

# IMPACT OF COVID-19 ON CONSTRUCTION SECTOR

Digvijay Rajput<sup>1</sup>, Ajinkya Rajput<sup>2</sup>, Yashwini Sisodiya<sup>3</sup>, Omkar Bodke<sup>4</sup>, Aniruddh Dubal<sup>5</sup>

<sup>1,2,3,4</sup> U.G. Student, Construction Engineering and Management, SSPU School of Construction Engineering and Infrastructure Management  
Kiwale, Pune, India

<sup>5</sup> Assistant Professor, SSPU School of Construction Engineering and Infrastructure Management Kiwale, Pune, India

**Abstract:** The construction sector all around the globe was hit by an unavoidable devastating blow of COVID-19 pandemic. It only brought the entire sector down but also affected the economies of nations all across the globe. The impact of this pandemic on the construction sector not only affected the time deliveries of projects but also took the jobs of millions of people and made thousands of people homeless, leaving them stranded as they had nowhere else to go. This project focuses on the impact of COVID-19 on the construction sector and how the construction is an important key in contributing in the revival of economy. The construction and our country needs to work on new reforms on its policies and have to take more responsibilities on the migrant workers of the nation as they are the backbone of many sectors working from behind the scenes for various firms and industries.

**Key Words:** Labour, Construction sector, economy, COVID-19, Lockdown

## I. INTRODUCTION

The construction sector was amongst the sectors that had in-tuned the worst brunt of COVID-19, because it was already battling a liquidity crunch as fallout of the non-banking financial institutions in the financial sector since quite a year. Many projects remained in the unfinished stages because of the dearth of funds. Projects which were finished, remained unsold, due to changing buyer preferences.

At a time when the stakeholders within the construction industry i.e. developers and contractors were treating this era of change as a learning curve, reassessing needs and dealing out strategic deals, the pandemic brought all construction activity to a grinding halt. It greatly impacted the labourers and migrant workers because overnight almost of them lost their jobs out of which most of those workers were the only real earning member of the family. The matter further deteriorated when interstate travel ban was imposed and major protests broke out in the country. The time when it was absolutely necessary to contain the virus, our country had to concentrate on the migrant protest all across the country.

It is a given that along with the residential sector of the construction industry the commercial sector also took a hit. As work from home became a new normal for everyone the demand for work space and offices went down drastically. With gyms, malls, food court were shut down with no promise of opening anytime soon, it killed the market of commercial sector. [1]

## A. RESEARCH OBJECTIVE

- To study India's GDP growth rate before and after Covid 19.
- To study the Impact of COVID-19 on Migrant population.
- To study the support from central government to the construction sector.
- Collect data through a survey or questionnaire
- Procure suggestion for the government from the builders.

## II. RELATED WORK

### A. Impact of COVID-19 on migrant population

Corona virus pandemic was interpreted as the worst global crisis since the world war II by the international labor organization. About 400 million people (76.2% of the whole workforce) working within the informal economy in India are at a risk of falling deeper into poverty because of catastrophic consequences of the virus. As half the planet was in lockdown, it was predicted that loss of 195 million full-time jobs or 6.7 per cent of working hours globally might be possible. Many of these labourers were in the low-paid, low-skilled jobs category where sudden loss of income would be devastating for them.

It is not uncommon that seasonal migration of labor for work is a pervasive reality in rural India. A migration of uncountable people happens from rural villages and small towns to industries, urban markets and farms. Major migration of such workers in India mainly are originated from UP and Bihar, to Punjab, Haryana, Maharashtra and Gujarat. However now a day's workers from Odisha, province and North East to Karnataka and state, from Rajasthan to Gujarat, from MP to Gujarat and Maharashtra and from state to Kerala also are also seen migrating to secure jobs and provide some financial security to the families back home. These migrant workers are usually employed within the construction sector (40 million), domestic work (20 million), textile (11 million), brick kiln work (10 million), transportation, mining and agriculture [2].

