

September 2024

THE IMPACT OF RERA ON TRANSPARENCY AND ACCOUNTABILITY IN THE INDIAN REAL ESTATE SECTOR





Author Note

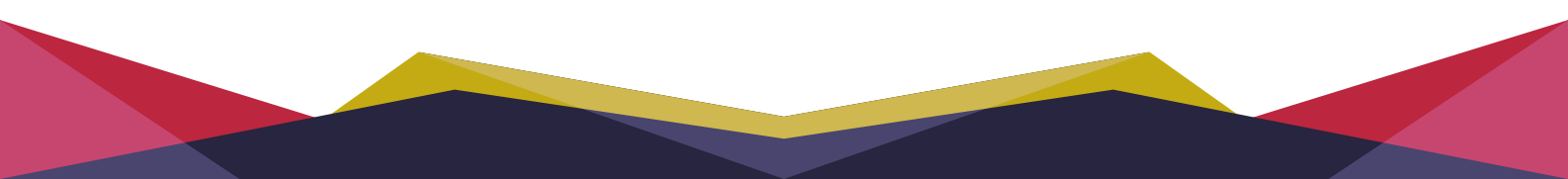
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Abstract

This paper aims to explore how the introduction of RERA, alongside the current government's reforms, has transformed the Indian housing sector. By mandating that developers register projects with RERA and ensuring that buyers have access to all project details, these reforms have brought much-needed transparency and accountability to the industry. The paper will examine the housing situation before 2014 and critically assess the impact of RERA by engaging with existing research and government data, demonstrating how these changes have restored buyer confidence and reshaped the real estate landscape in India.

Key words: RERA, Real Estate Regulation, India's Real Estate Market, Affordable Housing, Financial Discipline.



Methodology

This is an empirical study which focuses on the understanding how RERA has brought a change by critically engaging with existing research on the subject and other government data which is available.


The primary sources consist of publicly available government documents. This study also uses data from academic discussions, books, journal articles and think tank reports to develop a strategic understanding of government policy for the manufacturing sector.

Busting the Ghost towns: Introduction

The saga of Jaypee Greens Wish Town began in 2008 with grand promises of luxury living.... A utopian township in Noida where dream homes were supposed to rise amid the lush green golf courses and other world class amenities. Thousands of hopeful buyers who were lured by the Jaypee Group's shining reputation invested their savings of lifetimes and ended up watching their dreams turn into a nightmare. As the years passed, the golden vision of Wish Town crumbled with delays in construction which left families in a state of limbo. As homebuyers once brimmed with anticipation, found themselves entangled in a web of broken promises and mounting despair, the frustration intensified.

Ultimately, the Jaypee Group which was once a titan in the real estate began to buckle under financial strain. There were legal battles faced by the company. As the buyers were desperate and betrayed the buyers ultimately took to the streets and their voices were rising in protest.

This was one example of how Real estate markets were like in the past. India's housing market has been plagued by delays, non-transparency and unscrupulous practices for decades. Developers used to collect payments from buyers for projects that were never completed which left them with neither a home nor a refund. Along with that, most transactions were handled by an unregulated sector. Estimates suggest that close to Rs 6LAKH Crore of the real estate market



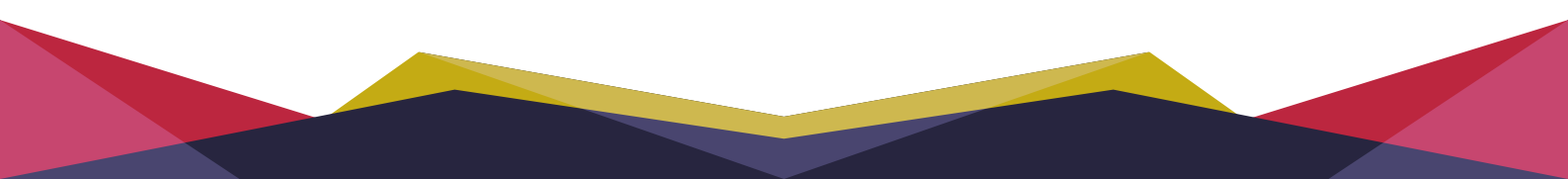
was unorganised before RERA came into force. This led to rampant corruption and mismanagement which further weakened buyer's confidence in the sector.

