

# MACROECONOMIC ASPECTS OF CONSTRUCTION SECTOR – A COMPARATIVE STUDY OF INDIA AND VIETNAM

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Construction sector is an important part of every economy in the world. It is more so of developing countries like India and Vietnam. They both are developing countries with many similar characteristics. Construction sector, in particular, has large number of common features. The study concerns about the interaction between the construction sector and all the other sectors by analyzing total impact of construction investment on income and employment generation based on input-output table for India (1996–97) and Vietnam (1999). We also study dynamic aspect of construction sector with the help of productivity analysis using time-series data for India and Vietnam pertained to periods (1984–85 to 2000–01) and (1985 to 2000) respectively.

## Findings on Inter-Industry Relationships of Construction Sector

The linkage effects both direct backward linkage and total linkage coefficient, income multipliers of construction sector in India and Vietnam are much stronger than most other sectors of their economies. An increased expenditure in construction sector can create more additional GDP than most other sectors in each country. As expected in terms of employment multiplier, the position of construction sector in the both countries is not as good as in the case of income multiplier. This reflects the progress of technology in construction sector in favour of highly capital-intensive and labour-saving techniques. The performance of the construction sector of Vietnam (CSV) lagged behind Indian counterpart.

## Findings on Productivity Analysis

### *Labour productivity*

There is not significant relationship between average wages and labour productivity in the construction sector of India (CSI) while there is significant relationship between labour productivity and wages in CSV. There is significant relationship between labour productivity and gross fixed capital formation (GFCF) in CSI whereas there is not significant relationship between labour productivity and GFCF in Vietnamese counterpart.

### *Capital productivity*

Capital productivity of CSV lagged behind that of its Indian counterpart during the

period of the study. As a matter of fact, capital productivity of CSI was always more than two fold than that of CSV. Capital productivity indices of the construction sectors of India and Vietnam can be approximated by the straight-line trend based on the least square method.

#### ***Total factor productivity (TFP)***

Total factor productivity contributed major proportion to GDP growth; and the growth rate of TFP is plotted together with GDP growth in the construction sector of both countries. CSI in whole period and sub-periods of study is found to be driven mainly by the TFP growth while labour and capital growth does not seem to be playing any role. Overall sectoral GDP growth rate and labour contribution to GDP growth of Vietnam are greater than that of India. Capital contribution and TFP contribution to GDP growth of India are higher than that of Vietnam.

#### **Policy implications**

Findings of this study that gave a number of important results and observations have resulted in various direct and indirect policy implications such as encouragement to investment in construction sector, a rationalized policy of salary and wages, human resource development (quality of labour), and promotion of technological progress in construction sector etc.