The Role of the Construction Sector in Economic Development: from Theory to Practice

UDC: 330.11:624/69 DOI: https://doi.org/10.15421/1724101

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Abstract

The construction sector plays an important role as one of the main links in the economic development of the country. This sector is indispensable not only in building physical infrastructure, but also in stimulating economic growth, creating new jobs and ensuring social development. The construction sector strengthens both the national economy and local markets and has a significant impact on the well-being of society as a whole. First of all, the construction sector plays an important role in accelerating economic growth. Large infrastructure projects, such as the construction of roads, bridges, railways, water and energy supply, add value to the economy and lead to an increase in the country's gross domestic product (GDP). Such projects also attract foreign and domestic investments, increase economic activity and have a positive impact on other sectors of the economy. In addition, the construction sector plays an important role in creating new jobs. There are wide job opportunities in the construction sector for workers, engineers, architects, manufacturers of building materials and specialists in other fields. This also helps to reduce unemployment, improve the social well-being of the population and stabilize the market in the economy as a whole. The development of the construction sector also leads to the improvement of the country's infrastructure and social conditions. When new residential buildings, shopping centers, office buildings, schools, hospitals and other social facilities are built, these projects improve the quality of life of people and have a positive impact on various economic sectors operating in the country. For example, new roads and transport infrastructure allow for easier commercial activities and faster transportation of goods and services.

The construction sector also encourages the growth of foreign trade and exports. The production of local construction materials and the export of these materials to other countries brings additional income to the economy. In addition, the activities of international construction companies allow for the attraction of foreign investments to the country and the local market to become more active on a global scale.

The article provides comprehensive research on the construction sector and provides references to fundamental scientific works on the theory and practice of this field.

Keywords: economy, construction sector, investment, organizational process, theory, practice

Роль будівельного сектору в економічному розвитку: від теорії до практики

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Анотація

Будівельний сектор відіграє важливу роль як одна з основних ланок економічного розвитку країни. Цей сектор є незамінним не лише для розбудови фізичної інфраструктури, але й для стимулювання економічного зростання, створення нових робочих місць та забезпечення соціального розвитку. Будівельний сектор зміцнює національну економіку та місцеві ринки та має значний вплив на добробут суспільства в цілому. Перш за все, будівельний сектор відіграє важливу роль у прискоренні економічного зростання. Великі інфраструктурні проекти, такі як будівництво доріг, мостів, залізниць, водо- та енергопостачання, додають цінність економіці та призводять до збільшення валового внутрішнього продукту (ВВП) країни. Такі проекти також залучають іноземні та внутрішні інвестиції, підвищують економічну активність та позитивно впливають на інші сектори економіки. Крім того, будівельний сектор відіграє важливу роль у створенні нових робочих місць. У будівельному секторі є широкі можливості працевлаштування для робітників, інженерів, архітекторів, виробників будівельних матеріалів та спеціалістів в інших галузях. Це також сприяє зниженню безробіття, підвищенню соціального самопочуття населення та стабілізації ринку в економіці в цілому. Розвиток будівельного сектору також веде до покращення інфраструктури та соціальних умов країни. Коли будуються нові житлові будинки, торгові центри, офісні будівлі, школи, лікарні та інші соціальні об'єкти, ці проекти покращують якість життя людей і позитивно впливають на різні сектори економіки, що працюють в країні. Наприклад, нові дороги та транспортна інфраструктура дозволяють спростити комерційну діяльність і швидше транспортувати товари та послуги.

Будівельний сектор також сприяє зростанню зовнішньої торгівлі та експорту. Виробництво місцевих будівельних матеріалів і експорт цих матеріалів в інші країни приносить економіці додатковий дохід. Крім того, діяльність міжнародних будівельних компаній дозволяє активізувати залучення іноземних інвестицій в країну та локальний ринок у світовому масштабі.

У статті проведено комплексне дослідження будівельної галузі та подано посилання на фундаментальні наукові праці з теорії та практики цієї галузі.

Ключові слова: економіка, будівельний сектор, інвестиції, організаційний процес, теорія, практика

Стаття надійшла / Article arrived: 14.07.2024 Схвалено до друку / Accepted: 24.10.2024

Introduction.

First of all, let us note that the construction sector, being one of the main links of the modern economy, is of great strategic importance for the economies of both developed and developing countries. This sector is not limited only to the work related to the construction and restoration of infrastructure, but also performs many important functions that form the basis of economic growth and social well-being. The construction sector affects various areas such as the creation of new jobs, the efficient use of economic resources, the development of trade and industry, and the expansion of the property market. This sector also has a significant impact on the overall economic development of the country, as it is a sector in which the state and the private sector make large investments and contributes to the development of foreign and domestic economic relations. The construction sector is not only satisfied with providing physical infrastructure, but also plays a major role in accelerating economic turnover and improving the social life of society. The article aims to examine the role played by the construction sector in economic development from various aspects, to emphasize its impact on the economy and the importance of the development of this sector.

