



# Factors Limiting the Performance of Indigenous Contracting Firms in North Eastern Nigeria - A Case Study of Gombe State.

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## ABSTRACT

The performance of the indigenous contracting firms is hampered or obstructed by the harsh business environment. The following are the challenges making the firms unable to compete with the foreign counterparts in Gombe State: non availability of contract to indigenous contracting firms; preference given to foreign multinational firms over indigenous contracting firms; lack of capital for effective management of project by contracting indigenous firms; inadequate market strategies used by indigenous contracting firms in bidding for contract among others. The data collected through structured questionnaires and interview were analyzed using both descriptive and inferential statistics. The study found out that the firms were medium-size firms, engaged in building construction and cannot finance projects independently prior to client financial contribution (mobilization fee). Their activities were limited to their locality and they rarely get bank loans. They do not have share capital and therefore could not fund projects from company capital base. The research indicated that accessibility to loan facilities is a key factor for enhancing the performance of indigenous firms in other to compete successfully with the expatriates who have taken over most of the business markets. It is therefore imperative to create an enabling environment and framework for SME such as indigenous contractors' accessibility to funds in Gombe State.

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## 1.0 Introduction

Construction industry is vital to growth and development of any economy and is one of the oldest in the world. Construction activity predicts or prognosis the general direction of an economy and for this reason, the industry is often described as a leading economic sector all over the world. This therefore, indicates the importance of construction industry across the globe or generations and developmental stages [1]. Nigeria's construction sector accounts for 1.4% of its GDP, and despite the growth observed in the construction sector outfit, its contribution to total GDP has remained at abysmally low level [2].

In 1981, the construction sector accounted for 5.8% of Nigeria's GDP. In the last three decades, Nigeria's total GDP has raised to approximately 495 times of its sizes. On the contrary, construction sector GDP has only developed to 125 times of its size in 1981. It is quite extent that Nigeria is far below realizing her potentials in construction industry despite huge deficit in infrastructure due to the inability of the government to encourage or train the indigenous firms [2]. It is the responsibility of every nation to promote, develop and equip her contractors with the available projects so as to have

the required experience with which to execute all complexities of national construction challenges.

However, instead of government to develop local construction companies, they went on developing foreign companies thereby starving indigenous contractors [3]. This has made foreign contractors to have an edge over Nigeria contractors which remain unexperienced and therefore unable to compete with their foreign counterparts. The position of these foreign companies has not given the indigenous construction companies the opportunity of solely executing major engineering projects [4]. The Nigerian construction market is among the largest market in Africa, which has recorded impressive growth over the years.

Despite the strategic role of the construction industry in the growth of Nation's GDP, less than 2% is quite negligible when compared with some African countries as established by [2]. Inconsistent project management practices influence company's competitive position in the market place [5]. Project management in some developed countries cannot be compared with the Nigerian system, firms or organizations that delay in adopting formalized practices definitely suffers specific consequences which include



failure to learn from shared experiences, late and over budgeting projects and low labour productivity [6].

Therefore, construction projects become more complex, complicated and fragmented which necessitated specialist contractors and this has gradually phased out the indigenous constructors that are fully owned by Nigerians as identified by [7].

Nigerian construction industry is dominated by foreign companies in which most of the construction works are undertaken by expatriates [8]. This is due to the deficiencies and incapacity of the indigenous firms in areas of financial effectiveness, innovations, dynamism among others [9]. A large proportion of these major constructing firms in Nigeria are subsidiaries/affiliates of European, North American and Asian construction firms.

However, private clients especially individuals award building contracts to local construction firms/companies. The choice and preference for involving foreign contractors as compared with other indigenous firms is majorly on lack of technical competence, deficiency in managerial skills and planning. Others include poor financial management adaptations to modern/new innovations, acquisition of modern equipment among others as established by [10].

