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Chairman of Institute of Legal Education

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Maudhanda Kurichi, Srirangam,

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Phone : +91 94896 71437 – info@iledu.in / Chairman@iledu.in



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RERA AND CONSUMER PROTECTION: COMPARATIVE EFFECTIVENESS IN URBAN VS RURAL REAL ESTATE MARKETS IN INDIA

AUTHOR – PATEL HET ANILKUMAR, STUDENT AT UNITED WORLD SCHOOL OF LAW, KARNAVATI UNIVERSITY

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TABLE OF CASES

1. Lalita Kumari v. Government of Uttar Pradesh (2013)
2. M/s. Satyam Shivam Sundaram v. State of U.P. (2013)
3. K.K. Verma v. Union of India (2007)
4. Bangalore Development Authority v. R. Vasudeva (2006)
5. Real Estate (Regulation and Development) Act, 2016 (RERA)
6. Experion Developers Pvt. Ltd. v. State of Haryana and Ors
7. Pioneer Urban Land and Infrastructure Ltd v. Union of India and Ors
8. Malay Kumar Ganguly v. Dr. Sukumar Mukherjee
9. M/s Imperia Structures Ltd v Anil Patni & Another

LIST OF ABBREVIATIONS

RERA – Real Estate (Regulation and Development) Act, 2016
MOUs – Memorandum of Understanding
S. – Section
FDI – Foreign Direct Investment
Sec. – Section
LTCG – Long Term Capital Gains
STCG – Short Term Capital Gains

RERB – Real Estate Regulatory and Appellate Tribunal
NCLT – National Company Law Tribunal
NCLAT – National Company Law Appellate Tribunal
TDR – Transfer of Development Rights
FEMA – Foreign Exchange Management Act
TP – Town Planning
TPO – Town planning officer

CHAPTER-1: INTRODUCTION

1.1. Introduction

“When considering your next real estate investment the choice between city and suburb can significantly impact your property’s value and lifestyle. (While cities offer vibrant amenities and potentially higher price appreciation, suburbs often come with lower costs and greater room for development.) Understanding these distinctions can help you make an informed decision.”

‘Choosing a home should depend on your personal requirements and expectations from the property and its environment. If you prioritize convenience and access to urban amenities, a city might be ideal for you. ‘However, if investment potential is your focus, the suburbs are increasingly recognized as areas of growth and opportunity.’ Here’s a closer look at various factors to consider when deciding between these two options.’ (Its provisions include mandatory project registration, escrow account management, and the establishment of grievance redressal mechanisms through state-specific RERA authorities.) While RERA has been widely hailed as a game-changer, “its implementation has faced criticism due to state-level variations, limited consumer awareness, and infrastructural bottlenecks.’ (This study seeks to critically analyse the effects of RERA on India’s real estate industry, exploring its impact on project management, market dynamics, and stakeholder relationships. The study further examines the interplay between RERA’s regulatory framework and modern construction technologies, emphasizing the potential for sustainable growth and enhanced consumer confidence in the industry.)

‘The Indian real estate sector, a critical component of the nation’s economy, has undergone significant regulatory changes with the introduction of the Real Estate Regulation and Development Act (RERA). Enacted in 2016, RERA aimed to bring about transparency, accountability, and consumer protection in the real estate market.) This paper provides an indepth analysis of the evolving trends in real estate development regulations, focusing on the impact and implementation of RERA. By examining the key provisions of the Act, scrutinizing its enforcement mechanisms, and assessing its effectiveness, the research aims to shed light on the transformative role of RERA in shaping the dynamics of the real estate industry¹

“Consumer protection act” it used to take around 5-6 years for seeking redressed of consumers/buyer’s grievances or any kind of adjudication of dispute by “consumer forum” but now after the enactment of the new legislation “(RERA)” on an average it just takes couple of years for grievances. Therefore, speedy disposal of cases is another merit of “Real estate regulatory authority Act”.⁹²

“Real estate regulatory authority” exercises its own power and control by deregistering the firms, imposing fines, putting them in defaulters list and orders to complete the project by using state government’s guidelines and passes orders appropriately.

“Real estate regulatory authority Act (RERA)” lays down various measures to complete the project by empowering the authority regarding the same to keep home buyers away from the lurch, by penalizing builder’s forum also prevents and discourages ,undertaking any further projects when they do not have requisite funds.³

The only relief which the buyers/consumers are particularly interested in is the completion and handing over possession of their properties, so conclusively “Real estate regulatory authority (RERA)” is a better and a less time consuming and an effective remedy where buyers/consumers may easily seek relief and can claim injunctions for their damages.

