

Ethical Practices in Indian Real Estate Industry

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ABSTRACT

The real estate segment has been the foundation of the Indian economy and has been a noteworthy benefactor in the financial development. The real estate designers have been instrumental in changing the substance of India from being an immature nation towards quickening its way to a created nation. Real estate exchanges are getting bigger in numbers in India as well as include progressively extensive totals of cash. The real estate advertise has been known for its absence of straightforwardness before, however the pattern is evolving quickly. The bigger property consultancies are dealing with various universal customers now – customers who are anxious to enter or grow operations on the Indian subcontinent. Such customers have exclusive expectations as far as administration quality and lucidity, and are regularly legitimately stressed over being shown a good time by deceitful administrators. They at first need to rely upon is the unmistakable, irrefutable moral approach of their real estate accomplices on this end. The aspects of moral business lead in India relate to customers, others to representative direct but then others to government experts. This paper embarks to look at the desires of ethics in real estate firms in India. It reviews real estate specialists and their customers on their desires of ethics in property exchanges. It additionally reaches inferences relating to moral desires from the after effects of this field work. This paper intends to concentrate on the significance of standards of lead and expert ethics from the viewpoint of RICS (Royal Institute of Chartered Surveyors) code of ethics.

Keywords-- Business Conduct, Client Expectations, Ethical Practices, Real Estate firms

to international practices. Eventually, from one perspective, it is the globalized venture openings in Indian economy which are in question and on the flip side, the clients. Property valuations are directly associated with market value of the asset which is based on the exchange price. The market value is the price of asset in the open market where as estimated value is decided between buyer and seller that takes the situation as per the situation while meeting the necessary criteria and rules. Real estate valuations are important for the growth and development of the economy. An Indian markets and standards are based on the ethics and RICS code of conduct where market value and regulation is necessary for protecting the standard ethics of RICS (French, 2011). The word “ethics” is derived from the Greek words ethos meaning from the notion of character and deep values which decide the personality and goodness or disagreeableness of an individual or a gathering.

The RICS standard and registration scheme is important for the valuation of the real estate industry and its impact on the registration scheme which will guide the surveyors. In order to promote the good practice and meet high level of standards proper valuation is important which will encourage the real estate agents as brokers to follow the regulation and build the efficient system. During the year 2009 RICS had first time announced the regulatory monitoring schemes which are important for meeting the standards and valuations of the real estate markets. The purpose of this scheme is to build an independent system of regulatory monitoring which includes a register of values and monitored by RICS. However, RICS valuation scheme enables its member to express their ethics and professionalism with the integration process throughout the economy. In short, as per the RICS guidelines, there is the necessity to educate the employees about the valuation and regulate the professionalism as per the needs of the real estate market.

The five professional ethical standards of RICS are as under:

I. INTRODUCTION

Real estate in India makes a huge commitment to the improvement of the economy. The market size of real estate part in India is anticipated to achieve US\$ 180 billion by 2020. Real estate has forward and in reverse linkages with more than hundred and sixty five ventures and the biggest work generator, after horticulture. The real estate industry gradually is reforming and elevating

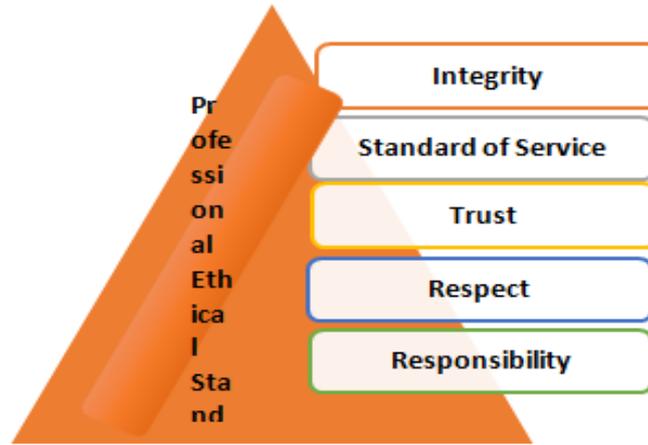


Figure 1: RICS Professional Ethical Standards

| SNo. | Professional Ethical Standards | Definition |
|------|--|---|
| 1. | Act with integrity | This implies being straightforward and direct in all that you do. |
| 2. | Always provide a high standard of service | This infers constantly ensuring that your client, or others to whom you have a specialist obligation, get the best advice, support or execution of the terms of engagement you have agreed. |
| 3. | Act in a way that promotes trust in the profession | This implies acting in a way, both in your expert life and private life, to advance you, your firm or association you work for and the calling in an expert and positive way. |
| 4. | Treat others with respect | This implies treating individuals with civility, good manners, and thought, regardless of their race, religion, measure, age, nation of beginning, sex, sexual introduction or inability. It likewise implies monitoring social sensitivities and business rehearses. |
| 5. | Take responsibility | This implies being responsible for every one of your activities – don't accuse others if things turn out badly, and in the event that you presume something isn't right be set up to accomplish something. |

II. LITERATURE REVIEW

Real Estate firms are still recovering from the global crisis and slowdown of 2008 and now it's time to reshape their strategies and regulation to meet the requirements of modern generation (You, 2011).