Based on the above, competition increased over the years, as new companies both foreign and indigenous companies emerged in the Nigeria construction market, only few indigenous construction firms have enlarged their capacities to serve both the private and public sectors. Based on latest researches, some of the Nigeria indigenous contractors are incompetent and inexperienced as confirmed by [10] and this has made the construction industry in Nigeria unable to develop and compete with the level of other developing nations. The aim of this research is to determine how the presence of foreign construction firms affects the performance of indigenous firms in North-Eastern Nigeria.

## **2.1 Major Construction firms in Nigeria construction industry**

Nigerian construction industry is dominated by international construction firms, through a number of smaller indigenous companies emerging presently [2]. According to [2], Julius Berger Nigeria Plc remains the contracting giant, as it controls a large chunk of public sector construction companies in the country. With the new entrant of Chinese construction giants, however, the dominance of Julius Berger faces great challenges in the long term. For China Civil Engineering Construction Company was appointed by the Lagos state government as the contractor for the large light rail project. The firm was also awarded the rehabilitation of Lagos – Jebba rail track by the Federal Government.

In addition, growing population of Public Private Partnership (PPPs) also mean more international construction firms are likely to come

into the Nigeria market. There are other medium sized (based on scale of operation in the country) construction companies in Nigeria such as follows; Costain W.A. Plc, PW Nigeria, G Cappa and D'Alberto, Stabitin Visioni, Bi-Courtney Ltd, Gerrawo Global Engineering Ltd., Piccoto – Brunelli Engineering Ltd., Philco Nigeria Ltd., Niger Cat Nigeria Ltd., Arab Contractors Ltd., CGC Nigeria Ltd, Dantata and Sawoe Construction Company Ltd. etc. However, there are many low-sized construction firms whose profile could not be unveiled though they execute a large proportion of construction activities in Nigeria.

## **2.2 Nigerian Construction Companies Literature**

Nigeria as a nation is still at the infancy stage of infrastructural development with lots of construction activities being carried out across the nation by the Federal, State and Local Governments as the major clients of construction activities in Nigeria. The main purpose of this developmental plan is to provide infrastructural facilities such as roads, water, electricity etc; as essential needs for the Nigeria populace. All these construction activities are carried out by construction or contracting firms either local or foreign whose structure at times affect the level of construction output. However, the execution of most of construction works are being carried out by the foreign construction firms but changes in government transformation agenda and local content policy in infrastructural sector has created rooms for Nigerian indigenous contracting firms to grow and participate in the developmental processes. Like other nations of the world, construction firms could be classified as small, medium and large in Nigeria. Large firms are majorly dominated by the expatriates with very few indigenous that could be categorized as medium while most are categorized as small sized firms [1].

Against this background, there is a need to examine the structure of contracting firms in Nigeria, which are dominated by small scale operations but execute large volume of construction activities. According to [11], by Nigerians, examined problems facing small contractors in South Africa and found out that poor record keeping, lack of effective management and lack of entrepreneurial skills are major cause of business failures for small contractors. Also, [12] examined the factors affecting the performance of small indigenous contractors in Papua New Guinea. Level of cash flow, financial skills, poor communication between the contractors and the clients' site representatives are the major factors affecting the performance of indigenous contractors. In Nigeria, [13], examined the application of strategic management among construction firms and the study was conducted among the small, medium and large construction firms in Lagos, Nigeria. The study found out that small and medium sized firms are mostly conversant with this management strategy. Also, [14], appraised the causes of collapse of some construction firms in Nigeria. The study was conducted on medium to large size construction firms and found that the competence of management



has the most significant influence on the continual survival of construction firms in Lagos State.

The literature review on construction firms show a paucity of researchers on source of contract of construction firms in Nigeria, but among the few studies found, there was limited number that examined the source of contract of indigenous construction firms in terms of their size, area of specialization, business types, clients types, project funding arrangement and years of existence. The research work examined the source of contract for indigenous firms in Nigeria construction industry with a view to examining the sizes area of specialization, nature of business, types of client and project funding arrangement of indigenous contracting firms in Nigeria.