The Act sought to achieve several key objectives, with consumer protection being at the forefront. RERA envisioned empowering homebuyers with comprehensive information about real estate projects, ensuring they make informed decisions. To accomplish this, the Act mandated developers to register their projects with the regulatory authority before marketing or selling any units. This not only created a centralized repository of information but also obligated developers to adhere to pre- defined project specifications and timelines. Another crucial objective of RERA was to address the issue of project delays, a persistent concern in the real estate sector. By stipulating that developers must deposit a significant portion of the project funds in a dedicated escrow account, RERA aimed to ensure that these funds were utilized for the specific project, reducing the likelihood of diversion for other purposes.

This financial discipline, coupled with stringent penalties for project delays, was designed to expedite project completion and enhance developer accountability. In addition to consumer protection, RERA aimed to promote transparency across the real estate value chain. The Act mandated developers to disclose crucial project details, including approvals, project layout, and timelines, on the regulatory authority’s website. This not only facilitated informed decision-making by homebuyers but also acted as a deterrent against fraudulent practices within the sector.

The genesis and objectives of RERA reflect a nuanced understanding of the challenges faced by the Indian real estate sector and the imperative to establish a regulatory mechanism that ensures the sector’s sustainable growth. By focusing on consumer protection, transparency, and accountability, RERA sought to redefine the dynamics of the real estate market, fostering an environment where trust and confidence could thrive. The subsequent sections of this research paper will delve deeper into the key provisions of RERA and assess its impact on the evolving trends in real estate development regulations in India.⁴

The Indian Parliament enacted RERA as a statute to oversee and advance the real estate sector. The legislation requires that a regulatory body be established in each state to supervise how the rules are put into practice. This organization oversees making sure real estate developments are registered, developers follow the rules, and purchasers’ interest is protected.

Real estate transactions require governance by law when people buy or sell residential properties together with commercial and industrial sites. Developers need regulatory authority registration of

their projects to proceed with promotion or sales.

1.2. History & Motivation

In 2013 the Real Estate Regulatory Authority (RERA) Bill introduced regulations to govern the real estate industry.^[4] The Union Cabinet accepted 20 vital alterations to the Real Estate Regulatory Authority (RERA) Bill after the Rajya Sabha House Committee evaluated the law in December 2015.^[5] A selection committee received the measure then issued its report during July 2015.^[6] The Congress and Left and AIADMK parties generated counter remarks regarding the report. ^[6] Both the Rajya Sabha passed the law on March 10 followed by Lok Sabha approval on March 15. [7][8]

The Ministry of Housing moved to implement the RERA Act through Section 1 utilizing its authorized power by issuing Notification S.O. 1544(E). ^[1] The Ministry of Housing established 61 sections out of 92 RERA Act provisions through Notification S.O. 1544(E) on April 26, 2016 before its effective date of May 1, 2016. The requirements were added by Notification S.O. 1216(E). ^[2] on date 19.04.2017 and the notified remaining 31 Sections.

Indian real estate sector has a history of an unhealthy relationship with consumer rights, responsibility, and transparency in every sense applicable to the business. Rogue builders and their fraudulent practices often victimized buyers. Therefore, the government enacted the Real Estate Act, 2016 to protect home buyers. Consumer Protection Act, passed in 1986 and later amended in 2019, also provides additional safeguards to buyers. This article examines how these two laws complement each other to enhance protection for real estate purchases.⁵

You can address consumer complaints to either the Consumer Forum or the Consumer Disputes Redressal Commission. Consumers find protection under the laws of the Consumer Protection Act of 1986 which also provides them with avenues to solve disputes. Following this law customers hold certain rights that provide them grounds to file grievances through established consumer courts as “Consumer Courts”. The Act required modifications to fix its implementation flaws for strengthening consumer protection measures according to recommendations. The system enhancements aim at enhancing transparency while accelerating grievance processing to safeguard consumer rights in the creation of a more efficient platform for customers.

⁵ Pioneer Urban Land and Infrastructure Ltd v. Union of India and Ors 2019 SCC OnLine SC 1005 The Consumer Protection Act received an update which optimized consumer courts and commissions functions. The Consumer Protection Act of 2019 (CPA) received parliamentary approval before it entered into force on July 20th 2020. The updated legislation establishes protection for consumer rights while building improved processes for grievance handling while encouraging higher responsibilities in consumer issues.⁶

Pecuniary jurisdiction received a considerable expansion through amendments made to the Consumer Protection Act. The District Commission now handles consumer grievances between ₹1 crore and ₹10 crore through expanded jurisdiction authority. The State Commission has assumed authority for cases involving goods or services worth more than ₹1 crore up to ₹10 crore. The National Commission remains accessible directly to consumers with grievances valued at more than ₹10 crore. The updated legislation enables consumers to submit complaints regarding their place of residence or work for profit allowing them to make reports at points nearby their operations.