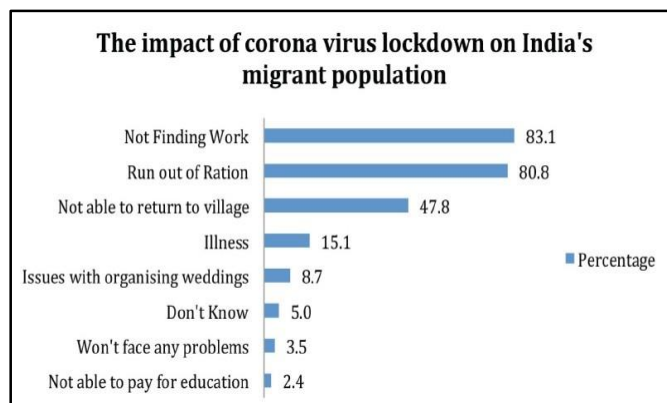


Figure 1. Impact of COVID-19 on migrant population of India

**B. Stimulus for Construction, Infrastructure and Real Estate-**

The Finance Minister of India Nirmala Sitharaman announced 12 measures in a Covid stimulus relief package and the country was presented with a new scheme known as ATMANIRBHAR BHARAT ROZGAR. This scheme was brought in the picture to encourage home buyers and help create a fresh demand in the construction market with would further act as a fuel in rebounding the failing economy of India. There are numerous reasons to support the increasing spending done on infrastructure in India. The construction sector contributes over 7% to India's GDP, which in terms of GDP is a very crucial margin which needs to be accounted to revive the failing economy of our country. As this sector drives on labor-intensive work. It is estimated that the construction sector would create job opportunities and employ more than 74 million people by 2022, which would further invite more investments done in the sector thus fueling the revival of the economy.

Schemes promoting the age of construction sector will not only be increasing to Amit of thousands of people but will also help its allied industries such as steel, cement, real estate, transportation et cetera and will have a positive impact on the Indian economy.

Many factors were considered in reviving the real estate sector and housing. The government announced the "ATMANIRBHAR BHARAT ROZGAR YOJANA (ARBY) to finance the Employees' provident Fund (EPF) contributions for the jobs which were generated between October 2020 and June 2021. 36,000 crores have been allocated for this relief package out of which 6000 crores will be spent in the year of 2021

There government also increased its budget allocation for PM Awaas Yojana-Urban (PMAY) to 26000 crores from the already allocated 8000 crores for the fiscal year of 2021. The main goal of this scheme is to generate over 7.2 million jobs in the construction sector, which is the leading job generator for village and rural areas after the agriculture sector.

The government also increased its allocated budget for the scheme of Pradhan Mantri Garib Kalyann Rozgar Yojana (PMGKRY). The goal of this scheme is to generate jobs for migrant people who have lost their jobs and have returned back to their villages and hometowns. This Pradhan Mantri Garib Kalyann Rozgar Yojana is brought in after bringing in several schemes together including the Mahatma Gandhi National Rural Employment Guarantee Scheme, which is already being implemented in 116 districts across 6 states which faced the major reversal of migration of labours [3].

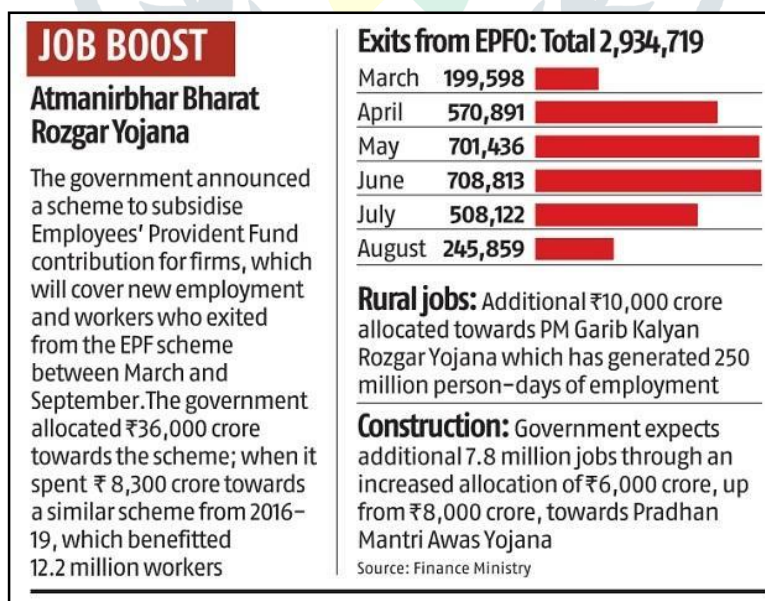


Figure 2. Atmanirbhar Bharat

### C. Concession on Maharashtra Stamp Act

The Maharashtra Stamp Act states that when a movable or immovable assets changes hands, a tax is imposed to get it stamped and the purchaser has to pay the government the amount as stamp duty. With the beginning of downfall of the real estate sector due to the COVID-19 pandemic the Maharashtra government decided to reduce the stamp duty rate in march 2020 but also decided not to extend the wavier offered on the stamp duty past march 31, 2021. They also decided that there won't be any changes in the Ready Reckoner Rate for the FY 2021-2022. This reduction on the stamp duty was done in two slabs- first it was reduced by 3% from September 1,2020 till the 31st of December 2020 and for the second time it was reduced by 2% for the period of three months starting from January 1st 2021 to March 31st 2021

There was one more change announced by the Maharashtra Government in its budget for 2021-2022 that an additional 1% of concession while be given on the existing stamp duty rate for a property transaction, if the registration of sale deed is done under the name of a women. Thus was announced by Maharashtra's deputy CM Mr Ajit Pawar on the eve of March 8, 2021.

