



Economic analysis of the real estate industry's difficulties & potential possibilities

Dr. Pushpa Dewangan

Principal and Head, Department of Economics, K.P. College Bandhapali, Sarangarh, Chhattisgarh, India

Abstract

After the primary and agricultural industries, the Indian real estate industry is one of the biggest in our nation. These industries make up between 6 and 7.5 percent of the Indian labor market and provide a significant number of jobs for the unorganized sector. The industry benefited greatly during the post-liberalization era, when India emerged as a popular destination for foreign direct investment (FDI), with several new businesses popping up daily and middle-class earnings rising quickly. Hui. It has grown significantly during the 1990s, and the real estate market is booming in Indian metropolises like Chennai, Mumbai, Delhi, and Kolkata. Although the Indian real estate market is expanding at a pace of over 20% annually and accounts for roughly 6-7 percent of the country's GDP, supply and demand cannot be balanced. Over the past ten years, there has been a sharp rise in the demand for homes. It has been unable to meet the growing needs despite government efforts and initiatives through a number of programs. Profiting from the circumstance, private entrepreneurs took over the real estate market with little regard for customer desire. The industry has been slowing considerably during the last ten years for a number of reasons, including corporate limitations, frequent changes to government regulations, and a slowing economy. In this research, we critically analyze and examine the current trends and patterns of several real estate industry elements. We describe the problem and the specifics of the impediment in this study. Additionally, offer some remedial measures that need to help the industry and attempt to return it to its illustrious past, when it was expanding rapidly.

Keywords: Real estate, construction, employment, government policy, investment

Introduction

One of the most widely recognized statistics is the real estatéctor. Housing, retail, hotel, and commercial are the four subsectors that make up the real estate sector. The expansion of the corporate environment, the need for office space, and the need for urban and semi-urban lodgings all contribute to the growth of this sector. Among the 14 key sectors, the construction industry ranks third in terms of direct, indirect, and induced effects across all sectors of the economy. After the agricultural and primary sectors, the Real estate sector is the second largest employer. After agriculture. According to the Economic Survey 2017–18, which was tabulated in Parliament, construction and real estate together are the second largest employment sectors in the nation, second only to agriculture. Additionally, it is anticipated that this sector would attract more non-resident Indian (NRI) investments in the near and long term. The most popular destination for NRIs in terms of property investment is Bengaluru, which is followed by Indore, Bhopal, Ahmedabad, Pune, Chennai, Goa, Delhi, and Dehradun.

In 2013, the sector employed over 40 million people. According to projections, it is expected to employ over 52 million people by 2017 and 67 million people by 2022. About 90% of the people who work in the construction and real estate sectors are involved in building construction, while the other 10% of workers are involved in building completion, finishing, electrical, plumbing, other installation services, demolition, and site preparation. Since the beginning of the Decade 2010 every research firm, involving LLP, it is anticipated that this sector would have a 13% rise; nonetheless, it is not possible to blame the restoring for hyperbole if the past were to be mentioned. For the Indian real estate sector, half decade has been one of the most difficult periods. If somebody were to claim that the

last half-century has been one of the most difficult periods for Indian real status in its modern history, then one cannot be accused of resorting to hyperbole. Following a period of prosperity that began with the liberalization of the economy in the 1990s, key property markers are busy weathering the storm caused by the unwinding of significant structural, business, and policy changes over the previous five years. The government strengthened its efforts to unify regulations in order to rid the country of its Ovals at a time when there were indications of a slowdown.

1. Government policy

Beginning in 2014, the sector saw a surprising change when a new government took over at the center and swiftly established the Real Estate Regulatory Authority (RERA), the Goods and Services Tax (GST), demonization, the act against benami property, and the insolvency code. After demonetization, RERA and GST, housing sales have also depleted considerably, in addition to the new project's beglige debut in the real estate sector. However, systemic changes were implemented to correct a box-like scenario caused by too enthusiastic builders who took more than they could handle, when the market was at its peak and the returns on investment were unaffordable. Approximately Rs 5 lakh crore worth of housing projects are delayed in various parts of the nation. According to PropTiger.com statistics, sales fell 25 percent even as new project launches declined by 45 percent in Q2FY20.

Objective:

The primary goals of this study are to:

- 1 examine the trends and patterns in the Réal sector in India;
- 2 examine the several obstacles to the development of this sector; and

- 3 Outline the strategies and remedies for the issues we encountered while doing our research.

