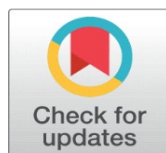
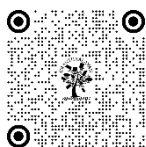


REVITALIZING INDIA'S HOUSING DREAMS: NAVIGATING CHALLENGES BEYOND BAILOUTS THROUGH STRESSED FUNDS

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ABSTRACT

India's real estate market, particularly the residential sector, has grappled with significant challenges in recent years. Issues such as liquidity crises, the implementation of real estate regulations, the Goods and Services Tax (GST), and demonetization have compounded the sector's woes, leading to over 1,600 stalled housing projects. These include projects classified as non-performing assets (NPAs) or admitted into insolvency proceedings. To address these concerns, the Indian government established a ₹25,000 crore Stress Fund. This initiative aims to revive 4.58 lakh housing units nationwide through a Special Window System.

The Special Window facilitates funding for projects with capital commitments exceeding ₹540 crore and registered under the Real Estate Regulatory Authority (RERA) with a positive net worth. By prioritizing affordable and middle-income housing projects, the fund seeks to rejuvenate the real estate sector while generating employment and alleviating stress across other industries in the Indian economy.

However, significant gaps persist. Projects outside RERA's purview or entangled in legal disputes at higher courts remain excluded. This limitation leaves numerous housing projects ineligible for support, raising concerns about whether the Stress Fund can effectively revive the sector. A critical assessment of this funding scheme is essential to understand its potential, limitations, and impact on stakeholders, including industry players and homebuyers.

Keywords: Real Estate Market, Real Estate Law, Goods and Services Tax, Demonetization, Stalled Housing Projects, Non-Performing Assets (NPA), Stress Fund, Special Window System, RERA, Indian Economy

1. INTRODUCTION

The Indian real estate sector has been a cornerstone of the nation's economy, contributing nearly 6-7% to the GDP and employing millions. However, over the years, it has faced significant challenges, including liquidity crises, rising input costs, regulatory changes, and delays in obtaining necessary approvals. These issues, coupled with weak financial management and policy disruptions such as demonetization and the implementation of RERA (Real Estate Regulation and Development Act), have led to a staggering number of stalled projects. As of recent estimates, over 4.58 lakh housing units, worth approximately ₹4.8 lakh crore, remain incomplete across India, leaving homebuyers in financial distress and investors apprehensive about the sector's stability.

To tackle this growing crisis, the Indian government introduced the concept of stressed funds. These specialized financial instruments aim to revive stalled projects by providing critical funding to distressed developers, enabling them to complete pending constructions. In 2019, the government launched the Special Window for Affordable and Mid-Income Housing (SWAMIH) Fund, with an initial corpus of ₹25,000 crore, focusing on RERA-registered projects that are

financially viable but lacking adequate funding. This initiative aims to safeguard homebuyers' interests, revitalize investor confidence, and boost overall economic growth.

While stressed funds hold promise, their implementation presents both opportunities and challenges. On one hand, they serve as lifelines for developers, ensuring project completion and offering relief to homebuyers who have invested their life savings in these projects. Additionally, the revival of stalled projects stimulates economic activity by creating jobs and benefiting allied industries like cement, steel, and construction materials. On the other hand, concerns remain about the adequacy of the funds, the transparency of project selection criteria, and the exclusion of certain categories of projects, such as those embroiled in legal disputes or not covered under RERA.

This research critically evaluates the effectiveness of stressed funds as a solution to India's real estate crisis. By exploring their benefits, limitations, and broader implications, the study aims to provide a comprehensive understanding of their role in addressing the challenges of stalled projects. With an estimated housing shortage of nearly 19 million urban homes, the success of initiatives like stressed funds is critical not just for the real estate sector but for restoring faith among stakeholders and bolstering economic growth.

1.1. OBJECTIVES OF THE STUDY

The study aims to provide a comprehensive analysis of stressed funds as a solution to revive stalled real estate projects in India. The detailed objectives are as follows:

A. Evaluating the Effectiveness of Stressed Funds:

- To assess the impact of stressed funds on reviving stalled real estate projects across various regions and project types in India.
- To analyze their contribution toward alleviating liquidity crises faced by developers and ensuring the timely delivery of housing units to homebuyers.
- To evaluate whether stressed funds have succeeded in boosting investor confidence and fostering a stable and transparent real estate ecosystem.

