

A STUDY OF HOME BUYER'S AWARENESS ON REAL ESTATE REGULATION & DEVELOPMENT ACT (RERA) IN CHENNAI CITY, TAMILNADU, INDIA

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Abstract

Real estate sector plays a catalytic role in fulfilling the need and demand for housing and infrastructure in India. A recent report released by real estate global consultants Cushman & Wakefield reveals that the urban housing demand in India is set to grow nearly 15 million units by the end of 2019. This study visualizes the home buyers awareness and knowledge level towards Real Estate Regulation Act while making purchase decision. The study is limited to Chennai city with sample size of 150 respondents. Descriptive research design is used and survey was conducted by using structured questionnaire. Data was collected and analyzed using statistical tools like percentage analysis and chi-square applied by SPSS 16.0. The study found that majority of the respondents are aware on RERA but their knowledge is limited based on their demographic profile. This new legislation is definitely a step in the right direction and is expected to remove the chronic Issue of late delivery of projects, eliminating not so senior players from the business.

Keywords: Buyers awareness, RERA.

INTRODUCTION

A human can survive 3 minutes without air, 3 hours without shelter, 3 days without water, and 3 weeks without food. The World Employment Conference of 1976 proposed the satisfaction of basic human needs as the overriding objective of national and international development policy. *Shelters* are *important* because they keep people from harm. *Shelters* give people a feeling of well-being and boost their will to live. Since *shelters* provide a sense of security, dwellers can better focus on the other aspects of their *lives*. Due to rise of disposal income, rise of tier I and tier II cities and rise of nuclear families, there is a growing interest in the real estate industry as it is evident from the below statistics.

Housing Price Index

Particulars	June 2011	Sep 2011	Dec 2011	March 2012	June 2012	Sep 2012	Dec 2012	March 2013	June 2013	Sep 2013
ALL INDIA	116.00	119.40	125.50	134.10	142.60	147.10	157.00	160.80	162.30	169.20
CHENNAI	101.20	110.40	110.70	108.20	119.20	117.80	137.60	137.40	138.30	150.00

Source: Open government data platform in India: Housing Price index 2013

Percentage Distribution Of Households By Type Of Occupancy

PARTICULARS	Rural			Urban		
	Owned	Hired	Others	Owned	Hired	Others
ALL INDIA	93.3	5.1	1.6	61.1	35.4	3.4
TAMILNADU	86.4	12.1	1.4	50.2	47.6	2.2

Source : National Sample Survey Office, NSO, Ministry of Statistics & P.I.
Indian Real Estate Legal Framework

Indian housing is governed by the following three

- The Street Vendors Act, 2014
- The Real Estate Act, 2016
- The Draft Model Tenancy Act

The real estate industry was unregulated. The need for standardisation, the absence of professionalism and lack of consumer protection has led to the evolution of RERA.

Real Estate (Regulation And Development) Act, 2016

According to Ministry of Housing and Urban Affairs, The Real Estate Act, 2016 aims at protecting the rights and interests of consumers and promotion of uniformity and standardization of business practices and transactions in the real estate sector. It attempts to balance the interests of consumers and promoters by imposing certain responsibilities on both. It seeks to establish symmetry of information between the promoter and purchaser, transparency of contractual conditions, set minimum standards of accountability and a fast-track dispute resolution mechanism.

The Act establishes Real Estate Regulatory Authority (RERA) in each state for regulation of the real estate sector and also acts as an adjudicating body for speedy dispute redressal. The bill was passed by the Rajya Sabha on 10 March 2016 and by the Lok Sabha on 15 March 2016. The Act came into force on 1 May 2016 with 59 of 92 sections notified. Remaining provisions came into force on 1 May 2017.

Features Of RERA

The government is planning to implement RERA Act starting from May 1 this year.

Following are the main features of this legislation:

- 1) According to the new law, the developer can't make any changes to the plan without the written consent of the buyer. This provision will not allow the developer to increase the cost of their projects.
- 2) The law ensures that realty project is completed in time. If delayed, then the developer will have to pay interest on the amount paid by the buyer.
- 3) Registration is mandatory for all commercial and residential real estate projects where the land is over 500 square metres or includes eight apartments & which are under-construction.
- 4) As per the new act, every phase of apartment will be considered a standalone real estate project, and separate registration needs to be obtained for each project.
- 5) It is compulsory for a state to establish a State Real Estate Regulatory Authority as per the new act. Buyers could approach this body for redressal of their grievances.
- 6) The property will have to be sold to buyers based on carpet area and not on super built-up area which will become illegal under the new law.
- 7) Failing to register a property will attract a penalty up to 10% of the project cost and a repeated violation could send the developer in jail.
- 8) As per the new law, the developer will have to place 70% of the money collected from a buyer in a separate escrow account to meet the construction cost of the project. This will keep a check on developers who divert the buyer's money to start a new project, instead of finishing the one for which money was collected & also ensure that the respective project is completed in time.
- 9) If the buyer finds any shortcomings in the project then buyer can contact the developer in writing within one year of taking possession.
- 10) The law has a provision of a maximum jail term of three years with or without a fine, for a developer who violates the order of the appellate tribunal of the RERA.