### **2.3 Problem Faced by Small Contractors**

#### **2.3.1 Cash Flow**

Small contractors in developing countries are often the ones on the fringe of the construction industry and undertake work unwanted by the large contractors. Most of their work, comprising construction maintenance and refurbishment work is from the public sector.

Consequently, they are likely to be greatly affected by the state of the country's economy because of, for example challenges in the government's expenditure policy [15] as most government agencies experience financial problems. There are delays of payments to contractors with a consequent of adverse effect on the contractor's cash flow [16]. This then affects the operation of the contractor, ultimately hindering the project from being delivered as required [17].

Many small contractors also experience difficulties in obtaining money from financial institutions to finance their businesses due to the high levels of bankruptcy in the industry, hence the initial capital for the business must come from the contractor [18].

In addition, most small and medium contractors in developing countries have very limited funds as they are seldom able to offer the necessary fixed assets as collateral [16]. Small contractors therefore operate on very tight budgets and when they make a loss on one project they tend not to have sufficient resources to continue in business [19]. In [19], further noted that the success of small indigenous contractors are dependent on the contract type used. For example, lump sum contracts requires contractors to have sufficient finances for purchasing materials and paying workers.

Construction management skills, deficiency in planning and management skills are said to be the greatest problems for small scale contractors generally [24].

In developing countries like Nigeria the local construction industry lacks the capacity and capability of undertaking large construction projects resulting in the continual domination of expatriate construction companies in undertaking all major construction projects [8]. Consequently, smaller companies find it hard to acquire experience in their type of project [17], leading to contractors with limited management and technical skills [16].

This affects their ability to acquire building materials, manage their workers, successfully bid for work [19] and generally contributing to poor performance [16].

Other problems that are associated with small contractors are:

- i. Working relationship
- ii. Facilities and equipment
- iii. Communication
- iv. Cultural impact
- v. Financial management skills.

### **2.4 Types of Challenges**

Public procurement is an important function of government for several reasons. First, the sheer magnitude of procurement outlays has a great impact on the economy and needs to be well managed indeed [20]. Efficiently handling this procurement outlays, has been a policy and management concern as well as a challenge for Public Procurement Practitioners.

Secondly, public procurement has been utilized as an important tool for achieving economic social and other objectives [21, 22]. In its report to the congress, the commission on Government Procurement of the USA states that, "The magnitude of the Governments outlays for procurement and grants creates opportunities for implementing selected national policies" [23].

The World Bank's procurement under International Bank for Research and development (IBRD) loans and IBRD Credits specifies the following four major concerns or objectives of public procurement for project funded by its loans.

- i. Ensuring that the loan is used to buy only those goods and services needed for the project
- ii. Ensuring fair competition for all qualified bidders from the World Banks eligible countries.
- iii. Promoting transparency or integrity and
- iv. Ensuring development of indigenous contractors and manufacturers by allowing local buyers to build in margin of preference for local contractors and manufacturers [24].

Thirdly, due to many reasons (including greater scrutiny of tax payers and competing vendor), public procurement has been perceived as an area of waste and corruption. The District of Columbia, USA government wasted hundreds of thousands of dollars in revenue by untrained staffers [25]. Corruptions and bribes are widespread in government contractors. International transparency, undated, and see [www.transparency.org](http://www.transparency.org).

Fourthly, as many countries have moved to a regional or global economy, public procurement practitioners face another challenge which is how to comply with their government's procurement regulations, social and economic procurement goals without violating regional or international trade agreements.

For example, how to comply with national economic policies (in nurturing domestic firms) without dealing unfairly with foreign firms as provided in regional trade agreements or the World Trade

Organization (WTO) agreements is not easy. This is because, it requires a careful study of trade agreements in order to take advantage of special provisions, tenders and award of contracts, impose, seek or consider offset.