B. Assessing the Impact of Exclusions:

- To examine the consequences of excluding projects that are not registered under RERA or are embroiled in legal disputes, on the effectiveness of stressed funds.
- To analyze how these exclusions affect stakeholders, particularly homebuyers and developers of such projects, and the implications for market equity and fairness.
- To explore potential solutions to incorporate or address non-RERA and disputed projects without compromising the scheme's objectives.

C. Identifying Benefits and Challenges of the Funding Scheme:

- To evaluate the challenges and limitations faced during the implementation of stressed funds, such as adequacy of funding, selective eligibility criteria, regulatory hurdles, and potential moral hazards.
- To analyze case studies or specific projects where stressed funds have succeeded or failed to provide insights into best practices and areas for improvement.

D. Proposing Actionable Remedies:

- To propose policy recommendations and actionable solutions to address the limitations of stressed funds, such as increasing fund availability, enhancing transparency in project selection, and expediting regulatory approvals.

These objectives aim to offer a thorough understanding of stressed funds, their role in resolving the real estate crisis, and their potential to drive systemic change in India's housing sector.

1.2. RESEARCH METHODOLOGY

This study adopts a doctrinal research methodology, focusing on the critical analysis of legal and policy frameworks to examine the effectiveness of stressed funds in reviving stalled real estate projects in India. The doctrinal approach

relies on existing literature, legal reasoning, and secondary data sources, employing both analytical and deductive methods. The methodology is structured as follows:

A. Doctrinal Approach:

- The research is rooted in a doctrinal framework, which involves an in-depth study of statutory provisions, government policies, judicial precedents, and legal principles governing the stressed fund scheme.
- By analyzing the interplay between laws, regulations, and real estate practices, the study seeks to identify gaps, challenges, and opportunities within the current system.

B. Secondary Research:

- Literature Review: A comprehensive review of academic publications, government reports, industry analyses, and expert opinions is conducted to establish a theoretical foundation for the study.
- Policy Documents and Frameworks: The study examines key government initiatives, such as the establishment of the Special Window for Affordable and Mid-Income Housing (SWAMIH) fund, along with related policy documents and operational guidelines.
- Case Studies: Real-life examples of projects revived through stressed funds are studied to understand the practical implications, success factors, and limitations of the scheme.
- Regulatory Analysis: An evaluation of legal frameworks such as the Real Estate (Regulation and Development) Act, 2016 (RERA) is undertaken to assess the scheme's alignment with existing regulatory mechanisms.

C. Critical Analysis:

- The study employs a critical lens to evaluate the stressed fund initiative, focusing on its objectives, implementation challenges, and outcomes.
- A systematic analysis of factors such as fund adequacy, project eligibility, exclusion of non-RERA projects, and legal complexities is performed to identify shortcomings and areas for improvement.
- Comparative insights are drawn by exploring similar initiatives in other countries to derive best practices and strategies.

D. Analytical and Deductive Methods:

- Through analytical reasoning, the study synthesizes information from diverse sources to provide a cohesive understanding of the stressed fund initiative.
- The deductive method is employed to test hypotheses about the scheme's effectiveness and to draw logical conclusions based on the findings.

E. Scope and Limitations:

- The research focuses exclusively on doctrinal analysis and does not include empirical data collection or field-based investigations.
- The scope is limited to analyzing secondary sources, legal frameworks, and policy documents, with an emphasis on addressing theoretical and practical gaps.

By employing this methodology, the study aims to provide a nuanced and well-rounded understanding of the stressed fund scheme, offering actionable recommendations to enhance its effectiveness and ensure its alignment with the broader objectives of India's real estate sector.

1.3. RESEARCH PROBLEM

The study seeks to investigate the critical challenges and gaps associated with the implementation of stressed funds in India's real estate sector, focusing on their effectiveness in addressing the issue of stalled projects. Specifically, the research aims to explore the following key questions:

- 1) How do the exclusions of non-RERA projects and those involved in legal disputes impact the overall efficacy of the stressed fund initiative, and what are the broader implications of these exclusions on the revival of stalled projects, protection of homebuyer interests, and the stability of India's real estate sector?

- 2) What are the tangible benefits of the stressed fund scheme for developers, homebuyers, and other stakeholders, and what operational, financial, and regulatory challenges hinder its successful implementation?
- 3) What strategies or modifications can be introduced to enhance the inclusivity, transparency, and overall impact of the stressed fund scheme, and how can it be better aligned with existing legal and regulatory frameworks to ensure the equitable and efficient revival of stalled projects?