The main research of the article.

Economic development, one of the main research objects of the article, is the process of improving the productivity, general well-being, social status and quality of life of a country or region over a long period of time. This is not only an issue measured by the increase in national income, but also includes a number of aspects such as structural changes in the economy, more efficient use of resources, increasing social justice and environmental protection. Economic development is also an increase in the wealth of society not only in material terms, but also in terms of social and cultural values. It represents a broad process aimed at ensuring that the social and economic life of a country develops in a more just, sustainable and inclusive manner.

The main part.

The construction sector is an economic sector that is involved in the planning, design, construction, restoration and repair of tangible objects, infrastructure and living spaces. This sector covers the construction of various infrastructure and buildings carried out by both the private and public sectors. The construction sector is also a complex field of activity that supports the physical and social development of any area, including engineering services, architecture and design work.

The impact of the construction sector on the property market. New buildings and projects affect property prices and lead to market expansion. The development of the property market, in turn, stimulates the development of the construction sector, creating conditions for increasing the income of property owners and accelerating the circulation of money in the economy. Real estate loans and other financial services also strengthen this sector. The construction sector requires innovative approaches and efficient management to ensure sustainable development of the economy. Not only the implementation of physical infrastructure projects, but also the implementation of environmental protection, efficient use of resources and the application of socially responsible approaches are important for long-term development.

Research scientist Ismayil Hasanov notes in his article “Improvement of the Organizational Processes of Construction and Investment Activities” that “The effectiveness of the implementation of investment policy largely depends on the level of development of construction. This, in turn, depends on the production potential of its material and technical base, the qualification level of executors, the scientific and technical degree of project solutions, the quality of construction, the organization of production and management, and the general activity of all participants in the construction process. Some of the functions in the construction field are performed by non-construction organizations. They supply construction with equipment, materials, vehicles and other services. In general, the majority of construction enterprises of the country, their material and technical resources are involved in the construction process. In this regard, it is necessary to solve some issues in order to create a normal investment environment in construction” (Hasanov, 2021).

Also, researcher I. Hasanov in his article “Heydar Aliyev and investment policy in Azerbaijan” showed that “Great Leader Heydar Aliyev always paid special attention to allocating a large place in the state budget to social protection measures during the transition to an economic model based on market relations. Noting the necessity of the foreign capital factor in the process of socio-economic development in order to realize the strategic goals set at that time, Great Leader Heydar Aliyev attached special importance to the signing of agreements with foreign companies that envisaged the exploitation of the rich oil reserves in the Azerbaijani sector of the Caspian Sea, and led the development of a new oil strategy for independent Azerbaijan as the main condition for the implementation of investment projects. The oil concept developed by Heydar Aliyev laid the foundation for the long-term successful socio-economic development of Azerbaijan. The “Contract of the Century” not only strengthened Azerbaijan’s geopolitical positions, but also gave impetus to the rapid development of the economy and improvement of the social welfare of the population. On September 20, 1994, a consortium of oil companies of the most advanced countries of the world - Azerbaijan International Operating Company - was established in Azerbaijan with the participation of the USA, Great Britain, Japan, Norway, Turkey, the Russian Federation and Saudi Arabia” (Hasanov, 2023).

As a result of this type of research, the scientist showed that a systematic and comprehensive study of the organizational processes of construction and investment activities allows for closer coordination of designers and organizers, the application of the network model of investment project implementation within the framework of complex investment design, and the improvement of the rules for conducting work in this direction. In such conditions, the long-term direction of investments in new construction, reconstruction, technical rearmament and expansion of operating enterprises is of paramount importance. In the formation of investment policy in the construction sector, sufficient attention is paid to the development of problems of management, planning and organization of the investment process.

The mixed economy system included in the market economy is characterized by the following characteristics:

- the creation of various economic forms included in different sectors of the economy, their mutual interaction and interconnected economic system, their ability to reconcile and integrate with each other in a number of cases on a collective, cooperative and public basis;

- the regulatory influence of the state on economic and social processes, their periodic transition from one form to another, the strengthening or weakening of the state's regulatory efforts are regulated by each state's own laws and regulations.

The specific features of the formation of the national economy in Azerbaijan, where systems with different economic bases are changing and transforming, have been shown. Based on the instructions and instructions of the Great Leader, the political, economic and legal factors that hindered the implementation of the new oil strategy in the first years of independence were examined, and at the same time, it was scientifically substantiated that the new oil strategy is the basis for the formation of the national economy.

