CHAPTER VI
SYNTHESIS, CONCLUSION, LIMITATION AND SUGGESTION
FOR FURTHER RESEARCH

6.1 Introduction

This chapter contains the summary of the whole research. The major findings and recommendations emerging out of this study are outlined. Some of the significant research contributions are listed to fill the gaps identified in the literature review. However, there are some limitations that are also incorporated in this chapter suggesting future areas of work. We have discussed the types of property and investment preference in the first place. Then we have analyzed the factors and its contributions for feasibility and stability of REITs. Then we have discussed effective regulation and its impact on investment. Then we have also discussed about different regulatory and policy influences on REITs. Finally we have discussed the investment in REITs and how this leads to FDI inflow and growth of REITs. We give an insight into the past, present and future of the real estate sector and in particular to Indian REITs.

6.2 Summary of the Research

The present study addresses to develop an insight for Indian Real Estate Investment Trust through an exploratory study. The main issues covered in the study are the challenges faced by Indian REITs, its feasibility, sustainability strategy in relation to enhance the awareness for investment in REITs which leads to FDI inflow and ultimate growth of REITs to increase market share, revenue share, and competitiveness in market. The study is an applied as well as an exploratory research.

The study has been conducted in two parts: a primary survey, through organized questionnaire and the opinions collected from the top level policy makers, developers and investors of Indian Real Estate Investment Trusts. Besides this, secondary data has been sourced and studied for developing an understanding of business process, preference, business management style, customer/consumer, competition, collaboration, competitiveness (demand and supply capacity of India for this product in market, comparative rank and major and potential markets for India), strategies
measures of performance, government policies, market trend etc. To get the secondary data, the source has chosen are WITS-COMTRADE, Ministry of Commerce, CMIE, DIPP, Ministry of Urban development, Assocham etc. SWOT analysis is done by using the secondary data, case study and the response from the developers.

Three types of questionnaires were developed. For policy makers we did qualitative research (content analysis) through a open ended questionnaire to understand the feasibility and sustainability of REITs (regulation, FDI, government policy, SEBI guidelines etc.). The questionnaire deals with the investor awareness and to know the government policy were constructed in a combination of technical and non-technical form. The technical part of the questionnaire was in Likert-type scale using a five point rating scale. Two more questionnaires were used in this study to get the opinion of investors and developers which was a combination of technical and nontechnical format to analyze the policy issues related to this sector. All employees contribute for the policy matters opinion survey questionnaires were in the executive cadre. A total of 5 executives cadre employees were covered from government official of the concerned ministry and for investors and developers for the opinion survey study from different part of India (Mumbai, Kolkata, Chennai and Delhi).

The data obtained from the opinion survey questionnaire were analyzed using the SPSS package. The entire study was classified into four major parts according to hypothesis: finding out the challenges of Indian Real Estate Investment Trust, its feasibility, subsequent growth and finally the sustainability in the existing market and penetrating in the new market through developing value added business by better corporate governance. All the hypotheses of this study are accepted with 99 per cent confidence level and the hypotheses for these have been found true.

The findings from the opinion survey study organized for this research are synthesized. A number of important findings are reported below.

- The investment preference of the investors varies. Maximum prefers to invest in REITs and the minimum prefers in infrastructure and joint venture reality developer. (28 and 29).

- The model developed for development of REITs depends on four significant parts: factors influencing in feasibility and stability, effective regulation for
sustainability and awareness for investment in REITs which leads to FDI inflow and growth of REITs. All these four part of this model, are correlated and dependent on each other.

- For testing the hypotheses of feasibility and stability of REITs, correlation and regression analyses were performed for both the macro and micro variable. All the macro as well as the micro variables under study emerged as interdependent on each other. For feasibility and stability of REITs, effective regulation, return on investment, tax structure and government policy are the key drivers. Whereas lack of awareness for investment are creating hurdle for feasibility and stability. (30, 31, 32, 33, 34, 35).

- For testing the hypothesis of effective regulation for investment in REITs, correlation and regression analysis were performed for both macro and micro variables. There is a scope of increase penetration to the number of more investors and developers, if there is provision for easy exit, liquidity benefit and easy investment. Other variables like income flow and legal compliance can also contribution for investment. The hypothesis is proved true as effective regulation leads to more investment in REITs. (36, 37, 38, 39, 40, 41).