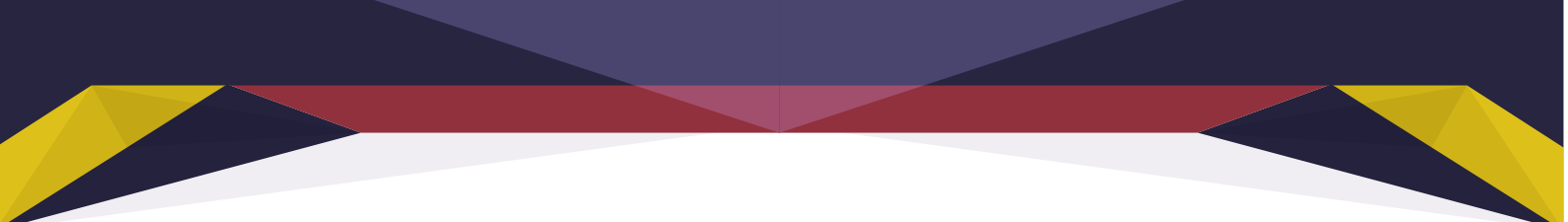
Now developers can no longer launch the projects without registering with RERA and buyers have the right to access all the details about a project. The purpose of this paper is to understand how the introduction of RERA and the current government's reforms have transformed the landscape. The paper will briefly discuss the housing situation before 2014 and then evaluate how RERA has brought a change by critically engaging with existing research on the subject and other government data which is available.

How far have we come?

India's real estate sector has undergone a significant transformation specifically after the introduction of Real Estate (Regulation and Development) Act in 2016. Scholar's work in the recent years has highlighted the transformative effects of RERA particularly in improving transparency, reducing the delays in delivery of projects and ultimately instilling great confidence among homebuyers. This section will attempt to critically understand the scholarly work done on the subject while understanding the extent to which RERA along with other government initiatives has revitalized the sector.

It has been found out that before 2014, the India's real estate was marked by a number of issues which primarily revolved around delayed projects, lack of transparency and minimal accountability on the part of the developers. Scholars argue that delays up to at least seven years in completion of project were common place which led to significant financial losses for homebuyers many of whom had almost paid the full amount upfront. It was found out that developers used to divert funds meant for ongoing projects to purchase new land which exacerbated delays and homebuyers were left with little recourse. As a result, this period witnessed significant distrust between buyers and developers where the former has little access to information regarding the progress of the project, approvals or financial dealings .



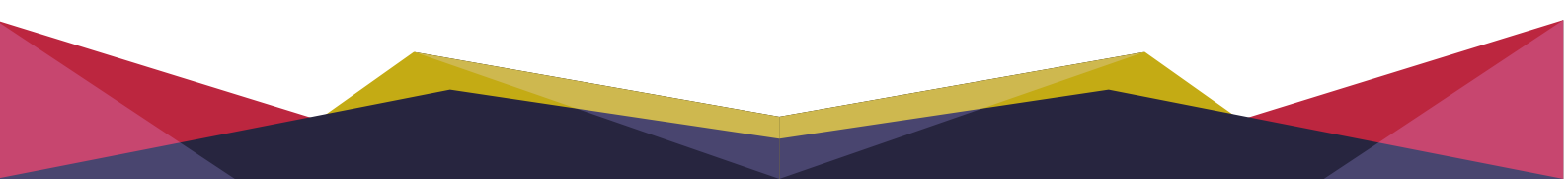


Moreover, it was found out that developers used to sell properties based on the super built-up area which means buyers mostly used to receive much less usable space than promised . This practice along with opaque payment structures that made buyers make substantial payments even before construction had started lead to a highly unstable market which left buyers vulnerable with no formal grievance redressal mechanisms in place in order to hold these developers accountable for delays or poor construction quality.