Fifthly, in developed as well as developing countries, disregarding their economic, social and political environment, a sound procurement system has to accomplish two sets of requirements normally including quality timelines cost (more than just the price) minimizing business financial and technical risks maximizing competition and maintaining integrity. The procurement policy requirements normally include economic goals (preferring domestic or local firms), environmental protection or green procurement (promoting the use of recyclable goods), social goals (assisting minority and woman – owned business concern), and international trade agreements, it is very difficult for policy makers and public procurement practitioners to make an optimal decision, as there are always tradeoffs among these goals [1, 22, 23].

Finally, facing the challenges above and others including rapid developments in technology (which have led to new procurement methods) “public procurement cannot be perceived as mere a clerical routine”, as procurement practitioners are and should be involved in strategic procurement planning [26, 27]. In recent years, public procurement practitioners have forcefully challenged the perceived clerical task of public procurement.

According to a recent unscientific survey of 704 members at the National Institute of governmental purchasing Inc, 83% of respondents contended that the major role of current purchasing is tactical ([www.nigp.org](http://www.nigp.org)).

Thus, making public procurement a recognized profession is another challenge, and building a body of public procurement knowledge in one’s attributes of a profession is very critical. The National Institute of Governmental purchasing, Inc (NIGP), a National Professional Association of the United States and Canada signed a partnership agreement with Florida Atlantic [1, 26, 27].

## 2.5 Summary of Public Procurement

Challenges are as mentioned below:

- i. Internal factor
- ii. Market environment
- iii. Legal environment
- iv. Political environment

Social, economic and other environmental factor [22].

## 3.0 Research Design and Methodology

This research focused on the circumstances limiting the performance of indigenous contracting firms in Gombe State, North-East of Nigeria. The scope of the study was limited to contracting firms (20) on construction sites within Gombe State. There are many professions involved in the construction industry such as: Architects, Engineers, Builders, Quantity Surveyors, etc.

## 3.1 Method and Source of Data Collections

The method used in the collection and investigation of the effect of foreign firms on the performance of indigenous contracting firms are namely:

- i. Primary data
- ii. Secondary data

### 3.1.1 Primary Data

Primary data were collected through the administration of a well-structured questionnaire which were divided into two sections. Section A comprised the demographic characteristics of the respondents. Section B contained the specific questions addressing the issue of this research which include the following; firm sizes, area of specification, business type, type of client, project funding arrangement and years of work experiences.

### 3.1.2 Secondary Data

Data were collected through the use of information extracted from journals, relevant textbooks and other relevant articles.

### 3.1.3 Sample Size

The sample questionnaires were administered on professionals in some selected contracting firms(20) working in the state through random sampling techniques. Thirty five (35) copies were returned out of the fifty (50) copies sent out and were used for the analysis. Copies returned represented seventy percent (70%) responses.

## 3.2 Method of Data Analysis

The data collected was analysed using percentage to describe the demographical characteristics of the respondents.

Mean Item Score (MIS) and Relative Significance Index (RSI) were used to show the mean scores of the professionals’ responses to questions raised by the study, while Chi-Square Test ( $X^2$ ) was used to determine the level of significance of the variables identified by this study. This method of analysis has been employed for other construction management studies [28, 29].

### 3.2.1 Research Hypothesis

#### Hypothesis 1

$H_0$  There is no statistical significance impact of firm size on the performance of indigenous contracting firms.

$H_1$  There is a statistical Specialization impact of firm size on the performance of indigenous contracting firms.

#### Hypothesis 2

$H_0$  There is no statistical significance impact of firm’s area of specialization on the performance of indigenous contracting firms.

$H_2$  There is a statistical significance impact of firm’s area of specialization on the performance of indigenous contracting firms.

**Hypothesis 3**

- H<sub>0</sub> There is no statistical significance impact of firm’s business type on the performance of indigenous contracting firms.
- H<sub>3</sub> There is a statistical significance impact of firm’s business type on the performance of indigenous contracting firms.