REVIEW OF LITERATURE

Mary and Surulivel (2014) carried out a Study on Buyer Satisfaction in Residential Apartment With Reference to VGN Infra Pvt. Ltd. The study observes the performance of the construction company and its customer satisfaction. The performance is calculated according to the degree of customer satisfaction as professed by customers themselves. Structured questionnaire is used to evaluate the satisfaction level of the customers. percentage analysis, chi-square analysis and frequency analysis were used to evaluate the result. The result of this study discovered that the location and before and after sales services provided by the construction company has a major influence on customer satisfaction. Results also indicate that the company should improve its performance in quality assurance, customization, handover procedures and its related areas.

Balathandayutham and Sritharan (2013) presented a research paper on "Detailed Investigation of Residential Satisfaction in Apartment's Management Service". The purpose of study was to investigate the residential satisfaction of apartment management service. Simple random sampling was carried out. Questionnaires were collected from 105 respondents. Data required was collected from apartment residents of Chennai city. Analysis was done through ANOVA. Taking the age factor into consideration, it is proven that below 30 age group respondents are highly satisfied when compared to above 50 age group respondents.

Sakthivel and Ahamed (2013) in the study entitled " A Study to determine the Home-Buyer's Preferences through Voice of Customer", had developed a theoretical model linking home-buyer's preferences and customer satisfaction stating that it will be helpful to the construction industry in order to understand the needs/ expectations of the home-buying customer and ultimately in achieving customer satisfaction.

Mustafa (2012) suggests that buying behavior model and the gap analysis model are used to calculate the satisfaction level. The author use delivery system as an independent variable and house buyer characteristics as a moderate variable to measure the satisfaction level of the customer. Isabelina Nahmens (2009) in the article named "Discovering the variables that influences new home buyer service satisfaction" found that higher income, price and larger house size are the factors that influence home buyer satisfaction.

OBJECTIVES OF THE STUDY

- To investigate home buyers awareness level and knowledge of RERA in Chennai City.
- To analyze the factors that lead to buyer's awareness.

HYPOTHESES OF THE STUDY

H0: There is no significant difference between education and awareness level on RERA.

H0: There is no significant difference between income and knowledge level on RERA.

SCOPE OF THE STUDY

The introduction of the rules and regulations under RERA has given rise to a lot of project finance opportunities in the real estate field. Market research has a lot of scope under the changing landscape of the real estate market in India. This study is limited only to the home buyers of realty sector; hence scope of the study is extended to do market analysis of builders, developers and venture capitalist.

LIMITATIONS OF THE STUDY

- This study was limited to the population of Chennai, Tamil Nadu.
- A questionnaire was used as the only source for the data collection.
- The conclusions were based on information from-the completed questionnaires.
- The sample was limited to buyers of new homes. Generalizations are limited by the-size, location, and specificity of the sample.

RESEARCH METHODOLOGY

Descriptive research design was used to assess the relationship between the respondent's socio economic factors and level of awareness. The respondents in this study were the home buyers of the Chennai City, Tamil Nadu. Simple Random Sampling is used and a survey of 150 questionnaires was used to gather data needed for the study. Data were tabulated and analyzed by means of percentage analysis and chi square to interpret the respondent's assessment on the level of awareness. The data collected were analyzed using SPSS program.