Scholars argue that the real estate sector, despite of being significant in its contribution to India's GDP lacked proper regulation which ended up in an environment where the interests of the homebuyers were often compromised . The sector was dominated by the unorganised market which led to inconsistencies in project quality and pricing. Scholars further emphasized that the absence of a centralised authority meant that there was no uniform standard for real estate transactions which resulted in a fragmented market .

Scholars concede that one of the most significant impacts of RERA has been the improvement in transparency within the operations of this sector. The homebuyers now have the access to the critical project-related information like floor plans, approval, timelines and details about the past project of the developers. Thus, the information asymmetry has been reduced which allows buyers to make more informed decisions. Along with that, it has also been ensured that buyers are kept informed of any delays or change to the project timeline as RERA requires developers to upload regular project updates on state-level regulatory websites .

Scholars also argue that the introduction of RERA had also led to a shift in the market dynamics where developers are now being held accountable for the timely delivery of projects. The Act does mandate compensation for buyers in the event of delays which further incentivized developers to complete projects on time. As a result, there were significant reduction in project delays where many developers now adhered to RERA's strict timelines for completion of project. Scholars concede that the timely delivery of projects has not





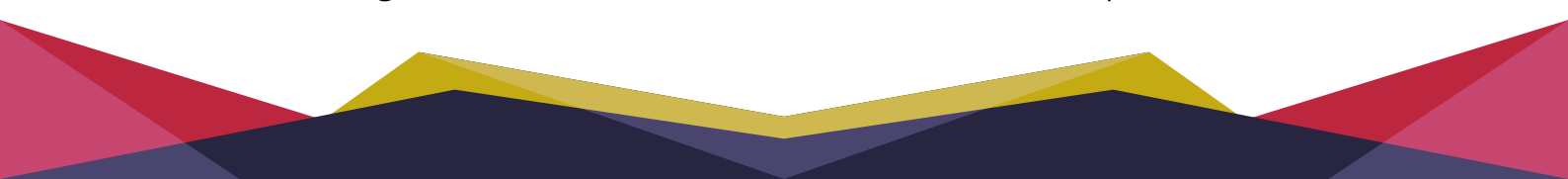
only restored the confidence of buyers but also contributed to the overall stabilization of the real estate market .


It has been pointed out by scholars that point out that RERA plays a pivotal role in enhancing accountability within the real estate sector. The act has brought a level of professionalism to an industry that was previously plagued by fly-by-night operations by mandating the registration of real estate agents. Scholars argue that the requirement for agents to register with state-level regulatory bodies does ensure that only those who meet the prescribed standards are allowed to operate in the market. As a result, the number of unqualified agents has reduced which has resulted in the improvement of the overall quality of service provided to homebuyers .

Along with that RERA has also introduced severe penalties for the developers who failed to comply with the act's provisions. Scholars concede that developers who fail to register their projects or provide any false information need to pay heavy fines and, in some cases, it can also lead to imprisonment . As a result, the developers are discouraged to engage in fraudulent activity and it also improves the overall integrity of the sector. Also, the act provides a formal grievance redressal mechanism which allows homebuyers to file complaints with the state-level regulatory authorities in the case of delays or other issues. Thus, buyers have been provided with a much-needed avenue to seek recourse.

In addition to RERA, the present government has also introduced other reforms which are aimed at revitalizing the real estate sector. These include Pradhan Mantri Awas Yojana (PMAY) which was launched in 2015. It aims to provide affordable housing to all by 2022. It has significantly boosted the demand in lower and middle-income segments where government provided subsidies for first-time homebuyers

Scholars also concede that the implementation of the Goods and Services Tax in the 2017 has also had a positive impact on the overall real estate sector. Multitude of indirect taxed had been replaced with a single tax as GST has streamlined the taxation process and it





has made easy for developers to comply with the tax regulations . The success of RERA in transforming the real estate sector is also evident from the significant improvement in transparency, accountability and professionalism within the industry. Scholars have argued that RERA managed to bring order to a previously chaotic market and thereby restore buyer confidence and encouraged greater investment in the sector .