By addressing these questions, the research aims to contribute to a deeper understanding of the stressed fund initiative, its strengths and weaknesses, and its potential to transform India's real estate sector. This study seeks to provide actionable insights for policymakers, developers, and stakeholders to enhance the effectiveness and inclusiveness of the scheme.

2. LITERATURE REVIEW

2.1. BACKGROUND OF THE INDIAN REAL ESTATE SECTOR

The Indian real estate sector has evolved significantly over the past few decades, transitioning from an unorganized and fragmented industry to a more structured and regulated market. Historically, urbanization, population growth, and increasing disposable income have driven the demand for residential and commercial spaces (KPMG, 2021). The liberalization of the Indian economy in 1991 marked a turning point, opening the sector to foreign investments and fostering large-scale developments. Subsequently, government initiatives like the Pradhan Mantri Awas Yojana (PMAY) aimed to provide housing for all by 2022, further bolstered the housing market (Ministry of Housing and Urban Affairs, 2019).

Key Factors Contributing to the Emergence of Stalled Housing Projects is the despite the sector's growth, several factors have led to the stalling of housing projects. A mismatch between supply and demand, delays in obtaining regulatory approvals, and inadequate financial planning by developers are significant contributors (JLL India, 2020). Additionally, macroeconomic challenges such as demonetization in 2016, the implementation of the Goods and Services Tax (GST), and the liquidity crisis in non-banking financial companies (NBFCs) have exacerbated the problem. The lack of buyer confidence due to delayed possession and incomplete projects has further strained the market (Knight Frank, 2022).

2.2. THE RISE OF STRESSED FUNDS

Stressed funds, as specialized investment vehicles, have emerged as a transformative solution for addressing distressed or non-performing assets in India's real estate sector. These funds are tailored to provide financial assistance to stalled projects, primarily through debt or equity solutions, with the goal of ensuring project completion. Unlike conventional funding mechanisms, stressed funds are characterized by a higher risk tolerance and a relatively shorter investment horizon, making them uniquely positioned to unlock value in distressed assets and facilitate the revival of the real estate sector (CRISIL, 2021).

Historical Context and Genesis:

The genesis of stressed funds in India can be traced back to the mid-2010s when the country's real estate sector began to witness a surge in stalled housing projects. Contributing factors included financial mismanagement, regulatory hurdles, and economic downturns, which collectively resulted in an estimated 5.76 lakh stalled units across top metropolitan cities by 2019 (Knight Frank, 2019). Traditional lenders, such as banks and financial institutions, struggled to address this crisis due to their risk-averse nature and the growing burden of non-performing assets (NPAs).

The need for an innovative funding mechanism became apparent, leading to the conceptualization and eventual rise of stressed funds. These funds offered a pragmatic approach to resolving the crisis by injecting liquidity into projects that were otherwise considered financially unviable.

One of the most significant milestones in the evolution of stressed funds was the launch of the Special Window for Affordable and Mid-Income Housing (SWAMIH) fund in 2019. With an initial corpus of INR 25,000 crore, the SWAMIH fund aimed to prioritize the completion of affordable and mid-income housing projects, thereby directly addressing the housing aspirations of India's middle-class population (IBEF, 2020). This initiative also sought to restore confidence among homebuyers and developers while contributing to the revival of the broader real estate ecosystem.

Key features of the SWAMIH fund include:

- 1. Targeted Scope:** Focused on projects registered under the Real Estate (Regulation and Development) Act, 2016 (RERA), with priority given to those nearing completion.
- 2. Public-Private Partnership:** Managed by SBICAP Ventures Ltd., a subsidiary of the State Bank of India, and supported by contributions from the government and private investors.
- 3. Socioeconomic Impact:** Aimed at reviving over 1,500 housing projects and unlocking significant employment opportunities in the construction sector.

In addition to government-led initiatives, private equity players and global investors have increasingly recognized the potential of stressed funds in India. These entities are attracted by the high returns offered by distressed asset investments, coupled with the opportunity to make a measurable societal impact. Notable examples include Blackstone Group and Brookfield Asset Management, which have actively participated in acquiring distressed real estate assets and financing stalled projects.