Conway and Houlihan (1982) in their endeavour to examine the NAR Code of Ethics (Code) for rationality, clearness, completeness and enforceability inferred that, in spite of flaws in a few of the Code's articles, it makes a successful general showing with regards to in furnishing Realtors with all around created moral models for controlling their day by day exercises

Allmon and Grant (1990) researched the connection between the Code and operator esteems by assessing the reactions of forty-seven fruitful real estate specialists in a south eastern city to a battery of moral inquiries. In most self-detailing systems, it is conceivable to decide the genuine size and course of respondents' emotions or demeanours just in the event that they really know their sentiments and react sincerely. Playing it safe that the last connected to their specimen, Allmon and Grant utilized Voice Stress Analysis, like that utilized as a part of lie location by law authorization organizations, to examine reactions. Their findings propose that the simple nearness of formal

moral rules does not guarantee that they will be taken after.

Two examinations give conflicting proof on the benefit of ethics preparing for real estate operators. Brinkmann (2000) investigated short articles, composed by sixteen Norwegian real estate operators and forty-one Norwegian real estate understudies, about good problem situations experienced in expert and private life circumstances. He presumed that both gatherings could benefit from fundamental preparing in proficient ethics and good conflict administration.

Izzo (2000) reviewed 272 specialists from California and Florida and inferred that the estimation of necessary ethics instruction, as a mediation to enhance the ethical thinking of operators, is exceedingly faulty. The outcomes, maybe illogical, do give bits of knowledge into the connection between ethics training and subjective good improvement.

Boyle (2000) utilized reactions from eighty real estate operators situated in an extensive Midwestern city to speculative deals situations to consider whether client attributes influence a businessperson's moral judgment arrangement. Boyle announced contrasts crosswise over client sexual orientation, client salary, and level of the respondent's vision.

The study will focus on how the profession ethics will be gain in real estate market to promote good

practice and meet high level of standards for the proper evaluation and meet code of conduct. While reviewing the real estate ethics it has been observed that the size, culture and role of education is considered as important factors which is connected between the employees and the firms.

An observation of the study proves that these ethical principles are important and are related to each other as per the RICS standard ethics and code of conduct. The two major principles honesty and integrity are highly valued by the Indian real estate firms and take care of the firm's valuation.

III. METHODOLOGY

This paper has been prepared depending on primary and secondary information. The primary data has been obtained through a sample survey where questionnaire was prepared and circulated among 60 stakeholders within the real estate industry (developers, agencies and consultants) of which 46 responded leading to response rate of 76.6%. The respondents had given the answers of all the questions based on their knowledge and experience. The questionnaire was framed in such way so it helped in meeting the objectives of the overall research.

However as the part of secondary research, books, articles and journal papers had been explored.

IV. OBJECTIVES

The aim of the research is identify the ethics followed by an Indian real estate companies and how the situation varies in different conditions. The main objectives of the research were defined as:-

- To understand the concept of real estate ethics and standard practices adopted in the Indian real estate industry.
- To determine the concerns or dilemmas faced by the real estate companies and brokers.
- To evaluate and identify the practices adopted and what are the expectations of consultants and companies in Real Estate industry.

V. ANALYSIS AND INTERPRETATION

The following section presents the analysis of the data collected.

1. Reasons for instituting code of ethics

| Reasons | Percentage |
|---|------------|
| To improve public image | 76% |
| To provide guidance for conduct of business | 80% |
| To ensure compliance with laws | 78% |
| To be a social responsible company | 78% |
| To set common standards | 74% |
| To improve profits | 70% |

Table 1 shows that the respondents perceived the most important reason for instituting the code of ethics to be providing guidance for conduct of business, ensuring law compliance and working towards a socially responsible company. This is because ethics advocate responsible business conduct and a well-drafted code of

ethics can go a long way in ensuring it. However, all other reasons were also quite important. The least important reasons were improvements in profits and setting common standards. This may be because profits are not the major criteria in ethics language.