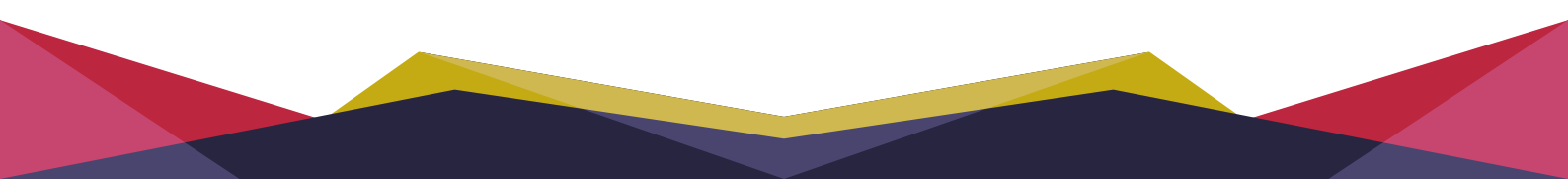
Based on the findings as we look ahead, RERA is expected to continue playing an important role in the development of India's real estate sector. It has been estimated that as more states fully implement the act's provision, the sector is likely to become even more transparent and also accountable. Scholars argue that RERA is not just estimated to improve the overall functions of the real estate market but also contribute to the ultimate goal of providing affordable housing for all. It has been argued that RERA has the potential to revolutionize India's real estate sector by making it a key driver of economic growth in the years to come.


Impact of RERA on Housing Prices

RERA has brought significant changes to India's real estate sector, specifically in terms of transparency, accountability and protection of the consumer. One of the key impacts of RERA has been on housing prices and the impact has been multifaceted.

RERA mandates that all the real estate projects are to be sold on carpet area rather than the super-built-up-area. This typically results in a better reflection of space for the buyer. This change has resulted in a more transparent pricing structure which lowers the overall cost per square foot as buyers no longer need to pay for non-usable space.

One also needs to know that there is a requirement for developers to keep 70% of the sale proceeds in an escrow account which has curtailed the misuse of funds and ensures that money is spent on the intended project. This measure has led to improvement in financial discipline among developers and it has also put pressure on smaller developers which has potentially driven





down prices in the market as they adjust to the new regulation or exit the market altogether.

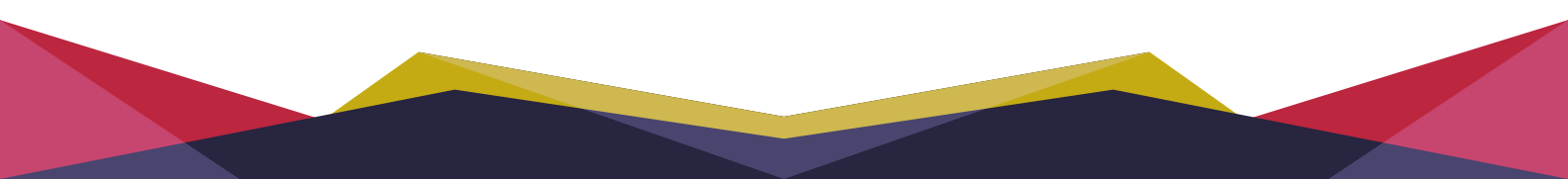
Along with that, there has been a decline in the new launches of projects because of the stringent timelines and regulatory requirements under RERA. Although the basic principle suggests that reduction in supply should lead to higher prices however the existing unsold inventory in many cities has helped to keep the prices in check. As a result, RERA's emphasis on completing existing projects has resulted in stabilizing housing prices which ensures that they do not rise excessively due to market speculation or supply constraints.


Impact of RERA on India's Real Estate Sector: Final Findings

It has been estimated that the RERA has brought about an important shift in the landscape of India. Its main objective is to increase transparency, regulate the activities of the developers and real agents and protect the interest of the buyers. The purpose of this section is to analyse the significant impact of RERA using extensive data from various sources including RERA Status Tracker (2024) and other scholarly reports.