It should also be noted that we have conducted research in this area. In our previous article (Economic Growth in the Construction Sector: An Analytical Approach), we noted that “The construction sector constitutes a significant part of the country's GDP. Construction work, the construction of new buildings, roads, bridges and other infrastructure projects create added value that is transferred to various sectors of the economy. This stimulates the flow of both domestic and foreign investments and accelerates economic growth. The construction sector, given its large-scale projects and high demand, also plays a role in solving the problem of unemployment by creating significant jobs” (Musayev, 2024).

If we touch on the practical side in the article, we can note that the construction sector is one of the main links in the economic development of each country. This sector, which has numerous impacts such as infrastructure projects, the creation of new jobs and the improvement of social welfare, practically makes great contributions to the economies of countries. Below, we will explain in more detail how the construction sector plays a role in economic development with several practical examples (Musayev, 2024).

1. Major infrastructure projects: Azerbaijan's Baku-Tbilisi-Ceyhan (BTC) Oil Pipeline. One of the examples that shows the important role of the construction sector in the economic development of Azerbaijan is the Baku-Tbilisi-Ceyhan (BTC) oil pipeline project. This project has significant economic impacts both domestically and internationally. Major infrastructure construction was carried out within the framework of the BTC project, as a result of which foreign investments were attracted to the Azerbaijani economy and local construction companies and workers benefited from this project. This project not only facilitated the export of oil and gas, but also created new jobs, increased the demand for construction materials and allowed for the improvement of transport infrastructure. In addition, other countries in the region have also benefited from this project and developed their economies.

2. Impact on the Local Economy: China and infrastructure investments. The large-scale infrastructure projects implemented in China in recent years are one of the important steps that have strengthened the foundation of the country's economic development. The construction work carried out by the Chinese government within the framework of the "New Silk Road" project has strengthened interregional transport and trade relations, diversified the country's economy and accelerated its integration into the world economy. This project has created new job opportunities in the construction sector and infrastructure not only within China but also in other countries. The construction of infrastructure projects such as subway lines, airports, roads and bridges in China has stimulated the country's domestic market and at the same time facilitated its access to the world market. In addition, local construction companies and manufacturers have participated in these projects, increasing economic turnover within the country and reducing unemployment (Phillips, 2018).

3. Development of the tourism sector (Jones, & Williams, 2019): Turkey's tourism sector is one of the concrete examples of the impact of the construction sector on economic development. The construction of hotels and recreation complexes, especially in touristic regions such as Antalya and Bodrum, has led to an influx of foreign and domestic tourists to these regions. This has created new job opportunities not only for construction workers, but also in the tourism and service sectors. Such infrastructure projects have stimulated the development of the tourism industry, strengthened the local economy and positively affected the country's overall exports. The construction sector has also paved the way for new commercial facilities, restaurants, shops and other business activities in the local economy. The main directions of labor resource assessment and management of construction enterprises include the following stages (Brown, & Evans, 2020). Stage I. Comparison of the

actual number of employees with the planned indicator, comparison of the number of actual employees over several years. Stage II. Assessment of the professional level of administrative and management employees, analysis of the suitability of employees for the position held, assessment of personnel policy and recruitment strategy, organization of training. Stage III. Studying changes in the composition of employees, determining the shortage or excess of employees by position. Stage IV. Assessment of labor movement and personnel turnover, analysis of sources of labor force increase.

Conclusions.

It should also be noted that the role of state laws in increasing investments in the development of the construction complex is indispensable. Certain measures have been taken in this direction. Along with this, the most important issue is the allocation of long-term loans for construction by the state. After these loans are allocated, the relevant state bodies should monitor the use of the loan for its intended purpose: "Thus, by stimulating the construction sector, the state actually brings it to the forefront of the non-oil sector and, having a positive impact on the economy, achieves the development of other sectors (Smirnov, 2013).

Today, the steps taken to support and stimulate the development of the construction sector will directly serve the development of the economy (Smith, & Brown, 2020). The role of the building materials industry in the development of the construction sector in our country is indispensable. Currently, the state is carrying out targeted reforms in the development of this sector.

Large-scale projects implemented by our country in our liberated territories also give impetus to an increase in the production volume of building materials. The construction sector plays an important and multifaceted role in the economic development of the country. This sector affects both the development of infrastructure and the creation of jobs, increasing social welfare and strengthening the national economy. The more the construction sector develops, the more positive the overall economic and social indicators of a country will be. The construction sector lays the foundation for economic development and includes many important factors that ensure the sustainable development of countries (Lee, 2017). As can be seen from the examples given above, the construction sector is not limited to the development of infrastructure alone; this sector also has significant effects such as creating jobs, increasing social welfare, attracting foreign investment and accelerating economic turnover. Thus, the development of the construction sector has a positive effect on the overall economic and social development of each country. These issues were examined and became the main object of analysis in the article.

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