The entry of private players has diversified the funding landscape, introducing innovative financing structures and risk-sharing mechanisms. For instance, certain funds now offer hybrid models combining debt and equity components to ensure flexibility and alignment with project-specific requirements (JLL India, 2021).

While stressed funds have demonstrated considerable promise, their implementation has not been without challenges. Issues such as legal disputes, regulatory ambiguities, and the exclusion of non-RERA projects have limited their overall efficacy. Additionally, the relatively nascent state of the stressed fund market in India necessitates the establishment of standardized operational frameworks and enhanced investor confidence.

Conversely, the growing adoption of technology and data-driven decision-making in fund management presents significant opportunities. Tools such as AI-driven risk assessment and blockchain-based transaction tracking can further enhance the transparency and efficiency of stressed funds, making them a cornerstone of India's real estate recovery strategy.

2.3. MAIN CAUSES OF PROJECT STALLS

The stalling of real estate projects in India is a multifaceted issue rooted in financial, regulatory, and market-related challenges. These factors, often interconnected, have created significant barriers to the timely completion of projects, adversely affecting developers, homebuyers, and the broader real estate ecosystem.

1) Financial Challenges

One of the primary causes of project stalls is financial mismanagement and over-leveraging by developers. Many developers have relied heavily on debt financing, often without robust mechanisms to ensure liquidity throughout the project lifecycle. This has resulted in cash flow mismatches and an inability to meet repayment obligations, thereby stalling projects (Economic Times, 2021). A lack of stringent financial monitoring and transparency in fund allocation further exacerbates the issue, as funds intended for specific projects are often diverted to other ventures.

2) Regulatory Delays

Delays in obtaining critical approvals, such as land acquisition, environmental clearances, and other statutory permissions, have also been significant contributors to project stalls. Bureaucratic inefficiencies and procedural complexities often lead to protracted approval timelines, impacting project schedules and escalating costs. For example, environmental clearances, which are mandatory for large-scale developments, frequently involve multiple stakeholders and extended review periods, causing avoidable delays (Anarock, 2022).

The implementation of the Real Estate (Regulation and Development) Act, 2016 (RERA), while a landmark regulatory reform, initially created transitional challenges for the industry. Developers had to align their projects with the new compliance requirements, leading to temporary halts in ongoing projects. Additionally, non-RERA projects, which fall outside the ambit of the Act, have faced legal uncertainties, further contributing to project stalls.

3) Economic Factors

India's economic landscape has also played a pivotal role in stalling real estate projects. High inflation and fluctuating interest rates have increased the cost of borrowing, thereby straining developer finances and dampening

buyer sentiments. The liquidity crisis faced by non-banking financial companies (NBFCs) in the wake of the IL&FS default in 2018 further limited access to capital for developers, particularly those reliant on NBFC funding (RBI, 2019).

4) Market-Related Issues

Market dynamics, including fluctuating demand and oversupply in certain segments, have compounded the challenges. For instance, a speculative approach by some developers led to the construction of high-value projects in areas with limited demand, resulting in unsold inventory and financial strain. Conversely, in high-demand segments like affordable housing, developers often face margin pressures due to rising input costs and limited pricing flexibility (Knight Frank, 2020).

The stalling of real estate projects in India is a complex problem with roots in systemic financial, regulatory, economic, and market-related inefficiencies. Addressing these challenges requires a collaborative approach involving policymakers, developers, and financial institutions to ensure greater transparency, accountability, and resilience in the real estate sector.

2.4. IMPACT ON HOMEBUYERS AND THE ECONOMY

Stalled housing projects have far-reaching implications, adversely affecting individual homebuyers, the real estate sector, and the broader economy. The multifaceted nature of these impacts underscores the critical importance of addressing delays through targeted interventions like stressed funds.

1) Impact on Homebuyers

Stalled projects impose significant financial and emotional burdens on homebuyers, many of whom represent India's middle and upper-middle-income households. Continued rental payments alongside equated monthly installments (EMIs) for home loans create a dual financial obligation, significantly reducing disposable income. This strain often leads to a compromise on savings and future investments, adversely impacting the financial well-being of households (Mint, 2021).

Moreover, the delay in project completion contributes to psychological stress and loss of trust in the real estate sector. Many homebuyers, particularly first-time purchasers, rely heavily on their savings or loans to invest in homes. The inability to take possession as promised erodes confidence in developers and exacerbates concerns over regulatory inefficiencies (Anarock, 2022).