One of the significant issues before RERA was the lack of transparency in the real estate sector. The homebuyers often did not have clarity on the timelines of the projects, land titles or the actual construction status. But the introduction of RERA has fundamentally changed this. One needs to know that according to reports, as of August 2024, 1,31,878 real estate projects and 88,775 real estate agents have been registered under RERA across India. This registration is important for developers and agents, ensuring that they follow the rules laid out by the Act.

This is an important shift as before the introduction of RERA, there were many projects which were launched without proper approvals or documentations which made it difficult for buyers if they wanted to verify the legitimacy of a project. There were many projects that were launched without proper approvals or documentation before





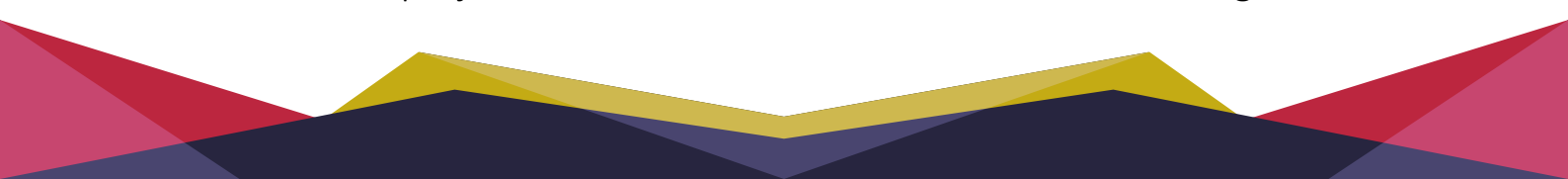
the introduction of RERA which made it difficult for the buyers to verify the legitimacy of any project.


After the introduction of RERA, all the project details including the land title, project approvals and timelines need to be submitted to RERA and uploaded on a public portal which has increased the transparency and allowed buyers to make informed decisions.

It is also required by the provisions of RERA that developers maintain financial discipline by depositing 70% of the funds of the buyers into escrow account. This money can be utilised for the specific project for which it was collected.

In contrast to the past where misuse of funds for other projects was a common issue before RERA which led to long delays and unfinished project. This necessary escrow account system ensures that developers could not divert funds to other funds which ensured that projects are completed in time. As a result, project completion rates have improved significantly. As on July 29, 2024, 1.18 crore houses have been sanctioned and 85.4 lakh have been constructed

RERA also has shown a robust framework for addressing grievances and disputes between homebuyers and developers which has ensured that consumers have legal protection if their rights are violated. As of August 2024, 1.2 lakhs complaints have been resolved by various RERA authorities across India. It was found out that before RERA buyers faced long delays in the court system when seeking redress for issues like delayed projects or failures to deliver on promises. Hence when a delicate dispute resolution mechanism through state-level authorities were established, disputes started to resolve swiftly and fairly. Thus, the introduction of RERA led to an increase in buyer confidence which had a positive impact on the real estate market by reducing the number of unsold units. Along with that, the Special Window for Affordable and Mid-Income Housing (SWAMIH) Investment Fund is India's largest social impact fund, specifically created to complete stressed and stalled residential projects in the affordable and mid-income housing cate-



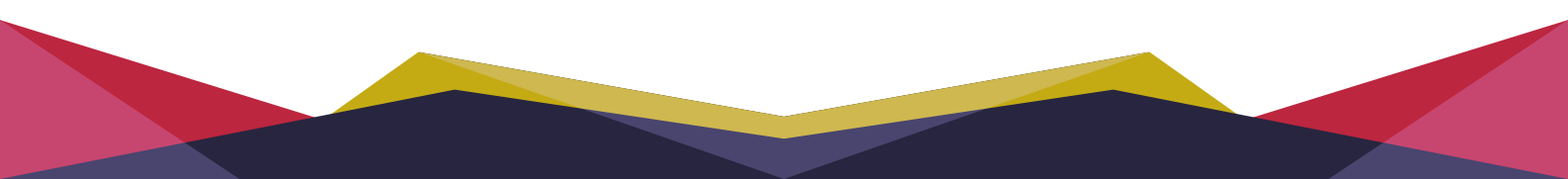


gory. Sponsored by the Ministry of Finance and managed by SBICAP Ventures Ltd., the Fund has raised Rs. 15,530 crores, sanctioned over Rs. 12,000 crores for 130 projects, and completed 20,557 homes in just three years, with plans to finish over 81,000 more homes in the next three years .