**Hypothesis 4**

- H<sub>0</sub> There is no statistical significance impact of firm’s type of client on the performance of indigenous contracting firms.
- H<sub>4</sub> There is a statistical significance impact of firm’s type of client on the performance of indigenous contracting firms.

**Hypothesis 5**

- H<sub>0</sub> There is no statistical significance impact of firm’s funding arrangement on the performance of indigenous contracting firms.
- H<sub>5</sub> There is a statistical significance impact of firm’s funding arrangement on the performance of indigenous firms.

**Hypothesis 6**

- H<sub>0</sub> There is no statistical significance impact of firm’s years of existence/operation of firms.
- H<sub>6</sub> There is a statistical significance impact of years of existence/operation of firms.

**4.0 Results and Discussion**

Table 1 describes the size of contracting firms in the study area. In terms of annual turnover, staff strength and equipment capacity, the result obtained shows that out of 14 respondents, 11 and 10 firms are of medium size respectively. This implies that the majority of the firms surveyed are medium sized contracting firms in terms of their annual turnover, staff strength and equipment capacity. It could be inferred that the firms surveyed are capable and should be able to offer construction services to a satisfactory level of the required specification. Association of the level of significance of firms’ size strength and equipment capacity are significant to the growth of the indigenous contracting firms. This indicates that indigenous firms should improve on their annual turnover for them to compete with expatriates who have dominated the construction industry in Nigeria. The indigenous firms’ capacity in term of size and capacity of their employees should be improved on for them to meet job requirements and demands. The firms’ equipment capacity must also be improved on because the construction activities are becoming complicated, complex and advanced due to new innovations and technology. Therefore, H<sub>1</sub> was accepted because there was a significant impact of firm’s size on the growth of indigenous contracting firm.

Table 1: Firm Size – Result

Firm Size in terms of	Large	Medium	Small	$\chi^2$	Sig	Remarks
AT	2	11	1	4.571	0.003	S
SS	1	11	2	13.000	0.002	S
EC	3	10	1	13.000	0.002	S

AT – Annual turnover, SS – Staff strength, EC – Equipment capacity, Significance ( $\alpha$ ) = 5% (i.e. P<0.05, S = Significant, NS = Not Significant, Mean Item Score = MIS or Mean, Relative significance index = RSI, Chi squared test =  $\chi^2$

Table 2 illustrates the area of specialization of the firms surveyed. The highest ranked was building/civil construction with RSI = 1.00. Others include Civil Engineering works (RSI = 0.977) and industrial/heavy (RSI = 0.643) which ranked lowest. The results obtained from the respondents show that all the contracting firms surveyed were engaging mostly in building/civil construction more than civil works, industrial and heavy engineering, though they were equally ranked high. The assessment of the level of significance shows that building/civil construction and industrial/heavy work were significant while civil engineering works were insignificant to indigenous firms in the history. This implies that indigenous firms could develop their business horizons in the area of building construction because of opportunities of accessibility to workloads, cope and capacity of equipment required in executing the building/civil works. Industrial/heavy engineering activities also comprises of building/civil works and indigenous firms should employ strategies to access works in that sector. Therefore, H<sub>2</sub> was accepted because there was a considerable significant impact of firms’ area of specialization on the growth of indigenous contracting firms.