2) Broader Economic Implications

At the macroeconomic level, stalled housing projects contribute to a significant slowdown in construction activities, which in turn has a cascading effect on various related industries. The construction sector, which accounts for a substantial share of India's GDP and employment, suffers job losses and reduced output due to stalled projects. This contraction affects allied industries such as cement, steel, and construction machinery, furthering economic growth (IBEF, 2020).

The crisis also leads to a decline in investor confidence. Both domestic and foreign investors are hesitant to allocate funds to the real estate sector due to the perceived risks associated with project delays and financial instability. The accumulation of unsold inventory and stalled assets further amplifies this problem, leading to reduced liquidity and stagnation in new project launches (Economic Times, 2021).

3) Social and Urban Development Challenges

From a societal perspective, stalled projects hinder urban development and housing supply, creating a mismatch between demand and availability. Affordable and mid-income housing, critical for India's growing urban population, often bears the brunt of these delays. This, in turn, exacerbates urban housing shortages and forces prospective buyers to delay homeownership or turn to unregulated housing solutions (Knight Frank, 2020).

4) Ripple Effect on Allied Sectors

The slowdown in the real estate sector also negatively impacts allied sectors. The demand for construction materials such as cement and steel declines, affecting manufacturing output. Simultaneously, the labor market, which is heavily reliant on construction projects, experiences widespread unemployment, particularly among low-skilled workers (RBI, 2019). This further reduces consumption levels in the economy, perpetuating a cycle of stagnation.

The impact of stalled housing projects extends beyond immediate stakeholders, creating systemic challenges for the economy and society. Addressing these issues requires a robust mechanism to revive stalled projects, protect homebuyer interests, and restore confidence in the real estate sector. Interventions such as stressed funds can play a pivotal role in mitigating these impacts, provided they are implemented with transparency, accountability, and inclusivity.

2.5. STRESSED FUNDS AS A VIABLE SOLUTION

The advent of stressed funds marks a significant intervention in addressing the crisis of stalled real estate projects in India. These funds provide financial support to distressed projects, enabling their completion and revitalizing the sector. Beyond monetary aid, stressed funds often introduce operational efficiencies and oversight mechanisms, making them a multifaceted solution.

1) Liquidity Infusion and Project Completion

Stressed funds play a pivotal role in alleviating the liquidity crunch that developers face. By offering both debt and equity financing, these funds address immediate funding gaps, enabling stalled projects to resume construction. The Special Window for Affordable and Mid-Income Housing (SWAMIH) fund, launched by the Indian government in 2019 with an initial corpus of ₹25,000 crore, exemplifies the impact of such interventions. As of 2022, the SWAMIH fund had financed over 100 stalled projects, delivering thousands of residential units to homebuyers (HDFC Report, 2022).

The success of stressed funds is not limited to public initiatives. Private equity players and global institutional investors have also entered this space, recognizing the untapped potential in resolving non-performing real estate assets. These funds prioritize projects that are near completion, ensuring maximum societal and financial returns within a shorter timeframe (Anarock, 2022).

2) Restoring Buyer Confidence

One of the most significant outcomes of stressed fund initiatives is the restoration of homebuyer confidence. Stalled projects erode trust in the real estate market, leading to reduced investments and delayed purchases. The timely completion of projects funded by stressed funds helps rebuild this trust. Buyers are reassured that their investments will result in possession, encouraging greater participation in the housing market (Economic Times, 2021).

3) Operational Oversight and Efficiency

Stressed funds do more than merely finance projects; they also provide strategic operational oversight. By ensuring proper fund utilization, monitoring project timelines, and introducing governance mechanisms, these funds mitigate risks associated with inefficiencies and mismanagement. The active involvement of stressed fund managers often results in timely project completion and adherence to quality standards, thereby enhancing the overall credibility of the sector (Knight Frank, 2020).

4) Broader Economic Impact

The ripple effects of stressed fund interventions extend beyond project completion. The resumption of stalled projects generates employment, boosts demand in allied sectors like cement and steel, and contributes to GDP growth. Additionally, the resolution of non-performing assets (NPAs) in real estate improves the health of financial institutions, creating a more stable and resilient economic environment (RBI, 2019).