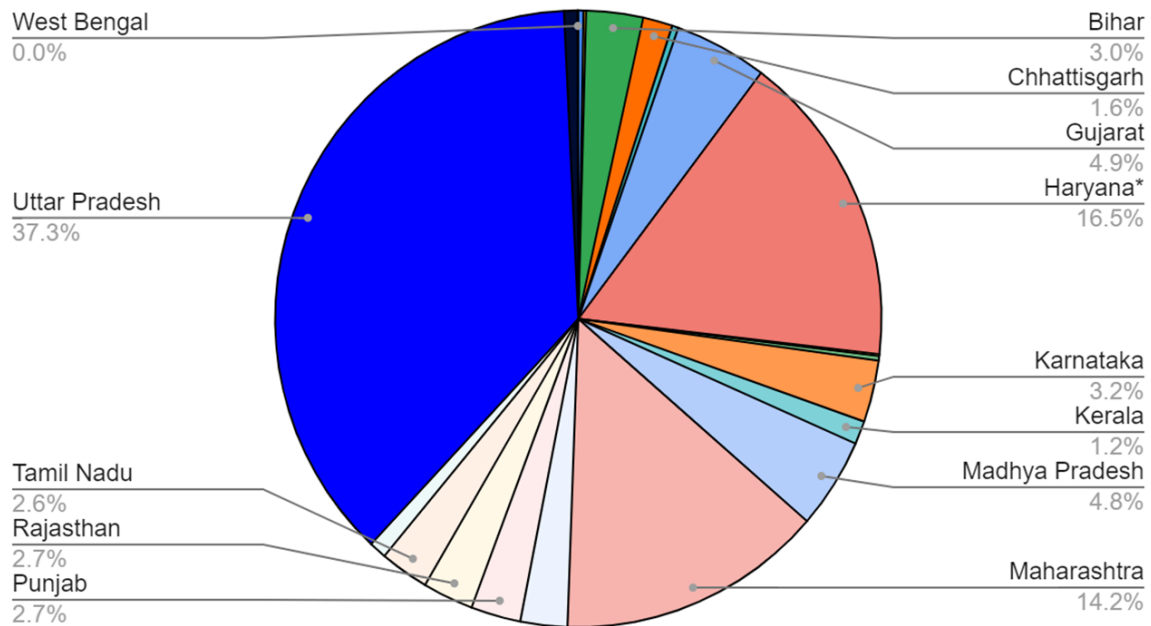
The inventory measures the time it would take developers to sell all unsold units. It has been found out that it has decreased significantly since the introduction of RERA. According to the JLL report 2024, by the first quarter of 2024, it now takes 22 months to sell the available unsold housing inventory which is now a 31% decrease from 32 months it took at the end of 2019. It needs to be pointed out that this improvement has been driven by the surge in housing demand. From 2019 to Q1 2024, almost 10 lakhs new housing units were launched across India's top seven cities including Delhi NCR, Mumbai, Pune, Bengaluru, Chennai, Hyderabad and Kolkata. As of March 2024, there have been around 4.68 lakhs unsold housing units which represents a 24% increase since December 2019. However, despite the rise in unsold properties the time required to sell those properties has dropped significantly.

One of the significant observations is, the affordable housing segment which is priced up to Rs 75 lakhs and the premium segment which is priced between Rs 1.5 crore and 3 crores have seen a sharp 43% of reduction in selling time. Likewise for premium properties the selling time has dropped from 52 months in 2019 to 29 months in Q1 2024. Even the properties which are priced above Rs 3 crore have seen an 11% decrease in selling time .

It also needs to be observed that the implementation of RERA varies across states. The RERA Status Tracker (2024) highlights the progress in different regions. Maharashtra is estimated to be one of the leading states in RERA with 46,284 projects and 47,515 complaints resolved which makes it one of the most active states under RERA. Gujrat has also registered 13,594 projects and resolved 2,897 complaints and Uttar Pradesh has also been proactive with 3,682 proj-



Distribution of Cases Disposed by Authority Across State




ects registered and 46,483 complaints resolved.

