state RERAs. - it's mandatory for the builders to deposit 70% of the project money collected from homebuyers

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<sup>10</sup> <https://www.worldblaze.in/advantages-and-disadvantages-of-real-estate-regulator-bill-rera/>

like you in bank accounts through cheques. This means builders can not engage in fraudulent transactions or in concealing. From now on every rupee spent and every rupee gained must be accounted for. - Builders must update the status of their project development at every stage on the RERA website. This permits homebuyers to remain track of the progress of the project. - there will be one model sale agreement between all builders and homebuyers to prevent fraudulent or harmful terms.<sup>11</sup>

Since the commencement of RERA, 21 states have already announced the rules, but West Bengal has made its own rules and regulations. The Seven sister states are still lacking behind. The implementation of the Act has been best in West and North India. Maharashtra, specifically, is leading the way in terms of regulations and litigation, with the state accounting for around 59% of the whole projects registered up to now countrywide.

South and archipelago, however, are lagging in terms of implementation and infrastructure, with registrations yet to commence in Kerala, West Bengal notifying its own Act with deviations being present in certain key clauses, and 6 states within the North East yet to notify the Act.

The current regulatory is bringing out transparency and credibility within the property sector of most states. However, benefits are likely to accrue to all or any buyers over time.

There is a desire to upgrade the scope and spirit of the Act which might be done by tech-enabled platforms which are able to manage larger size data which continues to be not recognized by many nations. With a rising specialise in implementation of the Act, the expected benefits from the identical are likely to extend.

The fact is way known to all or any people because the home buyers are still facing disparity within the authorities which want to let the builders start their Bahubali avatar to a standard individual avatar.

The real awe impact of the RERA act within the property sector continues to be awaited because the RERA Authorities have counted on the projects which are still unregistered and therefore the authorities are issuing directions to induce all of them to register. In any case, if the promoters don't comply with these instructions of the RERA Authority then the builders might need to face the large penalties.<sup>12</sup>

#### **4.4 RIGHTS OF THE BUYER:**

The buyers have certain rights according to the RERA, the following are the rights given to the buyers;

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<sup>11</sup> <https://www.bajajfinserv.in/insights/how-rera-is-going-to-alter-the-real-estate-market#>;

<sup>12</sup> <https://www.centrik.in/blogs/rera-impact-on-the-real-estate-sector>

- **Right to Information:** The buyers have the right to obtain any information. They can not be denied to answer the questions asked to them. The buyers may ask any query and it is the responsibility of the builder to answer to them.
- **Schedule:** The buyer can keep a check on the construction. They are allowed to visit the site and have a look at the progress. The builders should report after completion of each stage.
- **Possession:** The buyer will have full possession over the real estate after making the payment. He can take any decisions related to it.
- **Refund:** The buyer has full rights to claim for refund if the completion is not done on time. If the handing over of a project is delayed, the buyer has the right to claim for refund.
- **Custody of Documents:** The buyers will have the custody of the documents once the project is handed over to them.

#### **DUTIES:**

- **Payment on time:** The buyers are supposed to make all the payment on time. It is their responsibility to make all the payments on time in order to get their work done.
- **Participation:** The buyer should participate in all the meetings conducted by the society and have to actively take part in the activities of the society.
- **Registration:** It is the duty of the buyer to take part in the registration of conveyance deeds.

#### **4.5 RESPONSIBILITIES OF THE SELLER:**

- **Basic Responsibility:** It is necessary to fulfil the basic responsibility to get the real estate project. The builders are obliged to fulfil the primary responsibility.
- **Website:** It is necessary that all the details related to the building should be provided in the website. The approval letter and other documents should be added in the website
- **Completion Certificate:** The builder once they finish their project should get approval and submit the completion certificate. Only if the completion certificate is given the builders can hand over the building.

#### **4.5 IMPACT OF RERA ON THE ECONOMY**

The Real Estate sector is one of the biggest contributors to the Indian economy. This sector has helped the country develop and reach new heights. The RERA is for the better working of the industry but at the same time the RERA has made a tremendous impact in the economy. The Indian economy has gone down after the implementation of RERA. The laws and rules of RERA are very stringent and the major issue was that the money which was paid for a flat, plot or any building could not be used for any other matter. Due to this reason there was no

proper cash flow. The realty market is experiencing consolidation as unorganised players are struggling to address stringent compliance norms under RERA. It's now clear that only credible developers will survive within the future. This is often good from a buyer's perspective and is assured of a high quality product within stipulated timelines. With RERA in situ, home buyers can even hope for a risk-averse journey. Under RERA, the developer needs to provide a written affidavit to the customer stating that the legal title to the land on which the development is planned contains legitimate documents of ownership. Title insurance may be a variety of indemnity insurance which insures against loss from claims in title to holding. While other styles of insurance provide protection against future loss, this provides protection for an occasion within the past which has resulted in dispute.<sup>13</sup> The implementation of RERA is a solution for permanent issues. There are few issues which have not been resolved. The RERA act is a permanent solution to temporary issues. It is obvious that since RERA has just been enacted, there are certain issues, but these are issues that will help in the future. It will help in reducing chios and it will also help in future development. The RERA act is a law which will unite all the builders and if all the builders come together, the competition will increase and the quality will also increase. The consumers will also trust the builders and the business will be in utmost good faith. This will help in better business. It is understandable that when a new act is enforced there will be certain issues, but ultimately in the end it will help the sector to grow. The implementation of RERA has of course affected the Indian economy, it has highly affected the Real Estate sector. The real estate sector is facing a lot of difficulties in abiding by the RERA as many clauses of the act are not helping the real estate sector. The enactment of RERA in future will help the sector and the economy also, but certain changes have to be made and there should be certain amendments so that it becomes easy for both the builders and the consumers to abide by the law. If those amendments are made the real estate sector might also find it easy. The real estate sector is majorly affected by this act, there are a lot of disadvantages for the builders, it has considered the consumers and most part of the act is made by keeping those consumers in mind and hence it has become a huge benefit to the consumers.