5) Challenges in Implementation

Despite their potential, stressed funds face several challenges. Identifying viable projects, navigating regulatory complexities, and ensuring adequate funding levels are significant hurdles. Furthermore, the exclusion of non-RERA projects and those embroiled in legal disputes limits the scope of these funds, leaving a substantial portion of stalled projects unresolved (Mint, 2021). Addressing these challenges requires policy refinement, enhanced transparency, and better alignment with existing regulatory frameworks.

Stressed funds have demonstrated their viability as a solution to India's real estate crisis, addressing both financial and operational challenges. Their strategic involvement ensures not only project completion but also the restoration of confidence among stakeholders. However, their long-term efficacy will depend on overcoming implementation challenges and expanding their scope to include a broader range of distressed projects.

2.6. LEGAL AND REGULATORY FRAMEWORK

The regulatory framework governing stressed funds in India is underpinned by several key legislative and institutional mechanisms, including:

- 1) **Real Estate (Regulation and Development) Act, 2016 (RERA):** RERA was enacted to promote transparency, accountability, and efficiency in the real estate sector. It mandates the registration of projects, ensures regular project disclosures, and protects the interests of homebuyers by enforcing stringent penalties for non-compliance. However, stalled projects, especially those predating RERA, remain excluded from its ambit, posing challenges for stressed fund interventions (Economic Times, 2021).
- 2) **Insolvency and Bankruptcy Code (IBC), 2016:** The IBC provides a legal framework for resolving insolvency and restructuring distressed assets, including real estate projects. Homebuyers are classified as financial creditors under the IBC, granting them a voice in the resolution process. However, lengthy litigation and jurisdictional complexities often delay project resolutions, limiting the IBC's potential as a seamless tool for stressed funds (KPMG, 2022).
- 3) **Securities and Exchange Board of India (SEBI) Guidelines:** SEBI regulates alternative investment funds (AIFs), including stressed funds. It provides norms for fund registration, capital requirements, and governance, ensuring that funds operate transparently. However, gaps in coordination between SEBI and other regulatory bodies sometimes hinder effective fund deployment (SEBI, 2021).

Challenges in Implementation

While the regulatory framework is robust, its effectiveness is constrained by several challenges:

- 1) **Lengthy Litigation:** Legal disputes related to land acquisition, environmental clearances, and developer obligations often result in protracted litigation. These delays disrupt the timely deployment of stressed funds and affect the completion of stalled projects (Mint, 2022).
- 2) **Jurisdictional Overlaps:** The overlap of jurisdictions among RERA, IBC, and SEBI creates ambiguities in project prioritization and fund deployment. For instance, while RERA ensures project transparency, IBC focuses on insolvency resolutions, sometimes leading to conflicting mandates (Anarock, 2021).

Delays in enforcing rulings by regulatory bodies and courts further exacerbate the challenges of reviving stalled projects. Strengthening enforcement mechanisms and dispute resolution frameworks is essential to ensure the effectiveness of stressed funds (KPMG, 2022).

Landmark Case Studies

1) Jaypee Infratech Insolvency Case:

One of the most prominent instances highlighting the interplay between regulatory mechanisms and stressed funds is the Jaypee Infratech insolvency. Thousands of homebuyers were left stranded due to project delays. The IBC framework allowed homebuyers to be recognized as financial creditors, enabling their participation in the resolution process. However, the case also exposed gaps in regulatory coordination, particularly between RERA and IBC, which stressed funds could potentially bridge (Economic Times, 2021).

2) Amrapali Group Case:

The Amrapali case, involving over 40,000 homebuyers, showcased the critical role of judicial intervention in stalled projects. The Supreme Court ordered the completion of the group's unfinished projects under the supervision of the state-run National Buildings Construction Corporation (NBCC). Although stressed funds were not directly involved, the case underscored the need for mechanisms to address large-scale project delays and revive buyer confidence (Hindustan Times, 2021).

3) SWAMIH Fund Interventions:

The SWAMIH fund's success in completing over 100 projects, such as the Mahagun Moderne project in Noida, highlights its potential to overcome regulatory hurdles. By working closely with RERA and local authorities, the fund ensured the timely resolution of compliance issues, showcasing a collaborative approach to navigating the legal landscape (HDFC Report, 2022).