2. Effectiveness of complaint handling procedures

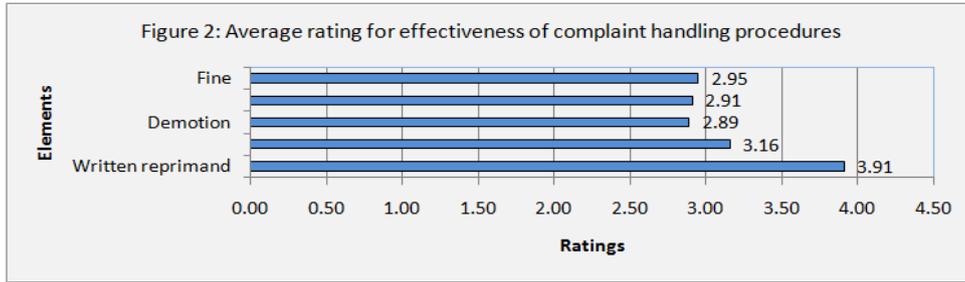
| Procedures | Percentage |
|-------------------|------------|
| Written reprimand | 67% |
| Suspension | 37% |
| Demotion | 26% |
| Termination | 30% |
| Fine | 39% |

Table 2 shows that the respondents perceived written reprimand as the most effective complaint handling procedure with 67% respondents opting for it.

These findings are supported by Figure 2 which shows that the average rating for the procedure of written reprimand was 3.91. This may be because written

reprimands act as warnings, at the same time, giving a chance to correct. On the other hand, the other three options are more like punishments and do not encourage

correction of mistakes. This means that the respondents are willing to correct their mistakes and intend to be more ethical in their actions as presented in the figure 2.

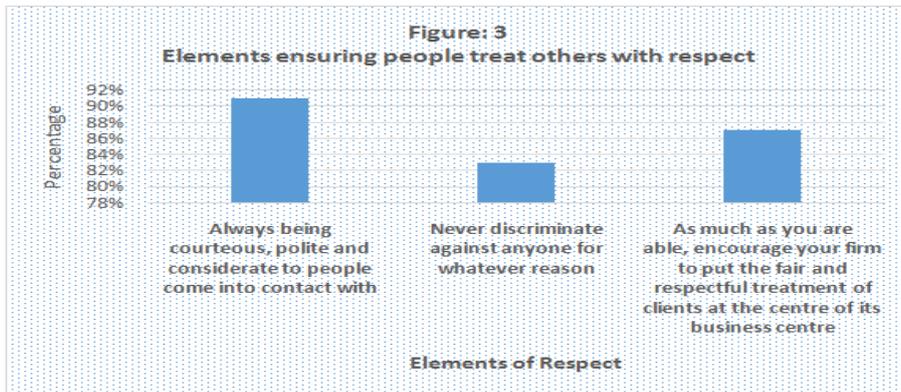


3. Ensuring mutual respect among employees

| Elements | Percentage |
|---|------------|
| Always being courteous, polite and considerate to people come into contact with | 91% |
| Never discriminate against anyone for whatever reason | 83% |
| As much as you are able, encourage your firm to put the fair and respectful treatment of clients at the centre of its business centre | 87% |

Table 3 shows that all the three elements required for ensuring that people treat others with respect are important with 83% to 91% respondents affirming to them. It is the basic need of every individual to feel respected, regardless of his/her position in the company,

due to which it has been found that all aspects of respecting people are important for ensuring ethics. Then above table has been presented in the form of a pie chart in figure 3:



4. Ensuring responsible citizenship

| Elements | Percentage |
|--|------------|
| Always act will skill, care and diligence | 87% |
| If someone makes a complaint, respond in an appropriate and professional manner | 85% |
| If you think something is not right, being prepared to question it and raise the matter as appropriate | 85% |

Table 4 shows that all the three elements required for ensuring that people take responsibility for their actions are equally important with 85% to 87% of