Table 2: Area of Specialization

Special-ization	Means	RSI	Rank	$\chi^2$	Sig	Remarks
BC	3.00	1.00	1	10.286	0.001	S
CEW	12.93	0.977	2	3.456	0.346	NS
I/H	1.93		3	9.286	0.010	S

BC – Building construction, CEW – Civil Engineering work, I/H – Industry/Heavy, Significance ( $\alpha$ ) = 5% (i.e. P<0.05, S = Significant, NS = Not Significant, Mean Item Score = MIS or Mean, Relative significance index = RSI, Chi squared test =  $\chi^2$

Table 3 describes the kind of business activities and contract arrangement often engaged with employers by most of the contracting firms surveyed in the study area. The professionals’ in-

charge of the firms ranked build only with RSI 1.000 as the business type/contract arrangement often entered with the construction clients. Others include design and build package deal (RSI 0.787) and design, build and operate (0.620). The least ranked was design build and finance (turnkey) with RSI (0.570). This implies that most of these firms do not have the capacity to produce independent designs for a project, finance project prior to client financial contribution (mostly rely on mobilization fee from the client) and have no capacity to go into long-term financing and partnership. Evaluation of significance of business types of indigenous firms show that build only and design, build and operate were significant. Build only procurement system was significant because not all client save regular cash flow for project execution and indigenous contractors could be better placed in assisting such clients to meet their need of personal shelter which encompass the principle of “pay and work”. Design, build and operate was also significant because there were users who might not be able to build houses of their own and need shelters. Hence, H<sub>3</sub> was accepted because there was a significant impact of firms’ business type on the growth of indigenous contracting firms.

Table 3: Business Type/Contract Arrangement

Business type	Means	RSI	Rank	$\chi^2$	Sig	Remarks
BO	3.00	1.000	1	7.332	0.320	S
D&B	2.36	0.787	2	4.429	0.109	NS
DBF	1.71	0.570	4	2.286	0.319	NS
DBO	1.86	0.620	3	7.143	0.008	S

BO – Building only, D&B – Design & building, DBF – Design, building & finance, DBO – Design, building & operate, Significance ( $\alpha$ ) = 5% (i.e.  $P < 0.05$ , S = Significant, NS = Not Significant, Mean Item Score = MIS or Mean, Relative significance index = RSI, Chi squared test =  $\chi^2$ )

Table 4 describes the types of clients often worked for by most of those firms. The client types were categorized into public and private. The result obtained shows that for public client, the highest ranked was State ministries and parastatals with RSI (0.953) followed by Local government (RSI = 0.833) while the least ranked was Federal ministries and parastatals (RSI = 0.810). This result shows that most of the firms surveyed work closely with the State government than Federal and Local government. This could help them to build their capacity in terms of complexity of construction activities, staff strength and strong financial base or viability the survey for private clients firm ranked individual (RSI = 0.930) and NGO (RSI = 0.930) high as the private clients they often work for. The least ranked was institutions (RSI = 0.620) followed by

international agencies (RSI = 0.737). This shows that the clients of the firms surveyed were limited to their locality. This could be true because it will take time to build trust and confidence in any growing up firms most especially where money is involved. The significance of type of clients often worked for by indigenous firms surveyed shows that State ministries/parastatals was significant for public Client, but or private clients, the significant were individuals and institutions. The State ministries and parastatals were significant to the structure of indigenous firms because this level of government is close to the grassroots politics in a nation like Nigeria and where Local government power is at the control of the State government.

Presently, in the study area most of the capital projects across the State are under the control of the State which is the central government in Nigeria. In the case of private clients, individuals could be close associates who know indigenous contractors as friends, business associates and political affiliate’s etc. Institutions also have self-power to give jobs to whosoever seems competent and with less bureaucracy on-governmental institutions were insignificant because some of them have national and international affiliations whose requirements might be challenging to indigenous contractors.

Table 4: Types of Clients

Client types	Means	RSI	Rank	$\chi^2$	Sig	Remarks
<b>Public</b>						
FMP	2.43	0.810	3	0.090	1.000	NS
SMP	2.86	0.953	1	7.143	0.008	S
PLG	2.50	0.833	2	4.429	0.109	NS
<b>Private</b>						
IN	2.79	0.930	1	17.287	0.000	S
INS	1.86	0.620	4	4.571	0.003	S
IA	2.21	0.737	3	1.000	0.607	NS
NGO	2.79	0.930	1		0.607	NS

