

Abstract

In recent years, the real estate and construction sector has grown phenomenally both in terms of Gross Value Added (GVA) and employment. The factors leading to this growth were demand factors and supply factors. The demand factors include increasing urbanization; demographic dividend; rise of middle income group and its increasing affordability to purchase houses; significant growth of services sector particularly of finance, banking, insurance, software, communication, etc. and phenomenal growth of organized retail trade, shopping malls, etc. The supply factors consist of increased Foreign Direct Investment (FDI) coupled with domestic investment, favourable lending patterns of banks/financial institutions for housing and commercial loans; increase in Plan Outlay, Gross Domestic Savings, Gross Domestic Capital Formation; increased share of Construction Sector in GDP, increased allocation for Pradhan Mantri Gram Sadak Yojana (PMGSY), Indira Awaas Yojana (IAY), etc.; and increasing investment in infrastructure, etc.

The construction sector is characterized by increasing level of mechanization on one hand, and replacement of traditional material/inputs on the other. Thus the technological development on one hand displaces labour mainly unskilled, and on the other creates demand for skilled and technical personnel. The Real Estate and Construction sector faces a number of impediments/constraints/challenges pertaining to administrative, procedural, financial and other issues.

There is a need to rationalize administrative and procedural issues, like (a) thorough review and modernization of municipal laws/procedures in the light of the latest developments in urban infrastructure, transport, pollution control etc., (b) simplification and transparency of contract procedures and (c) need for an appropriate dispute resolution mechanism in construction sector.

The major financial issues are lack of access to long-term funding sources by developers, high incidence of direct and indirect taxes for construction and construction related activities as compared to other sectors. There is a need to reduce the burden of multiple tax regimes and simplify the taxation system and bringing down the costing of real estate by allowing external commercial borrowing.

Other issues of prime concern are (a) enhancing and ensuring adequate supply of professional, technical and skilled personnel as there is a great dearth of skilled and technical personnel in the sector (b) implementation of the MGNREGA in a rational way so that jobs are created during the lean agricultural season, and the supply of unskilled labour for industry and services sectors is not affected, and (d) a simple and a single labour law should be evolved for organized and unorganized construction sector.