

Influence and ranking of RERA on Real Estate Sector across Jalgaon District in Maharashtra (India)

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Abstract: Three years after implementation of Real Estate Regulation Act across the country it was essential to know its impact amongst over its stakeholders. This study argues to know the opinions of real estate stakeholders regarding adoption and implementation of RERA. As disciplined regulations are always appreciable but survival of lower and middle level players is also necessary for the growth of this sector. It may also help the real sector to increase transparency and enhance consumers & investors confidence. Here a pilot survey was carried out in the aforesaid regard to get an idea from stakeholders including Builders, Buyers, Engineers & Architect, Chartered Accountants and Real Estate Agents regarding implementation of RERA. In this study an attempt is made to explore the key indicators that reflect the ranking and ease of doing business in terms RERA. The study is related to the real estate business in Jalgaon district of Maharashtra state. It covers the overview of the business across the Jalgaon city and over a radius of 50 Kms including various talukas like Bhusawal, Amalner and Jamner etc. It also analyzes those parameters to examine for ranking, appropriateness of implemented clauses & challenges faced by the stakeholders.

Key words: Real Estate Regulation Act (RERA), Builders, Buyers, Agents, Performance Evaluation.

I. INTRODUCTION

Real Estate Regulation Act 2016 has jumped through the legislative peripheries to finally becoming a regulation in India. The sector had become huge in terms of large number of transactions and its contribution to the overall GDP of the country. In the recent past, due to non-standardized and unregulated practices, the fragmented sector has been in the limelight for all the wrong reasons, further impacting its image. There was a need of a supervisory body to oversee the operations of the real estate sector. This 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 including customers, engineers and architects, chartered accountants and real estate agents. Every stakeholder right from the Government, Banker, and Buyers etc - is unlearning the old ways of operating and getting aligned to the new systems/processes which are RERA fied. Indian real estate markets have shown resilience during the past 5 years. Demonetization led to a sharp slump in transactions in the informal property market. It not only affected the secondary market transactions but also led to sudden fall in premium payable for new and old properties. The big ticket or premium residential properties which were earlier perceived to be an investment avenue have stayed with the high income-high net worth individuals and have been hardly traded or down sold to low or middle income group due to price sensitivity which averted a property price bubble.

The importance of shelter as a measure of standard of living and for improving productivity has led governments and communities to seek ways to adequately shelter their populations. Indeed, the provision of adequate housing is a major concern in both developed and developing countries. Affordable housing has been

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Received :13-05-2021 Accepted : 16-06-2021

driving bulk of the real estate development in the country. A large part of the affordable housing inventory is being developed by Government and its agencies and pricing of these units too are controlled by these developing agencies. Thus, first half of financial year 2018 remained warm for the real estate industry. The second half witnessed large-organized developers launching projects in affordable housing segment which catered to the high-demand affordable home buyers, thereby pushing up their sales during the period.

This study argues that after exploring various parameters, it would help to initiate a process of understanding towards Indian real estate mindset, violation & dilution of strategic clauses at various levels etc. It may also help the real sector to increase transparency and enhance consumers & investors confidence in the real estate sector. Here a pilot survey was carried out in the aforesaid regard to get an idea of stakeholders - Builders, Buyers, Engineers & Architect, Chartered Accountants and Real Estate Agents regarding implementation of RERA clauses and its impact.

Objectives: The research objectives of the study are identified to gain insights into research and practices of implemented policies in Indian real estate management. The objectives are –

- a) To study the overview of implementation of various RERA clauses in the real estate business.
- b) To identify and explore various parameters to evaluate the performance of Real Estate Regulatory Authority.
- c) To make a pilot survey to get opinions of real estate stakeholders for the performance evaluation of RERA.
- d) To find out Rating of identified parameters by a suitable Ranking Method.

II. LITERATURE REVIEW

A study of literature shows the importance and implementation of act RERA in the real estate sector in India. Coskun, Yener (2011) found that real estate sector was extremely tied into local/central government policies and in the centre of wealth accumulation process in Turkey. He suggested further consumer protection and market efficiency problems in Turkish real estate market. Aditya V Kadam et al. (2018) gone through the in depth understanding the act and tried to find its importance. Later Madhavi Ashok and Aparna Panaganti (2018) tried to find its immediate impact on the builders and customers. Megha Desai and Bhatt Rajiv has suggested a methodology to carry out ranking by two techniques based on degree of severity and frequency for various causes.

It becomes clear from the above discussions that various researchers have tried to find the importance of the current reform RERA along with analysis of regulatory provisions. Many perspectives have been found in the literature, but no specific approach was adopted to evaluate the clear awareness level of this enactment amongst stakeholders. Therefore, in the present research, it was decided to include previously studied factors along with additional parameters such as various clauses of current reforms and its implementation that are applicable to the Indian real estate sector. Later ranking comparison of these parameters was proposed by appropriate techniques to identify its importance and to make comments.