- The hypotheses, through awareness for investment can be possible are true. The micro variables—no brokerage, no registration cost, no maintenance cost, no legal cost and no legal hassles in transfer, were found as the key driver for creating awareness for investment in REITs. Likewise micro variables are highly impacting on the macro variable investment. That shows the micro and macro variables both are inter and intra dependent on each other significantly (in 99 percent confidence level). (42, 43, 44, 45, 46, 47).

- Correlation and regression analyses were performed to test the hypotheses, of investment which leads to the FDI-inflow and growth for REITs can be possible is true. The FDI inflow was one of the variables it helps to infrastructure development of the sector, dependents on investment environment. Investment environment was drove by Sector, Government policy and legal compliance. That shows if FDI inflow will increase, the infrastructure development of this sector can be possible. That will lead to
meet the growth. All factors in this part of study are highly correlated (99 per cent confidence level) and dependent on each other. The maximum impact or the key driver is risk mitigation followed by audit compliance and corporate governance. (Table 48, 49, 50, 51, 52 and 53).

For development of any product, (REITs) the first criteria are risk mitigation, audit compliance and corporate governance. India has vast natural resources and it has huge capacity of investment and growth. So in terms of corporate governance, India has that capacity. But it needs to be proved. The problem is the risk mitigation and legal compliance for this investment is not investor friendly. One reason for that is the non-awareness about REITs. The above sector is not looking lucrative for investment inflow and joint venture.

6.3 Insights Gained from the Study

Strategy is needed to become successful in business. For developing the Indian REITs in the market effective regulation, better corporate governance, risk mitigation and awareness for investment are integrated parts of feasibility and growth strategy. The study finds the following insights

- The main factors create hurdle for Indian REITs are, threaten by ineffective regulation, poor corporate governance, lack of finance, less FDIs, and less awareness for investment.

- Effective regulation gives confidence and trust to the investors. As regulation is a commitment, a contract and a promise to provide the consistency in quality, the trust and risk can be looked upon.

- Creating awareness expands the horizon and peoples expectation for investment in the real estate investment trust which is effective strategy for market establishment.

- More FDI inflow is one method by which the REITs can get financial assistantship as well as market security and penetration into new market. That helps increase their product standard and stabilize the growth.
6.4 Recommendation to the Study

There is an enormous scope to generate the revenue by investing in real estate investment trust, as this is a new area of investment. India has the enough growth capacity and most of the financial products do not yield more secure and trusted return as REITs. Industry should substantially enhance quality of the REITs (for example: better corporate governance, effective regulation, risk mitigation, and liquidity benefits) and customer orientated product to capture the demand and supply to the market by recognizing the need for customer. Firms need to define growth in terms of revenue benefit is a key indicator of performance. They should focus on increasing the domestic competition and fixed a national code of governance for developers and investors according to best international standard. Some of the best standards are discussed in chapter four.

The industry should under standard what is the standard requirement of the individual investors and developers. They should also take care of risks by improving the quality and regulation.

The industry should create awareness for investment in REITs. It very much needed for the developers and the investors. They should approach the regulatory body for a common code of conduct and should have financial soundness to start up. It will give the benefit in the terms of revenue and it will give an establishment to the trust in international market because of better corporate governance. The investors are interested to invest in REIT but it has been found during the questionnaire response that, they don’t have detail knowledge about this. There has not been any hard core activity organized for Indian Real Estate Investment Trust in national level. The investors and developers association also have to organize some exhibitions both in national and international level. The government policy should favor to provide effective regulation and transparent tax structure. The investors and developers have the flexibility for easy entry and exit which acts as a driving force for investment (Table 30 and 31).
The main problem with this sector in India is lack of awareness, flow of income and legal compliance for regulating. Though Government has created some favorable conditions for buyers in the recently passed real estate regulation act, but the investors and developers are not supporting it. Many other factors are creating hurdle for investment. The main factors are tax structure and very tedious government clearance process. It is very much needed to do the strategic alliance with the convenient player in this business for this type of support. Because hiring the best practices form other country (available in Japan, Singapore, Hong Kong and China). It is wise to take the help of the countries those are efficient in this business to attract FDI. That also helps to open the way to get a penetration in that country (Table 36 and 43).