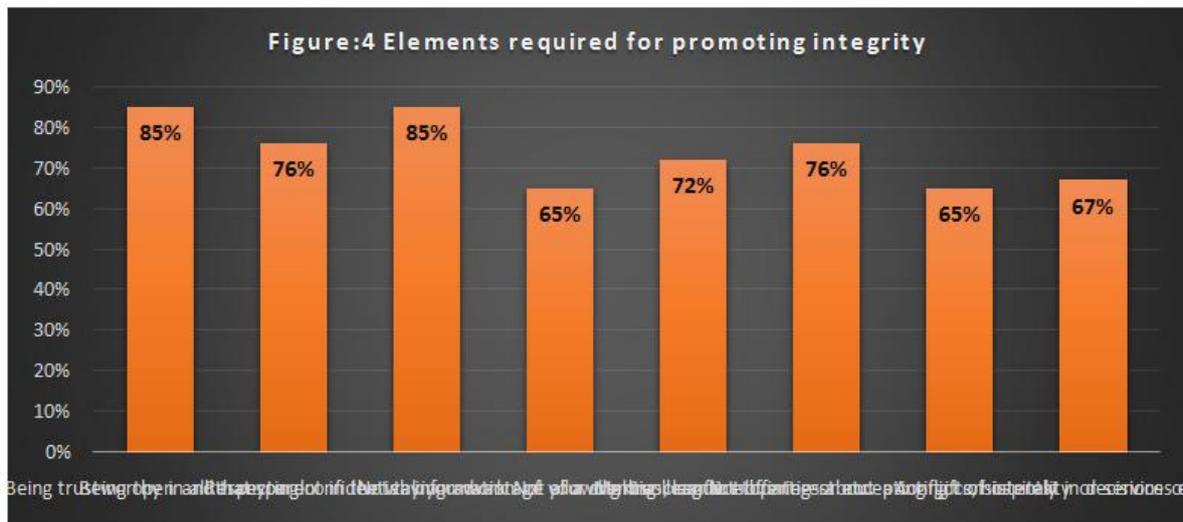
5. Ensuring integrity

the respondents opting for them. This shows that ethical codes demand that people accept the responsibility of their actions and their consequences.

| S No. | Table 5: Elements required for promoting integrity | |
|-------|---|------------|
| | Elements | Percentage |
| 1 | Being trustworthy in all that you do | 85% |
| 2 | Being open and transparent in the way you work | 76% |
| 3 | Respecting confidential information of your clients | 85% |
| 4 | Not taking advantage of a client colleague etc. | 65% |
| 5 | Not allowing bias, conflict of interest etc. | 72% |
| 6 | Making clear to all parties about a conflict of interest | 76% |
| 7 | Not offering or accepting gifts, hospitality or services etc. | 65% |
| 8 | Acting consistently in decisions or advice etc. | 67% |

Table 5 shows that being trustworthy in all actions and respecting confidential information of clients (85% each) are most important elements for ensuing integrity. This is because trust is an important component of integrity and in the times of internet and

online banking activities, protection of confidential client information is very important. The least important elements were not taking advantage of others and not offering or accepting bribes (65% each). It has been represented in the figure 4.



6. Ensuring high service standard

| S No. | Table 6: Elements ensuring high service standard | |
|-------|---|------------|
| | Elements | Percentage |
| 1 | Be clear about your service etc | 78% |
| 2 | Act within your scope of your competence | 78% |
| 3 | Be transparent about fees and any other costs | 78% |
| 4 | Communicate with the client in a way that will allow them to make informed decisions | 78% |
| 5 | If you use the services of others then ensure that you pay for those services as agreed etc | 74% |
| 6 | Encourage your firm or organisation you work for to put the fair treatment of clients at the centre | 83% |

Table 6 shows that all elements were perceived to be quite important in ensuring high service standard. In view of intense competition in the real estate market, it is important that companies ensure delivery of high service standard to their customers in order to retain

them and attract new ones. Ethically, it is the responsibility of companies to try and deliver highest standard services to the customers.

7. Ensuring trust

| S No. | Table 7: Elements promoting trust | |
|-------|---|------------|
| | Elements | Percentage |
| 1 | Promoting what you and profession stand for | 85% |
| 2 | Understanding that being a professional is more than just about how you behave and work | 85% |
| 3 | Understanding how your actions affect others | 76% |
| 4 | Fulfilling your obligations. Doing what you say you will | 72% |
| 5 | Always try to meet the spirit of your professional standards and just the letter of the standards | 85% |

Table 7 shows that all elements were perceived to be quite important in ensuring high trust. As observed