This decision taken by the Maharashtra government resulted in a rush of home buyers and boosted the sales for properties in the state. If media reports are to be believed then between September 1 and October 17, 2020 high-end or luxury apartments worth Rs 2,200 crores have been registered in Mumbai alone. The media reported that the property registrations made during September-November were highest when compared with reports of the said period in the last four years. [4]

### III. SCOPE OF RESEARCH

- To help understand the necessity of the revival of the construction industry.
- To help improve the issues faced the construction sector
- To give suggestion to the government to help aid the construction sector

### IV. RESEARCH METHODOLOGY

Initially a questionnaire survey was supposed to be carried out and to interview various officials from the management level of the construction sector. However, the second wave of COVID-19 prevented the survey to be conducted. Hence, a survey was done with the help of google forms for further research.

### V. DATA COLLECTION

The data for the research was acquired through google forms. The link for the survey was sent to 30 construction firms across Pune and Jalgaon and Mumbai. Most of the responses are from Pune. The above concerned survey solely focused on the COVID-19 pandemic. The builders also submitted few suggestions from their end for the government to help the construction sector get back on its feet.

### VI. SUGGESTIONS FOR THE GOVERNMENT

The responses from the builders we got had various suggestions for the government to help revive the construction sector. They are as follows-

- Increase the period of concession on stamp duty or come up with similar idea such as reduce the ROI on home loans etc.
- To keep the material sourcing active for construction.
- As of now the Sales for the real estate sector will go down due to increase stamp duty and rising prices of Steel and cement, and there is a shortage of the supplies as well. To keep Construction sector alive, Government will have to think on the taxes which is applicable on Raw materials as well as on the flats which are sold to the customers and if they can reduce the stamp duty to 3-4 % will be a relief to both the customer as well as the builders as the sale will boost again.
- Work towards vaccination.
- Create benefits for migrant labour.
- Government should increase possession data, reduce stamp duty to 3% again, impose some restrictions on rising material cost, reduce challan amount and reduce some taxes as well.
- Offering relief packages/GST and tax benefits and easing out of obligations of timely project delivery through RERA.
- Give financial supports.
- Slash the GST rates and other taxes.
- Once again reduce the stamp duty and moratorium period for loan should be given.

### VII. RESULTS

Through the survey conducted many things were made clear through the responses received by the builders. However, the following points are our opinions and point of views on the basis of the survey and the information gathered for the research we conducted-

- With keeping the second wave of COVID-19 into consideration as most of the builders are under project delivery obligations by contracts should be given some sort of concessions.
- All construction projects should fall under essential services and must be allowed to work to provide some sense of job security to the the labours as they earn on daily wages.
- More schemes such as the 'concession on the stamp duty' should be introduced to further aid the construction sector.
- Some GST relief on construction materials such as steel, cement, bricks etc, should be given which will help the builders procure the material at a lower cost, which is lead to an increase in demand in the material for the materials which will ultimately lead to increase in production of the material, resulting in an increase of cash flow amongst the industry and thus helping the steel, cement and other concerned industries as well.
- Government should give recognition to the labour industry and must introduce bills beneficial for the industry.
- Construction is one of the leading sector if not the only to revive the economy of our country, working towards its revival will result in mass employment and high revenue.

### VIII. CONCLUSION

There would be denying the fact that COVID-19 hit the construction sector at its all-time low position. Even if the sector was on the rise of revival the lockdown and pandemic has definitely put a halt on it for the time being. The pandemic not only hit the construction sector but also its allied sectors which further deteriorated the situation. Through the research one thing that was common was that our country needs to gives importance to the construction sector as its revival will lead to breaking the shackles of the ever drowning of our economy.

One thing that was made aware to the nation was that how little benefits are given to the labours industry and how it's high time that new laws providing security and ensuring that if at all there comes a point in future when the nation faces a pandemic it would be prepared to provide for the workers and labours.

As our country has started the vaccination drive for the citizens of India it needs to made sure the construction workers are also given some sort of priority as most of them do not come from an educational background so they won't be as informed as the high class citizens of the country are.

The on-going projects throughout the nation should come into essential service so that the construction sector can continue to thrive and will finally get back on its feet and make an outstanding contribution to the revival of economy.

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