Suggestions for Strengthening the Framework

- 1) Enhanced Coordination: A unified platform for RERA, IBC, and SEBI to share data and streamline decision-making can reduce jurisdictional overlaps and ensure faster project resolutions.
- 2) Fast-Track Dispute Resolution: Establishing dedicated real estate tribunals to handle disputes related to stalled projects can expedite legal proceedings and fund deployment.
- 3) Policy Refinements: Expanding the coverage of RERA to include legacy projects and enhancing SEBI's guidelines to support more flexible investment structures can boost the efficacy of stressed funds.
- 4) Strengthened Enforcement: Deploying technology-driven enforcement mechanisms, such as AI-based monitoring systems, can ensure compliance with regulatory mandates and minimize delays.

3. ANALYSIS

3.1. EXCLUSIONS OF NON-RERA PROJECTS AND LEGAL DISPUTES

- Impact on Efficacy of Stressed Fund Initiatives: The exclusion of non-RERA projects and those mired in legal disputes significantly reduces the scope of the stressed fund initiative. Non-RERA projects, often predating the Real Estate (Regulation and Development) Act, 2016, remain outside the regulatory framework's ambit, creating gaps in eligibility. These projects frequently lack standardized documentation and disclosures, complicating fund allocation and risk assessment (Economic Times, 2021).
- Impediments to Reviving Stalled Projects: Non-RERA projects, which constitute a substantial portion of stalled assets, cannot access financial support from funds like SWAMIH. Consequently, the revival of such projects becomes contingent on alternate mechanisms, leaving a critical segment of homebuyers unsupported.
- Delays Due to Legal Disputes: Prolonged litigation disrupts the deployment of stressed funds, as disputes over land acquisition, project ownership, or developer liabilities stall financial interventions. Regulatory overlap between IBC and RERA further complicates these scenarios (KPMG, 2022).

Broader Implications

Homebuyer Protection: Excluded projects leave homebuyers financially and emotionally vulnerable, as they continue to bear dual burdens of rent and loan EMIs without any foreseeable resolution.

Real Estate Sector Stability: By addressing only RERA-registered projects, the initiative creates a partial impact, failing to stabilize the sector comprehensively.

Investor Confidence: Exclusions create uncertainty in the real estate market, dissuading both domestic and international investors from funding distressed projects.

3.2. TANGIBLE BENEFITS AND CHALLENGES

Stressed funds provide several critical advantages:

- For Developers: These funds offer a lifeline by addressing liquidity crunches, enabling the completion of stalled projects, and improving creditworthiness (HDFC Report, 2022).
- For Homebuyers: Completion of stalled projects enhances buyer confidence and ensures the delivery of homes, addressing financial and emotional distress.
- For the Economy: By revitalizing the housing sector, stressed funds generate employment, stimulate allied industries, and contribute to GDP growth.

Challenges

- Operational Challenges: Inefficiencies in project selection, delays in disbursement, and lack of operational oversight hinder the timely execution of projects.
- Financial Constraints: The corpus of funds, while substantial, often falls short in addressing the scale of stalled projects across India (Mint, 2022).

- **Regulatory Hurdles:** Complex approval processes, jurisdictional overlaps, and non-standardized project documentation impede the efficient deployment of funds.

3.3. STRATEGIES AND MODIFICATIONS

A. Enhancing Inclusivity

- **Broadening RERA's Ambit:** Including legacy projects under RERA's scope can bring transparency and accountability to excluded projects, enabling their eligibility for stressed funds.
- **Inclusion of Legal Disputes:** Establishing a fast-track mechanism to resolve disputes can allow more projects to qualify for funding support.

B. Improving Transparency

- **Digital Platforms:** Leveraging technology to create centralized, real-time monitoring systems for fund allocation and project progress can enhance transparency.
- **Mandatory Disclosures:** Enforcing comprehensive disclosures by developers about project finances and timelines can build trust among stakeholders.

C. Strengthening Legal Alignment

- **Unified Regulatory Framework:** Creating an integrated platform for RERA, IBC, and SEBI to streamline decision-making and dispute resolution can mitigate jurisdictional overlaps.
- **Special Tribunals:** Establishing dedicated real estate tribunals to handle disputes related to stalled projects can expedite resolutions and facilitate fund deployment.

3.4. CASE-BASED INSIGHTS

Jaypee Infratech and SWAMIH Fund Interventions:

These case studies reveal the potential of collaborative approaches between regulatory bodies and stressed funds.