Literature review

Aggarwal S. (2003) [3]: In his paper, he attempts to present the issues of economic development and the challenges of economic development in the future in the real estate sector. He highlights the shortfall of resource shortage, which will be a significant challenge in the real estate sector. Additionally, He emphasized the negative effects on the environment.

Singh V. and Komal (2009): presented a custom's psychological behaviors in a real-world setting. He describes the different marketing elements that influence the customary behavior. He also talked on the current state of affairs in our nation, India.

In a report published in February 2019, CII discusses the many advancements in affordable housing and the latest technological advancements in the field of real estate.

Yojna Séptembèr, 2017: for the need of effective regulator authorities like in addition to protecting the rights of common buyers, RERA will also filter out malicious builders and make this sector more accountable and safer for investment. On April 6, 2019, Mumbai's ICRA rating agency released the Economics time report, which announced a negative growth in the real estate sector. Additionally, there won't be much development in this field in the near future.

In our research, we examine various articles from websites, portals, and reports of various government agencies. We also review a number of research articles about rating agencies like as ICRA, JLL, and E and Y that deal with India's realty sector. We also conducted a critical analysis of the Indian government and MP regulation with respect to affordability and the real estate sector.

Results, analysis, and discussion

The Indian real estate sector is expanding at a rate of over 20% annually and has been contributing roughly 6-7 percent of the country's GDP, but it is unable to balance the supply-demand continuum. The demand for houses has unexpectedly increased since the last decade. The government has not been able to keep up with the increasing demands, despite its efforts through different schemes. With little regard for the demands of the consumers, the private actors took advantage of the situation and seized control of the real estate market.

Issues and challenges in real estate sector

1. Issues faced by customers

Delays in projects are the main issue that consumers face, and they can occur for a variety of reasons, such as court intervention in land issues, financing, permission, etc. The customer had to endure because Due to project delays, the norm is paying rent where resides and EMI for a home loan at the same time. Additionally, there is little to no assistance from the government for necessary compensation.

False advertising for sell products is rather common and rare in real estate. Absence of any regulator or established guidelines is the primary cause of thriving fraudulent methods.

In addition, builders only pay 2 to 3 percent interest when their business is at fault, but when customers are at fault (such as when they fail to purchase something), they must pay 16 to 18 percent, which is unjust.

2. Issues faced by Real Estate Industry

The key challenges that the Indian real estate industry is facing today are:

Permissions and procedural challenges: Almost fifty permissions or more are needed to begin a real estate project, and these approvals are further required from various government departments or authorities. In the real estate sector, this is one of the main causes of delays and high levels of corruption. Consequences of corruption and delay are that they merely cause inconvenience to customers. Absence of clear land titles: they are not clear due to inadequate record keeping and the partition of land into several sections till independence. The issue is being made worse by the poor pace of land records modernization. Land and Real Estate Speculation the cost of land and real estate in India has increased unexpectedly in recent years, which has led to a rise in the price of commercial or residential real estate. According to recent times, the real estate is significantly more favorable than equity or gold as a destination for investment in India. Furthermore, real estate agents or brokers frequently purchase or sell properties with their own investments, which contributes to rising property prices. Sources of Finance: Finance is the foundation for any industry's development. Banks are becoming reluctant to provide loans because to the negative image of the Real Estate sector, and regulations are becoming more stringent to prevent bad loans. Alternative funding sources are quite expensive and ultimately affect the project's overall cost. High Input Cost: Because the real estate business is capital and labor intensive, inflation may cause a rise in labor and building material costs, which might pose several issues for the sector. Moreover, many people raise concerns about unfair practices in the construction business for rise of prices greater than 50% in short time.

The government has also committed to create at least 20% affordable housing, placing further burden on developers and, ultimately, on the first 80%.

The most well-known sector for soaking the black money without any ambit is Real estate.

High taxes such as VAT, stamp duty, and land acquisition are among the main obstacles faced by the real estate sector. The fact that over 30% of homes and commercial spaces in big cities like Mumbai and Delhi are unoccupied while having a high demand in the real estate market might support all of the aforementioned issues. In order to address the aforementioned issues, the Indian government has introduced the Real Estate (Regulation and Development) Bill.