FMP – Federal Ministry/Parastatal, SMP – State Ministry/Parastatal, PLG – Parastatal/Local government, IN – Individual, INS – Institution, IA – International agency, NGO – Non-Governmental organizations, Significance ( $\alpha$ ) = 5% (i.e.  $P < 0.05$ , S = Significant, NS = Not Significant, Mean Item Score = MIS or Mean, Relative significance index = RSI, Chi squared test =  $\chi^2$ )

Table 5 illustrates the project funding arrangement for the projects carried out by the firms surveyed. The result obtained ranked mobilization fees high with RSI 0.930 as project funding arrangement between the clients and the firms surveyed. Others include bank loans (RSI = 0.903) and retained earnings (RSI = 0.787). The least ranked was share capital (RSI = 0.620). It could

therefore be inferred that most of the projects handled by the firms were funded by the clients' personal funds (mobilization fees). They rarely get bank loans to fund the project from company's capital base assessment. Assessment of the level of significance of project funding arrangement on the effect of foreign contracting firms on growth of indigenous contracting firms shows that bank loans, share capital and mobilization fees were significant.

This shows that accessibility to loan facilities is a key factor for enhancing the growth of indigenous firms in other to compete successfully with the expatriate who have taken over most of the business of contract in Nigeria. It is therefore imperative to create an enabling environment and framework for SMEs, such as indigenous contractors' accessibility to funds in the Nigerian financial system. In addition, payments of mobilization fee to indigenous contractors is also essential as monetary security which shows that the client has made a reasonable commitment towards his dream.

Table 5: Project Funding Arrangement

Funding	Means	RSI	Rank	$\chi^2$	Sig	Remarks
BL	2.71	0.903	2	17.287	0.000	S
RE	2.36	0.787	3	4.571	0.003	S
SC	1.86	0.620	4	1.000	0.607	NS
MF	2.79	0.930	1		0.607	NS

BL – Bank loan, RE – Retain earning, SC – Share capital, MF – Mobilization fee, Significance ( $\alpha$ ) = 5% (i.e.  $P < 0.05$ , S = Significant, NS = Not Significant, Mean Item Score = MIS or Mean, Relative significance index = RSI, Chi squared test =  $\chi^2$ )

Table 6 shows the year of existence of the firm surveyed. The range years of operation of the firms were calculated at 10 years. Most of the firms have been working for a decade which shows that they have satisfactory experience in the industry.

Table 6. Years of Existence/Operation of Firms

Years	Frequency (f)	x	fx
0 – 5	1	2.5	2.5
6 – 10	9	8	72
11 – 15	2	13	26
16 – 20	1	18	18
21 – 25	1	23	23

### Conclusion

This study investigated the effect of foreign contracting firms on the performance of the indigenous ones, using firms in Gombe State as case studies. Among issues raised were their sizes in terms

of annual turnover, staff strength and equipment, area of specialization, business type/contract arrangement, type of clients, project funding arrangement and years of operation. This research therefore concluded that majority of the firms surveyed are medium size contracting firms in terms of their annual turnover, staff strength and equipment capacity. They have been in operation for a long time. Majority of the firms do not have the capacity to produce independent designs for a project, finance projects prior to client financial contribution (mobilization fee) and do not have capacity to go into long-term financing and partnership. Most of the projects handled by the firms are funded by the clients' personal funds, they rarely get bank loans to finance the projects and there is poor serving culture among the firms. The study concluded that most of indigenous contracting firms are medium sized and they do not have share capital which means they are not quoted on the Nigerian stock exchange market.

Based on the issues discussed in this study, it can be recommended that indigenous firms should improve on their annual turnover for them to compete with foreign expatriates contracting firms that dominated the construction markets in Gombe State, they should also improve their capacity in terms of size and employees, for them to meet job requirement and demands. The equipment capacities of the companies must also be improved on, because construction activities are becoming complicated, complex and advanced due to new innovation and technology.

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