#### **4.6 IMPACT OF COVID-19**

Coronavirus is a global pandemic. Not only the real estate sector but also other sectors are facing major fall. The COVID-19 has put the real estate sector to its lowest point.

India, where the economic growth is already set to slow down to a record 11-year-low, the lockdown from March 25, 2020, would further worsen the situation in Asia's third-largest economy. As is evident, research agencies are predicting a near-term halt in growth of real estate in India. PropTiger.com data shows housing sales in India's nine major cities declined by 26% in the period between January-March 2020.<sup>14</sup> The covid had worsened the situation

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<sup>13</sup><https://www.thehindu.com/life-and-style/homes-and-gardens/rera-the-impact-on-the-industry/article23773437.ece>

<sup>14</sup><https://housing.com/news/impact-of-coronavirus-on-indian-real-estate/>

in India. The real estate sector is already facing financial issues and the covid-19 is making the situation worse.

There are delays in the project, people now do not have money to invest on buildings or plots or any other thing. The lockdown has stopped the business and it has made a huge impact. All the sectors are facing financial issues in today's day as the economy is going down, but the real estate sector will be suffering even after this. There is fall in every business.

The real estate sector is already facing issues to accept the RERA. The demonetisation, GST and then RERA, and now the COVID-19 the real estate industry has been facing lots of challenges in the past 10 years.

The sector is already finding it difficult to accept other changes and this has added a lot of pressure. Real estate sector is a very challenging sector, it is important to have a name and fame. The budding agents or promoters are majorly affected by this. If low interest rates (home loan interest rates are at 8% now) and high tax exemption (rebate against home equity credit interest payment is as high as Rs 3.50 lakh per annum) were visiting make a change within the consumer behavior, the Coronavirus outbreak is probably going to halt that shift, a minimum of within the concerning medium term.

#### **THE MAJOR ISSUES FACED ARE:**

- Site visits to drop, impacting sales numbers.
- Project completion deadlines to increase, pushing completion farther.
- Overall cost of project to extend amid delays and provide constraints.
- Inventory levels to extend, intensifying pressure on builders.
- Prices might move slightly upwards despite the slow demand.
- Home loan interest rates to fall after repo rate to move 4.4%.
- Remote working to achieve traction in future as businesses embrace work from home culture.
- Higher investment likely in future office spaces to form them better prepared for crisis situations.
- Occupancy levels in office spaces to say no within the near term as remote working picks up.
- NRI investment in property may improve amid rupee fall.
- Cases of builder insolvency might increase as liquidity situations worsens.

#### **CHAPTER VI - CONCLUSION & RECOMMENDATIONS**

The RERA act was implemented in the year 2016 for the better functioning of the Real estate sector. The real estate sector had no rules or regulations and hence the buyers had to suffer a lot. The RERA was enacted to help the buyer and give them rights and responsibilities. The

act as such is well formed, but it has mostly considered only the buyers point of view. The act is a little too harsh on the builders and it has changed the dynamic of the real estate industry. The real estate industry in today's time is facing a lot of issues. Registration is also becoming a problem and the major issue is that the payment should be made only to the escrow account and the amount can not be used for other projects, this is a huge drawback and because of this the work is extremely slow and the builders can handle only one project at a time. The act has defined carpet area, built up area and super built up area and this is an advantage for the buyers, the buyers can not be asked for more money and they can not be cheated. The implementation of RERA has also reduced black money in the construction sector. It is now impossible to sell a building without registration and therefore all the builders are genuine and every information about a flat or a plot or anything will be mentioned in the website. All the builders join associations and discuss their problem with their association. The CREDAI helps the industry in solving disputes and also helps in advertising. The CREDAI hosts exhibitions in every city so the builders of each city take part in these exhibitions and get a chance to show their buildings and sell them. This helps the builders get to know each other and also to share their grievances and work together. The RERA seeks to bring clarity and better understanding. Due to the lack of proper law, the real estate industry and the buyer have been in conflict for a long time. The RERA has helped them solve their disputes and also made things easier. It has bought a better relation between the buyer and the seller and at the same time it has helped the buyers get what they want as they are the ultimate one to suffer.

**RECOMMENDATION:**

- The RERA can keep the builders into consideration and make few amendments as the laws of the RERA is quite strict
- The delay due to government approval is a major issue which the RERA has not covered. The government also gives approval if the builders pay more, they have inside politics and this affects the builders.
- The work is now too slow and it is difficult to start a new project without completing the old
- The payment of 70% in the escrow account has affected the builders. It has become very difficult for the builders to work.
- The cash flow has reduced highly and this has affected the economy of the country.

The RERA act has majorly taken the buyer's point of view into mind and this has affected the builders. Most issues of the buyers are sorted but this has created a chaos to the builders and they have been highly affected by this.