In order to provide consumer protection and standardize business practices, it aims to regulate contracts between buyers and sellers in the real estate sector. It creates regulatory authorities at the state level to oversee first state projects.

Government initiatives and policies

To support the development in the sector, the Indian government and state governments have taken several initiatives. It has started the "Smart City Project," which

aims to construct 100 smart cities and presents a significant potential for the regional states. The creation of the National Urban Housing Fund was approved with an expenditure of Rs 60,000 crore (US\$ 9.27 billion), among other initiatives. In 2017–18, 1,427,486 homes were approved under the Pradhan Mantri Awas Yojana (PMAY) Urban. The schémé approved the construction of an extra 3,21,567 affordable homes.

Stéps to solvé the problem:

After rigorously examining the trends and patterns, we would like to provide some solutions to the issues facing the Indian real estate sector.

1. The Indian government should loosen regulations to permit direct investment in the building sector.
2. The final regulations that will govern Réal Establishment Trusts (RÉITs) should also be announced by the SÉBI, India's Sécouritiés échangé board. Small investors and developers will benefit from this trust's easy access to capital and new investment opportunities for institutions and investors
3. Individuals and private bodies that participate should be offered incentives and other financial benefits. Researching and developing new construction materials and technologies will enable industry to provide green, affordable, and environmentally friendly housing and commercial structures.
4. When it comes to decision-making, the government ought to empower local bodies in urban bodies and decentralize the decision-making process. It is recommended that the approval process be streamlined by implementing a single window closure mechanism supported by technology.
5. Lastly, interest rates have to be lowered, as this can lower the cost of financing for development projects. Bésidés, it can support future demand and help clear the unsold inventory.

Conclusion

After examining the different articles, reports, and papèrts of éxpèrts in the réal estaté sèctor, we discovered that, for the last five years, the réal estaté sèctor has been in a very difficult state. The field of réal estaté sèctor is not trusted because of the absence of éfféctivé régulating and monitoring bodies. Additionally, we provide the government's policies and efforts to develop and solve the problems of the real estate sector. After reviewing several articles, we provide a comprehensive approach that will undoubtedly aid in the improvement of the réal staté sèctor.

References

1. Bardhan Ashok, Kroll Cynthia A. Globalization and the Réal Estaté Industry: Issués, Implications, Opportunitiés, Papèr Préparèd for the Sloan Industry, 2007.
2. Business Standard. "Réal Estaté FDI Worriés may continué this yéar", October 9, Nèw Dèlhi Cèntral Statistical Organisation, Quick Éstimatés of National Incomé (various yéars), Ministry of Statistics and Programmé Implémèntation, Gouvèrnment of India, Nèw Dèlhi, 2011.
3. Aggarwal S. Challéngès for Construction Industriés in Dèvèloping Countriés, Procèdings of the 6 th National

- Confèrencè on Construction, 10-11, Nèw Dèlhi, CDROM, Tèchnical Sèssion, 2003, 5.
4. Bansal A, Sirohi R, Jha Manish. Internàtionàl Rèsearch Journal of Financè and Économics Prospècts and Problèms of Réal Estaté in India, Abhinav National Monthly Réfèrèed Journal of Rèsearch in Commèrcè and Managèment, 2011, 2(2).
5. Daily Nèws Analysis, Mumbai, March 28 Daté of retrieval, 2012.
6. Jyoti, Akash Dèep. India's Réal Estaté Sèctor in Quièt Révolution Modè, CRÉDAI Réal Estaté Révièw, April-Junè, Nèw Dèlhi, 2010.
7. Laskar Arghadèep, CVR Murthy. Challéngès bèforè construction Industry in India", IIT Kanpur, 2004 websitè. 11tx.ac.in/.../2004 – Challéngès-construction-industry-procèdings,
8. Mèhrotra Santosh, Gandhi Ankita, Sahoo Bimal Kishorè, Saha Partha. Créating Émployèment in the Twèlfth Fivè-Yéar Plan, Économic and Political Weekly, 2012, 47(19).
9. Upadhayay Alok Kumar. Granting Réalty Sèctor an Industry status would provè win-win situation, National Réalty, National Réalty, March, 11, Nèw Dèlhi, 2012.
10. Fédèration of Indian Chambèr of Commèrcè and industry Urban Infrastructurè in India, Nèw Dèlhi, 2011.