- 1) **Innovative Models:** Learning from global best practices, such as Singapore's Housing and Development Board (HDB) model, can guide the creation of more inclusive and transparent mechanisms.
- 2) **Policy Reforms:** Expanding the eligibility criteria for stressed funds to include non-RERA and legally disputed projects, while ensuring robust mechanisms for risk assessment.
- 3) **Financial Augmentation:** Increasing the fund corpus and incentivizing private equity participation can enhance resource availability.
- 4) **Stakeholder Engagement:** Encouraging collaboration between developers, financial institutions, and regulatory bodies to create holistic solutions.
- 5) **Technological Integration:** Utilizing AI and blockchain for efficient fund monitoring, project tracking, and dispute resolution.

A doctrinal analysis reveals that while stressed funds represent a transformative approach to addressing stalled projects, their success depends on inclusivity, transparency, and alignment with legal frameworks. By overcoming operational, financial, and regulatory challenges, these funds can significantly contribute to the stability of India's real estate sector, revitalizing housing dreams and fostering economic growth.

4. CONCLUSION AND SUGGESTIONS

Stressed funds have demonstrated their potential as a transformative mechanism in reviving stalled real estate projects in India. By providing financial assistance to projects mired in distress, they address the immediate liquidity crunch faced by developers, restore buyer confidence, and catalyze economic activities. These funds have bolstered the

sector by encouraging transparency, promoting consolidation, and improving adherence to regulatory frameworks. Moreover, their role in mitigating the NPA (Non-Performing Assets) crisis and fostering GDP growth underscores their broader economic significance.

However, challenges such as limited inclusivity of non-RERA and legally disputed projects, operational inefficiencies, and funding inadequacy have hindered the full realization of their potential. Addressing these issues requires a multifaceted approach that balances inclusivity with accountability, incorporates innovative solutions, and ensures robust legal and regulatory support.

Key Suggestions:

- **Policy Reforms:** Expand the eligibility criteria to include select non-RERA and legally disputed projects under well-defined conditions to widen the impact of stressed funds.
- **Enhanced Funding Models:** Introduce co-funding arrangements with private investors or institutional stakeholders to augment financial resources.
- **Streamlined Regulatory Mechanisms:** Establish single-window clearance systems to expedite approvals and reduce delays.
- **Incorporation of Technology:** Leverage AI, blockchain, and data analytics for transparent fund allocation, real-time monitoring, and risk management.
- **Capacity Building:** Train developers and stakeholders on optimal fund utilization and compliance with regulatory requirements.
- **Sustainability Focus:** Encourage sustainable construction practices in revived projects to align with global environmental standards.
- **Legal Framework Strengthening:** Develop mechanisms to fast-track resolution of legal disputes and simplify arbitration processes for stalled projects.

By addressing these areas, stressed funds can evolve into a robust and sustainable solution for revitalizing India's real estate sector, ultimately fulfilling the housing aspirations of millions while strengthening the economy.

4.1. LIMITATIONS

- **Limited Scope of Current Research:** The study primarily focuses on the financial and operational aspects of stressed funds, with limited exploration of socio-environmental impacts.
- **Data Constraints:** Access to comprehensive data on stressed funds, project outcomes, and stakeholder feedback is restricted.
- **Geographical Bias:** The analysis is more relevant to urban-centric stalled projects, potentially overlooking the challenges in semi-urban or rural contexts.
- **Dynamic Policy Environment:** Evolving regulatory frameworks and government policies may impact the applicability of findings.

4.2. FURTHER SCOPE OF RESEARCH

- **Impact Assessment Studies:** Conduct longitudinal studies to measure the long-term socioeconomic impacts of stressed fund interventions.
- **Sustainability Integration:** Explore the potential for integrating green finance and sustainable practices into stressed fund frameworks.
- **Global Comparisons:** Analyze best practices from international models of stressed fund implementation and their adaptability to the Indian context.
- **Homebuyer Perspectives:** Investigate the impact of stressed funds from the viewpoint of homebuyers, focusing on trust restoration and financial security.
- **Legal Framework Efficiency:** Assess the effectiveness of existing legal mechanisms in resolving disputes and their role in enhancing the efficacy of stressed funds.

- **Technological Innovations:** Examine the role of emerging technologies in optimizing the management and deployment of stressed funds.

These avenues for further research will provide a more comprehensive understanding of stressed funds and help refine strategies for their effective implementation, ultimately contributing to a stable and sustainable real estate sector in India.

CONFLICT OF INTERESTS

None.

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