Real estate stands as a vital economic foundation in India because it supports the delivery of residential properties needed by the public. The country faces an urgent need for properly regulated development and consumer protection measures because of its severe housing shortage despite its key importance. The industry creates homes through its processes and builds jobs and supports

economic advancement in the nation.

Housing project finish delays persist as an ongoing challenge because of inadequate management combined with insufficient governmental control. The Real Estate (Regulation and Development) Act of 2016 (RERA Act) was established by the government to resolve these problems. All builders must perform registrations under the RERA Act. Real Estate Regulatory Authority registration stands as a mandatory requirement to initiate any kind of selling buying marketing or client inviting activities by developers or promoters. Purchasers benefit from open accountability due to this regulation which delivers essential project information including timetable data and official approval documentation.

Through the RERA Act builders and developers cannot implement alterations to their projects unless two-thirds of the received allottees grant their authorization. Under this clause developers cannot modify projects without having at least two-thirds allottee approval to protect consumers from manipulated adjustments. Project delays have been consumers' main fear when builders redirect project funds to different projects or unknown purposes. Through the RERA Act developers must follow strict financial regulations which ensure payment made for specific developments are dedicated to project construction.

The implementation of RERA Act has decreased the excessive financial misconduct by builders and developers substantially. Lawbreakers among builders or developers face strong fines which enforce their accountability under the rules of the Act. The builder's position turns into service breach whenever they fail to finish construction as per the scheduled date listed in the original contract. The consumer/allottee can ask for payment return combined with appropriate payment under these circumstances. The Act defines deficiency as all faults or shortages and incomplete performance of builders or developers in their quality, type or methods.

Complaints for fund return investment and delayed construction compensation may proceed through the Consumer Protection Act or RERA Act from the consumer/allottee perspective. Allottees have legal rights to get back their invested funds together with interest while receiving compensation under the RERA Act but they can still pursue other legal options through other statutory law provisions. Through multiple avenues of complaint filing consumers obtain enhanced security against builder or developer delays and malpractices.⁷

Developers add unfavorable conditions into their agreement with buyers who result in benefits for themselves but cause harm to their purchasers. RERA considers these particular clauses as unfair commercial practices. These modified sections in the Consumer Protection Act authorize both the State Commission and National Commission to invalidate and declare null any such sections. Allottees hold the option to address their issues using either the CPA system or RERA Act or both simultaneously and they determine which route provides better results. The chances exist for allottees to extract pending Consumer Court complaints then present them to RERA without needing to pay court fees. Disputes regarding real estate projects can be handled through the CPA and RERA by consumer-friendly and speedier and non-technical dispute resolution procedures which lead to prompt issue resolution.

Time exposed the urgent need for an independent regulatory body that would resolve real estate sector problems. All citizens needed access to affordable housing during the 2009 National Housing Urban Development Municipal Administration Ministers Conference. The conference arrived at four essential outcomes which included new attention to urban land-use policies and slum-free city programs alongside financial improvements and managerial help for local governments and reviews of present laws and regulations. The regulation of land value and urban development plans required a model Real Estate Regulation Bill from the Ministry of Housing and Urban Poverty Alleviation according

to their recommendation. A significant real estate legislation was then developed by the Central Government through a partnership with the Competition Commission of India together with the Tariff Commission and the Consumer Ministry. In July 2011 the Ministry of Law and Justice proposed moving the bill into the Concurrent List of Indian Constitution therefore both Central and State governments would assume control over the industry. On August 14th 2013 the Real Estate (Regulation and Development) Bill received its introduction in Rajya Sabha. Through this Bill the government aimed for public protection and enhanced transparency by developing Real Estate Regulatory Authorities at the state level to administer the real estate sector and implement uniform quality standards.

Indian homeowners had no adequate legal options to address real estate disputes before the Real Estate (Regulation and Development) Act of 2016 (RERA) took effect. Homeowners had to resolve their issues by using statutes including the Indian Contract Act, 1872 (ICA) and the Consumer Protection Act through consumer courts and civil courts that triggered cumbersome judicial proceedings. Buyers experienced several difficulties under the absence of a regulatory authority because projects delays occurred while receipt of property timing was often delayed and the developers collected unfair assessment fees along with high interest payments during delayed payment periods and multiple bookings for one property led to project failures due to developers lacking accountability. Developers encountered difficulties in obtaining building licenses on time and customers were slow in their payments and developers operated without sufficient transparency. Through RERA implementation the government aimed to resolve these issues by making builders more accountable and the business more transparent while also improving operational efficiency.