Thus, Government policy reformation (new FDI policy, FTA and RTA for strategic alliance) and providing sufficient training related to awareness for this sector needed. As well as tax efficient policy and better corporate governance for this sector is very much necessary for sustainability.

**For Developers / Sponsors**

**Liquidity**

- Convert illiquid hard assets into liquid listed assets
- Repayment of promoter’s capital at global market capitalization rates

**Management and control**

- Holding units, Trustee / manager & O&M contracts

**New source of capital access / exit route**

- Mature market with wider investor base - Access to larger capital pool

**Additional Income streams**

- Investment management & property O&M fees
Higher ROI / payout

- Attractive global market capitalization of entire portfolio
- Ability to distribute cash flows in excess of accounting profits

Growth

- ROFR / larger access to capital pool for development of new assets
- International promotion

For Investors

- Provides alternate investment class
- Low ticket size for access to ownership in large high value RE projects
- Liquidity - Shares easily tradable on a stock exchange
- Continuous price discovery
- Tax advantage (pass through status)
- Participation in professionally managed RE portfolio

For Economy

- Institutionalization of RE sector
- Attracts foreign investors / capital pools
- Hedge against inflation
- Help develop a broader economy

6.5 Implication of the Study

The research was carried out using a strategic approach in the Indian real estate investment sectors. The research finding can be generalized in other contexts as none of variables – corporate governance, feasibility and stability and sustainability issues, FDI inflow and strategic alliance are context specific. Sustainability and growth should be established as a strategic model with a focus on customers, investors and developers. The validated conceptual framework derived from this study can be used for any trust which not only deals with financial returns but also provides new business and entrepreneurial dimension.
6.6 Specific Contributions of the Study

The study validates the strategic model for feasibility, stability and growth of REITs with all the sub variables either acts as a driver or facilitator and some are required improvements and government support. They together contribute for the success of Indian REITs. This is confirmed not only through opinion research study, but also through the national and international case studies to make specific contributions:

- The study led to conclude that awareness for investment and effective regulation is not merely required for the feasibility and stability of REITs but also necessary for sustainability and growth of REITs. That gives a consistent quality and particular dimension for all time.

- As awareness for investment can be done also by less legal hassle and other supporting government policy.

- FDI inflow is a dependent factor on Investment environment. Similarly investment awareness and sustainability is depending upon on Government policy. Whereas value addition, stability and feasibility is depending on both FDI inflow and effective regulation.

- One main contribution this study has made to the literature on this subject is to apply statistical methods to provide an insight into what the future of the Indian Real Estate Investment Trust would be like in next ten years.

6.7 Limitation of the Study

Having a broad focus; this research study holds many areas that can further be explored by future researchers. The study does not end here but rather unfolds areas to be examined and bridges the gap with areas that may not have been explored within the specified limits of my research question. The following section will reveal such limitations of my research study.

Though the study was done covering a major part of the real estate investment sector, it is unable to cover the consumers’ perception all the country.
The respondents were reluctant to share the relevant information, specifically policy and regulation standard related, which faced in the national market. In this context the study is unable to provide any conclusion.

The choice of firms for questionnaire was restricted around Delhi, Mumbai, Chennai and Calcutta only. A bigger sample size representing the country can be covered in the research.

6.8 Suggestions for Further Research

This study covers only the real estate sector, specific to investment trust. Similar study can be conducted for other financial sector. It is also suggested to take similar study for other sectors.

Entire research may be extended by adding/replacing the variables included in this study. The study should be undertaken with a larger sample.

For the product development, a specific study may be taken over by covering the consumers in the domestic market as well as for the international market.

Some specific studies are suggested to take on government policy, FDI policy, and WTO policy related to this sector.

6.9 Conclusion

This study adds to the existing literature on this critical less studied area of investment, strategy, government policy, better corporate governance, tax structure and effective regulation and better financial return. The study provides an insight into the dynamic national market strategy to the real estate investment sector. The study serves as a guide to a disciplined approach to enhance the market share, sustainability in market, new market penetration and getting higher return for the investment in real estate investment trust. The model also justifies the interdependence of micro variables and its impact by statistical method. The four macro variables viz; feasibility and stability of REITs, effective regulation for sustainability of REITs, awareness for investment in REITs and FDI inflow and growth of REITs in India has been analyzed and justified.