This graph shows the number of complaints disposed of in five years. Uttar Pradesh (37.3%), Haryana (16.5%) and Maharashtra (14.2%) which accounts for more than 50% of all the complaints resolved in the country. These cities partially represent the two largest real estate markets in India which are Maharashtra and NCR of Delhi

This indicates that RERA's impact is particularly strong in India's largest and most active real estate markets. Hence this act is most effective where it is required the most.

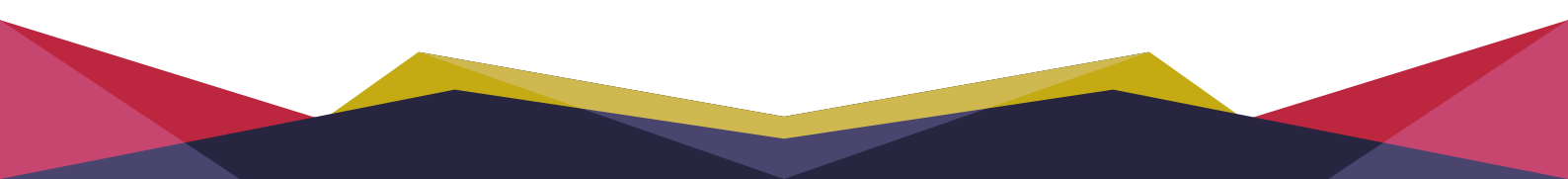
It is important to note that the real estate market suffered a huge setback during the Covid-19 pandemic with a significant decline in project launches and a drop in buyer demand. However RERA played a significant role in stabilizing the market during this period as it ensures compliance with project deadlines and safeguard buyer interests. For instance, it has been noted that the pandemic led to a 22.8% decline in the registration of projects under RERA in Gujarat with registrations falling from 1745 projects in 2019-20 to 1,346 in 2020-21. Despite this decline, the market rebounded particularly in



the residential sector which was driven by increased demand for homes in Tier II and III cities. Since 2022, the housing sales have rebounded because of pent-up demand, lower interest rates and government initiatives like reduced stamp duties. The inventory decreased from 42 months in the third quarter of FY 22 to 33 months in FY23 which indicates a faster clearance of unsold inventory.

RERA has also laid the foundation for a more organised and transparent real estate sector. As more regulatory bodies were established by states and the provisions of the act were adopted, its impact was expected to grow further. One has to find out that the success of states like Maharashtra and Gujarat does serve as a model for other regions that are yet to fully embrace RERA benefits.

In the future, RERA's focus on the financial discipline, transparency and consumer protection will continue to drive growth and stability in India's real estate sector. RERA will play a crucial role in shaping the future of real estate in India by ensuring timely project completion and reducing disputes.




Conclusion:

The introduction of the Real Estate (Regulation and Development) Act (RERA) in 2016 has fundamentally transformed India's real estate sector. By addressing long-standing issues such as project delays, lack of transparency, and minimal accountability, RERA has restored confidence among homebuyers and brought much-needed order to a previously chaotic market. The act's emphasis on transparency, financial discipline, and consumer protection has resulted in more informed decisions by buyers, timely project completions, and a reduction in disputes between buyers and developers. Moreover, the act's implementation across states, particularly in Maharashtra and Gujarat, highlights its effectiveness in revitalizing the real estate sector.

Additionally, the government's complementary initiatives, such as Pradhan Mantri Awas Yojana (PMAY) and the Goods and Services Tax (GST), have further stabilized the market and encouraged growth. Despite challenges posed by the COVID-19 pandemic, RERA has played a crucial role in maintaining market stability, particularly in the residential sector. As RERA continues to be fully implemented across India, its impact is expected to grow, making it a key driver of economic growth and ensuring that the real estate sector contributes meaningfully to the nation's GDP. In conclusion, RERA has set the foundation for a more organized, transparent, and consumer-friendly real estate market, which will play a critical role in shaping the future of housing in India.

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