III. RESEARCH METHODOLOGY

It is given that only a limited amount of research has been conducted on the influence of Real Estate Regulation Act on real estate management, this study attempts to extend to find out the relevant parameters responsible for performance evaluation of real estate regulatory authority into the business. As mentioned earlier, the basic approach to data collection was the survey method. The analysis consisted of description of current practice at the time of the study and is as justified through Figure 3.1 below. It is proposed to cover further parameters as –

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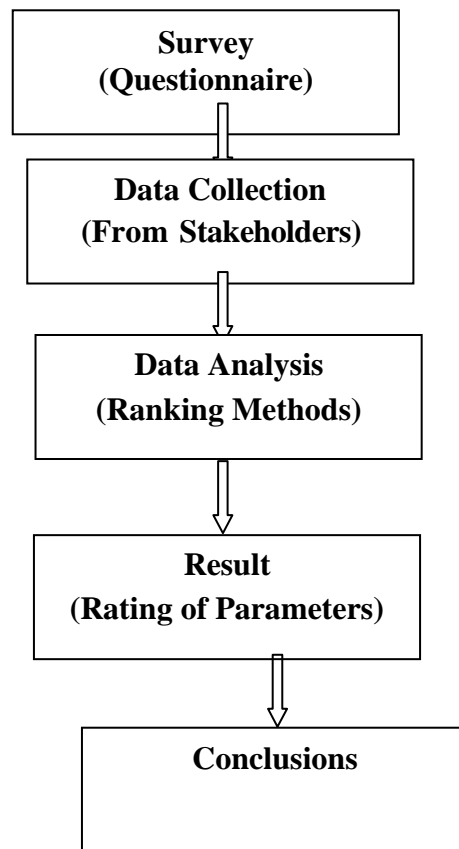


Figure 3.1: Proposed Methodology

Ranking Techniques: Field Survey is generally done to study the prevalent environment that entails the sphere of uncertainty in the execution of various phases of a construction project. After appropriate questionnaire design data were to be collected and further analyzed through the some suitable statistical techniques and indices as per requirements. Following statistical techniques are given as –

Relative Importance Index (RII): The data were analyzed on the basis of Relative Rank Index (RRI) or Relative Importance Index (RII) technique. The RRI technique is very popular in the research fields of the built environment and the usage of this technique can be found in various papers. The RRI technique is used for comparison between the importance levels of variables and derived from the Likert scales. These represent the level of importance of variables chosen by respondents which need to be transformed into a Relative Rank Index (RRI) which has a value of one or less. The Relative Importance Index (RII) will be used to rank (R) the different criteria. These rankings make it possible to cross-compare the relative importance of the causes as perceived by the two groups of respondents. Each individual factor's RII perceived by all respondents will be used to assess the general and overall rankings in order to give an overall picture of the dispute related to construction in Indian construction industry. The formula to calculate RII given below:

$$RII = \Sigma W/AN$$

Where, W = Weighting given to each factor by the respondents (ranging from 1 to 4),

A = Highest weight (i.e. 4 in this case),

N = Total Number of respondents.

Importance Index as a Function of Frequency and Severity Indices (IMPI):

Frequency Index: A formula is used to rank risk event based on frequency of occurrence as identified by the participants.

Frequency Index (F.I.) (%) = $\Sigma (a/N) * 100/4$ Where, a = constant expressing weighting given to each

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Received :13-05-2021 Accepted : 16-06-2021

response (Range from 1 for rarely up to 4 for always),

N = total number of responses.

Severity Index: A formula is used to rank risk event based on severity as indicated by the participants.

$$\text{Severity Index (S.I.) (\%)} = \frac{\sum(a/N) * 100}{4}$$

Where, a = constant expressing weighting given to each response

(Range from 1 for little up to 4 for severe),

N = total number of responses.

Importance Index: The importance index of each event is calculated as a function of both frequency and severity indices, as follows:

$$\text{Importance Index (IMPI) (\%)} = [\text{F.I. (\%)} * \text{S.I. (\%)}] / 100$$

IV. DATA COLLECTION AND ANALYSIS

In this data is collected through a well defined questionnaire distributed amongst with discussed problems. Here various stakeholders of real estate management were requested to respond. Around One Fifty Nine responses were collected amongst stakeholders. It mainly consists of Thirty Eight Builders, Forty Five Buyers, Twenty Six Engineers, Seventeen Architects and Thirty Three Agents were involved. The decisions were taken by them; the weightage of these members/decision makers varies based on various criteria mainly consist of real estate regulation act clauses which are implemented.

QUESTIONNAIRE DESIGN: Data collected through well defined questionnaires from various stakeholders of the real estate sector. Here single approach was adopted for data analysis of various questionnaires. Finding out the relative important index for which a five-point scale ranged from 0 (Not Important) to 4 (Very Important) was carried out.