DATA ANALYSIS AND INTERPRETATION

DEMOGRAPHIC CHARACTERISTICS OF REAL ESTATE BUYERS

Factors		Percentage
Age	Under 25	9.3
	25-35	21.33
	36-45	36
	Above 45	33.33
Education	Below HSC	13.3
	HSC/Diploma	17.33

	UG	34
	PG	28
	Others	7.33
INCOME	Below 25000	11
	25000-50000	39.67
	50000-75000	24.67
	Above 75000	24.67
OCCUPATION	Government employee	36.67
	Busines	8.67
	Private employee	29.33
	Professionals	25.33
Location	Rural	14.67
	Semi-rural	20
	Semi-urban	27.33
	urban	38

Source: Primary data

Majority of the home buyer's falls under the age category of 36-45 is 36%. 34% of the buyers were under graduated, most of the respondents are under income category of 25000-50000 (40%), majority of the respondents are under occupation of government employees (36%). Most of the respondents are in urban area (38%)

INVESTORS AWARENESS ON RERA ACT 2016

S.No	Factors	Yes %	No %
1.	Is it your habit to look into the project initiation date and completion date of property that you purchase	82	18
2.	Have you ever encounter the changes in project design during work in progress.	87	13
3.	Do you have tendency to verify and validate the litigation of the project site.	93	7
4.	Have you ever compare the prices of other similar projects that you intend to buy?	100	0
5.	Do you aware of RERA 2016?	72	28
6.	Do you think RERA Act would reduce litigation going forward?	53	47
7.	Do you think RERA will be an initiative of good governance?	60	40
8.	Does post implementation of increases transparency and authority.	81	19
9.	Does RERA will ease the availability of funding options?	37	63
10.	Are you aware of the rule of depositing 70% of sales proceeds in separate account by real estate operators?	40	60
11.	Is implementation of RERA Act will eliminate the fly-by-night operators in real estate	37	63
12.	Do you think RERA encourages effective project planning and Design	47	53
13.	Does RERA would lead to higher project cost by locking up the cash and force the builders borrowings.	90	10

Source: Primary data

Majority of the respondents were in the habit of checking project initiation and completion date. 87 % of the buyers have encountered the changes in project design during work in progress. Most of the home buyers has the tendency to verify and validate the litigation of the project site (97%). All the respondent home buyers compare the prices of other similar projects that they intend to buy. 72 % of the respondents are aware of the RERA act. Most of the buyers opined that RERA Act would reduce litigation going forward. Most of the home buyers feel that RERA will be an initiative of good governance and would increase transparency and authority. Most of the home buyers feel that RERA will not ease the availability of funding options. Majority of the respondents are unaware of the rule of depositing 70% of sales proceeds in separate account by real estate operators. Most of the home buyers think that the implementation of RERA

Act will not eliminate the fly-by-night operators in real estate. RERA encourages effective project planning and Design RERA would lead to higher project cost by locking up the cash and force the builder's borrowings.

TESTING OF HYPOTHESES

H0: There is no significant difference between education and awareness level on RERA

Tests	Value	Degrees of freedom	Asymp .sig(2 sided)
Pearson chi-square	7.043*	4	0.134
Likelihood ratio	6.697	4	0.153
Linear by linear association	0.285	1	0.594
N of valid cases	150		

Since the P-value (0.13363) is not less than the significance level (0.05), we accept the null hypothesis. Hence there is no relationship between respondent's education and awareness level on RERA 2016.

H0: There is no significant difference between income and knowledge level on RERA.

Tests	Value	Degrees of freedom	Asymp .sig(2 sided)
Pearson chi-square	21.249*	3	0.000
Likelihood ratio	21.812	3	0.000
Linear by linear association	0.245	1	0.621
N of valid cases	150		

Since the P-value is less than the significance level (0.05), we reject the null hypothesis. Hence there is a relationship between respondent's income and knowledge level on RERA 2016.

RESULTS

Demographic profile states Majority of the respondent's falls under age group of 36-45, income category of 25000-50000, under graduated and occupied from government sector. A major outcome of the Study is that industry feels that the rule of depositing 70% of sales proceeds in a separate account will help in getting timely delivery of the project and eliminate fly-by-night operators in the real estate. Analysis of study proves that there is no relationship between respondent's education and awareness level and proves there is a relationship between respondent's income and knowledge level towards RERA.

SUGGESTIONS

The study suggested that many of the respondent's knowledge towards RERA reforms and its benefits are limited. The survey reveals that a majority of the respondents are of the view that RERA will bring transparency and authority in doing real estate dealings and hence will reduce the litigations going forward. They also felt that RERA will boost the governance hold on the sector. This will also improve the ease of availability of financing options in the market.

CONCLUSION

The implementation of RERA in India helps increase transparency in real estate sector is beneficial for both developers and home buyers. The government should promote RERA more through media so that people are ready to show their interest in realty sectors. RERA attracts more investments in Realty sector and restore the confidence of the buyers and others stakeholders in the sector. This new legislation is definitely a step in the right direction and is expected to remove the chronic Issue of late delivery of projects, eliminating not so senior players from the business.

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