

Role of Construction Industry in Economic Development: Issues and Challenges

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Abstract: India as one of developing economy is thriving hard across sector to have all round development. With several economic sector that are grouped under primary, secondary and tertiary – giving their best efforts to increase productivity efficiently and effectively which in turn increase employment and contribute towards GDP. However, of various economic sector construction sector is one of most active industry that provide employment to the major population. As it is more of labor intensive work, it attracts several migrant workers, labors (skilled and unskilled) towards it – making it very second after agriculture sector in providing employment. However, construction sector encounters lot of challenges, as it involves the element of Human work, Heavy Machinery, Huge Investment followed by confrontation of lot legalities on its way of completing the construction projects. Construction sector falls under unorganized sector makes it difficult to follow a systematic way of functioning and operating. The purpose of this paper is to understand the issues and challenges faced by Construction Industry and suggest possible measure to overcome or prevent the same. The paper is based completely on secondary data and conceptual in nature. It tries to highlight the hindrances confronted in this industry and analyze the situation that may have impact for the growth of construction sector.

Keywords: Construction Sector, Economic Development

I. INTRODUCTION

Infrastructure facilities is one most significant element for any business to operate. It may be impossible to plan any developmental work without having proper infrastructure facility. This development – be it nation, state, district, town or village, Infrastructure is base for all this growth. One of the management expert and psychologist named Abraham Maslow in his famous theory of need hierarchy has referred- shelter or home as basic need for human survival as Physiological need. In fact, the man first thinks of food, shelter, cloth and water – shelter plays an important role in everybody's life. When we speak of nation building, we start with infrastructure development followed by other necessary factors of development. Hence, the "Construction Industry" is one of significant factor for any developing economy. This sector of construction is basically falls under unorganized sector, but major task that have been done through sub-contracting basis. It has gained prominence because – it involves infrastructure creation, employment generation, exchange of technology, usage of technical expertise and most important the investment opportunities.

II. METHODOLOGY

The information presented in this study is completely based on secondary data and conceptual in nature. Different data, documents were accessed, information was derived from published articles as reference from reputed database, News articles, Government official website, News Paper Website were referred

2.1 Role of Construction Industry in Economic Development

Any country's development is judged based upon its infrastructural facilities and advancement. Countries across globe are at the edge of aggressive developmental mode in all sector. Post Liberalization, Privatization and Globalization – Country has witnessed the momentum of fast pace of development specially the infrastructural. This sector and industry

as a whole are the prime contributor for economic development. As Economic Development Indicator of country, it took responsibility of giving employment to major workforce in the country – executives, engineers, supervisors, workers, labors (Skilled and Unskilled) migrate from their home towns, village and settled around the place of operation. This industry accommodates from highly professional to Unskilled labor under its roof. The increase in the Construction Sector has proportionate upward demand for other industries like cement, steel, manufacturing of machineries and devices used for construction and allied business like Bricks and Sand. It no wrong to call this sector as one of strongest pillar of country's economy.

“This sector accounts third highest market across globe by 2025 and Second highest to get FDI and generate employment and has played pivotal role in economic development. This industry has two classifications with Real estate and segment of urban development. Real estate covers retail, hotels, residential, office, leisure parks. Latter includes Water Supply, Schools, Healthcare, Sanitation and Logistics & Transport. Construction industry contributes nine percent towards country's GDP and generates over fifty plus million jobs which attracts engineers, architects, suppliers, supervisor, laborers (skilled and unskilled) and so on. This comprises India's capital expenses of forty to fifty percent on various major project. As per the same reports this industry is indulges with two hundred sectors and unit and their construction activities. Currently following government projects of construction are underway viz., Building hundred smart cities, Swachbharat mission, Project AMRUT, Pradhan Mantri Awas Yojana, HRIDAY project, Industrial corridors, Mega ports, Railway station and Commercial space. Also, income of India's household have seen sharp increase specially with mid class society giving further boom toward this industry (As per Invest-India reports¹).

The increasing demand of construction, pave the way for investor to invest in this project. It is said – this industry always be remaining resilient, because of growing demand of real estate and this growing trend show that this market will reach by one trillion dollars by 2030. Upward trend of construction industry – will increase the demand for cement, steel and other elements of construction including men power for the same (Reports from Make in India²). Infrastructure is required with investment value up to nine fifty million. The government agencies that are in charge of this infrastructural development are - Ministry of Drinking Water and Sanitation, Ministry of Rural Development, National Building Construction Corporation (NBCC) Ltd., Ministry of Housing and Urban Affairs, Housing and Urban Development Corporation Ltd., The forecast for the period 2022 to 2027 – it is said that construction industry in India will register compound annual growth rate more than ten percent. Government initiatives to develop expressways through PM Gati Shakti proposed master plan be executed in the current year 2022-23- making the logistics and transportation to run at faster pace with expansion of twenty-five thousand kilometres of National highways. Government has also permitted to develop twenty-one greenfield airports across India which includes the restructuring of existing terminals, more sophisticated runways and technical blocks at airports. Reputed and large construction companies are vested with the responsibilities of infrastructural development for public and private sector.