“Real Estate cannot be lost or stolen, nor can it be carried away. Purchased with common sense, paid in full, and managed with reasonable care, it is the safest investment in the world.” – Franklin D. Roosevelt

The statement maintains its significance in the present era because property ownership demand continues to rise. The establishment of RERA introduced a standardized legal framework which details requirements between key players throughout the real estate sector. The business used to follow state legislation before RERA's implementation which caused different laws and unhealthy enforcement practices. Through its standard regulatory structure RERA enhances both transparency and accountability and protects consumers throughout the national real estate market.

1.3. Research Questions

- The Establishment of Real Estate Regulatory Authorities and connection with consumer protection act?
- Is it providing a channel for addressing grievances related to goods and services, including those that pertain to real estate transactions?

1.4.

OBJECTIVES

- Include fostering transparency, curbing malpractices, and protecting consumer interests, thereby addressing the systemic inefficiencies that previously characterized the industry.
- Special emphasis is placed on the challenges of its implementation, state-wise variations in compliance, and its broader implications for economic growth and urban planning.
- Provides a comprehensive analysis of the impact of RERA on Urban and rural area, including developers, homebuyers, and financial institutions

1.5. Hypothesis Of The Research

- The paper also highlights the relevance of RERA in integrating technology- driven

project management tools and aligning real estate practices with global standards of accountability.

- This study seeks to critically analyse the effects of RERA on India’s real estate industry, exploring its impact on project management, market dynamics, relationships

1.6. Research Methodology

According to the black letter approach also known as doctrinal legal research technique researchers study legal concepts through interpretation before converting them into practical solutions. The examination of key legal sources which includes case law and legislation and regulations creates an organized understanding of legal principles. The research process collects legal documentation while creating organization schemes that lead to both source critical evaluation and relationships discoveries between multiple legal structures. As a legal method this technique identifies core legal patterns in order to present an extensive evaluation of the entire system.

1.7. Limitation Of The Study

Limitations: The study is constrained by the limited availability of data for unregistered projects and the subjective nature of consumer feedback.

Common Limitations of the Researcher(s)

Study limitations that arise from situations relating to the researcher or researchers (whether the direct fault of the individuals or not) should also be addressed and dealt with, and remedies to decrease these limitations both hypothetically in your study, and practically in future studies—should be proposed.

1. Limited access to data
 2. Time constraints
 3. Conflicts arising from cultural bias and other personal issues
- Dividing the limitations section into three steps:
- (1) identify the study limitations;
 - (2) explain how they impact your study in detail; and
 - (3) propose a direction for future studies and present alternatives.

By following this sequence when discussing your study’s limitations, you will be able to clearly demonstrate your study’s weakness without undermining the quality and integrity of your research.

1.8. Literature Review

Sr. No	Nature of literature	Name of literature	Covered/review	Research gap	Intended Research

1	Academic journal	RERA and Consumer Protection Act: A Comparative Study of Urban and Rural Markets in India	This article discusses the role of RERA in consumer protection in the urban and rural real estate markets. It discusses how the provisions of RERA, such as project registration, timely delivery, and transparency, are applied differently in urban and rural areas.	This paper identifies the gap in research regarding the issues that hampers rural consumers by RERA's guidelines in remote areas.	The article seeks further research to assess the barriers to effective RERA implementation in rural markets, especially regarding consumer awareness and enforcement.
2	Industry report	Impact of RERA on Consumer Confidence in Indian Real Estate Markets	This industry report assesses consumer confidence in both urban and rural real estate markets post-RERA. It shows the challenges faced in rural areas where awareness of RERA is not high,	It lacks data on comparing the urban and rural sectors as regards actual legal disputes and consumer complaints following RERA.	encouraged to explore the disparities in RERA's impact on consumer protection in both settings, focusing on the success of awareness campaigns in rural India.
			whereas enforcement and understanding are better in urban areas.		

3	Journal article	RERA's Effective ness in Rural vs. Urban Real Estate Markets: A Critical Review	A journal article dealing with RERA's regulatory framework comparing its application and effectiveness in urban and rural markets and covered aspects such as consumer protection, including registration of projects, accountability of developers, and legal recourse for buyers.	Even though significant improvements have been noticed in urban markets, rural markets face issues like lower reporting of grievances and fewer active consumer forums.	The paper suggests further research on the implementation of RERA's consumer protection provisions in rural India, especially on education and legal access for rural homeowners.
4	Book chapter	The Role of RERA in Real Estate Regulation: Urban and Rural Perspectives	The chapter under the book covers the history of RERA and how it has impacted the consumer protection through its landmark effects in urban as well	There is a research gap in the sense that existing literature fails to address how consumer rights are enforced in the context of rural real estate projects where infrastructure and legal systems are underdeveloped.	The intended research is in the advocacy of comparative case studies between urban and rural projects to examine how consumer complaints are addressed and resolved across



					different regions.
			as rural real estate markets. It compares the time taken by the law to penetrate the urban markets in comparison to the rural markets.		