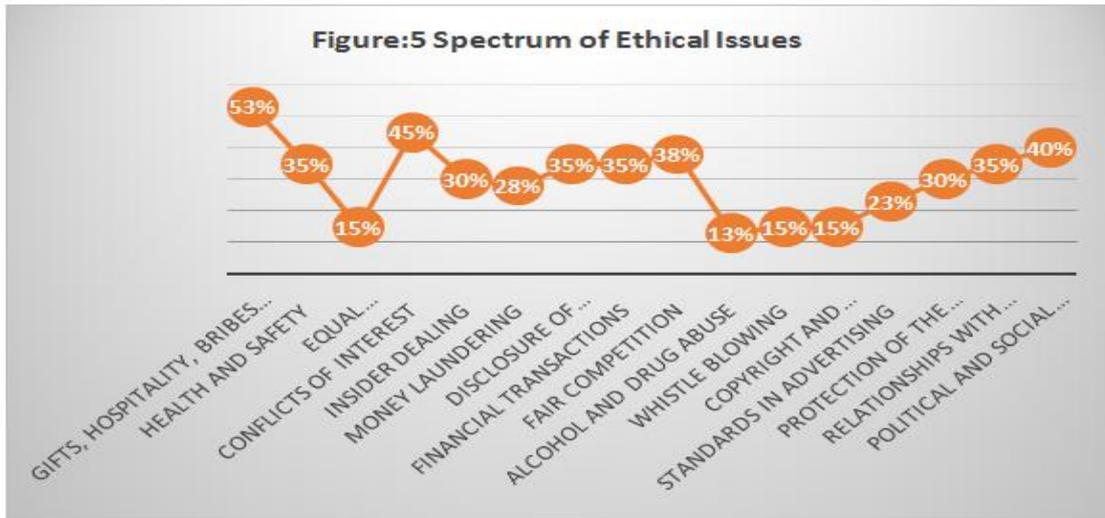
earlier, trust is an integral part of business ethics and leads to high integrity in many ways.

8. Ethical issues faced by real estate firms

| S No. | Table 8: Broad spectrum of ethical issues faced | |
|-------|---|------------|
| | Spectrum of ethical issues | Percentage |
| 1 | Gifts, hospitality, bribes and inducements | 53% |
| 2 | Health and safety | 35% |
| 3 | Equal opportunity, discrimination and sexual harassment | 15% |
| 4 | Conflicts of interest | 45% |
| 5 | Insider dealing | 30% |
| 6 | Money laundering | 28% |
| 7 | Disclosure of confidential information | 35% |
| 8 | Financial transactions | 35% |
| 9 | Fair competition | 38% |
| 10 | Alcohol and drug abuse | 13% |
| 11 | Whistle blowing | 15% |
| 12 | Copyright and ownership of files | 15% |
| 13 | Standards in advertising | 23% |
| 14 | Protection of the environment | 30% |
| 15 | Relationships with local communities | 35% |
| 16 | Political and social behaviour | 40% |

Table 8 shows that most real estate firms faced the ethical issues related to the spectrum of gifts, hospitality, bribes and inducements (53%). It may be noted that in the corrupt Indian political environment, bribes are very common and specifically in the real

estate industry, bribes are usually used by real estate owners to acquire real estate with the prime motive of profit-making, which is highly unethical. Other major issues related to conflicts of interest, fair competition and political and social behavior.



9. Importance of ethical principles by the Indian Real Estate Firms

| S No. | Table 9: Important ethical practices to be emphasized | |
|-------|---|------------|
| | Ethical practices | Percentage |
| 1 | Honesty | 71% |
| 2 | Integrity | 73% |
| 3 | Promise keeping | 63% |
| 4 | Fidelity | 15% |
| 5 | Fairness | 76% |
| 6 | Caring for others | 39% |
| 7 | Respect for others | 56% |
| 8 | Responsible citizenship | 46% |
| 9 | Pursuit of excellence | 54% |
| 10 | Accountability | 85% |

Table 9 shows that the most preferred ethical practices related to accountability (85%), fairness (76%), integrity (73%) and honesty (71%). Thus, according to

the respondents, these were the ethical areas identified in real estate firms which must be most emphasized upon as shown in figure 6.



VI. CONCLUSION

The paper focused on analyzing the ethical practices and issues faced in the real estate firms of India. The respondents felt that it was important to institute code of ethics because they provided guidance for business conduct, ensured law compliance and helped towards making a socially responsible company. With regards to procedures used to handle complaints, written reprimands were found to be most effective since they encourage correction of mistakes. Mutual respect can be ensured by behaving courteously with everyone and not discriminating within members of the organization. Responsible citizenship can be ensured by acting with skill and care and despite that, if mistakes occur, then the person should respond in a professional manner. Further, integrity and trust were also found to be very important in business ethics. It was also found that delivering high service quality to customers was desired by the ethical protocols. The real estate industry majorly faced ethical issues in the form of corruption and conflict of interests. Thus, it is recommended that efforts are made to reduce eventually corruption from the system. Lastly, it was found that most desired ethical practices in the real estate industry were honesty, integrity, fairness and accountability.

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