

**TOTAL FACTOR PRODUCTIVITY  
IN THE  
SRI LANKA BUILDING CONSTRUCTION  
INDUSTRY**

By

**W M Dimuth S B Navaratna**

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**The Thesis Submitted In Partial Fulfillment**

**Of The Requirement For The Award of**

**Master Of Science in Construction Project Management**

Supervised By

**Professor A K W Jayawardane**

**Department Of Civil Engineering**

**Faculty Of Engineering**

**University Of Moratuwa**

**Moratuwa**

**Sri Lanka**

University of Moratuwa



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## Abstract

This research study uses the Tornqvist Index method to estimate the Total Factor Productivity Growth (TFPG) of the Sri Lanka building construction industry from 1995 – 2001. At the beginning of the study the aim was to estimate the total factor productivity growth and its trends for the entire Sri Lanka construction industry. However this was changed and the study was confined to building sector due to limited availability of data and incompleteness of the available data.

Sri Lanka construction industry has received mixed blessings from the government and policy makers towards its development. Most stake holders in the construction industry feel that the government has given insufficient attention to protect and develop Sri Lankan contractors making the construction industry suffer from quality, capacity and productivity issues. Several attempts have been made to measure site level and enterprise level productivity in the construction industry but there had been no significant attempt to measure TFPG in the construction industry, mainly due to complexities of such studies and lack of recorded information.



Despite the absence of such TFPG studies in Sri Lanka, such assessments in different sectors and for the overall economy are very popular in other countries in Asia such as Japan, Singapore, Hong Kong, and Thailand.

The results of the study indicate that TFPG has a positive trend from 1995 to 1997 and recorded the maximum TFPG in 1997. However, there is a drastic drop in TFPG (from +0.803 to - 0.682) in the building construction in 1998 and 1999 due to very high labour and capital input compared to 1997. Since year 2000 TFPG in the building construction industry had been revolving around zero. Study also concludes that there has to be significant improvement in national data collection in order to have more reliable indications of TFPG trends in the building industry and to have any indication of TFPG trends in the overall construction industry.

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## Acknowledgements

The research work and this report was prepared as a requirement of the Master of Science in Construction Project Management Degree course conducted by the Department of Civil Engineering of the Faculty of Engineering, University of Moratuwa, by W M Dimuth S B Navaratna.

This research could not have been completed successfully without the assistance of numerous individuals. First and foremost, Professor Ananda Jayawardane, Dean of the Faculty of Engineering, University of Moratuwa, provided exceptional assistance. He guided and directed in formulating the objectives of the research, methodology to carry out the research and actual collection of data. He also read and commented on all the drafts, checked the problems and provided valuable advice to complete this dissertation.

My heart felt gratitude to the Department of Civil Engineering, University of Moratuwa for providing me opportunity to participate in this Management degree course and the project coordinator, Dr N. D. Gunawardena and his academic and non-academic staff for providing very successful lectures, assignments, workshops and research work.



Other individuals and institutions who have contributed

- Dr. (Mrs.) Anila Dias Bandaranayake, Head of Department of Statistics and her deputies Mr. Susantha and Mr. Ariyatilake of Central Bank of Sri Lanka for providing me necessary data and information for this research work.
- The Director of Department of Census and Statistics (*Industries and Construction Division*), Mr. D C A Gunawardena and his staff including Mrs. Susantha and Miss Senani for providing valuable data and information related to the construction industry and the national economy of Sri Lanka.
- The Director of Advisory Division of the Institution for Construction Training and Development (ICTAD) for providing information related to the entire construction industry of Sri Lanka.
- The Senior Management and Engineers of National Housing Development Authority (NHDA), Road Development Authority (RDA), National Water Supply and Drainage Board (NWS&DB) for providing their data for this research work.
- The past researchers of similar studies, Prof. Willie Tan of Singapore, Prof. Sivaguru Ganesan and Prof. Mohan Kumaraswami of HongKong, Mr. Mao Zhi of



Singapore and Prof. Noriyoshi Oguchi of APO, Japan for advising and providing valuable information related to this study.

- The staff of Chamber of Construction Industry of Sri Lanka, National Construction Contractors Association of Sri Lanka, and Institution of Engineers of Sri Lanka for providing information to fulfill the requirements of this research study.
- The Management of Haycarb Group (*my work place*) for providing me the opportunity for participating this degree programme and carry the research work. And thanks for all the other personnel and institutions that were not mentioned above for helping for completion this research work and the dissertation report.



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