IDENTIFICATION: Scale range for ranking index is specified as -

Ranking Technique	Symbol	Indication
Relative Ranking Index (RRI)	V.I	Very Important
	I	Important
	M.I	Moderately Important
	S.I	Slightly Important
	N.I	Not Important

SAMPLE SHEET: This sheet consist of a sample for demonstration that how respondents have to respond and put their opinions.

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Sample Sheet for Builders/Promoters -

Sr. No	RERA Clauses	N.I	S.I	M.I	I	V.I
1	RERA website			√		
2	Registration Process				√	
3	Grant of Registration					√
4	Extension of Registration		√			
5	Revocation of Registration			√		
6	Functions and Duties			√		

If you think for the RERA clauses 2, Registration Process is important as it is contributing in the project registration then; you may put a tick (√) in the box of important. Similarly, if you feel for clause 3 Grant of registration is very important as you think it is contributing grant of work related to construction projects then; put a tick (√) in the box of very important.

The overall ranking for Builders is -

Sr. No	RERA Clauses	RRI	Rank
1	Before RERA	0.821	1
2	Equality of Rights to Stakeholders	0.804	2
3	Functions and Duties	0.786	3
4	Defect Liability Period	0.750	4
5	Penalty Clauses	0.679	5
6	Delays or Difficulties Faced	0.643	6
7	Adherence to Sanctioned Plans and Specifications	0.625	7
8	Carpet Area	0.607	8
9	RERA website	0.589	9
10	Cash Flow Management	0.571	10
11	Grant of Registration	0.554	11
12	Extension of Registration	0.536	12
13	Registration Process	0.518	13
14	Revocation of Registration	0.500	14

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The overall ranking for Buyers is –

Sr. No	RERA Clauses	RRI	Rank
1	Price Level	0.780	1
2	Home Loan Process	0.750	2
3	Carpet Area	0.720	3
4	Rights of Allottees	0.710	4
5	Dispute Resolution	0.700	5
6	Defect Liability Period	0.690	6
7	Equality of Rights to Stakeholders	0.670	7
8	Adherence to Sanctioned Plans and Specifications	0.660	8
9	Before RERA	0.650	9
10	Penalty Clauses	0.640	10
11	RERA website	0.630	11
12	Awareness of act RERA	0.610	12

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The overall ranking for Engineers & Architects is –

Sr. No	RERA Clauses	RRI	Rank
1	Registration Process	0.824	1
2	RERA website	0.796	2
3	Adherence to Sanctioned Plans and Specifications	0.787	3
4	Engineers Certificate	0.722	4
5	Architects Certificate	0.713	5
6	Carpet Area	0.704	6
7	Penalty Clauses	0.694	7
8	Before RERA	0.676	8
9	Defect Liability Period	0.620	9
10	Delays or Difficulties Faced	0.611	10

The overall ranking for Agents is –

Sr. No	RERA Clauses	RRI	Rank
1	Before RERA	0.827	1
2	Defect Liability Period	0.788	2
3	Extension of Registration	0.769	3
4	Adherence to Sanctioned Plans and Specifications	0.731	4
5	Penalty Clauses	0.654	5
6	Registration Process	0.615	6
7	RERA website	0.596	7
8	Functions of Real Estate Agents	0.558	8

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V. CONCLUSIONS

The following conclusions are made in this study and are given as –

1. Implementation of various RERA clauses were studied in the real estate business at Jalgaon city including various talukas places like Bhusawal, Amalner and Jamner etc.
2. Relevant parameters were identified for the basis of performance evaluation of Regulatory Real Estate Authority including appropriateness of functioning of RERA website, registration process, penalty clauses, defect liability period, carpet area etc.
3. Opinion of different stakeholders including Builders, Buyers, Engineers & Architects and Agents were taken through a pilot survey. A survey questionnaire was prepared and relevant information was collected. Later an analysis was done to get the perception of stakeholders.
4. Ranking of various identified parameters was done by applying Relative Ranking Index Method. Further it was compared with the ranking obtained amongst opinions of all stakeholders of real estate business

Comparison of RERA clauses

Sr. No	RERA Clause	RII Values			
		Builder	Buyer	E&A	Agent
1	Before RERA	0.821	0.650	0.676	0.827
2	Defect Liability Period	0.750	0.690	0.620	0.788
3	Penalty Clauses	0.679	0.640	0.694	0.654
4	RERA website	0.589	0.630	0.796	0.596
5	Adherence to Sanctioned Plans and Specifications	0.625	0.660	0.787	0.731

Since from ancient times land has been a very important and volatile issue which creates many controversies – any conflict may lead to dissatisfaction and may ignite the atmosphere. Here major parameters identified as Before RERA parameter – which was the preferable choice of Builders & Agents comparative to other stakeholders. It shows the attention of the stakeholders. Whereas other major parameters includes – Defect liability period, Penalty Clauses, RERA website and Adherence to Sanctioned Plans and Specifications etc. As disciplined regulations are always appreciable but survival of lower and middle level players is also necessary for the growth of real estate sector. It may also help the real sector to increase transparency and enhance consumers & investors confidence.

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