2.2 Issues and Challenges Faced by this Sector

Construction industry has vital role that play in development of infrastructure be it Highways, Dams, Rail Tracks, Airports or Commercial / Residential apartments and flats. “As per reports of Financial express^{3,4} – it is said that more than fifty million are indulged in construction activities and influenced many towards it.” All the Developmental activities that are done, do face some issues and challenges, hence the saying – “Rome wasn't built in a day”. Construction sector encounter several challenges that are been explained below precisely

- **Unorganized Sector and associated Issues:** - This industry of economy comes under the purview of unorganized sector that is majorly scattered and are in large number compared to organized once. Unorganized workers consist of "those working in the unorganized sector or households, excluding regular workers with social security benefits provided by the employers and the workers in the formal sector without any employment and social security benefits provided by the employers⁵" (NCEUS 2009) Ujjwal et.al. Being labor intensive work, it attracts many workers/laborers with poor socio-economic condition, who migrate from their parent village, town and settle to the place of construction site and project – far away from their home. These migrants face lot of issue in context to their basic needs like proper stay, hygienic food/water. Poverty, indebtedness, illiteracy, large family dependents make these labors to take this type of jobs which give them job security and continuity of work. Due to nature of its operation that is scattered haphazardly, it is difficult to

manage this sector systematic and form some reforms or align its work under regulatory body. Hence, it is difficult to provide and implement some social and welfare schemes that may be beneficial for those migrants.

- **Lack of Safety Measure and Mechanisms:** - The construction industry is surrounded with more hazardous task compared to other activity. It involves usage of bulky machine, perilous tools, unsafe elevators that increases chance of considerable injuries and accidents. As we start listing toward most hazardous industries, construction industry tend to top in the list with high rate in terms accidents and fatalities across globe. These consequences are the result of poor accident prevention tools and techniques, low standard of safety measure and unhealthy protective practices. This results in injury, life time disability and death in such construction sites. While we tend to be busy in building new planet that is more developed than now and more advanced once but, ignore the significance of human lives. This industry involves lot of risk from human life view point – if systematic safety measure and mechanisms not in right place and time.
- **Lack in Skilled Labor:** -With boom in technological advancement across sector – the production, manufacturing is operating more advanced way with use of automation and IT Support. However, construction industry is no way behind in implementing those technologies. Involving advance machinery, techniques, tools require workforce with such skills who can operate those without any hindrance. Except, engineers and few others executives at mid-level of this construction industry – major workers and labors are unskilled and illiterate. Giving training of such skills of construction activities increases the cost of project. This cause fallback and one of challenge that been faced by this sector.
- **Dearth of Reliable Contractors and Sub-Contractors:** - Construction Industry involves lot of activities at several phase, and it done majorly by contractors and sub-contractors. These become intermediaries to provide Worker/Labor, Machineries, Systems and Materials required for such construction work. However, these contractors dominate the construction sector. These exploit the resources required for construction. In (study 6,7,8) conducted – It is seen that labors complained about getting exploited by these contractors in providing wage, basic amenities, working hours and keep these labors unaware about the medical provision which all mandatory as the regulations.
- **Influx in the cost of material:** - With fluctuation in economic condition and varied inflation rate impact the cost of material required for construction work. Eg. During COVID-19 major production and manufacturing units were on standstill due to lockdown, however, when lockdown regulation lifted there was surge in demand of material. Hence, when demand is product increase, it in turn impact the cost of material. Again the cost of material depends on quality of material used in various sector. Construction sector cannot ignore the quality element thus, has to pay more than normal. There are several other factors that cause influx in the cost of material.
- **Coping up with regulations and compliance:** -Construction Sector involves lot of component like Men, Money, Material, Machinery and completing these construction project has some maturity period and some deadline. But no project or construction work can start without a systematic documentation, approvals from various regulatory body like Labor Department, Financial Institutions, Pollution Control Board, Forest Department, Municipal Corporation and so on. However, the construction companies, owners have to obligate all the statutory requirements to start the work. It is tedious task to get this done and involves lot of time and efforts.

III. DISCUSSION

India is one of nations that is thriving its best for all round development and have set a target of becoming five trillion economies. Each industry in an Economy are having their own initiative, which can contribute towards country's GDP. However, construction industry is oldest sector and has developed over times. But it has some drawback and suffering such as issues and challenges mentioned above - on which the related authorities and government should work upon. This sector work operates in and as unorganized format which sets it back and creates lot of hurdle during its process. If in some way – with help of regulatory bodies, construction companies owner, suppliers, contractors this sector should be regulated systematically or bring some of its operations (Special the Labor) towards organized sector. This will help those migrant workers /labor to get social and welfare benefits and schemes given by government and allied

government bodies, agencies. Awareness should be created on labor rights, assure proper working and contract system. Several programs and policies on health and protection, minimal wages, basic facilities that is required a workplace and around. However, the implementation of the same seems to be an issue, even if implemented – the monitoring system seems not effective to measure the gauge of such application. Proper training should be provided on construction sites on the task performed, safety measures, tools, devices, machine operating and precautionary that need to be taken while working on such sites and location here, contractors and sub-contractors come into the picture. Government and concerned regulatory board, agencies have to monitor and help this industry in following all the compliance and statutory requirement, especially when human lives are involved.

IV. CONCLUSION

When we try to develop specific sector – there are lot hands that join them, be it government, private player. Development work and issues / challenges go hand in hand. But these can be solved and faced through proper system and procedure if, followed by the people involved in those developmental work. Construction industry is no new to the country like India, from time unknown or historical data we find that Indian are one of fine builder and have lot of applauds in its crown. British left India in Vain with high inflation rate and poor economy. Post-Independence, India did good comeback and built entire economy in very short span of time. This shows the caliber of our country. Hence, this issues and challenges are no way that can hinder our developmental works. This study provided comprehensive analysis of the role played by Construction Sector and industry as whole, Issues/ Challenges faced by it. These can be limited by implementation of proper system and process at right place and time by concerned authorities.

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