5	Journal article	Consumer Protection Under RERA: A Comparative Analysis of Urban and Rural Markets	This article reviews consumer protection mechanisms under RERA, focusing on the urban- rural market differences. It discusses the challenges of implementing RERA's provisions in rural regions with lesser awareness and fewer legal resources.	The article largely reviews the urban consumer protection laws, while it lacks insight regarding education of rural consumers about RERA and its implementation in their respective areas of operation.	Future research should be in creating a framework for the improvement of RERA's enforcement mechanisms in rural areas, especially through digital literacy and consumer awareness programs.
6	Government report	RERA and Its Impact on Consumer Protection in	This government report analyses the impacts of RERA on consumer protection for both urban and rural real estate	The report states that the rural consumers are not aware of their rights under RERA. There is a lack of data reported on	The report suggests further research into localized consumer support systems in rural areas and improved cooperation
					between RERA and the state

		Urban and Rural India	markets. It points out how the markets in rural areas lack infrastructural legal support, making it not easy for consumers to enjoy dispute resolution mechanisms.	how rural grievances are handled.	governments to enhance the effectiveness of the implementation.
7	Academic journal	The Effectiveness of Consumer Protection in Urban and Rural Indian Real Estate Markets: A Post- RERA Analysis	This paper compares the consumer protection facets of RERA in urban versus rural real estate markets by looking at the effectiveness of the project registration, builder accountability, and legal recourse against consumers in both settings.	Even though some positive changes have occurred in consumer protection in urban areas, there is a lack of understanding regarding the extent to which RERA has benefited rural consumers and the effective implementation of RERA in those areas.	The study would further suggest comparative research on the effectiveness of RERA's grievance redressal mechanisms in rural India and urban enforcement gaps.
8	Thesis	Consumer Protection under RERA: A Comparative	The dissertation is RERA consumer protection provisions and compares its application in urban	The thesis recognises a gap in understanding, namely how the provisions under RERA are actually executed in	The dissertation suggests future research that can create infrastructure to facilitate rural

					consumers in accessing legal rights
		Study of Urban and Rural India	versus real estate markets. It reflects the differences in consumer grievance mechanisms and transparency in these two settings.	rural areas where resources for enforcing them are limited.	under RERA using technology and mobile platforms in spreading awareness and resolving complaints.



9	Policy paper	Rera and its role in consumer protection urban vs. rural real estate markets	This paper reviews the impact of RERA on consumer protection in both urban and rural India by placing an emphasis on disparities between the application of consumer protection laws. It draws up a comparative analysis on processes for consumer complaints, registering projects, and developer liability in both sectors.	The paper underlines the research gap in the issue of access by rural consumers to justice and legal resources for dispute resolution under RERA.	Future studies would involve investigating the setting up of specific RERA awareness programs in rural settings, as well as creating specific legal frameworks for real estate transactions that apply specifically to rural areas.
10	Academic journal	Assessing RERA's	This qualitative study will analyze the	Although RERA does definitely indicate vast improvements in	The paper advocates qualitative



		Impact on Consumer Protection in Rural and Urban India: A Qualitative Study	effectiveness of RERA in providing consumer protection, primarily focusing on urban and rural real estate markets in comparison with consumer awareness, legal redress, and grievance redressal.	consumer protection in urban areas, access of rural consumers in accessing consumer protection measures and legal assistance have largely gone without extensive study.	research understanding the specific challenges faced by rural consumers, including low levels of awareness, limited access to technology, and inefficient grievance redressal systems.
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Endnotes

1 <https://pllr.iledu.in/wp-content/uploads/2024/01/V1114.pdf>

2 Real Estate (Regulation and Development) Act, 2016.

3 Consumer Protection Act, 1986

4 <https://pllr.iledu.in/wp-content/uploads/2024/01/V1114.pdf>

6 <https://www.bwlegalworld.com/article/consumer-protection-in-real-estate-examining-the-role-of-rera-in-safeguarding-buyer-rights->

7 <https://www.bwlegalworld.com/article/consumer-protection-in-real-estate-examining-the-role-of-rera-in-safeguarding-buyer-rights->





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